

THE ARCHITECTURE OF SOUTH AFRICA'S POLITICAL ECONOMY

PROSPECTS FOR TRANSFORMATION

By Ben Turok

The author is an economist, former ANC member of parliament and the editor of New Agenda

Ben Turok sketches out the balance of forces in South Africa's current state of turmoil to better understand the possibilities for progress.

The current turbulence in South Africa, which is disturbing the relative stability of the post-apartheid period, demands serious examination. A series of mass demonstrations has registered deep objections to the performance of the government and the African National Congress.

At the same time, it is notable that this disapproval is articulated within the broad framework of the Freedom Charter and the long traditions of the ANC-led liberation movement. No other political formation has greater credibility or legitimacy.

Three extramural social forces, each with different immediate demands, have demonstrable mass support. The trade unions, despite being split, are still able to defend the material interests of important sections of the workers. The students have shown remarkable unity in action despite the absence of an organised centre and leadership. The Economic Freedom Fighters (EFF) has confirmed its ability to mobilise tens of thousands of supporters in disciplined mass action.

It is therefore necessary to review the balance of forces in our social system and to characterise this moment in our history. The old categories of class and race are inadequate to explain the tensions and contradictions.

It is also necessary to consider what the ANC-led government can do to meet the challenges posed by these social forces. Is it possible to provide adequate concessions? Are there financial and institutional capabilities to do so? Is it possible to respond with repressive measures? What could be the outcome? And where is the leadership to come from?

It seems that a vacuum has developed at the top of the system, notable for indecisiveness and a wait-and-see attitude. What follows are some preliminary thoughts on our condition.

THE LEGACY

The most striking feature of South Africa today remains the physical differences between white and black areas. Affluent city centres and suburbs are ringed by impoverished townships and informal settlements. A further contrast is apparent in the countryside between white commercial farms and African rural areas that often do not even support subsistence farming. These physical features are

manifestations of deep structural faults and the legacy of internal colonialism – a system of economic subjugation reinforced by political means.

THE ANC AND THE DEMOCRATIC TRANSITION

The liberation struggle, supported by international solidarity, forced the apartheid regime to negotiate a transition. This campaign focused on political enfranchisement, leaving economic change in abeyance.

After 1994, the ANC incrementally took over the state system, deploying its own cadres in the legislature, executive and judiciary, as well as the security organs. A new Constitution with a Bill of Rights was accepted after long negotiations, and garnered a great deal of praise around the world. Parliament repealed apartheid legislation and drafted new laws and policies appropriate to the new situation.

However, the control and ownership of the economy remained unchanged, as did the lifestyle of the majority of people, reflecting the huge inequality of income and wealth.

In 2012, the ANC resolved to initiate a “second phase of transition” that was meant to be economic in character. The discussion lost steam after giving only minor attention to black economic empowerment (BEE) processes that >>

enriched the few but increased the frustration of the aspirant middle class.

The prohibitions of the apartheid system had restricted the aspirations of black businesspeople, particularly Africans. Under democracy, the dominance of white people in the economy continues to present a barrier to entry for black entrepreneurs, who at best become junior partners in an exclusive business culture. The BEE focus on ownership has inadvertently supported the development of a parasitic black elite, while also discouraging the spirit of self-directed entrepreneurship. Thus a potentially dynamic class is rendered sterile and politically passive, and the racial and class divide of the past remains in place.

With the state then becoming the primary avenue for employment creation and career advancement for black South Africans, new state-dependent social strata emerge: senior managers, middle-level officials and workers. This follows the pattern of post-independence Africa.

To assist the poor, the state introduced a large system of welfare grants as well as housing and the extension of health, education and infrastructure services. This brought some relief from poverty, but not enough to sustain a reasonable existence.

The problems of inherited poverty have been exacerbated by rising numbers of unemployed, including young people as they become available for work. Those in work have had to fight for a wage that would enable each worker to support a substantial number of dependent family members. Migrant workers have faced dual responsibilities for two families.

The tragedy of Marikana highlighted, as never before, the suffering caused by the migrant labour system and the failure of government and business to eradicate its worst manifestations.



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TWO DECADES OF CAUTION

The government opted for a cautious macroeconomic programme soon after 1994, and the economy has not grown substantially or on a sustained basis. Mining, manufacturing and agriculture, the main pillars of the real economy, have largely stagnated, with only the services sector showing significant growth – and also feeding consumption.

Due to the retreat of the real economy, import-dependency has grown, impacting on financial stability.

It is now conceded, in 2016, that the economy is in crisis. Some analysts believe that the crisis is endemic rather cyclical, and both the government and the ANC seem unable to mount an effective response. Economists of all shades offer widely differing proposals, generally of a short-term character and tending to ignore the fundamental structural character of our economic and social system.

In a surprising new shift in policy, the International Monetary Fund (IMF) has recognised the need for strong state intervention to manage the inherent negative effects of global capital accumulation. The IMF is also critical of growing inequality.

The prevailing economic thinking in South Africa lags behind new thinking internationally on both fiscal and monetary policy. It remains fixated on

inflation-targeting and debt reduction and is unwilling to tackle inequality through fiscal restraints, taxation and other measures. The “wealth trickles down” mantra still dominates media commentary, and the profit motive and market forces are proclaimed as our economic saviour.

CHANGING THE ARCHITECTURE

History teaches that there are two approaches to economic reform. The first is palliative, designed to remedy some deficiency such as low wages, poor social services, or political disadvantage. Effective palliative reform is important and it may restrain public dissatisfaction, at least for a time. It does not change the intrinsic structure of the economy.

The second type of reform may include similar provisions, but is designed to establish a platform for further and more fundamental transformation. Examples include state intervention in the economy, or even nationalisation. Such reforms change the power relations in the economy by growing the state sector relative to the private sector. Measures must be taken to assure effective use of state power and avoid its negative tendencies.

Such a strategy is needed to change the inherited architecture of the political economy in South Africa, but the state lacks the capability to implement this. It lacks cadres who can provide leadership to major organisations. It may well be that the self-confidence and will to do so have also dissipated in the state and government.

There is a great deal of criticism about the political deployment of cadres to head state-owned enterprises (SOEs), and some inappropriate appointments have been made due to cronyism. However, political oversight is essential in terms of providing policy coherence, and countering corporatist

tendencies. The purpose of SOEs is to provide public services at affordable prices: cost-recovery should not lead to large accumulated surpluses. We need a coherent state system with long-term strategic goals.

Short-term palliatives will not do. The masses are restless, expectations are high, and the apartheid legacy too sharp and highly visible. This is not just a matter of “relative deprivation” as some sociologists suggest. It is rooted in unfulfilled promises of a better life, and actual deprivation of the basic necessities of life.

A BOLD PROGRAMME

Regrettably, the ANC National General Council in October 2015 did not signal how we can escape from the myriad crises plaguing our society. We saw instead a great deal of lamentation about members’ conduct.

Other African countries, such as Rwanda, have achieved a “hat trick” of good growth, increased employment and reduced poverty. They seem to have a plan. South Africa needs a similar vision based on a definitive characterisation of our political economy: “colonialism of a special type” is outdated, although there are obvious continuing structural features.

The key to structural reform is “inclusive growth”, not as a slogan, but through practical measures.

1. First and foremost, the productive sectors must be energised by injections of both private and public investment. This requires a contract between the state and business with commitments that cannot be reversed. It is time for the government to formally recognise that ours is a mixed economy where the private sector should be induced to play a positive role. The private sector should be encouraged to meaningfully participate in the partnership beyond seeking narrow, short-term gains. Action should be taken against pernicious transfer-pricing, offshoring and anti-competitive practices.

2. The role of SOEs must be clearly defined as providing a public service as cheaply as possible, without depending on government grants. They should also be training grounds for skills development.

3. The challenges facing manufacturing need thorough studies, with short-term protectionist measures applied where necessary, especially for infant industries. Domestic mineral value chains, including local procurement, need to be strengthened to benefit the local economy. Exports of minerals need to be regulated.

4. We need an immediate massive training programme at all levels, possibly by recalling former public servants and/or importing a large number of experts. They should primarily train trainers: teachers, officials, etc. Conditions should be attached to ensure that all beneficiaries commit themselves to proper subsequent conduct in the national interest.

5. The informal sector needs a great deal of attention. Petty regulations must be reduced, physical infrastructure built, and business advice made readily available.

6. The state should insist to all state-funded educational institutions that their teaching contribute positively to the overall development of the country. We need more emphasis on science and maths, and disciplines like economics should teach about problems in the real economy and possible solutions. This must be handled in a sensitive manner as it may be seen as interference in university autonomy. It should also not entail an attempt to downgrade the humanities.

A new national effort is essential to restore a sense of national purpose and wellbeing in public institutions. In the light of recent protest action, the government must form mutually acceptable links with students, listen to their concerns and demands, and engage meaningfully and regularly

in student affairs. The “born-free” generation is alienated, disillusioned and frustrated, and distrusts government and authority generally. This trust needs to be rebuilt.

7. The morality of public life should be restored. Those who occupy top positions, whether in public life or business, must be confronted with any wrongdoing and held to account. Moralising and impunity are not enough: punitive steps must be taken to restore public confidence.

8. It is now understood in South Africa that an authoritarian state will never fly. We have fought long and hard for democracy and it must be real. This means that our formal institutions, parliament, cabinet, the public service and the judiciary must serve the public and the national interest. It also means that popular participation is included in governance, as far as this is possible. Public consent for major interventions is essential.

CRISIS DEMANDS URGENT ACTION

It is widely acknowledged that our country is in a many-faceted crisis. The economy is fundamental, but many institutional aberrations need urgent attention. Various short-term palliative measures may be necessary, but these cannot remedy the fundamental systemic rigidities we have inherited.

It is also not helpful to repeat revolutionary slogans of the past as if the overthrow of capitalism were realistically on the cards. This point is not meant to discourage left ideology or class analysis but to differentiate present tasks from visions of the future.

Indeed, the central argument here is that the whole system is so biased against the mass that palliatives are not enough and are not sustainable. A vigorous comprehensive programme is needed to transform our society. It will require the involvement of all the major stakeholders in our society. **NA**