

10th Birthday 10 000 Copies

Searching for a new paradigm

When you reach the age of ten years, you feel a sense of bravado.

New Agenda has now reached that mark and we feel a sense of confidence that we have done a good job. We are planning a celebration to be held in parliament and have invited President Zuma to address it. Other events are also envisaged.

We feel that we have not got it that wrong. On the contrary, the policy positions we have espoused over a decade have been broadly correct, as even the most dogmatic free-marketeters now concede. Fiscal and monetary orthodoxies have done much damage to the global economy and, to a degree, to South Africa.

While macro-economic orthodoxy corrected some of the inherited financial distortions in our economy, it has not delivered an adequate improvement in the daily lives of our people. The proof lies in one simple fact: the child support grant is to be extended to 18-year-olds, an age when many will have already left school and should be earning a living.

An outstanding study by Haroon Borhat, a member of our editorial board, and Carlene van der Westhuizen, which analyses poverty and inequality for the period 1995 to 2005, provides further evidence of our inadequate performance. While it finds that poverty has declined, largely because of social grants, inequality has increased: "South Africa is now the most consistently unequal country in the world... Individuals at the top end have gained the most." And, surprisingly, "whites experienced the highest growth rates of all race groups."

This is a shock finding, especially for all of us who hold the Freedom Charter dear and aspire to its realisation under ANC leadership.

A similar picture is drawn in a new book on South African economic policy under democracy (Aron et al, 2009). The authors report both "a general consensus that poverty rose over the post-apartheid period" and "a fall in real earnings in the less protected parts of the labour market". Real earnings in the informal sector fell by 38.2 percent between 1997 and 2003 and formal sector real wages fell by 12.1 percent from 1995 to 2003. Unemployment among Africans increased from 20.1 percent in 1995 to 31.9 percent in 2005.

Most disconcerting is their view that, "going into the future, the dynamics still contain considerable inequality momentum, despite a post-apartheid policy milieu that has taken on the task of addressing this legacy".

None of these alarming conclusions refute the government's claims that the "social wage" – new provisions of water, electricity, houses, etc. – has improved peoples' lives. But what is now clear is that there is very little extra money in peoples' pockets. Borhat and Van der Westhuizen show that even the

middle strata are now seeing frozen incomes, with serious problems for those in debt – which is probably the majority.

It is time for change.

We need a new paradigm to overcome the inherited economic structure.

In order to increase our total productive capability and increase real value addition, the state must invest in productive enterprises, big and small, including the promotion of infant industries.

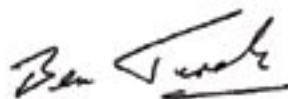
Communities must be rewarded financially for taking care of their environment, such as keeping public spaces clean and repairing roads, and for facilitating productive work of any kind.

The state must build vocational training centres in every small town and run crash courses for the youth. The sector education and training authorities (SETAs) have failed to build broad-based national capability for our youth, and we need to act urgently.

All this entails building a developmental state that reaches to the people.

It may mean that our budget deficit will remain for some time to come. We are not unique in this. If the US and Europe can tolerate over 10 percent budget deficits, so can we, and the apologists for business who spread alarm unnecessarily need us in *New Agenda* to provide a balanced view.

We should be spending less on the consequences of poverty and more on correcting the root causes. Let us finally agree that spending to make people productive is far better than spending on crime fighting and security systems when the unemployed rebel. ☞



Yours in consistency,

Ben Turok

Editor

REFERENCES

Aron, Janine, Brian Kahn and Geeta Kingdon, eds. 2009. *South African Economic Policy under Democracy*. Oxford: Oxford University Press
Bhorat, Haroon and Carlene van der Westhuizen. 2009. *Poverty, Inequality and the Nature of Economic Growth in South Africa*. DPRU, University of Cape Town

SEMINAR SERIES UNDERWAY

New Agenda, the Development Bank of Southern Africa (DBSA) and the Friedrich Ebert Stiftung (FES) have convened a high-level seminar series on The Structure of the Economy. The objective is to characterise the structure of the SA economy and to determine how that structure could be changed in order to overcome the huge consequent social distortions. We seek a "step change" rather than incremental reforms.

Two seminars have already taken place at the DBSA, with presentations by Neva Makgetla, Charlotte du Toit, Jorge Maia, Ben Turok, Simon Roberts, Seeraj Mohamed, Richard Goode, Nimrod Zalk and Ben Cousins. Three more seminars will be held in 2010.

