AFRO-PESSIMISM AND SA

12 May 2000

***The Spectator*'s blinkered view of SA**

The lessons worldwide are unambiguous: open economies generate growth and rising wealth, closed economies lead to poverty; open societies can re-examine themselves and keep on improving, closed societies stagnate.

***The Spectator* in London recently published an editorial on SA under the title "SA is next". The editorial is long on opinion and short on fact. It requires a response. Copyright agreements prohibit us from publishing the editorial either in full or in part**.

Central to *The Spectator's* view is the argument "where Zimbabwe goes today, SA is likely to go tomorrow". Really?

After Zimbabwe's independence in 1980, most of the free press in that country was effectively nationalised by transferring ownership to a State controlled Trust. Soon after the 1994 election in SA, the airwaves in SA were deregulated and a number of private radio stations came into existence. In addition, commercially viable state radio stations were privatised. A privately owned free-to-air television station was licenced.

As a result, the press became stronger, freer and more independent. The genie was let out of the bottle. The contrast with Zimbabwe can be no greater.

The comparison on media also extends to matters economic. President Robert Mugabe maintained the closed and regulated economy he inherited from Ian Smith. On top of that, bad policies were pursued. Petrol prices were subsidised, though they should have doubled; the central bank printed money (to the extent that locals referred to the central bank as "Bob's take-away), State spending soared, resulting in ever bigger budget deficits. The chickens cam home to roost, and the annual inflation rate is now over 60%.

In SA, the economy was opened to global competition subsidies, and protection for business were cut. About 500 000 people - most of them ANC supporters - lost their jobs. But companies became more efficient, productivity improved and moribund industries such as car manufacturing and agriculture were revitalised.

The Budget deficit was considerably more than halved to 2.5% of GDP. Core inflation fell from double digits to 8%. Again, the contrast with Zimbabwe cannot be larger.

Mugabe used the civil service as a dumping ground for his cronies. In SA, in spite of the pain of half a million jobs lost, the public service was not used for job creation. The service is now 14% smaller than it was in 1994 - and that was achieved in spite of the large-scale appointment of blacks.

The Spectator is clearly talking rubbish. Instead of spouting gin-and-tonic opinions, it should do some hard thinking.

Another issue it raised is that "eventually the ANC *will* (our emphasis) find it expedient to follow Mugabe's policies". My, my ….. such certainty about the future. Not might or could but *will.* Let's test it.

The ANC Government is carrying out the most ambitious privatisation programme in SA's history. Too slow for many, including this magazine, but more than ever. The previous bout of privatisation saw the sale of Iscor and Sasol under the tenure of P W Botha. Now the four largest public corporations are on the block; the largest city in the country is outsourcing, commercialising and privatising 60% of its functions. Airports look better than ever because they have been partly privatised, and private capital finances airport investments.

Black empowerment groups receive quite a large slice of this action. The President declares in a prepared public speech that SA is poised to become a capitalist society. The only issue is to what extent black capitalists can share in the economy.

Does this background and philosophy sound like a government on its way to nationalise, as *The Spectator* says it *will?* We think not. As for the possibility that the masses may rise and force the ANC to plunge the country into chaos, consider the following:

During the almost two decades between 1975 and 1992, SA's economy grew at a consistent rate of about 1.7%. Population growth exceeded 2%. Thus per capital incomes declined and the country at large got poorer.

From 1993 to 1997, economic growth recovered to about 2.5%.

It was set for 3% but the international financial crises - which most observers agreed SA survived much better than most other developing countries - cut that short. SA is now again on course for a 3%-plus growth rate - while the population growth has slowed to below 2%.

That leaves a margin of 1% - 1.5% to improve living standards. If that sounds insignificant, the US and UK built some of the highest living standards by maintaining per capita growth rates of 1% - 2% over the last 150years. It is not the margin that counts but the consistency with which it is maintained.

Nothing in life is certain. However, if the economy grows at 3% - 4% and the population at about 2%, living standards must rise and SA will become more prosperous.

The lessons worldwide are unambiguous: open economies generate growth and rising wealth, closed economies lead to poverty; open societies can re-examine themselves and keep on improving, closed societies stagnate. Zimbabwe made a fundamental choice for a closed society and economy: SA opted for an open society and economy. That creates a different picture from *The Spectator's* unmotivated and irrational fears. Time to take off the dark glasses, *Spectator!*

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Originally published
Finance Week
12 May 2000