

## BOOK REVIEW

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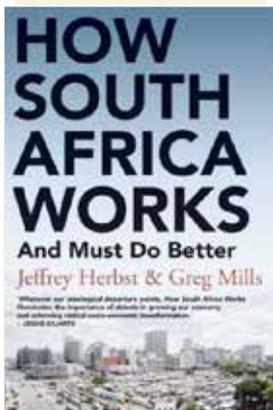
# *How South Africa Works, And Must Do Better* by Jeffrey Herbst and Greg Mills

*Everyone knows, or at least senses, that the South African economy is on a hiding to nothing at present. Finance Minister Nblanbla Nene is reported to have told the July ANC lekgotla that slow growth was the 'new normal', that risks originating from the international economic system make South African economy vulnerable and that fiscal consolidation was necessary. As Nene pointed out, the South African economy has grown on average as fast as the world economy historically. The last sustained period of lower growth was between 1985 and 1995, the dying years of apartheid. If IMF projections are anything to go by, the current spell of lower growth will last from 2009 to at least 2020, an even longer period. Nene's presentation seems not to have moved the needle. The ANC statement following the lekgotla simply notes it and goes on to recycle tired boilerplate on the key role of manufacturing and the centrality of state owned corporations. Which ones – ESKOM, SAA, the Post Office and PRASA, perhaps?*

South African politics are increasingly being shaped by how interests and constituencies are reacting to these circumstances. These reactions cut across the political divides of the immediate post-apartheid period and there is agitation beneath the old surfaces. The emergence of the Economic Freedom Fighters, the ructions within COSATU and the formation of the United Front, restiveness within the South African Communist party, issues about ANC leadership and parliamentary function, the search for new traction by the DA, and uproar in Parliament are all observable aspects of the ferment.

In these circumstances, two liberal analyses have been published. The first to appear was R W Johnson's *How long will South Africa survive? The looming crisis*,<sup>1</sup> reviewed elsewhere in this edition of *FOCUS*. Hard on its heels has been the appearance of the Herbst and Mills book, the subject of this review. The two books are complementary in that Johnson comes at the issues from a political angle, whereas Herbst and Mills are primarily concerned with the economy. They are also in competition since their implications are different, a point to be returned to.

Herbst and Mills clearly understand that economics is necessarily dismal (since it refers to constraints on getting what we want) and usually dreary in its technicalities. They have given considerable thought to presenting their material in a generally accessible and attractive fashion. They have succeeded on the whole, largely through the device of weaving case studies with more abstract analysis of



**HOW SOUTH AFRICA WORKS: AND MUST DO BETTER**, By Jeffrey Herbst & Greg Mills  
EAN: 9781770104082  
Published by Pan MacMillan SA

context. The book can be read in an evening and leaves a definite impression. It consists of a core of five chapters – on agriculture, services, manufacturing, mining and education – flanked by two introductory and two concluding sections.

The major theme of the book is lost opportunity. Comparing the economic progress of seven countries 21 years after a new constitutional order, Herbst and Mills find the only country which has performed more poorly than South Africa is Zimbabwe. The future of agriculture lies in exploiting economies of scale and technology rather than the expansion of small farming units. Services such as tourism offer ways of expanding employment at low cost, and are not helped by heavy handed regulation by the Department of Home Affairs, or a national carrier constantly in crisis. Manufacturing runs up against labour unrest, unhelpful regulation, and skills constraints with a consequent bias against new hiring. Mining runs up against unintended consequences of the Mineral and Petroleum Development Resources Act and demands for beneficiation, the latter, in the view of the Harvard study of the South African economy, being simply a bad idea. Education necessarily produces poor outcomes, when teachers cannot pass examinations appropriate for the learners in front of them.

What accounts for this situation? Poor governance, and critically the shut out of the unemployed, lack of competitiveness, and corruption. Herbst and Mills produce a table which shows the deterioration in governance and competitiveness indicators between 2000 and 2013. A heavily rent seeking approach carries with it the risk of tipping over into corruption, a risk which has been progressively realized, especially since 2009. And on such a competitive basis: alliances of convenience, fallings out, scapegoating, framing, disciplinary hearings, court cases and buyouts have created a rapidly turning wheel of fortune in institution after institution, obliterating attention to useful function.

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Growth requires a laser-like focus (to use one of Herbst and Mills's favourite phrases) on production, and this in turn requires producer interests to become a coherent, indeed hegemonic, force. Such an alignment is not currently to hand. Herbst and Mills note that:

*[Attempts to create dialogue between government and business] have failed partly because the ANC and the government it controls sees white-dominated firms increasingly, in the words of one white business person, as 'little more than an impediment to the Nirvana of a black-owned economy'. In turn, business has felt no compulsion to move beyond immediate commercial interests to embrace the ANC agenda, and has inevitably struggled to speak with a single unified voice.*

That has to change if growth is to be supported. And this is the point where Johnson and Herbst and Mills diverge. The Johnson thesis is that South Africa

can either choose to have an ANC government, or it can have a modern industrial economy. It cannot have both.

On the other hand, Herbst and Mills address themselves in the first instance to government, and secondly to business. Certainly it is a condition of progress that ANC elites perceive the weakness of the growth coalition and its consequences, jettison unhelpful historical baggage, and act accordingly. All else is obstacle. An indicator that headway is being made will be the arrest of a constant stream of policies and parliamentary bills, acts and regulations which undermine the rights on which production is necessarily based. Change will not happen overnight, so it is difficult to avoid Johnson's prediction that things will get worse before they get better.

Would a strengthening of the growth coalition, if it happens, simply amount to a reactionary reversion? On the contrary. Herbst and Mills's case studies, in each sector of the economy they discuss, contain both examples of successful initiatives which meet contemporary aspirations for more and better employment, and initiatives which, while currently failing, would succeed if policies were changed. The key need in each case is for market space, moving on from dyspeptic historical fixations,<sup>2</sup> understanding the critical components of contemporary issues, and the willingness to work away at them until productive outcomes are achieved. The curse on South African development is nationalist sentiment, with its propensity to promote some interests at the cost of demobilizing the contributions of others. The cure is to set innovation free and to support it.

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FOOTNOTES

1 Jonathan Ball, 2015

2 There can be no happiness, no serenity, no hope, no pride, no present, without oblivion. A man in whom this screen is damaged and inoperative is like a dyspeptic (and not merely like one): he can't be done with anything... Nietzsche, *The Genealogy of Morals*, Section II Part I