

This edition of Focus continues with the theme of 'Making South Africa Work', first explored in the previous edition where issues surrounding Human Capital Development were addressed. This edition surveys aspects of regulation and their impact on the economy and society.



Francis Antonie is the Director of the Helen Suzman Foundation. He is a graduate of Wits, Leicester and Exeter Universities. He was awarded the Helen Suzman Chevening Fellowship by the UK Foreign Office in 1994. From 1996 to 2006 he was senior economist at Standard Bank; thereafter he was director of the Graduate School of Public Development and Management at Wits University. He is the founding managing director of Strauss & Co.

The occasion of the death, in late December 2010, of Alfred Kahn – the Cornell economist whose monumental ‘Economics of Regulation’ is still widely regarded – is a timely reminder of the difficulties, especially in the wake of the 2008 financial meltdown and its economic aftermath, surrounding the issues of regulation and deregulation. How much should in fact be left to markets and unimpeded market activity, and what, a market cynic may ask, should be the function of the State in its new-found role as ‘owner of last resort’?

Kenneth Hughes sets out the broader parameters of the debate in his discussion of ‘Regulation, Deregulation and Re-regulation’ and warns that the question of regulation is a thorny one, where simple answers are almost always wrong answers.

Laurraine Lotter, in a very forthright article, tackles the problem of ‘Red Tape’. She concedes that there is no dispute that society needs to be regulated, but she cautions that regulation must not constitute an unacceptable burden on business. Her argument is clear: Problems should not be addressed through regulation unless there is a demonstrated case for intervention including explaining *why existing measures are not sufficient*.

In an appropriate intervention in the debate around Monetary Policy, Kristoff Potgieter presents a systematic and persuasive argument in defence of an Inflation Targeting Regime. The debate around Inflation Targeting has become something of a political football in the arena of ‘growth and unemployment’. His argument – that stabilising inflation and the macro-economic environment remains the best possible policy through which growth can be attained – is a timely reminder that growth is not simply the result of wishful thinking but also the consequence of hard policy choices.

Harry Rajak’s lyrical exploration of the South African Legal System – as a ‘virile living system of law’ – reminds us that no regulatory system is possible, let alone effective, without a legal framework which is both a defence against (executive) tyranny, on the one hand, and, on the other, adaptable and flexible. He stoutly maintains that Roman Dutch law in South Africa – our common law – is capable of providing the framework for the development of a complex society such as ours.

Given Rajak’s eulogy of our common law, how do we tackle the corruption which appears to be so endemic to our public life, and which is the subject of William Gumede’s article? Gumede rightly begins by commenting on apartheid’s ‘bitter legacy’, but the focus of his attention is about the ‘erosion of values’, especially the values which purported to inform ‘liberation ideology’. His appeal to the constitution is a forthright one – ‘[it] sets out a clear value framework for the country’. But he cautions that ‘the values in the constitution must be brought closer to social values.’ And here leadership – or rather the *quality* of leadership – is crucial. Arguably an important omission in this discussion centres around *institutional accountability*. And nowhere is this more evident than in the case of the accountability of indirectly elected public representatives. Bluntly put: Who is your MP? Who does she report

to? Who is she accountable to? It is clearly time for a re-evaluation of the recommendations of the Slabbert Commission!

Peter Perkins examines the role of infrastructure in economic growth, where *economic* infrastructure refers to investments which raise the productivity of other types of physical capital (transport, power, communications etc). He examines the relationship between infrastructural investment and economic growth. For those who believe that there exists a simple causal relationship between the two, Perkins' piece is a useful antidote. He argues, persuasively, that the growth-enhancing effects of economic infrastructure are not automatic, and that the infrastructural developments must be considered with care in each situation, and weighed against the costs.

Perkins makes the point that in communications, cellular phones and the internet have arguably been 'the outstanding feature of economics infrastructural development (globally and in South Africa) since the late 1990s.'

This 'success' story is reviewed from a regulatory perspective by Peter Vella. He poses the question 'Too little, too late?' in his historical overview of ICT. For Vella, perhaps the most significant challenges facing regulators of the technology industry, is the speed of change. His observation – that drafting regulations for this sector is a challenge, but that to do so in a manner which foresees all technology changes is well-nigh impossible – is acute. How then to regulate?

One way *not* to go is for government to be both a referee and a player, which is where we currently are. Thus, policy must be coherent, and that clearer lines of delineation are needed between the responsibilities of the Department of Communications and ICASA, and within the latter organisation, between its councilors and its professional staff. Vella's suggestions about the way forward should be seriously considered by the various stakeholders and players.

Minga Negash reflects on accountability and corporate reporting in South Africa. His reflections take in the

accounting profession itself, and some of the difficulties and challenges it faces, not least the 'untransformed' nature of the profession. As he puts it, 'one of the challenges that universities are facing, is their inability to redefine the structure of accounting higher education in post-apartheid South Africa.' Likewise 'the relationship between academia and the professional organisations needs to be redefined.' Exactly how this should proceed is not clear. What is clear, however, is that there is much room for debate and discussion about the role of accounting education. But Negash is clear that 'by most standards, the financial statements of South African listed companies meet international standards.'

Peter Roussos goes beyond the corporate narrative and presents the story of a micro entrepreneur. Notwithstanding some recent reports to the contrary, for most, the Grameen Bank remains an extraordinarily vivid example of imagination, hope and courage brought to bear in the service of development through individual effort. Roussos has captured some of these characteristics in his narrative about individuals, their lives, their failures and their successes. This narrative is both moving and instructive.

Charles Simkins returns us to the larger picture with his analysis of the New Growth Path. He suggests that it is scenario time, again, probably as a result of the removal, in the wake of Polokwane, of the policy straitjacket of the Mbeki presidency, and as a consequence of the global financial crisis. The latter has impacted on the resources available to the new administration while at the same time weakened what Simkins refers to as 'the authority of US-style capitalism', thus creating the space to revisit issues of economic organisation.

Simkins reviews a number of policy documents of diverse prominence. His account, though, of the challenges facing our Human Capital Development is sobering, to put it very mildly. He does, however, offer two observations by way of conclusion which are especially important when read against the backdrop of the New Growth Plan.

We conclude with a review by Anthony Egan of *Ending Apartheid* by David Welsh and Jack Spence.