

Appropriate Economic Growth in the Third World

By Wayne Visser

In “new economics” circles, a popular principle is the inappropriateness of conventional economic growth (as measured by Gross Domestic Product) given its dubious links to social welfare and negative impact on the environment. Leading texts in this area are *The Limits to Growth* (1972) and *Beyond the Limits to Growth* (1992) by Donella Meadows, and most recently, *Beyond Growth* (1996) by Herman Daly.

My question, using South Africa as a case in point, is: Can Third World countries afford NOT to grow?

South Africa needs to follow up its much hailed political miracle with an economic miracle if its “liberation” is going to translate into anything tangible to the mass of unemployed (40%) and poor. Realising this, the ANC government has effectively replaced its original human-centred Reconstruction and Development Programme (RDP) - the basis on which it was elected - with something of an antithesis, namely the Growth, Employment and Redistribution (GEAR) macro-economic strategy - a document which reads like a World Bank structural adjustment programme and aims for a 6% p.a. growth in GDP.

The Threshold Hypothesis

But is it wrong for the SA government to be aiming for the highest possible growth, in order that it can fund the upliftment of the majority of its population (housing, health, education, etc.)? This brings to mind the so-called Threshold Hypothesis whereby growth and development are said to move in parallel up to a threshold point (the 1970s in the USA/UK) after which quality of life decreases while economic growth continues to rise. Hence, are Third World countries not justified in pursuing economic growth?

World Bank / IMF Endorsement

Closely tied to the growth objective is the need to attract foreign investment. And part of the reason why investment has not been forthcoming is that SA is still perceived as an “investment risk”. Part of the SA government’s response has been to negotiate its first World Bank loan in 20 years, the approval of which acts as a favourable signal to the international investment community.

Similarly, the new GEAR macroeconomic strategy, because it was drawn up in consultation with the IMF, has received the sympathy of international investors, but

results in massive cuts in government spending (which actually translates into sacrifices in, for example, health services).

There is now a resistance movement against this World Bank / IMF collusion called CANSA (the Campaign Against Neo-liberalism in South Africa).

Financial Market Tyranny

But is the SA government not simply bowing to irresistible international pressure from the markets?

While SA has been attempting to “reintegrate” into the global economy, its currency has plummeted and its local industries have begun to suffer. Indeed, only since SA began to conform to “free trade” ideology and rules has the currency begun to stabilise. The last bastion is exchange controls and the international markets are exerting unprecedented pressure for these to be dropped in the name of free trade.

With this new “openness” has come the “standard-lowering competition” which Herman Daly refers to. A good example is the textile industry which has traditionally been strong and provided substantial employment in the region around Cape Town; now the industry is suffering and unemployment rising because Malaysia can pay lower wages and export textiles to us at a cheaper price.

Feasibility of “Beyond Growth”

Given the pressures and constraints described above, can proposals for moving “beyond growth” such as Herman Daly’s have much practical application to Third World countries?

South Africa has chosen the growth path, because it was staring economic and social bankruptcy in the face as an alternative. Is there a path of transition which is socially and politically possible, especially in the South?

Sharing Responsibility

As a start, should not the North and South share responsibility for ensuring that any future growth is ecologically sustainable and socially equitable?

Since the North is asking the South not to replicate its dirty and destructive path of growth (because it affects the North as a global issue now), perhaps more mechanisms should be found to compensate for the cost and sacrifices this implies for the South.

At the same time, the South has a moral responsibility to learn from the North and not blindly repeat its mistakes, as well as to take global leadership in securing a sustainable future.

Vested Interests

The reality check, as always, lies in the powerful forces of vested interest.

Why would the North willingly discourage growth in the South when it is that growth which is largely sustaining its own saturated markets (via the transnational corporations)? Even SA is guilty of this - note Mandela's favoured diplomatic shift in favour of China because it is a "growth market of the future" while turning a blind eye to its human rights violations.

And why would the South willingly forsake growth when it seems the fastest and most tried path to close the gap between the "privileges and riches" of the North and its own "underprivileged and poor" relative position?

Power of the People

I think, in the end, the hope lies in popular civil action (NGOs, public coalitions, etc.) which must continually pressure both government and business to be more transparent and accountable for dimensions beyond simple bottom line economic growth.

This will provide the political impetus (in a sense, the "mandate" or "excuse") for government and business to implement the more progressive models being debated on this Network.

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