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Little chance of growth in SA without sound economic policy

In My View

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The government gazetted the policy of the Reconstruction & Development Programme (RDP) in 1994.

The main purpose of the programme was to effectively address poverty and inequality.

The government, at the time, said about RDP: "This can only be possible if the South African economy can be firmly placed on the path of high and sustainable growth."

The RDP was expenditure-orientated. Without a vibrant and growing economy, its survival was destined to be short-lived.

The RDP needed huge sums of money to meet its objectives — basic needs and the eradication of infrastructural, social and economic backlogs.

This was to be achieved by creating public works jobs programmes, land reform, housing, water and sanitation, energy and electrification, health care, social security and social welfare.

The programme was to be funded by the state, with money generated through taxation in a growing economy.

The government was aware that to redistribute, revenues must grow to meet the RDP goals.

An expanding tax base was seen as the only viable and sustainable model of funding the RDP.

Enhancing and consolidation of our manufacturing base was to earn us the desperately needed export earnings and provide decent and sustainable employment.

It was this realisation that led the government to change gear halfway into the RDP's five-year plan.

Next they formulated a five-year plan called Growth, Employment and Redistribution (Gear) in 1996.

Gear was a revenue-focused programme. It was quickly seen that the economy was not strong enough to finance the RDP, hence the Gear policy.

This policy was designed to ensure consistent monetary policy as a grounds for the sustainability of long-term growth.

Gear was premised on delivering growth, employment and redistribution — functions that could not be obtained through RDP.

To put the country on a growth path, a lot of structural changes were called for.

To attract investors, liberalisation and deregulation of rigid laws was needed.

To achieve Gear's objectives, the following had to happen as a prerequisite: full employment, price stability, economic growth, redistribution of income and the stabilisation of balance of payments, among others.

The government was determined to eliminate poverty and raise the living standards of all people. Hence they opted for growth-orientated policies.

They were clear that people's lives could only be effectively transformed in an environment of a productive, profitable and growing economy.

Gear was designed so that investing in SA could attract capital investors.

In return, the country was going to offer an enabling environment, with competitive production costs and favourable tax laws, and treat multinational corporations as honoured guests.

The social objective was to reduce unemployment, inequality and poverty in the short term.

Full employment was envisaged, a stage where there was equilibrium in demand and supply of labour.

Many governments strive for full employment, even though it rarely happens.

Price stability was meant to protect the currency volatility and to avoid losing our competitive edge in global trade.

Price stability is good news for governments, firms, households, workers and investors.

Mbeki's government was pursuing this macroeconomic policy when the Tripartite Alliance ultra-leftists started to call for a policy change.

At the time, they did not have any alternative economic policy, they were just opposed to Gear with no alternative. They had no regard for the logical basis of Gear's objectives.

They were literally crippling the economic policy on vague ideological grounds.

They were going for suboptimal solutions that may have been founded on their lack of understanding of the workings of the market economy, poor analysis and conceptualisation of Gear, or they were just being fed incorrect information.

Unfortunately, their erroneous misfit theories have trapped us in the quagmire of a perpetually declining and recession-ravaged economy.

Since the 2007 Polokwane conference, the SA economy has been floating without a plausible or implementable policy.

Gear was dropped the moment the victors were announced. The victors told themselves that they were going to draft new "radical economic policies".

This group fashioned itself as Radical Economic Transformation (RET) inside the ANC.

They forgot that investors look for policy continuity in politics, economics and administration.

The RET "chop-and-change" approach can be construed as being strongly linked to the current economic decay.

The National Development Plan (NDP) was dropped in the dustbin by its sponsors as soon as it was signed into law.

The NDP is only mentioned now in glossy documents distributed at the Davos summits in Switzerland. The idea of a clear, simple and implementable economic policy does not exist at the moment.

This incoherent economic system has benefited a small elite, mostly made up of the very leftist elements, who are not instigators of growth but consumers and beneficiaries of a collapsing political, economic and chaotic social order.

It is a government responsibility to create policies that will make us a wealthy nation so as to guarantee our children a better future than ours.

● *Jack is a former anti-apartheid activist and a businessman in Nelson Mandela Bay who founded the Abantu Integrity Movement.*