

“SHADOWS OF LIBERATION”: ANC ECONOMIC AND SOCIAL POLICY FROM AFRICAN CLAIMS TO GEAR

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For the tens of thousands of anti-apartheid activists in South Africa and the world a question that has been asked over and over again is: how did South Africa veer so far away from its original vision of a just social and economic order after overcoming the brutal racist system in 1994. Now a pioneering research study provides the answers

Some 30 months ago we began a joint research project aimed at trying to better understand the nature and character of the economic and social debates that took place within the ANC alliance and between the ANC and other parties and formations in the period from late apartheid to the first years of the democratic dispensation. In particular, we wanted to understand the clearly complex and often haphazard and somewhat murky process by which decisions about economic and social

policy were taken in the negotiations over a democratic constitution and in the early years of democracy. Many commentators have commented upon and attempted to explain perceived shifts in the ANC's stance on many issues of social and economic policy. Explanations included Faustian and Elite Pacts and conspiracy theories. The role of external agencies, including the Bretton Woods institutions, was stressed by some. Local white conglomerate capital, the Oppenheims and Ruperts, feature prominently in other explanations. Accusations of some kind of betrayal by the ANC leadership loom large in some accounts. While yet others claim that the ANC did not shift its positions at all, simply reverting to its true type as a petty bourgeois black nationalist organisation.

Our forthcoming book represents an attempt to critically assess the economic and social policy theorising, thinking and choices made by the ANC (in alliance with the SACP, COSATU and Mass Democratic Movement) in the transition to democracy (c1985-1996) but consciously locating this narrative in a longer historical context.

In our periodisation we have chosen to start with the African Claims document produced under the leadership of ANC President Dr AB Xuma in 1943, and which ends in the publication of the Growth, Employment and Redistribution (GEAR) document produced by the ANC-led democratic government of Nelson Mandela in 1996. In our book we identify a fully recognisable but largely unclaimed social democratic tradition of thinking in the ANC historically, reflected most clearly in its advocacy for state-provided social policies on health, education, housing and social welfare based on social rights of citizenship. The ANC in our view had a very clearly articulated social democratic agenda on a post-segregation and post-apartheid ‘good society’. This was specifically described by no less a figure than ANC president-general Albert Luthuli as taking the institutional form of a “democratic social welfare state”, along the lines broadly of the Clement Atlee model of the post-war welfare state in Britain which was characterised by the goal of full employment, a state national health service, trade-union rights and state provided comprehensive health, education and social welfare. The ANC of AB Xuma in the 1940s and maintained by Luthuli in the 1950s had no hesitancy in confidently locating South Africa in the global world of progressive social policy ideas and indigenising these ideas to South Africa’s own unresolved ‘national question’. The Achilles Heel of the ANC though was that it could not muster the economic policy making capacity to give effect to this historical vision reflected in foundational documents such as African Claims and the Freedom Charter. Perhaps even more seriously it eschewed, in the transition era, opportunities presented to develop such economic policy making capacity. Instead the dominant ANC leadership of the time opted for an avowedly ‘market friendly’ trajectory that was at



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variance with the historical vision of a social democratic, de-racialised ‘good society’, the social content arguably of the erstwhile ‘first stage’ of the ‘national democratic revolution’. How this disjuncture occurred is the focus of our forthcoming book which addresses and debunks various myths about what really happened in the 1990s. No one in our view has attempted such a historically grounded and exhaustive research project. Yet we make no claims that ours is the full story of that intense, fast-paced episode of our history. It is hopefully not the last word



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on this subject, one which continues to interest scholars and policy makers across the world. Far from it: we would in fact like to encourage other scholars to continue to plug holes, offer different takes, provide new evidence, point to other interpretations. In this we agree with archival scholar Hennie van Vuuren, author of *Apartheid Guns and Money: A Tale of Profit*, who argues persuasively that [our archives] should be packed with young researchers – it would be a tragedy if these are the preserve of only aged ...historians. We have to continue to tell our own story as a young nation, and that requires us to dig deep into our past, beyond the point of discomfort. (van Vuuren, 2017: 503)

We are now close to completing an approximately 300 page manuscript, which we have provisionally entitled “*Shadows of Liberation? ANC Economic and Social Policy from African Claims (1943) to GEAR (1996)*.” Our title comes from a quote in the ANC’s watershed Morogoro Strategy and Tactics document of 1969. “To allow existing economic forces to retain their interests intact, is to feed the root of racial supremacy, and does not represent even the *shadow of liberation*. Our drive towards national emancipation is, therefore, in a very real way bound up with economic emancipation. (ANC Strategy and Tactics, 1969: 17).

The important point made here is about the imperative that political freedom is accompanied by an appropriate set of economic policies that would serve fundamentally to transform the lives of the people whom the liberation movement represented. Anything short of such a fundamental economic emancipation, would therefore represent a ‘shadow of liberation’.

Here is the context and main findings for the forthcoming book which we wish to highlight. Talks over the transition to democracy in South Africa began fitfully and (largely) in >>

secret in the mid to late 1980s. But FW de Klerk's announcement on 2 February 1990 that the apartheid regime was unbanning the ANC and other liberation movements followed by the release of Nelson Mandela in 11 February, rapidly accelerated events. That South Africa remained the only fully capitalist economy on the continent at that time, is not in doubt. While we do not subscribe to the notion of "South African exceptionalism" we maintain that its capitalism was an extremely exploitative, stunted and distorted one, all of which in different ways, had a bearing on the very nature of the transition, including, upon economic policy options and choices. Two such features are worth noting here. Firstly, South African capital represented by white-owned conglomerates such as Anglo-American Corporation and Sanlam, both established around the end of the First World War, remained powerful, globally connected and influential. Second, the apartheid regime's economic institutions remained well-resourced and internationally connected, despite decades of sanctions.

These state institutions included the Ministry of Finance, the South African Reserve Bank (SARB), the Central Economic Advisory Services (CEEAS), a number of regional, national and provincial development finance institutions and the national statistics agency. Against these significant forces the national liberation movement, was by contrast fragmented, under-resourced and under-capacitated having perhaps necessarily (and to a point understandably) placed all its resources into the primary objective of overthrowing an undemocratic, racist and repressive white minority regime.

It is true that by the time negotiations began, the ANC had enormous support both among the majority of South Africans and within

the international community. These were undoubtedly major assets. But power lay in the hands of white business and in the institutions of the late apartheid state which inevitably influenced the constituencies engaged in informal and formal negotiations. As Martin Plaut argued (2012: 31): "The men who had run South Africa for decades also embarked on a process designed to incorporate senior members of the ANC. Radical economic policies were dropped in favour of more conventional macro-economic prescriptions." As Plaut suggests, this was no accident: it had been thought through by the old regime and it was to prove decisive on many policy battles.

Twenty five years into South Africa's democracy, few can deny that while progress has been made in addressing some of the legacies of the apartheid regime in economic and social terms, that progress has not been as widespread, fast or as sustainable as may have been expected or hoped for. The "triple challenge", as the ANC government of today defines it, of unemployment, inequality and poverty, as well as the challenges of economic growth itself remains stubbornly intractable, and appears by most evidence-based research, to be getting worse in some respects.

Together with a serious crisis of service delivery (water, sanitation, electrification, health) in many parts of the country and a concomitant rise in service delivery protests and labour action, and weak performance by firms, both big and small, a double whammy of macroeconomic disequilibria and microeconomic stagnation faces the country today. Corruption, personal accumulation projects and governance challenges add to the woes of a new democracy. A serious, sober and 'warts and all' analysis of how South Africa has reached this point is necessary and perhaps overdue. Part of the explanation for the current malaise, we

maintain, lies in the historic neglect of economic and social policy thinking in ANC political strategy since its formation in 1912, which has impacted negatively on the quality and creativity of its policy thinking in the crucial years of the transition to democracy and beyond. The question of how this came to pass lies at the heart of our forthcoming book.

OUR INTERPRETATION

We accept that a range of factors, forces and influences impacted on what was after all a negotiated settlement under shifting global and local conditions. One key factor that emerges in all this is the residual power of the late apartheid regime in the arena of economic policy-making, in which the powerful and confident Derek Keys, was a central reformist figure in the part of the white minority regime. As Ben Turok has observed with great insight in our view: "Although the ANC had done some work on a future programme for government in the *Reconstruction and Development Programme and Ready To Govern*, these were only broad policy documents. There was no plan of how an ANC government would actually take over the administration of the country, nor did it have trained personnel to run the country. Consequently it took over most of the personnel from the apartheid regime and only replaced them incrementally in the following years. Hence the actual arrangements of transition were carried out by apartheid officials, especially in the Treasury." (Daily Maverick, 19 February 2017, our emphasis).

In summary, our findings reveal that the ANC economics team, with few exceptions, (while smart and street-wise) were unevenly or inappropriately trained in economics, as well as inexperienced in economic analysis and policy formulation. Many too eagerly imbibed a few weeks of 'crash course' training in economics provided to them by the World Bank, J.P. Morgan

and other corporate ideologues who had an intentional agenda of shaping in a pro-market direction the policy ideas, possibilities and limits of post-apartheid economic reform. We set these events in the context of the hurly burly of the transition which saw the ANC economics team over-stretched in trying to satisfy multiple and often trivial calls on their services and time; we show that the ANC economics team, despite some initial attempts, failed sufficiently to engage with its own rich mass democratic base to develop and defend its position; we show and argue that in terms of economic policy debates that the ANC was eventually outmanoeuvred by the outgoing government and state institutions which had been shifting steadily towards a ‘market-friendly’ approach to economic policy since the early 1980s. South Africa’s powerful conglomerates also played a role in this exercise in persuasion, though not to the determining extent that some argue.

We stress the fatal consequences of a weak ANC economics team who in effect completely de-linked themselves from the mass democratic movement, ‘going it alone’ against the residual power of the old apartheid state as well as its well-resourced economics institutions and personnel. The economic policy choices that were made in the mid-1990s stems in our view from this fundamentally uneven balance of power created. The hugely respected ANC educationalist and civil servant John Samuel writing in July 2017, and speaking about the early years of the democratic government, makes a broadly similar point in a more elegant style. “Despite much preparation, we were not at all prepared for the subterranean text on the walls of the old government offices we moved into. The absence of guidelines shaped by the ideals of the struggle, coupled with pervading old apartheid culture, was a toxic mix.” (Sunday Times, 30 July 2017).



Source: https://www.dailymaverick.co.za/article/2013-05-16-public-protests-gautengs-rising-pressure-cooker/#.WcleE_MjEdU



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GENERAL CONCLUSIONS

- That the modern ANC had a very rich tradition of thinking historically on social policy and the ‘good society’ reflected in documents such as African Claims and the Freedom Charter. Cumulatively these social policies can be viewed as recognisably social democratic in character based on unequivocal state protected social rights to national health
- care, education and social welfare amongst others and in the context of a democratic state. This was a decisive response of ANC leadership luminaries such as AB Xuma and Albert Luthuli to what would constitute the social content of the resolution to the South Africa ‘national question’. However throughout its long history the ANC failed (arguably with reason) to give similar systematic attention to economic policy. So it entered negotiations in the late 1980s without any history of economic theorising behind it, facing a well-resourced set of opponents, itself unarmed and vulnerable to countervailing forces from all sides, unprepared (as it were) for the implications of an evolutionary process of change which it had never anticipated or planned for.
- If one attempts (in the absence of specifics) to impute some very broad theoretical stance on its economic and social policy thinking in the ANC, then neither a label of “black nationalist bourgeois” nor “communist/socialist” would appear to be appropriate. Rather one discerns ideas, especially in African Claims, >>

the Freedom Charter and the RDP ‘base document’, that could better be described we argue as social democratic (even if it eschewed the use of this European notion). It is this left social democratic and redistributive tradition (rather than some imagined and counterpoised socialist vision or programme) that the ANC leadership conceded by rejecting MERG in December 1993 and the RDP by April 1996. The vague formulations of the ‘mixed economy’ was increasingly denuded of the re-distributive content suggested by a social democratic agenda and was relatively easily re-directed to emphasising and making dominant the market dimension of the erstwhile ‘mixed economy’.

- The DEP’s efforts before and after the change in leadership around 1991 appear to have been mostly one of ‘putting out fires’ and of a ‘public relations’ nature, meeting, chatting and charming all and sundry, including international investors, local capital, local black business, farmers and others. There is little evidence that the DEP produced, debated and disseminated much by way of documented economic policy options even on such an important matter as SARB independence for example.
- There is evidence that the way in which the ANC worked on policy in general was highly fragmented, compartmentalised, and to some extent personalised. Each NEC committee, including the DEP, worked in its own silo, hugely influenced by who was at the top of these committees, and with little or no reference to what other complementary policy committees were doing, with little or no co-ordination from the centre driving towards a common goal, and most significantly with only very tenuous



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links to the formal negotiations in Codesa and the multi-party talks where key policy decisions were being approved.

- Most significantly, no evidence exists that the DEP group made itself systematically accountable for its economic and social policy positions to the ANC branches, and the core democratic structures of the movement at local level. For whatever reason (including perhaps a fear of creating disunity) it turned its back on its greatest asset and resource in our view, the broad anti-apartheid forces of South Africa. This culture and restricted method of operations clearly carried into the new government where the RDP was dumped and GEAR produced largely in secret by a small group of ‘establishment’ economists. As we all know GEAR was made public to the ANC membership and the rest of the world in mid-1996 with the stunning announcement that it was ‘non-negotiable’.
- The DEP failed seriously to engage with any alternative policy

positions and ideas over the early to mid-1990s. In December 1993 it just dumped MERG’s alternative ideas without having the courage to debate them at any level within the movement, simply because it believed it had the power to do so. As Ben Turok observes: “there were indeed critical voices which sought to introduce more radical economic and social policies which were rejected by the top leadership. The RDP was one such voice which was soon closed down on spurious grounds such as budget allocation difficulties. And there were others such as MERG (Macro Economic Research Group). The main problem seemed to be that the leadership did not have a sense of what economic development meant and how it could be promoted.”

(Daily Maverick, 19 February 2017). ANC participation in MERG workshops and Steering Committee structures was formalistic and not substantive. The SACP and SANCO had little or nothing to say within MERG, and COSATU had effectively nailed its mast to the RDP process and ignored MERG, so rendering the ANC alliance approach to economic policy highly fragmentary. In the context of the economic debates of the 1990s it appears to have been the case that if you did not recognise that ‘we had no alternative’, one had to be a ‘loony leftie’ or an ‘economic dinosaur’. It was as simple as that: and some so called ‘progressive’ academic economists, eager to be seen to be toeing the line of the in-coming administration, bought into that view with gusto.

- There is no credible evidence of any conspiracy theory involving the ANC, western governments, the apartheid state and the International Financial Institutions (IFIs) amongst others to repudiate the ANC’s perceived programme of

radical economic transformation (nationalisation, redistribution) as argued by Sampie Terreblance, among others. That claim remains “unproven”. On the other hand there is evidence that the market-friendly GEAR programme was initiated in September 1995 well before the currency crash of February 1996 and driven in secret by a small hand-picked group of centre-right South African and international economists. (SARB, World Bank, Treasury officials and some academic economists). Those meetings appear to have been held at the Development Bank HQ in Midrand.

- The IMF and the World Bank had no suitable vehicle through which they could have exerted any direct influence on ANC economic thinking. In some ways the World Bank adopted a not unexpected pro-market but nonetheless fairly sympathetic stance towards the ANC and some level of acceptance of the need for moderate redistribution (eg land reform), albeit for pragmatic reasons in the context of apartheid’s devastating social consequences for the black majority. Ironically the ANC on some policy issues appeared to support or push (old) Washington Consensus ideas that the Bank itself was turning its back on after the 1993 East Asian Miracle Report.
- The key historical ANC social policy on a National Health Service (NHS) to overcome the stark inequalities of apartheid health care, and still unequivocally presented in ANC policy frameworks such as the ANC National Health Plan as well as MERG and the RDP by 1993, was diminished by a capitulation to the interests of the private sector and to which there was no accountability to the progressive health care movement. A centralisation of policy-making underpinned this



Source: <http://www.history.com/this-day-in-history/nelson-mandela-released-from-prison>

shift to a technicist policy agenda that was effectively de-politicised in the post-1994 era of governance.

- The late apartheid government, though weakened in some significant ways, nevertheless retained control of the not inconsiderable capacity and resources of key economic institutions including the Treasury, the SARB, and the CEAS, all of them who had come to buy into market friendly economics since the days of the NP’s economic reforms beginning in the late 1970s. The positions tabled by the NP,

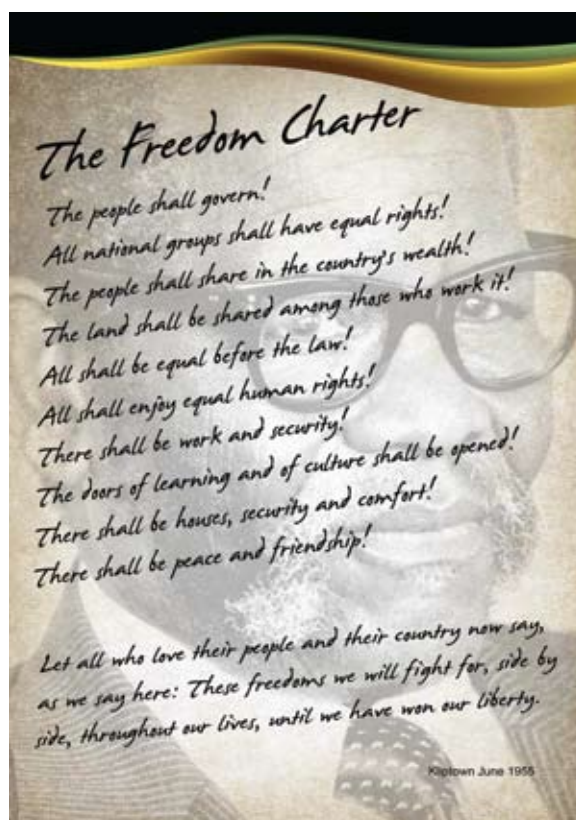
including on SARB independence, the national debt and fiscal policy carried the day in most situations almost by default. These key economic institutions under the leadership of the all-powerful figure of Derek Keys (and then Chris Liebenberg) remained untouched (by agreement) across the key years of the transition to democracy and were allowed the freedom to continue to retain a disproportional influence in shaping economic policy thinking immediately after 1994.

- The role of South African conglomerates needs more careful consideration than what has hereto been offered. Such conglomerates were of course eager to invest time and money in initiatives to dissuade the ANC from what they perceived to be the ANC’s socialist economic programme including nationalisation and redistribution. Here the Brenthurst meetings and the scenario planning exercises were key. As Trevor Manuel notes in his biography the Old Mutual scenarios fed into the GEAR in various ways. But our research, especially interviews with senior Anglo executives, suggest that business had anticipated making >>

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concessions to the ANC's programmatic vision of redistribution to a greater degree, than it eventually turned out the ANC was willing to push for. The nature of the transition in the early 1990s and the expectations of concessions politically by the ANC in the context of CODESA were paradoxically not reflected in the economic policy positions the ANC was ultimately willing to put forward and defend. In other words there was little willingness in the ANC leadership to exploit the political opportunity that existed in the transition era to wrest concessions from the conglomerates on the need for more fundamentally re-distributive economic policies in the context of the 'transition moment' and the global focus on addressing the 'crime against humanity' called apartheid. Evidence we present suggests that a more fundamentally re-distributive strategy on the part of the ANC was a reluctant expectation of the conglomerates who had prepared themselves to make more fundamental concessions on economic policy, having handsomely benefited historically from the exploitative apartheid system to say the least. Morales (2015) persuasively argues that in both Chile and South Africa the electoral discourse and the societal expectations generated by such discourse created the basis not for a radical economic programme but a weak social democratic programme and to which business in both Chile and South Africa appeared ready to accede. However both post-authoritarian, democratic governments shifted to the right, towards an embrace of neo-



Source: <http://ramaphosa.org.za/freedom-charter-poster/>

- liberalism, in ways which business in both countries, did not expect.
- Without any history or tradition of economic theorising, without the backing of its former Soviet supporters, with an inexperienced DEP at the helm, having rejected any substantive engagement with the alternative progressive ideas coming out of the RDP processes and MERG and having rejected an inclusive democratic engagement on economic policy with its own internal constituency, the ANC was easy prey to a variety of influences. In this view the ANC, through its DEP, was out-manoeuvred by the apartheid regime and local conglomerate capital: there was no need for 'secret talks' to bring this about.
- Finally, we hope that our book offers a significant and distinctive set of more complex arguments

about why the transition in respect of economic and social policy unfolded in the way that it did; that it demonstrates the weakness of arguments based on conspiracy theory; and finally that it de-bunks the myth of an internally coherent 'goose-stepping' neoliberal project under the DEP group of the ANC. The late apartheid South Africa regime that the ANC negotiated with in the early 1990s may have been weakened by international sanctions and internal resistance, not to mention the psychological impact of the armed struggle but it remained a formidable opposition nonetheless. To recognise that the ANC had to concede more than it might have wanted in this context is hardly surprising but those compromises and the unnecessary lurch to economic conservatism, (or neo-liberalism if you like) have undoubtedly had serious negative consequences for the South African economy and for the poor and the working class, despite some progress in the first seven years of the 21st century. In this broad criticism of ANC policies and outcomes in the lead up to, and in, power, the evidence leads us to concur with the fierce critics of the processes, decisions and outcomes which resulted in GEAR both inside and outside of the ANC today. We simply are not in agreement with most of those critics on how this all came about. In our forthcoming book we offer an explanation why.

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