

A REPLY TO BEN FINE

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The following assumptions appear to underpin Professor Fine's criticisms of my work (Fine, in *Transformation* 25, 1994):

- 1) Business-friendly economic policies are by definition a bad thing; it is not politically-correct (in fringe-left circles that is) to be nice to business; and in any event, business confidence is fickle and hard to measure, so therefore we should ignore it.
- 2) The ANC's shift in economic strategy from its earlier ideas of 'growth through redistribution' to its present sound fiscal stance is a sell-out (of the earlier policies supported by Professor Fine), and hence is a very bad thing indeed.
- 3) The idea of keeping wage growth in line with productivity is problematic (presumably because this will promote the economy's competitiveness, strengthen capitalism and thereby lessen the chances of a socialist revolution).
- 4) The possibility of any potential trade-off between wages and employment should be dismissed because it just might be possible (assuming spare capacity and depressed demand) to experience a simultaneous increase in output, employment and wages. Other more plausible scenarios should be ignored.
- 5) One should bury one's head in the sand when it comes to the vexed lessons of international experience: South Africa is apparently too different and complex for anything to be learned of practical value.

My argument is essentially this:

- 1) The international capitalist system is characterised by highly mobile capital. For investment, growth and sustainable job creation to take place, economic policies must be business-friendly. This hard fact of life cannot be wished away.

- 2) International competitiveness is essential for sustained growth. This implies that wage growth should not exceed that of productivity. Note that this does not imply that wages must fall. It implies only that wages must rise in line with productivity growth.
- 3) South Africa has a terrible unemployment problem. To assume that there is no trade-off between employment and wages is irresponsible. The costs to poor people are simply too high.
- 4) Economic policies should be designed in accordance with what is reasonable, empirically sound and feasible. Where local empirical evidence is insufficient, policy makers should look to the international experience and proceed with caution.

Professor Fine apparently has a problem with policies (such as the ANC's), that accept the (capitalist) status quo as a given. If he can provide the evidence and argument in favour of an alternative approach, I and many others would be delighted to hear it. Like Professor Fine, I am in favour of a more just and equitable world. My judgement happens to be that social-democracy is the only feasible strategy. Redistribution must be accompanied by strong economic growth - and hence investment.

Sniping at this is all very well. However, until Professor Fine addresses my arguments seriously and empirically (ie. shows why and how an alternative understanding of the South African economy and international experience undermines them), his position remains vacuous. Simply telling us that the RDP will fail - without providing any positive alternative strategy - is most unhelpful.