

News

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Patel panel left-leaning

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BRENDAN BOYLE

Economic Development Minister Ebrahim Patel has appointed a panel of advisers packed with left-leaning opponents of former finance minister Trevor Manuel's hardline economics — including renowned Nobel laureate Joseph Stiglitz.

His panel could be expected to recommend lower interest rates and, possibly, state intervention to manage the foreign exchange value of the rand.

Manuel has yet to choose 20 members from among more than 1000 nominations for a seat on the statutory National Planning Commission he has been appointed to head.

Taking the gap, Patel, who has raced ahead in setting up his new government department, served another ace with his announcement in parliament yesterday that he had nominated an advisory panel just two weeks after floating the idea.

Patel has already taken over management of the response to the global economic slowdown, the Competition Commission and the Industrial Development Corporation.

Government spokesman Themba Maseko said the appointment of the more formal National Planning Commission was "imminent", but he could not confirm that Manuel had yet given President Jacob Zuma a short list from which to choose.

Patel said his panel would include Stiglitz, Cosatu economist Chris Malikane from Wits University, former Cosatu economist Neva Makgetla, who is now the lead economist in the development planning division of the Development Bank of Southern Africa, and Investec Bank strategist Michael Power.

All have extensively criticised inflation targeting or other planks of the strategy Manuel used to establish South Africa's international reputation for fiscal prudence and macro-economic stability.

Most economists credit Manuel's policies with South Africa's relatively mild recession in the face of last year's global slowdown.

But they have become the focus of lobbying from the left wing of the ANC, SACP and Cosatu alliance, who blame Manuel for slow job creation and less than stellar growth.

In an apparent swipe at Manuel's 13-year stewardship of the economy, Patel said his department was "created to address a gap in government's economic policy-making, planning and coordination machinery so that, working together with other parts of government, we can have better economic and employment outcomes."

One senior economist told The Times: "The panel does seem to be weighted towards what he [Patel] would want to hear rather than what he should hear."

Colen Garrow, an economist at Brait, said pressure to deviate from Manuel's legacy was building.

"Trevor Manuel's influence is waning and clearly the policy makers on the left are gaining ground," he said.

Nedbank's chief economist, Dennis Dykes, said the government appeared to be implementing a two-track economic policy with no clear indication of how the two new economic ministries — Patel's economic development department and Manuel's National Planning Commission — would co-ordinate their work.

Dion George, spokesman on finance for the Democratic Alliance, said Patel was "stacking the deck in favour of his own ideology".

"There is clearly a much heavier hand that Patel sees for government in the economy," he said.

Garrow argued that Patel's team could, however, breathe new life into an economy widely regarded to have under-performed during the global boom that preceded the crash.

"We're going left, but we should not be surprised about that. We should give the left a chance and see what they can come up with," he said.

Patel's team includes Standard Bank economist Goolam Ballim, whom most commentators said would represent the economic mainstream.

It also includes the Human Sciences Research Council's Olive Shisana, Industrial Development Corporation CEO Geoffrey Qhena, Competition Commission chief economist Simon Roberts, as well as Haroon Borhat, a sociologist at the University of Cape Town who specialises in the study of poverty.

However, Stiglitz was seen as the most significant recruit.

Visiting South Africa last year, Stiglitz, who won the Nobel prize for economics in 2001, told reporters: "I'd be very strongly opposed to rigid inflation targeting in all countries.

"I think the [global] crisis is in part a result of central bankers focusing excessively on inflation.

"It has been a really costly mistake [but] most governments have by now moved to a more flexible policy. Most central banks have woken up that they made a mistake and that you need to look at financial stability."

Finance Minister Pravin Gordhan disappointed the SACP and Cosatu in his Budget last month with a strong endorsement of inflation targeting and the independence of the Reserve Bank. He dismissed calls for intervention to stabilise or to weaken the rand.

He is likely now to face opposition from Patel with backing from the new panel.

Patel said his team would produce 10 policy documents on growth and employment issues in the next year, looking at both macro-economic issues, which are traditionally the domain of the finance ministry, and micro economic issues, previously handled by the department of trade and industry.

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