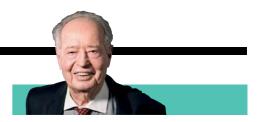
By Brian Kantor

ECONOMY



How to get SA growing

South Africans would benefit greatly if the country's state-owned enterprises were to be privatised.

here is a clear and highly realistic way out of our poverty trap, and that is to let all our people exercise much more freedom to help themselves improve their economic circumstances. In other words, we should allow the economy to rely much more on highly competitive market forces to determine output, incomes, jobs and wages.

There is overwhelming support from economic history, especially from the recent immense poverty reduction achievements of many Asian economies, of how it is possible to lift billions of people out of absolute poverty by using the power of the marketplace.

South Africa could be playing much more to its objective strengths – the competence and competitiveness of established businesses and new entrants to business to effectively deliver goods, services, employment and incomes.

Businesses are also highly capable of doing much more for their stakeholders; not only for their owners, but also their customers and employees. Business owners, often pension and retirement funds who manage most of our savings, are rapidly becoming racially representative of the workforce. This is something ignored so opportunistically by the politics of empowerment.

In my book *Get SA Growing*, I try to build trust in, and respect for, market forces by examining and explaining what goes on in our economy and how and why it could be better organised for the benefit of nearly all of us – especially for the many desperate poor.

We should have more respect for the rights of individuals to make their own decisions and bear the consequences of them. We should not allow adults who have the power to elect their government to be treated as if they were children in need of close supervision – an assumption often convenient for politicians and the officials who direct government spending on their behalf. Private providers of goods and services, now supplied by government agencies, would treat people much more as valued customers rather than as supplicants.

Privatisation of the delivery of benefits – currently funded by the taxpayer – would produce much better results, especially in education where the spending and tax burden is a heavy one and the outcomes so disappointing. The extra skills that would command employment and higher incomes are simply not emerging well enough. Radical reforms are required that would make public schools and hospitals

private ones. Public enterprises should be converted into more efficient private ones that would not translate losses and poor operating procedures into ever-increasing public debts. Privatisation proceeds could be used to pay off the expensive public debt.

A much greater reliance on and encouragement for the free play of market forces is called for in SA. Much less should be expected from well-meaning national development plans or from honest governed state-owned corporations to deliver the essential jobs, goods and services.

Perhaps even more dangerous to the well-being of all South Africans would be to provide even greater opportunity for doing government business, funded by taxpayers, on highly favourable (non-competitive) terms with the politically well-connected few. The newly promulgated Mining Charter

is an exercise in extreme crony capitalism that will undermine the future of mining in SA and its ability to create incomes, jobs and tax revenues. (Implementation of the Charter has since been suspended.)

Faster economic growth would be truly transformational. We should build on the strengths we have – skilled human capital that is globally competitive, yet so vulnerable to emigration – and on the proven ability to raise financial capital from global markets when the prospects are favourable. Faster growth would greatly stimulate the upward mobility of an skilled black population. The upper reaches of the

ranks of the middle-income classes. And the very poor and less skilled (now mostly not working) would benefit greatly from increased competition for their increasingly valuable and scarce services. Forcing transformation of the leaders of the SA economy would have the opposite effect. It would mean further economic stagnation and increased resentment of higher income South Africans.

I hope that my book will make it more likely that the economic future of SA will be decided in a less racially charged way, with more reliance on meritocratic market forces. SA in fact undertakes an extraordinary degree of redistributing earned incomes, unequal because the valuable skills that command high incomes are so unequally distributed. Unusual amounts of income are currently taken from the very well off to fund government expenditure – judged by the practices of other economies with comparable incomes per head. But economic stagnation has now severely limited the capacity to help the poor. With higher growth, more of the resulting higher incomes can be redistributed to the least advantaged – hopefully with much more help from private suppliers of the benefits provided.

Growth and redistribution is very possible for SA – should we change our ways and grow faster. ■ editorial@finweek.co.za

Brian Kantor is chief economist and strategist at Investec Wealth δI Investment. To stand a chance to win a copy of Kantor's book, see the quiz on page 45.





Supplied