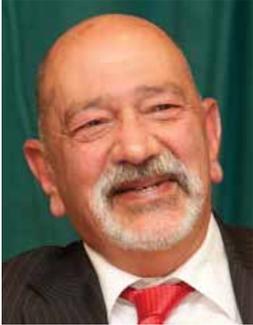


# The Economy



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*This edition of **Focus** is dedicated to the memory of Prof. Harry Zarenda, who has passed away recently. Harry was a Research Fellow of the Helen Suzman Foundation. He was – as Johannes Fedderke points out – one of the most dedicated teachers of Economics. He deeply influenced many generations of students. He was a warm, generous human being, whose commitment to intellectual life was widely known and respected by both his colleagues and students at Wits. His generosity was not confined to helping students when they got themselves into financial difficulties, but also extended to an extraordinary generosity of spirit. As a teacher, he took enormous pains over his students, and never sought rewards beyond what he understood to be his duty as a teacher. Fuad Cassim, in his eulogy to Harry, speaks about his commitment to and passion for putting people first. He was, as Fuad says, a true **mensch**.*

The articles in this edition of *Focus* are written by former colleagues who all wished to memorialise Harry's memory by writing on their current research interests.

**Jesmond Blumenfeld** reflects on South Africa's long running quest for economic growth. He reviews the various initiatives post-1994, beginning with the RDP and GEAR, and he goes on to consider ASGISA, the New Growth Path and the National Development Plan. He concludes with a discussion of SMEs and highlights the great irony in South Africa's hitherto disappointing search for growth – that SMEs are a primary source of output and employment growth. Policy makers should take careful note of his observations.

**Charles Simkins** identifies ten things that one should know about inequality. He begins by noting that one must be willing to grapple with large normative issues when thinking about inequality, and he reminds us of William Blake's famous epigram that "one law for the lion and the ox is oppression." How then are we to conceive of inequality and what sort of policy interventions are both desirable and necessary? He also argues, importantly, that the distribution of income is more primary, than the distribution of wealth. Again, policy makers would do well to consider the point Simkins raises in his discussion about inequality.

**Martin Wittenberg** reviews the story of wages in post-apartheid South Africa. His concluding observations are that the evidence suggests that real transformation in the labour market is still some way off. Wittenberg offers two observations which may very well impact on future policy interventions: First, that while the union movement has become more representative of higher income working individuals, it seems likely that as the ANC becomes more alienated from median workers the more instability we are likely to see. And, secondly, that persistent wage inequality may very well raise the pressure for additional legislative interventions, perhaps of a populist type, in the not-too-distant future.

**Joshua Hovsha** and **Amy Meyer** reflect on the informal economy and sustainable livelihoods. They trace the origins of the informal economy to the Apartheid and pre-apartheid eras, and consider how marginalised men and women have had to survive through their participation in the informal economy. They highlight much of the current dissatisfaction of the existing regulatory environment which affects hawkers and informal business. They make the strong plea that South Africa's informal economy should be viewed and celebrated as a way to address past economic marginalisation and discrimination.

A starting point for addressing the problems of inequality is, of course, being in possession of the hard data. This is a prerequisite before any policy initiatives can be launched which would address the questions of inequality. Here, **Peter Perkins'** account of work 'behind the scenes' of economic statistics serves as a very useful and instructive reminder of what goes on in keeping official statistics up-to-date and relevant.

**Johannes Fedderke** tackles the problem of knowledge creation in South Africa by posing an initial question related to South Africa's comparative international status. He first considers South Africa in relation to the rest of Africa, where South Africa's performance appears to be reassuring in a number of areas. But, as he points out, virtually all countries in Africa lie considerably below South Africa in terms of GDP per capita measures. The more appropriate comparative group are middle-income and upper-income countries with comparable levels of development. Here, South Africa's research performance is poor. Fedderke considers various explanations including the incentive mechanisms which do exist. But the real problems lie in the incentive structures that the national science bodies provide where, he argues, incentives are too weakly tied to research excellence.

**Robert Vivian** argues that bureaucrats are undermining our constitutional democracy. He takes as his starting point Magna Carta, whose 800th anniversary the world celebrates — or should celebrate — this year. He reviews the various provisions or articles of Magna Carta and applies them to the South African condition. The Financial Services Board, should take special note of Vivian's argument — but so should Parliament which as an institution, he argues, has failed.

**Anthony Leiman** considers the South African fisheries in the context of conservation, competition and industrial organisation. Many of the conclusions are quite startling, and almost counter-intuitive. But this may be so only because we have been schooled into believing that a greater diversity in terms of numbers is the way forward. Leiman argues that when access to fishing is fragmented, and fishing rights are insecure — and there does appear to be a secondary market in these fishing rights — then the fishing industry itself is about to enter dire straights.

**Trudi Hartzenberg** considers the major challenges surrounding South Africa's regional integration within the context twenty-first century trade developments. She stresses that regional integration has to be rules-based, transparent and predictable, and that there must be legal certainty around investment, production, trade and work in Africa. Without these certainties Africa will be severely disadvantaged as the century proceeds.

**Fuad Cassim** brings us back to the questions of growth and reform in South Africa, where he introduces some lessons from India's *Licence Raj* system. Cassim is concerned about the levels of distrust that exist between the private sector and government. As he points out, a similar situation prevailed in India. But through small, but significant adjustments of the regulatory burden, significant growth of and participation in the Indian economy resulted. As with Blumenfeld, Cassim highlights the importance of small and medium businesses as the greatest creators of jobs and creators of wealth in emerging economies. He has no doubt in the importance of allowing this sector of the economy to grow because of the impact that it can have on unemployment and social tensions in the country. We have included Fuad Cassim's tribute to Harry Zarenda immediately after this paper.

We end with two book reviews: **Dr Anthony Egan's** review of Prof. Charles van Onselen's *Showdown at the Red Lion: the Life and Times of Jack McLoughlin* and **Prof. Jack Spence's** review of Lord Robin Renwick's *Mission to South Africa*.