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A poor voice?:

The politics of inequality in South Africa

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Does inequality pose a dire threat to South African democracy? And is the post-apartheid order willing and able to address inequality in a way that is effective and likely to maintain or strengthen democracy?

This paper seeks to address these questions. It is the result of a continuing effort by our team of political analysts, assisted by economists and social policy specialists,¹ to examine constraints to and possibilities for effective action against inequality in South Africa. The analytical framework informing it is derived from initial conceptual work on this project² which proposed a general approach to the key problem facing our four-country study: how democracies and quasi-democracies can address inequality within democratic rules. A key proposition of this analysis is that the effectiveness of measures to address inequality depend crucially on their political feasibility; while ‘technical’ considerations remain important, current approaches to social policy designed to address inequality usually ignore the importance of politics in creating and constraining opportunities. More specifically, it is assumed that the society’s ability to address poverty and inequality will depend both on the emergence of an alliance in favour of redistributive policies capable of winning an electoral majority or exerting decisive influence on political decision-makers, and on the ability of those seeking reduced inequality to achieve the compliance of the affluent. Our engagement with our technical specialists has, to a degree, caused us to re-examine that proposition: a key theme in some of our discussions was the proposition that state technical capacity was a far greater influence on redistributive prospects than we had acknowledged. But, if we are now inclined to take these technical issues more seriously, this does not contradict our view that conducive politics is necessary for any redistributive effort, even if it is not sufficient.

Our purpose here, therefore, is to examine those aspects of South African politics, historic and contemporary, which are likely to influence both whether attempts to address inequality are attempted and, if they are, the openings and obstacles which the political context is likely to present them.

The roots of inequality

For much of the last century, race and, to a lesser extent, language have been the primary determinants of South African inequality. But the way in which inequality came to be a chiefly racial phenomenon is interesting in itself, since it is the product of class and interest alliances within the white group.

The peculiar nature of white colonisation played an important role in shaping class, race, and language politics. Dutch settlement in the 17th century Cape colony produced

¹ For practical reasons, we did not follow the approach of other country teams by inspanning a constant ‘technical’ team. Instead, we used one set for the first round of consultations and another for the second. Participants are Dr Iraj Abedian (Standard Bank), Dr Asghar Adalzedeh (National Institute for Economic Policy), Dr Haroon Borat (University of Cape Town), Lynelle John (development consultant), Dr Francie Lund (University of Natal), and Prof Charles Simkins (University of the Witwatersrand). Dr Nicoli Nattrass (University of Cape Town) has acted as a referee. None of them necessarily endorse this paper.

² Steven Friedman *Democracy, inequality, and the reconstitution of politics*, Washington DC: Woodrow Wilson International Center for Scholars (forthcoming).

what later became the Afrikaner group – Dutch and Huguenot French settlers who spoke an adapted form of Dutch, and saw themselves as permanent inhabitants; they called their language Afrikaans (African) and themselves Afrikaners (Africans). From the early 19th century, they were colonised by Britain and joined by English-speaking settlers who arrived in 1820. At the same time, as they began to colonise the interior, they found themselves in conflict with the indigenous African polities they encountered. The Afrikaner group was therefore partially formed in a battle against the British colonial power on the one hand, and their autochthonous neighbours on the other. From the 1830s onwards these settlers moved inland and founded several Afrikaner or *Boer* (farmer) republics – as the latter term suggests, they were initially an agrarian group, while the English settlers included a commercial class. At the end of the 19th century the *Boer* republics fought a losing war against Britain, after which the entire country became a British colony: in 1910 it became a united state.

It was against this background that the discovery of precious minerals in the late 19th century prompted industrialisation and, with it, new forms of class and language stratification within the dominant white group. Gold and diamonds were mined by companies formed by English entrepreneurs; their skilled workforce consisted primarily of artisans imported from Britain, many of whom brought with them radical class politics. Severe rural poverty which was, among whites, to endure into the 1940s, forced many Afrikaners into the mines as unskilled labourers, where they found themselves forced to compete with black workers for wages and jobs. The result was, in one sense, a replay of the conflicts of the previous century: Afrikaner workers fought English-speaking mine owners on the one hand and black fellow workers on the other. The key difference was that they now found themselves in alliance with English-speaking workers concerned, in the craft union tradition, to protect their interests against employers and unskilled (in this case, black) workers. The result was a pact between the Labour Party representing primarily English-speaking skilled workers and the National Party, the vehicle of Afrikaner nationalism, which achieved an electoral majority in 1924 after a general strike two years earlier was suppressed, partly by force. The Pact government quickly introduced a ‘civilised labour policy’, reserving more skilled jobs for whites, and the 1924 Industrial Conciliation Act, which granted trade unions legal bargaining forums but barred most blacks from joining legally recognised unions.

The events of 1924 were to be re-enacted in a slightly different context in 1948 when a reconstituted version of the National Party won a general election, signalling the second victory of Afrikaner nationalism against a governing party, the United Party, representing intra-white co-operation.³ Again, the result was a largely successful exercise in working-class incorporation into the market economy, which bore similarities to the development of European social democracy. In this case the key trigger was Afrikaner nationalism, a

³ The events of the intervening period need not concern us here. In effect, the Pact government was followed by ‘fusion’ in which the National Party united with the South Africa Party, which was seen as more sympathetic to English interests; this prompted a breakaway by the Purified National Party, which won the 1948 election. See for example Rodney Davenport, *South Africa: a modern history*, second edition Johannesburg: MacMillan, 1981.

populist cross-class alliance of white Afrikaans-speakers. Political power enabled it to enact legislation which forced owners to concede prerogatives – the right to hire freely, and set wages and work conditions unilaterally – to workers while retaining the essentials of the market system. State steel and rail industries were established to create white jobs, while industrial agreements negotiated by unions (for groups other than black Africans) and employers were accorded legal force. After the NP victory in 1948 these features hardened into a set of measures which created a generous white welfare state, and used the levers of government to create a patronage system for Afrikaner business and turn the public service into a guaranteed source of employment for whites who could not find a place in private firms.

These measures were primarily the result of a nationalist alliance between Afrikaner intellectuals, professionals, farmers, and workers who sought, consistent with tradition, to constrain the power of English-speaking business and introduce harsher segregation against the black majority. In 1924 and 1948, welfare measures were a response to acute white poverty. The difference between this and some other social democratic or welfare states was that it was racially exclusive: severe intra-white class conflict in the early 20th century was defused by the fact that whites could make common cause against a black majority and monopolise political power and economic resources at its expense. On the one hand, the white welfare state could be generous because its benefits were extended to only about a fifth of the population – on the other, business resentment at conceding prerogatives and resources to a government run by an alien linguistic and cultural group was leavened by access to cheap labour and, except for the periodic resurgence of black union activity, a quiescent workforce. The result was a substantial incentive for compromise within the white group, whose outcome produced high white living standards and, for decades, the highest recorded level of inequality in the world, much of it racially based.

This largely successful exercise in class compromise and cross-class alliance vindicated the proposition that a broad coalition between social strata can make significant redistributive gains – sharp inequality in white society was substantially reduced by state action. But, as noted above, the spur was not so much the capacity of social actors to use democracy – although throughout this period whites did participate in a formally democratic, multiparty, polity – but the existence of a common racial ‘other’ which could be denied entitlements and used as a plentiful source of labour for the white economy. For Afrikaner business, there was no need to compromise with government-imposed control, for the racial order offered it substantial benefits in the form of ethnic preference – for its English-speaking counterparts, it had elements of a classic class compromise in the sense that the constraints imposed by ethnic patronage were, at least initially, outweighed by the benefits: during the 1960s, extremely high economic growth rates – among the healthiest in the world – were recorded.

For decades, therefore, white interests benefited materially from racial domination. This made generous social protection for whites the subject of a fairly stable consensus in white society; while English-speaking business may have seen the approach as an economically inefficient exercise in ethnic patronage, it bestowed legitimacy on the arrange-

ment by meticulously meeting its tax obligations.⁴ While it was to come under some pressure from the consequences of the 1973 oil shock, skilled labour shortages, and labour and social unrest in the mid-1970s, it proved fairly resilient, and a significant measure of white protection remained when racial domination was replaced by non-racial democracy in the 1990s. But, given that the compromise was as much a product of racial solidarity as of interest calculations, it was perhaps inevitable that inequality within the white group would grow as apartheid, and the racial protectionism it enforced, eroded – as indeed it did.⁵

What is important about this brief, and therefore inexact, history is not simply that diverse class interests among whites were reconciled by positing a black ‘other’; that a politics of identity overrode one of interest. Equally important was that the ‘whiteness’ of whites was constituted on diverse and unstable referents: Afrikaner nationalism, English colonial racism, an English trade union tradition. White identity had a long and difficult history of contest over precisely who and what it comprised. From the perspective of Afrikaner nationalism, as long as ‘whiteness’ designated a cultural category, it was difficult and painful to imagine the English falling into the same group. Afrikaner nationalists at times denounced English colonisation using much the same rhetoric as other ‘third-world’ anti-colonial movements: this was part of a right-wing populist ideology which in its heyday often demonised Jews as well as the English. Any attempt to ground South African identity politics on cultural foundations alone founders on the rock of the reality that Afrikaans-speaking coloured people were more culturally akin to white Afrikaners, in their language, religion and values, than the English or any of the other non-Afrikaans white groups. When, from the 1930s onwards, ‘whiteness’ came more and more to refer to a racial type, the foundations were laid for the ultimately successful reconciliation of English- and Afrikaans-speakers in the same group as ‘whites’. However, it took more than two decades after Afrikaner nationalism’s 1948 electoral victory before signs began to emerge that white identity had solidified sufficiently to prompt significant numbers of English-speakers to vote for the National Party. Before then, white voting along largely language lines⁶ reflected far deeper cultural cleavages within the white group.

‘White’ unity, therefore, was always premised on diverse and unstable grounds. In Europe and America today, ‘whiteness’ designates less a racial category than a cultural and religious identity: not African, not Muslim. It is precisely the fact that ‘whiteness’ was composed of heterogeneous strands that ultimately made possible the negotiated settlement of 1994: for the National Party, protecting white interests no longer meant chiefly maintaining racial purity or separation; preserving economic privileges and defending ‘culture’ were primary. If being ‘white’ was always a contested and unstable identity, this is no less true of being ‘black’. It too appeals to different criteria for definition which,

⁴ Evan S Lieberman, National political community and the politics of income taxation in Brazil and South Africa in the 20th Century, *Politics and Society* (forthcoming).

⁵ See, for example, Mike McGrath and Andrew Whiteford, Disparate circumstances, in *Indicator SA* 11(3), Winter 1994, pp 47-50.

⁶ It is said, for example, that in 1953 National Party canvassers were able to predict the election results almost to a seat merely by examining the census returns indicating voters’ home language.

ultimately, make possible certain kinds of political alliances and deny others. The politics of black identity contains several dimensions that might prove incompatible: a nationalist one more strictly associated with culture, and that associated with class. This has important implications for addressing inequality in South Africa. More will be said of this later.

The social base of resistance

State-enforced racial inequality inevitably prompted resistance. And, since exclusion was racially based, the response inevitably mirrored this.

This is not to say that the resistance which began – formally – with the launch of the South African National Native Congress, later the African National Congress, in 1912 was necessarily racially exclusive in its composition or the society it sought to achieve. Certainly, strains of resistance stressed the need for blacks or Africans to wage the fight against minority domination on their own. Examples include the ANC Youth League of the 1940s, whose founders included later icons of non-racial resistance such as Nelson Mandela, Oliver Tambo and Walter Sisulu (as well as Africanists such as Anton Lembede and A P Mda); the Pan-Africanist Congress (PAC), which split from the ANC in 1959 in reaction to the perceived excessive influence of whites; and the black consciousness movement, which emerged in the late 1960s and stressed the need for black self-reliance and solidarity.⁷ In varying degree, all stressed the need for black unity in the fight against racial domination. But non-racialism (or anti-racism, in the case of black consciousness) was a stated goal of all these tendencies, and a strong strain of resistance adopted non-racialism as a strategy as well as a goal.

Nevertheless, in contrast to the hopes of socialists who stressed class mobilisation, the major resistance movements sought to mobilise black people collectively, rather than particular classes within black society. The dominant liberation movement, the ANC, was thus a multiclass coalition united behind a common rejection of minority rule. This unity was, however, not achieved by negotiated interest compromises: rather, the ANC's 'glue' was a common identity; interest differences were ignored as it sought to portray itself not merely as one among many parties but as the sole voice of black society⁸ – indeed, it presented itself not as a political party, but as 'the' (rather than 'a') national liberation movement. Thus, when the prospect of winning power began to prompt the ANC to devise detailed policy,⁹ it generally sought to do this by 'fudging' interest differences rather than by encouraging their clear expression by competing interests. The resultant policy was often vague and general, leaving considerable latitude for interpretation to its implementers when the ANC became the government in 1994.

One qualification must be added: that actual or aspirant class-based parties and interests have played a key role in the alliance which the ANC leads. Before the ANC and PAC

⁷ See Tom Lodge, *Black politics since 1945*, Johannesburg: Ravan Press, 1983.

⁸ Khehla Shubane *Yesterday's remedies: political parties, liberation politics, and South African democracy*, Johannesburg: Centre for Policy Studies, 1997.

⁹ Charles Simkins, *The prisoners of tradition and the politics of nation-building*, Johannesburg: SA Institute of Race Relations, 1988.

were banned in 1960, the South African Communist Party (SACP)¹⁰ was an ANC ally, as was the South African Congress of Trade Unions (SACTU). The resurgence of black trade unionism in the 1970s also prompted the formation of the Congress of South African Trade Unions (COSATU)¹¹ in the mid-1980s, which again later became a formal ANC ally. Before the ANC's banning and exile this may have had some effect on ANC rhetoric, but it was never enough to steer it away from its role as an articulator of identity towards a more overtly left, class-based, position – SACTU was far more a vehicle of African nationalism than of working-class interests,¹² while the SACP's pursuit of socialist goals was constrained by its adoption of a strategy of 'national democratic revolution', which held that the defeat of the white minority state would have to enjoy precedence over working-class control.¹³ As later events were to show, these groups did far more to inspan a class constituency in support of African nationalism than to mould the latter to a class-based agenda.

The development of a stronger and more organised trade union movement – which was also accorded legally sanctioned bargaining rights – in the 1970s and 1980s altered this to a degree, ensuring a greater union independence and propensity to stress worker interests rather than broadly 'national' concerns. This has had its concrete effect in union opposition to liberalised economic policy after 1996. But the initial hope of left intellectuals and some unionists that this would produce an independent working-class party or politics distinct from that of the ANC was dashed: while the need for working-class political independence was a watchword of the largest union federation in the early 1980s,¹⁴ the strength of identity politics proved far stronger than union strategists expected, and by the early 1990s the largest union centre had again been absorbed into the nationalist ambit – many unionists who once proclaimed the need for independent working-class politics later held office as ANC representatives.

The struggle against apartheid reconciled different political traditions. For the trade unions and Communist Party, the subject at the centre of the drama was the black person oppressed by colonialism and exploited by a racial capitalism. This view of apartheid suggested that, even when the system of racial oppression ended, blacks would not be free until liberated from economic slavery. In contrast, the nationalist tradition emphasised much more the racial dimension: inequality was seen to be more the product of racism than of the capitalist economy – the problem was not the economic system but that its control had been monopolised by a racial minority. Nor is this the only cleavage

¹⁰ Operating from 1950 (when the SACP was banned) largely through the Congress of Democrats, a white, legal, organisation formally allied to the ANC. See Edward Roux, *Time longer than rope: a history of the black man's struggle for freedom in South Africa*, Madison: University of Wisconsin Press, 1964.

¹¹ Steven Friedman, *Building tomorrow today: African workers in trade unions, 1970-1984*, Johannesburg: Ravan Press, 1987; Jeremy Baskin, *Striking back: a history of COSATU*, Johannesburg: Ravan Press, 1991.

¹² Friedman, *Building tomorrow today*, Chapter 2.

¹³ See Peter Hudson, *The Freedom Charter and the theory of national democratic revolution*, *Transformation*, 1, Durban: University of Natal, 1986.

¹⁴ The Federation of South African Trade Unions (OSATU), which later merged into COSATU. Friedman, *Building tomorrow today*.

within the ANC – the rise of a black African professional class, has, for example, produced an articulate middle-class feminism which clashes with the patriarchy of traditional leadership, also represented in the alliance. The fact that the ANC is a diverse coalition may have ensured frustration for left hopes that in government it would pursue strongly redistributive policies – but may well prevent it from becoming purely a vehicle for the rising black professional and business class at the expense of the poor. There are, albeit in vastly different contexts, echoes of the alliance within the dominant group under white rule, providing material and symbolic inducements for economic elites to accept fairly high levels of social provision for and protection of the white poor.

But to assume that a cross-class coalition against apartheid will have a similar effect under the very different conditions which attend majority rule – the far greater number of poor who require support from a limited resource pool, the retreat of left ideologies, and the greater perceived need to accommodate international markets – is hardly self-evident. The issue is a key area for analysis and research.

Class politics (of a sort) without class parties

This history shapes the nature of the current governing coalition.

The ANC rules by virtue of its continued ability to maintain an alliance which guarantees it the support of groups ranging from black business to the poor, who share an identity-based interest in dismantling racial privilege. Its rivals within the liberation tradition, the PAC and Azanian People's Organisation (AZAPO) – the latter the current vehicle of black consciousness – have fared poorly in post-apartheid elections. But, even were this to change, they too attempt to appeal to black voters across class and interest divisions.¹⁵ The white-led opposition parties similarly appeal to identities rather than interests (understood in their purely material dimension) – although, given the relative affluence of most whites, that tends to translate in policy terms into strong sympathy with market-oriented policies, while the Inkatha Freedom Party (IFP), the second largest black-led party, appeals to adherents of ethnic Zulu tradition. Both in the governing party and opposition, therefore, identities rather than economic interests determine political allegiances; no class-based party currently exercises or challenges for power.

As implied above, however, this does not mean that South Africa has no class politics. The white political history described here shows that, among the minority, class as well as identity mobilisation played a role in ensuring white redistributive reform. The alliance between white labour, English and Afrikaans, and the white Afrikaner poor on the one hand, and the Afrikaner intelligentsia, farmers, and emergent business on the other, combined to produce entitlements which largely wiped out severe white poverty in the three decades after 1948. Black resistance was also organised along class and identity lines. In both cases, in principle, the effect is to assemble a coalition stretching from the poor outside the formal economy to a rising business class, ensuring, in principle, redis-

¹⁵ A small breakaway from AZAPO, the Socialist Party of Azania (SOPA), has articulated a more overtly socialist agenda within the black consciousness tradition but made no impression on the electorate in the 1999 election, failing to win the 0,25 per cent of the vote required for a seat in parliament.

tributive impulses – or, at least, disincentives to policies which widen inequality within the relevant group.

In all these examples, however, class or interest politics occur within, not across, identity groups. This trend has largely persisted into the post-apartheid order. More recently, there are tentative signs of spontaneous forms of cross-racial interest politics. Teachers, for example, might belong both to SADTU, the COSATU-affiliated union, to express their political identity, and to NAPTOSA, the more conservative professional association, because it has proven to deliver greater concrete gains. There are similar instances of such co-operation among the poor in Durban. Borat¹⁶ remarks that members of different racial groups work together on social issues without losing their identities. Racial name-calling continues, but does not necessarily obstruct co-operation on joint projects. This trend obviously deserves attention: we have implied that South African identities are complex enough to allow people to engage in common social or economic campaigns while retaining aggressive forms of their particular identities. But it is far too early to draw conclusions about the emergence of a cross-racial interest or class politics – one test of these nascent alliances, which they have not yet faced, is whether they would survive attempts to label them disloyal to identity groups.

In contemporary conditions, the ability of a government elected by an identity coalition to address the material interests of all sections of its support base is sharply constrained by limited resources and capacity, even if a balance of forces in the governing alliance more favourable to redistribution were to emerge. Thus the first few years after the end of apartheid – if official statistics are believed – brought a slight narrowing of the Gini coefficient across the economy, but widening inequality within each race group, including the black majority. Calculations vary between economists, but there is wide agreement that the black Gini coefficient is as high or higher than that in the economy as a whole.¹⁷ Deracialisation following the end of apartheid has therefore prompted wider inequality in the core ANC constituency. And, while the initial economy-wide narrowing of inequality suggests that this may have occurred not because the circumstances of the poor are worsening but because those of a formerly suppressed black professional and business class have improved rapidly, later figures indicating a widening of inequality across the society as well as within each racial group between 1995 and 1998¹⁸ suggest that the current governing coalition is not favourable enough to the poor to prevent them falling further behind those at the top of the social and economic ladder.

¹⁶ References in this paper to comments by Borat, Simkins, and Lund are derived from earlier interchanges during the project which are to be found in CPS, *Democracy, inequality and the state in the 21st century: notes on a meeting with SA technical specialists held on 14/9/00*, and a written response by Borat to that document.

¹⁷ On inequality trends, see Servaas van den Bergh and Haroon Borat, *The present as a legacy of the past: the labour market, inequality and poverty in South Africa*, Development Policy Research Unit, University of Cape Town, DPRU Working Paper 99/29; see also Andrew Whiteford in *Business Day*, 1/3/2000.

¹⁸ Statistics South Africa, *Measuring poverty*, 7/9/00. Official statistics at present place the GINI coefficient at around 0,80, a substantial increase on previous calculations in various countries which posited around 0,65 as the highest level of inequality on the planet. Whether this means that the propensity towards inequality is far greater than we have hitherto assumed or that the calculations are inaccurate is unclear.

A key question, however, is the implication of widening inequality for the ANC coalition. Since, as noted above, identities retain their primacy over material interests, widening inequality is unlikely on its own to threaten the coalition's survival. It may, however, increasingly sharpen interest conflicts within it and limit options for policies which deliver advantages to all elements of the alliance, since measures designed to incorporate the black business and professional elite in the economic mainstream will not necessarily hold advantages for the poor, and could increase intra-racial inequality. Nevertheless, for the ANC, the promotion of a black business class is seen not only as a core component of its programme to deracialise society, but as a precondition for the government-business co-operation which is a precondition for growth – white business is seen to be at best ambivalent about majority rule, and thus insufficiently committed to the domestic fixed investment which is not only central to economic reconstruction but a signal of confidence in the new political and social order.¹⁹ Black ownership of assets is therefore seen partly as a means of ensuring a business class more sympathetic to co-operation with the government. (There are signs of a revision of this strategy which pays more attention to the need to encourage investment from domestic white business²⁰, but this is too embryonic to permit thorough analysis).

Thus far, internal compromises within the alliance ensure that an attempt is made to balance the interests of the black business and professional class with those of the trade unions and the poor. But one recent policy choice suggests a trade-off between black business promotion and the reduction of inequality. A subsidy programme which aims, among other goals, to provide black people with seed capital to buy farm land has been revised to provide more generous subsidies to persons buying larger tracts – while officials continue to protest that the poor have not been abandoned,²¹ subsidies for the landless poor will, in effect, be reduced by the stipulation that they contribute in cash or kind if they wish to receive financial aid. And a stated reason for the change is an intention to support the creation of a black commercial farming class.²²

This evidence does not necessarily indicate an irrevocable drift towards policies designed to privilege racial inequities in business and the professions over social inequality. Advocates of current government strategy insist that the society's racial history will impel black business towards an alliance with the poor – a statement by Cyril Ramaphosa, former general secretary of the ANC and now a leading businessman, promising that black business will 'strive to achieve real empowerment by building meaningful alliances with the workers' movement and the wider black community' is cited as evidence.²³ This also

¹⁹ Shaun Mackay and Khehla Shubane, *Down to business: government-business relations and South Africa's development needs*, Johannesburg: Centre for Policy Studies, November 1999.

²⁰ Thabo Mbeki, Notes for an address by president Mbeki to the annual convention of the South African Chamber of Commerce on 24 October, issued by the Presidency, 2 November 2000, www.polity.org.za

²¹ Article by Land Affairs director-general Gillingwe Mayende, *The Star*, 11/7/00.

²² Tobias Schmitz, The land never bought, the land never sold, *Synopsis* 4 (1), June 2000, Johannesburg: CPS, pp 7-9; CPS, *South Africa Update*, April 2000.

²³ See Pallo Jordan, Crossfire, *Mail & Guardian*, 20/3/98.

implies that a black bourgeoisie is more likely to invest in areas of the economy which satisfy basic needs and is more inclined to job creation. A judgement on this claim may seem premature, given the still very limited black ownership of productive assets. But the impressionistic finding that the new black elite is no more favourably inclined to redistribution than its white counterparts is confirmed by a recent elite survey.²⁴

There is also some evidence that current economic strategy has structural consequences which might increase inequality, regardless of the intentions of social actors. Thus one outcome appears to have been to enhance the demand for skilled labour, to reduce it sharply for its unskilled equivalent. Those sectors of the economy which are growing (finance, the information sectors, and services) require skills which the vast majority of South Africans lack – and which they are likely to continue to lack.²⁵ Furthermore, those which have historically used ‘unskilled’ workers are either stagnating (steel), converting to technology, or simply in decline (gold mining). Economic deracialisation which leaves these structural issues untouched is unlikely to reduce inequality.

If the current policy course may increase inequality, is it likely to elicit political resistance? While it may be true that the unemployed, those who have recently lost jobs and those who have been without work for some time, are unlikely to desert the ANC for one of the existing opposition parties in large numbers, results from the 2000 local election may suggest that hostility to government policy manifests as disengagement from the political system: while the ANC share of the vote did not decline, the results were consistent with surveys indicating decreasing satisfaction with government – one among several examples is a late 2000 Human Sciences Research Council poll claiming that satisfaction in how South Africa is being governed had dropped by 24 percentage points among blacks over a year (although among whites it was said to have grown).²⁶ It is far too early to read into this evidence that key elements of the ANC constituency are losing faith in formal politics (with potentially baleful consequences for stability). Nor is there evidence yet that the ANC alliance may split, or even that the developments discussed here will reverse the fortunes of nationalists within it. But it does suggest that a shared rejection of racial minority rule may not be enough to quell political dissent within the alliance. More importantly, we may ask if it will give steam to those factions for which deracialising the economy was never a sufficient condition of addressing poverty.

The importance of identities

Despite the points made above, the continued importance of identities may hold a significance beyond maintenance of the governing alliance. Because political loyalties – to the new democracy as well as its ruling party – are not shaped by material interests alone,

²⁴ Noushin Kalati and James Manor, *Elite perceptions of poverty and poor people in South Africa*, unpublished paper, Institute of Development Studies, Sussex University.

²⁵ Haroon Borat and Rashad Cassim, *Industry and trade policy – is it job-friendly?* Summary of a seminar held at cps with the support of the Friedrich Ebert Stiftung, Johannesburg: Centre for Policy Studies, 1999.

²⁶ *Business Day*, 15/11/00.

and parties express who citizens are more than their economic interests,²⁷ conflicts over resources, at least within the relevant group, may be softened by common identities.

More generally, the centrality of identity may ensure that, in South Africa, enthusiasm for democracy is not necessarily a consequence of purely material concerns – while citizens understandably hope that democracy will improve their circumstances,²⁸ intangibles such as the sense of dignity which emancipation from racial subjugation offers the majority may be an important source of political capital for democracy. If participation in elections – at least by registered voters – is a guide, public enthusiasm for democracy has not abated since the advent of majority rule, and this could reduce the salience of inequality as a source of *desencanto*²⁹ – democratic disenchantment – for many years. The new democracy may therefore enjoy a degree of public goodwill which reduces the salience of inequality for some time. The likely duration of this ‘democratic dividend’ may be a key element in shaping the politics of inequality.

Ironically, while democratic goodwill may be an important asset to the governing elite, its current stress on managerial effectiveness in social policy – on ‘getting things done’ rather than on democratic quality³⁰ – may in time erode its most important political resource. The degree to which inequality does threaten democracy may therefore depend more on an elite willingness and capacity to address the challenges of accommodating diverse identities than on its ability to directly tackle inequality through social policy.

And, while goodwill among the majority may bode well for maintaining democratic form, it could greatly constrain its substance – enhanced citizen participation in public decisions – as well as prospects for effective redistributive coalitions. The identity politics from which it stems – particularly its most visible consequence, the centrality of race in public consciousness – also, as the ANC has accurately diagnosed, limits opportunities for growth by constraining government–business relations and in a host of other ways: by, for example, reducing the capacity of firms whose ability to develop human capital and achieve a common purpose in the enterprise is diminished by racial assumptions and workplace identity conflicts.

Ironically, a key issue on which some common national identity and consequent purpose has been achieved is perhaps an important limit on economic potential: the degree to which South Africans across the identity divide are largely united in hostility to cross-border migrants, and the skills and resources they bring to the economy. However, while curbs on immigration limit growth prospects, they may, perversely, marginally increase

²⁷ Steven Friedman, Who we are: voter participation, rationality, and the 1999 election, *Politikon* 26(2), 1999.

²⁸ Robert Mattes and Hermann Thiel, Consolidation and public opinion in South Africa, *Journal of Democracy*, 9 (1), 1998, pp 95-110.

²⁹ Philippe Schmitter with Terry Karl, The conceptual travels of transitologists and consolidologists: how far to the east should they attempt to go?, *Slavic Review*, Spring 1994.

³⁰ Patrick Heller, ‘Technocratic creep’ threatens local government reform, *Synopsis*, 4(1), June 2000, Johannesburg: Centre for Policy Studies, p 1.

the potential for more generous social policies, at least in the short term, since their extension to migrants might require a more modest range of entitlements.³¹

In sum, while interest organisation and alliances are a key feature of South Africa's economic and political reality, they are complicated by identity politics which may limit both prospects for reducing inequality and the threat which it poses to the survival of formal democratic politics.

Current political realities

This background helps clarify and provide context for the political and policy challenges facing the new democratic order.

During much of the anti-apartheid struggle, ANC economic approaches were vague and general but veered sharply towards a redistributive agenda, perhaps best expressed by the 1956 Freedom Charter, its manifesto until 1990, which called for the nationalisation of the mines and 'monopoly industries'.³² Between 1990, when the ban on the ANC and other liberation movements was lifted, and the 1994 elections, the first in which all citizens were permitted to vote, ANC policy was significantly modified, largely as a result of exchanges with international business.

But the change was relative: before the 1994 election, it adopted the Reconstruction and Development Programme (RDP),³³ the product of substantial debate within the ANC alliance. The RDP followed the patterns of policy-making noted above: it was often vague and in places internally contradictory, as conflicting views and interests within the alliance were incorporated rather than negotiated (in other words, differences were not resolved and both perspectives were reflected). Nevertheless, it favoured substantial government intervention in the economy, and included an ambitious redistributive programme. At the time the RDP was drafted,³⁴ it reflected a balance of power in the ANC in which economic policy specialists, who had moved significantly towards a more market-friendly approach, had acquired some influence, but not enough to prevent the core alliance policy document on the economy and social policy from leaning towards a reliance on government action to address the inequalities created by race domination.

It is of some importance to our theme that the RDP was initiated by the union movement which, with other 'left' components of the alliance, was concerned that the ANC in government would abandon redistribution – it was designed to forestall this possibility by binding the movement to an egalitarian agenda.³⁵ That it did become the alliance's mani-

³¹ Charles Simkins, A South African welfare state?, in Steven Friedman and Riaan de Villiers (eds), *Comparing Brazil and South Africa: two transitional states in political and economic perspective*, Johannesburg: Centre for Policy Studies, September 1996, pp 327–333.

³² Raymond Suttner and Jeremy Cronin, *30 Years of the Freedom Charter*, Johannesburg: Ravan Press, 1985.

³³ African National Congress, *The Reconstruction and Development Programme*, Johannesburg: Unyamo Publications, 1994.

³⁴ Graeme A Götz, Shoot anything that flies, claim anything that falls: labour and the changing definition of the reconstruction and development programme, in Glenn Adler and Eddie Webster (eds), *Trade unions and democratisation in South Africa, 1985-1997*, New York: St Martin's Press, 2000, pp 159-189.

³⁵ *ibid.*

festos indicates that these sections wielded significant influence. But that its content was substantially diluted in response to ANC economic policy-makers shows the limits of that influence. This is worth mentioning, given the later left charge that a redistributive agenda was watered down by unaccountable government officials. In reality, reservations about key aspects of this agenda are deeply embedded in the ANC alliance. Reducing the issue to the failure of bureaucrats to heed the will of the governing alliance is to ignore how constrained the redistributive features of that will are by factors ranging from the concerns of black business through to a perception that there is only one conceivable economic growth path.

After the 1994 election installed the ANC at the head of a multiparty government, the influence of the economic policy-makers grew significantly, partly as engagement with business – particularly the international variety – increased, and partly as the RDP faced severe implementation challenges³⁶ which ironically ensured a fall in social spending in the first year of the society's first popularly elected administration.³⁷ The result was not a renewed effort to implement it, but a significant change in course: the adoption of the Growth, Employment and Redistribution (GEAR) strategy,³⁸ which has been repeatedly denounced by the left of the alliance as a 'neoliberal' departure from the redistributive impulses of the RDP,³⁹ and has consequently been seen as a reflection of the triumph of business policy influence over the government.

This judgement is overstated, since the government continues to implement a reasonably generous set of social programmes – according to the minister of finance, 57 per cent of government spending is allocated to the poorest 40 per cent of the population, and less than 9 per cent to the wealthiest 20 per cent.⁴⁰ The allocation of funds to provinces is bound by a formula which gives preference to those with higher poverty indices and social backlogs, despite the substantially lower absorptive capacity in poorer provinces. The government has also remained firmly committed to racial redistribution, and has been willing to intervene in the market to achieve this – legislation has, for example, mandated 'affirmative action' or preferential hiring and the promotion of 'disadvantaged' people in the workplace, as well as a preference in government procurement for black firms. However, GEAR clearly did signal a change of approach whose most obvious expression has been a vigorous attempt to reduce the budget deficit and a concomitant clamp on public spending.

³⁶ Thabo Rapoo, *Making the means justify the ends?: the theory and practice of the RDP*, Johannesburg: Centre for Policy Studies, 1996.

³⁷ Claude Kabemba, Failure of RDP office holds important governance lessons, *Synopsis*, 4(2), Johannesburg: CPS, p 5.

³⁸ Department of Finance, *Growth, employment and redistribution: a macroeconomic strategy for SA*, Pretoria, 1996.

³⁹ See, for example, Jonathan Michie and Vishnu Padayachee, Three years after apartheid: growth, employment and redistribution, *Cambridge Journal of Economics*, 22(5), 1998; Adam Habib and Vishnu Padayachee, Economic policy and power relations in SA's transition to democracy, *World Development*, 28 (2), 2000.

⁴⁰ Trevor A Manuel, Budget speech, 23 February 2000, www.finance.gov.za.

Rather than label GEAR a complete conversion to ‘neoliberalism’, it seems more appropriate to see it and the policy initiatives which have followed it as an expression of the balance between the interests which comprise the governing alliance. The leadership’s concern to promote market-friendly growth strategies, the need to create a black business class more sympathetic to the priorities of the new order than white business, and the continued presence in the ANC fold of a coalition which favours vigorous redistribution has prompted an attempt to harmonise growth, racial redistribution, and poverty alleviation.

This analysis may miss an important dimension: the degree to which GEAR was a response to a currency crisis with which the government would have had to deal, regardless of the balance of social forces.⁴¹ This competing analysis stresses the importance of global capital movements in constraining the choices of governments, sees pressure on the currency as the example *par excellence* of the constraints posed by the global environment.

However, while GEAR was indeed a direct response to a severe decline in the currency’s value, it is also important to note that it followed a trend in which the ANC in government became increasingly inclined to replace the RDP with a more market-friendly strategy.⁴² Thus, while the currency’s turmoil may have enhanced the perceived urgency of a change in course, the change in government approach made its adoption possible. And, while it may well be that the original shift which made GEAR possible was not a direct result of changes in the balance of power but of official pragmatism, making it a less obvious indication of power alignments than, for example, the change in land policy noted above, the government has remained committed to it for almost five years despite repeated labour complaints; clearly the balance of power does not favour labour and its allies sufficiently to allow them to shape the policy agenda. But this may be at least as much a symptom of the unions’ inability to demonstrate that they offer a viable alternative to government policy than of power politics. More generally, the politics of government macroeconomic policy is an important illustration of the degree to which external constraints, power balances, and the battle for intellectual and moral ascendancy combine subtly to produce an outcome which, while it may well have saved South Africa from the ravages which the Asian currency crisis was later to inflict on some economies, did not deliver the redistribution for which it claimed to provide a foundation. This may have less to do with GEAR itself than with the way in which redistributive opportunities which clearly exist within its constraints have been missed.

While the strength of those interests favouring market-friendly growth has grown since the day in February 1990 when Nelson Mandela, newly released from prison, told a rally that he remained committed to the Freedom Charter’s promise to nationalise ‘monopoly industries’, the redistributive interests in the coalition remain strong enough to ensure the persistence of an uneasy balance in which their concerns remain a factor in decision-making. One example is labour relations legislation: while some government planners would clearly like to dismantle many of the labour and union rights which are

⁴¹ These insights were offered by Iraj Abedian at our engagement with technical specialists, 17/5/01.

⁴² Rapoo, *Making the means justify the ends?*.

seen to create an ‘inflexible’ labour market⁴³, changes proposed in July 2000 are, despite indignant reaction from COSATU, relatively minor. The most significant is a proposed six-month probationary period during which employees may be dismissed at a week’s notice, while some changes strengthen labour’s rights.⁴⁴ Since then the amendments have been the subject of intense negotiation, and the final compromise has gains for labour as well as business.⁴⁵ This reflects not only a degree of continuing labour influence, but also that support for reducing the union protections in labour law is not unanimous within the government, among officials as well as politicians. Further signs of continuing redistributive impulses is president Thabo Mbeki’s appeal to organised business and labour to discuss a ‘reconstruction bond’ which might channel life offices’ funds to social investment.⁴⁶

The multiclass nature of the alliance, and the strong pressures from its business and professional elements for racial preference, do, however, limit the options of the ANC left. A clear example is privatisation which – while implementation has been slow as the government seeks to defuse labour resistance – won a ready constituency in the governing alliance, because it was justified as a means of transferring resources to emerging black business through stipulations that purchasers form joint ventures with black-owned companies. Nor has the union movement itself been immune to ambivalence on privatisation, since union investment companies are among its envisaged beneficiaries. This highlights another important dynamic: since one of apartheid’s effects was to constrict black business opportunities, interest in a stake in the market economy is found in a wide spectrum of black society, including the unions themselves – or, at least, their investment companies. As with ‘democratic goodwill’, this reduces conflict potential but also weakens egalitarian impulses.⁴⁷

Nor, importantly, is it possible to see the current contest as one between a redistributive section of the governing alliance in touch with the needs of the poor, and an alliance of business people and technocrats who are not. It is open to serious question whether the redistributive elements are attuned to the interests of the poor. Social pensions are – admittedly in the absence of more generous alternatives – the most effective current instrument for poverty alleviation: while they are ostensibly designed for the elderly, they are used for many other purposes and, in many poor households and regions, operate as a form of general income support.⁴⁸ And yet, not only have pension increases since 1994 failed to keep pace with inflation; government representatives also continue to assume

⁴³ See, for example, the interview with the minister of finance, Trevor Manuel, in the *Sunday Independent*, 9/1/2000.

⁴⁴ Membathisi Mdlalana, Statement by the minister of labour on the occasion of the release of labour law amendments, Pretoria: Department of Labour, 26/7/2000.

⁴⁵ Cabinet Approves Labour law Amendments for Tabling in Parliament. Statement by Department of labour, 22/8/01

⁴⁶ *Business Day*, 15/8/00.

⁴⁷ For evidence that socialist rhetoric does not always express an egalitarian economic agenda among union activists, see Simkins, *A South African welfare state?*

⁴⁸ See, for example, Julian May et al, *Poverty and inequality report*, Durban: Praxis Publishers, 1998.

that they serve the aged only.⁴⁹ They have encountered little or no opposition from those interests usually pressing for redistribution, such as the unions, the South African National Civic Organisation (SANCO), or the South African National NGO Coalition (SANGOCO). The fact that neither public representatives nor those sections of civil society which campaign against poverty seem aware of the role which pensions play in the household budgets of the poor indicates the degree to which grass-roots social life and experience is not filtering through to the elite – and, therefore, the extent to which the poor remain without effective political representation.

For some commentators, this confirms that the labour movement and other redistributive interests in the ANC alliance are a ‘labour aristocracy’ or a middle-class lobby, expressing the concerns of strata other than the poor. But the explanation may lie less in ‘labour aristocrats’ using anti-poverty rhetoric to enhance their own agenda – if they were, why would COSATU have committed itself to fighting for a basic income grant? – than in the failure of labour and other organised interests to develop a base among the poor. Thus, not only are the redistributive interests not strong enough to press home a coherent agenda which might redress inequality; even where they are able to place their stamp more firmly on policy, there is no guarantee that their concerns would reflect those at the bottom of the income pile because they often appear to speak on behalf of rather than for the poor.

There is no immediate sign that this political balance is likely to change. A politics favourable to concerted action against inequality is likely to emerge under one of two conditions. The first is the development of a ‘social consciousness’ among the elite which might make reductions in inequality the subject of a national elite consensus.⁵⁰ As preliminary research findings from South Africa confirm,⁵¹ this is improbable – not only do white elites seem unsympathetic to programmes which would substantially reduce inequality, but their black counterparts insist that action against poverty is the state’s responsibility, not theirs. While that may seem to signal a willingness to countenance redistributive policies, much the same argument is made by white-owned financial institutions seeking to avoid extending home loans to low-income people. The insistence that action against inequality is the province of the state is not a guarantee of a willingness to pay for it, and may do more to indicate a desire to shift responsibility than an enthusiasm for redistributive public policy.

More generally, economic crisis might prompt a radical rethink by business elites of the sort which promoted the 1930s pact to which Swedish social democracy owes its provenance. GEAR may have been an immediate response to currency crisis and the outcome of an assessment of the technical limits on the RDP, but it was also an attempt to come to terms with the gravity of the economic crisis at the time of the transition. The

⁴⁹ Trevor A Manuel, *Budget speech 1999*, www.finance.gov.za; see also remarks by Nelson Mandela quoted by this author in *Business Day*, 1/3/1999.

⁵⁰ Abram de Swaan, James Manor, Else Oyen and Elisa P Reis, Elite perceptions of the poor: reflections for a comparative research project, *Current Sociology*, 48 (1), January 2000, London, Thousand Oaks, CA and New Delhi: Sage Publications, pp 43-54.

⁵¹ Kalati and Manor, Elite perceptions of poverty and poor people in South Africa.

RDP document paid little attention to the constraints placed on its programme by economic stagnation and the scale of the deficit incurred by the apartheid government during the 1980s. The solution chosen was also influenced by a desire to reintegrate South Africa into the world system after the years of apartheid isolation – a reflection of the interest of the elite, new and old, in winning international approval. But, while GEAR's insistence on deficit reduction may have been essential, its implied promise of growth and job creation through integration into the world economy was never realised. It assumed stable 3 per cent growth in the major industrial economies that would create growing export markets and ensure currency stability. But the 'emerging markets crises' of 1997 and 1998 ensured a rather different context. In a 2001 address to shareholders of the central bank, its governor, Tito Mboweni, noted that these developments significantly damaged economic performance. The rand continued to depreciate radically against the US dollar – in 2000 alone it lost 22,9 per cent of its value against the American currency. Oil supply shortages created doubts about the central bank's ability to reach its inflation targets. Volatility was aggravated by instability in neighbouring Zimbabwe. And neither the growth nor the job creation targets were met.

In the view of the government's left critics, these events reveal the futility of attempting to adjust to a global economy in which, in their view, painstaking attempts at compliance with market requirements can be sabotaged by skittish fund managers' reaction to events many kilometres away. Is there any prospect that business might agree, choosing a domestic pact with strong redistributive features as a better guarantor of growth than engagement with world markets?

There are signs of a greater business willingness to accommodate labour, and evidence that business was, during the apartheid era, consciously willing to accommodate inflationary wage increases in the hope of achieving stability.⁵² But that was during a period of isolation; now, large companies not only deploy capital accumulated during the sanctions years to invest in Australia, Canada and the United States; several have moved their primary stock exchange listings to London. This reflects a wider issue: as long as most business leadership is white, an economic nationalism shared between government and business seems unlikely. On the contrary, local white business people often uses their foreign counterparts as a Trojan horse; aware that racial identity cleavages limit their direct influence with the government, they seek to influence policy primarily by warning that measures which they oppose will negatively affect international investor sentiment. While some key business economists have questioned GEAR, the more common response is to insist that its liberalising features have not been applied vigorously enough, not that they are flawed in principle.

Far from being victims of negative foreign investor sentiment, much of domestic business may well be one of its causes, since it seems likely that foreign businesses would derive their understanding of South African realities from their local counterparts. South Africa's presumed vulnerability to international market sentiment, then, may have a significant domestic dimension. This suggests that, in the South African context, the real significance of 'globalisation' may not be the presumed ability of fund managers'

⁵² Charles Simkins, meeting with technical specialists, September 2000.

whims to lay waste distant economies, but the new mediums through which economic information is exchanged between domestic and foreign business, and the new triggers of financial action. This may express itself far more in its effects on the relationship between domestic business and government than between the latter and foreign businesses.

Despite repeated assurances that the fundamentals of the South African economy are sound, the currency has repeatedly come under pressure. Nor has the volume of foreign investment matched that which rigorous obedience to economic orthodoxies may be expected to attract. Much of this has to do with how perceptions of South Africa are formed. Mboweni has complained, for example, that despite the considerable differences between South Africa and Zimbabwe, crisis there has acted as a major trigger of currency volatility here. The issue may be not whim, but deep prejudices suggesting that African governments are doomed to fail, even if they adopt market-friendly economic policies. These may in turn be fuelled by local business people who share these fears – and hope to rely on international business opinion to win policy debates. How much of the response to Zimbabwe is shaped by American or European fund managers who cannot tell one majority-ruled southern African state from another, and how much by South African business people who see in Zimbabwe's conflicts today a portent of South Africa's in the future? It may well be that the mutually reinforcing prejudices of global market players, rather than hard analysis, deeply affect growth prospects, whatever South Africa's economic policy-makers do. But these perceptions may well have strong roots in domestic business's concerns that current government policy is not yet market-friendly enough. This is, to understate the case, not an environment in which business enthusiasm for a redistributive growth strategy is likely.

The second possible change – since the poor lack the organisational resources to make a substantial impact on the public policy debate – would be a set of circumstances which would prompt interests such as labour or sections of the middle class to seek an alliance with the poor, and thus to organise those most disadvantaged by inequality. The rising black middle and professional class is perhaps the unlikeliest candidate, since its interests are satisfied by current policy approaches, even if it would prefer their more vigorous implementation in, for example, legislation to force the transfer of assets to black business.⁵³ The effects of the Asian crisis of 1997 – which prompted sharp rises in interest rates in an economy in which credit is the lubricant of affluence – could in principle have created conditions for the disaffection of a black middle class whose expectations that majority rule would bring affluence threatened to be dashed. But it did not, current evidence suggests, lead to a discernible impoverishment of the middle classes which might have created a class of 'new poor' with the organisational resources and potential policy influence to ensure that their disaffection produced concrete policy effects. This must be qualified, since black business does, it appears, see some community of interest with the poor: while Ramaphosa's claims mentioned earlier may seem wildly exaggerated, a proposal by the Black Economic Empowerment Commission to reintroduce prescribed assets (a form of forced investment) also includes a suggestion that the money be used for

⁵³ *Business Day*, 20/3/01.

‘national (development) priorities’ rather than purely for black business.⁵⁴ But there is a great deal of difference between evidence that black business feels a degree of identity of interest with the black poor, and the suggestion that a sustainable political alliance between the two classes, which existed during the apartheid era, can be reconstituted.

Nor, despite its redistributive rhetoric, does the labour movement have much incentive to seek alliances. It has remained focused on a largely defensive concern to preserve the workplace gains of the past two decades: while the thesis positing irreconcilable conflicts of interest between unionised workers and the unemployed may be an oversimplification, research suggests that inequality between the employed and unemployed is far sharper than income disparities among the employed,⁵⁵ giving the latter less incentive to find common ground with the former. And there is evidence that the younger generation of workers may, contrary to the clichéd expectation of youth radicalisation, be even more averse to such an agenda than their elders: they may be far more open to pragmatic arrangements with business than broader alliances with the poor.⁵⁶ It was noted above that labour is showing an increased interest in championing redistributive concerns. But there is no sign yet of this translating into an intention to organise the poor to campaign for these concerns alongside those of unionised workers.

As in our two Latin American studies, perhaps the likeliest labour bearers of a broad egalitarian politics are retrenched workers – estimated at more than 365 000 in the non-farm sectors since 1996.⁵⁷ In theory, this group has a history of organisation and an egalitarian ideology; loss of the relative privilege of employment might prompt a perceived interest in attempting to organise their fellow jobless. But thus far there is little evidence of this – and some indications, to which this paper will shortly return, that the reason for this is a question of structure rather than agency, making a reversal of the trend implausible.

A redistributive alliance?

What implications does this analysis hold for the emergence of an anti-poverty alliance?

First, does South Africa’s labour market structure not preclude a community of interest between organised strata and the poor? As implied above, some have suggested that the rigidities which are said to be a product of current labour legislation are an obstacle to job creation: employers are disinclined to take on new workers during uncertain economic times because dismissal is extremely difficult, raising the possibility that, during a downturn, they may be crippled by a wage bill they cannot support. It follows from this

⁵⁴ *ibid.*

⁵⁵ SA Labour and Development Research Unit, *South Africans rich and poor: baseline household statistics*, University of Cape Town School of Economics, 1994.

⁵⁶ A case in point is a much publicised recent dispute at the Volkswagen plant in the Eastern Cape in which older workers rebelled against a compromise with management made by their younger co-workers. Kally Forest, *What happened at VW?*, *South African Labour Bulletin*, 24(2), April 2000, pp 12-19.

⁵⁷ Centre for Policy Studies, *South Africa Update*, April 2000.

that union moves to defend the current dispensation are anti-poor. Natrass⁵⁸ therefore proposes that there is a potential conflict of interest between unionised employed labour, which wishes to maintain the status quo, and the unemployed.

But this frequently made argument may overstate the case. During earlier discussions with technical specialists, participants argued that the cleavage in the labour market was less between those with jobs and those without than between the skilled and unskilled (although obviously the two often coincide). Given that there is a massive shortage of skilled labour in South Africa, Simkins suggested that those with skills were more than likely fully employed and therefore largely immune to changes in labour law. It was therefore not possible to assume a necessary conflict of interest between them and the unemployed, who, being unskilled, were unlikely to be able to work in the available jobs even if labour legislation was relaxed. But nor was there any incentive for this group to form alliances with the latter. More likely was the prospect of an employed–unemployed alliance at the bottom end of the market – that is, between those in employment but with rudimentary skills who see their possible future in the unemployed. But, given that such workers tend to be found in the agricultural sector and domestic service, and that they tend not to be organised, this posits an alliance between those with the least resources to organise. This merely begs one of our key questions in another form: who, with the resources to organise these groups, would have an interest in doing so?

While the specialists felt that the blanket claim of a conflict of interest between workers and the unemployed was overstated, they did agree that there were contexts in which this may occur. The key issue is the degree to which there is a trade-off between jobs and wages. This exists in all ‘developing’ countries: wage levels are moderated to prevent job losses. In South Africa’s formal economy, the key question is whether, if wage levels were to fall, firms might return to more labour-intensive technology, or at least refrain from further mechanisation. It was argued that there are sectors in which this is likely: one example is education, where mechanisation was said not to be an option (robotic teachers!). In these cases there may be some validity in the argument that lower wages and reduced bargaining power are a recipe for job creation. But this hardly ends the argument. The education example seems a poor one – there may be opportunities for mechanisation in distance-learning technologies. Nor is it clear that sufficient empirical data exists to support the claim that a more flexible labour market would create jobs in the formal sector. And, even if it was established that lower legislated labour standards would create jobs, social benefits are potentially offset by the threat of creating a large class of ‘working poor’, who might also have little incentive to join the formal sector if they could command larger incomes in informal activity. Nevertheless, while these considerations suggest that the frequent implication of a conflict of interest between unions and the poor is open to challenge, it does not advance evidence of an incentive for unions to seek an alliance with the unemployed.

⁵⁸ Nicoli Natrass, *Review of The politics of inequality in South Africa*, Johannesburg: Centre for Policy Studies, September 2000.

Lund, however, does suggest such an incentive. She warns that an anti-poverty strategy should not be premised on the fanciful prospect of full employment in the formal sector. On the contrary, there is a clear trend in 'developing' economies towards informisation which, on the available evidence, seems set to endure for a very long time. But if international experience is a guide, unions need not react by seeking to build walls around their (dwindling) members in the formal economy. There are cases in which union movements, realising the precariousness of their positions, have sought to organise the unemployed. Given that in South Africa there might not be any necessary opposition from those already employed to allying with the unemployed, such a strategy is possible.

But the organisational and political challenges of this task – or of any other attempt to organise the unemployed into a redistributive coalition – are considerable. One of the effects of unemployment is that unemployed workers move beyond the reach of formal institutions and structures. Informality is a diverse and complex phenomenon comprising multiple forms of enterprise, trade and organisation: it ranges from street trading to the acquisition and sale of drugs or stolen property. Unemployment and informality do not simply see the scattering of people into a myriad of activities so that there are few opportunities for collective action; it does not simply present organisation with a practical problem. More importantly, unemployment and informality often see people bound into a host of networks and relations that may be at best indifferent to political institutions and organisations, and are usually simply undemocratic. The case of the Western Cape is exemplary. There the decline of the manufacturing and especially the textile industry has seen thousands of families become complicit (through participation or acquiescence) in a gang-controlled drugs industry. In Gauteng there are similar trends related to robberies and heists.

Nor should it be assumed that the unemployed are naturally available for organisation by the unionised, even if they have not fallen beyond the reach of the formal. At least one organisation of the unemployed exists which is vocally hostile to unions: the Malumela Social Movement. While both its support and origins are unclear, those who dismiss out of hand the possibility that the unemployed poor could be hostile to unions may wish to inspect survey evidence dating back to 1994 suggesting strong reservations among non-unionised respondents on the wisdom of collective labour action.⁵⁹ The purpose of these remarks is not to claim a perceived antagonism between the unionised and the unemployed poor, but merely to query analyses which assume a natural perceived community of interest.

There are, it must be stressed, glimmerings of countertrends to the propensity of the unemployed to fall off the formal associational map. Lund reports therefore that her field work in Durban has revealed the existence of associations representing informal traders who engage with the municipal authorities – in other words, who see a value in engaging in institutionalised interest group activity. At present, they seem concerned chiefly to secure trading sites rather than to make redistributive demands. These examples suggest, however, that far more information and analysis on the nature of informal association are

⁵⁹ Craig Charney, *Voices of a new democracy: African expectations in the new South Africa*, Johannesburg: Centre for Policy Studies, 1995.

needed before any judgements can be made on its availability or otherwise for democratic redistributive politics.

But even if a redistributive coalition is possible, a constraint on a more egalitarian politics may be the relative weakness of representative democracy: while redistributive politics clearly requires that demands for egalitarian policies should be made by parties and associations, its prospects are enhanced if democratic institutions are accessible to them. Research confirms our claim that there is a deep gulf between the policy preoccupations of the elite, regardless of ideological stripe, and the grass roots,⁶⁰ as well as a widespread sense among voters that representatives and their institutions are remote and unresponsive⁶¹ – during the first post-apartheid administration, by far the strongest source of public confidence was the person of the state president,⁶² suggesting that a charismatic individual inspired more public enthusiasm than the new array of constitutional representative forums.

During the first administration, a lack of enthusiasm for strengthening the links between representatives and voters was ironically accompanied by – and, arguably, caused by – an apparently pervasive enthusiasm for participatory democracy. It expressed itself primarily in attempts to ensure the inclusion of ‘community’ organisations in policy-making, usually via the creation of development forums comprising local or national organisations which claimed to represent popular interests.⁶³ In most cases, however, those claims to representativeness were highly questionable, and the organisations were largely collections of activists whose links with the grass roots were often no more secure than those of public representatives.⁶⁴ This was a legacy of the later period of the fight against apartheid when domestic resistance was led by local activists who claimed an almost organic link with ‘communities’, which was often based on little more than the fairly obvious reality that both ‘leaders’ and ‘followers’ detested white domination. Consistent with the assumptions of nationalist liberation politics,⁶⁵ claims to representativeness were often founded on the premise that black residential areas were devoid of differences of interest, value, or political affiliation, a notion that cannot produce pluralist politics. The practical effect was to substitute for public opinion a set of politically well-connected organisations whose difference with the governing elite often consisted largely of the fact that the former formally held office while the latter did not. The forums often excluded rather than incorporated the poor.

⁶⁰ Charney, *Voices of a new democracy*, Mary Tomlinson, *From rejection to resignation: beneficiaries' views on the government's housing subsidy scheme*, Johannesburg: Centre for Policy Studies, 1996.

⁶¹ IDASA Public Information Centre, *The public's view on parliament*, Public Opinion Service Report no 1, Cape Town, February 1996.

⁶² Institute for Democracy in South Africa, *A submission to the white paper secretariat by the IDASA Public Opinion Service*, December 1997.

⁶³ Steven Friedman and Maxine Reitzes, *Democratic selections?: state and civil society in post-settlement South Africa*, Midrand: Development Bank of Southern Africa, 1995.

⁶⁴ Steven Friedman, *The elusive 'community': the dynamics of negotiated urban development*, Johannesburg: Centre for Policy Studies, 1993.

⁶⁵ Ivor Chipkin, *City and community: local government and the 'one city' slogan*, Johannesburg: Centre for Policy Studies, 1996.

This was as much a symptom as a cause of grass-roots exclusion. On the one hand, it reflected the degree to which resistance to apartheid had blocked the formation of grass-roots interest organisations. On the other, the prospect of their emergence was further obstructed by the absence of accessible representative institutions to which they could appeal, or on which they could make demands. But an important consequence was to increase the disincentives for organisations which claimed a grass-roots base to actively seek to organise or maintain one. Not only did they enjoy access to public decision-making whether or not they represented a constituency, but their influence depended on their access to the symbolic capital derived from participation in the alliance which had assumed power in 1994, not on grass-roots support. Ironically, a climate which appeared unusually favourable to the influence of the grass roots acted largely to preclude it.

Trends over the past three years have changed this – but, ironically, at the cost of further closing off opportunities for expressing grass-roots interests. These developments have been discussed at length elsewhere.⁶⁶ Here, two related features are noted. The first is a marked shift in government priorities from an ostensible concern with the quality of democracy to a preoccupation with the managerial aspects of governing, a concern for effective ‘delivery’ of government outputs rather than with the extent of participation in decisions. One consequence has been the withering away of local forums,⁶⁷ and a general decline in enthusiasm for policy consultation.⁶⁸

This has not been expressed in a renewed enthusiasm for representative government – on the contrary, it has emphasised the role of managers and implementers. But it might, in principle, be expected to provide those organisations which previously enjoyed access to the inner circle but have now lost much of it a clear incentive to rely more on representing constituencies than on guaranteed representation in policy forums. There is some evidence that it has, at least in principle. Civic organisations which once largely relied for their influence on their part in the ‘liberation struggle’ have begun to play a more vigorous role in seeking to hold government to account, and to show a greater interest in representing constituencies rather than notional ‘communities’.⁶⁹ There are also embryonic signs of a reassessment among civil society organisations which seek a mass constituency: its chief features are, among some activists, a growing view that the government’s declining propensity to include them in policy discussion is primarily a symptom of their own tendency to substitute political connections for grass-roots organisation, and that their influence is likely to depend more on the ability to develop a mobilised constituency, and on the effective use of the rights to participate bestowed by the constitution, than on a place at the official policy table.⁷⁰

⁶⁶ Steven Friedman, South Africa: Entering the post-Mandela era, *Journal of Democracy* 10 (4), October 1999, pp 3-18; Steven Friedman, Who we are: voter participation, rationality, and the 1999 election, *Politikon* 26(2), 1999.

⁶⁷ Continuing CPS research.

⁶⁸ CPS, *South Africa Update*, January 2000.

⁶⁹ Continuing CPS research.

⁷⁰ Distilled from proceedings of a discussion group on civil society in the post-1999 period, convened by the Centre for Policy Studies and the Friedrich Ebert Stiftung, Johannesburg 2000.

This trend is young and fragile: it may herald a new concern for organising grass-roots constituencies to participate in democratic politics, although this is not assured. But the second aspect of the trend discussed here makes it more difficult for this strategy to yield tangible policy outputs: a marked centralisation both in government and the governing party, which places representative democracy further out of the reach of the grass roots. Subnational government – the provinces and municipalities – are, despite rhetoric to the contrary (at least in the case of local government), increasingly seen as implementation arms of the national government rather than spheres of representation.⁷¹ And a desire by the ANC's national leadership to enhance its hold over the movement and to reduce pluralism within it has prompted both a concentration of power in the office of the state president and a tendency towards the denial of local preference in the selection of candidates for public office – provincial premierships candidates are now chosen nationally, not by provincial ANC congresses;⁷² executive mayors and other key local government candidates are chosen – or 'deployed' – by the centre.⁷³

While, as implied above, this trend owes a great deal to a desire to centralise power within the ANC, it is often defended on the grounds that ANC elections tend to throw up candidates who are administratively and managerially ill-equipped for roles in subnational government. Central 'deployment' is, it is argued, likely to ensure candidates better endowed with the required technical qualifications. One obvious objection is that national perceptions of technical capacity are not infallible, and that the incapacity most likely to be 'remedied' is insufficient compliance with national preferences. But the stated assumption on which this approach is based – that presumed technical competence is a surer route to poverty reduction than responsiveness to constituencies – is belied by the reality that the chief flaw in post-1994 policy has not been the lack of 'technical expertise' but its surfeit: implementation failures have stemmed more from a failure to ground policy in grass-roots realities than in insufficient exposure to current techniques.⁷⁴ Effective policy also requires the co-operation of society, which is more likely to be assured by responsive government than enhanced technical capacity. Centralisation and resort to selection rather than election is likely to do far more to foreclose than create opportunities for egalitarian social policy.

This does not necessarily mean that, should current strategic re-evaluations in parts of civil society lead to a more robust grass-roots politics which would offer real voice to the poor, access to representative government would be closed off by the diminution of its role noted here. But it does suggest that it would be made more difficult by the likelihood that democratic institutions will be less able to deal politically with any pressures which

⁷¹ Ivor Chipkin with Paul Thulare, *The limits of governance: prospects for local government after the Katorus War*, Johannesburg: Centre for Policy Studies, 1997.

⁷² Thabo Rapoo, *A twist in the tail?: the African National Congress and provincial premiers*, CPS Policy Brief, Johannesburg: Centre for Policy Studies, 1998.

⁷³ Centre for Policy Studies, *South Africa Update*, April 2000.

⁷⁴ Steven Friedman, *The problem with policy*, Centre for Policy Studies Policy Brief, 1998; Caroline White et al, *The social determinants of energy use: synthesis report*, unpublished report submitted to the Department of Mineral and Energy Affairs, January 2000; Tomlinson, *From rejection to resignation*.

may emerge from constituents than they might have been in the early post-1994 period. This may increase the challenges facing attempts to mobilise egalitarian grass-roots politics, and therefore diminish its prospects of success.

Changing the paradigm?

Are there circumstances in which this relatively pessimistic prognosis could change?

One possibility – although, given the analysis above, it is highly unlikely – is a change in elite ‘social consciousness’ which may enable a more concerted assault on inequality. There is some evidence that South Africa’s economic elites may be more open to this than the preceding analysis suggests. The white affluent, for example, may be more amenable to contributing towards equity than current rhetoric on both sides of the racial divide suggests.

This possibility is illustrated by a focus group exercise conducted not long after the new order began, in which relatively affluent non-black African respondents were asked whether they would be willing to pay more per unit for water than black people to make amends for apartheid. The response was negative: participants cited a host of black sins to show why they felt this to be unfair. Not long afterwards, the same group was asked whether they felt it fair that people who consumed more water should pay more for a unit than those who used less.⁷⁵ Unhesitatingly, they agreed. The second option is more egalitarian than the first (because it excludes the possibility that affluent black people would benefit). Besides the obvious point that race is not the automatic indicator of inequality, which some rhetoric here suggests, the policy lesson is that appeals to egalitarianism framed in universal moral terms rather than in the language of racial retribution win wide support. Not long after the exercise was held, it was (inadvertently?) tested in practice: the minister of water affairs introduced a differential tariff, but justified it on the grounds not of racial recompense, but of the need to save a scarce resource: there was no protest, a sharp contrast to the rebellions which have followed suburban rates increases. During the 2000 local election campaign, the promise of a free initial allocation of water to each household, another redistributive measure framed in universal terms (and offering a small benefit to the well-heeled) was endorsed by the official opposition, and has elicited little, if any, ratepayer resistance. Similarly, the ‘transition levy’ imposed on all taxpayers just after 1994 drew little dissent, since it was framed as a common national contribution to the costs of achieving (the common good of) democracy.

To posit an approach which seeks to win support for redistributive measures by appealing to universal values would, at least to a degree, require a change of approach by government and opposition: the ethos of reconciliation of the immediate post-1994 period has given way to a more adversarial politics in which leaders are more likely to stress appeals to their own constituency above a national vision.⁷⁶ Leadership which

⁷⁵ Project Manzi, May 1995: focus group study of consumer responses to water delivery and payment commissioned by Rand Water, unpublished.

⁷⁶ See, for example, column by Steven Friedman, *Mail & Guardian*, 25-30/8/2000.

sought to build a national consensus on reducing inequality might alter this paradigm – but, as long as the current ethos prevails, it is difficult to see this emerging.

If the experience of northern welfare states is a guide, the design of aspects of social policy could play an important role in building this consensus. ‘Social democratic’ welfare states, which have extended benefits universally, have tended to win broader social support – for the obvious reason that the middle classes are beneficiaries, and therefore have a stake in their survival.⁷⁷ It has therefore been suggested that universal cash transfers – available in principle to every citizen – could be used to provide income support to the poor. Initially, the prospect of suburbanites receiving cash grants from the state seemed bizarre, but it is noteworthy that the idea that they should receive a small initial allocation of free water has not. The impact on the budgets of the poor would be substantial, and that on those of the middle class minimal: the effect would therefore be redistributive and political resistance would have been defused (not because the affluent had gained anything tangible, but because the symbolic divisiveness of the alternatives would have been avoided). Indeed, as implied above, the water tariff seems to support this point. It may be significant also because it may demonstrate unexpected recognition of this point by policy-makers who appear to have been unconcerned by the possibility that providing free services to those seen to have achieved affluence through racial domination would be denounced.

But, if this strategy can suggest ways in which affluent resistance to a degree of egalitarianism can be defused, it does not provide a formula for generating a coalition in support of action against inequality. It is not economically feasible to extend this approach to offer entitlements that are sufficiently generous to give the middle class a tangible stake in the changes. Thus, while all citizens are entitled to use the public school system, attempts to retain the middle class within it have had limited success. An even stronger trend seems evident in the use of public hospitals – again open in principle to all. This limits the strategy’s applicability, and also ensures that the benefits extended to the middle class are hardly ample enough to prompt any mobilisation in defence of redistributive measures were their survival to be threatened.

What of the emergence of a credible redistributive coalition ‘from below’? This would not eliminate the need to win significant elite consent – which is no easy task, given the propensity of the white affluent in particular to seek economic and social exit options of varying degrees rather than to accommodate to majority rules and its consequences. A winning coalition would therefore be required not only to assemble a ‘popular’ alliance large and effective enough to be able to pursue a credible redistributive agenda, but do so in such a way as to secure consent for – or at least a willingness to adapt to – it from those whose resources would be needed to ensure its feasibility, in a context in which the more affluent could see exit as a more appealing route than compliance.

At first glance, this seems way beyond the capacity of the key social actors. But it could be argued not only that this is possible, but also that a variant was achieved during the early 1990s when socio-economic negotiation forums bringing together business on

⁷⁷ Gosta Esping-Andersen, *The three worlds of welfare capitalism*, Princeton: Princeton University Press, 1990.

the one hand and parties and civil society organisations seeking to represent the majority on the other sought to achieve precisely these compromises.⁷⁸ The forums were only the formal expression of other negotiations on these questions, local as well as national. It could be argued that their prime weakness – while they played an important role in softening interest group conflict, they rarely produced outcomes favourable to the poor⁷⁹ – lay not in the unbridgeable divide between the parties but in the failure of the ‘popular’ participants to develop a deep enough social base to ensure that they really did articulate the needs and concerns of the poor, and enough strategic capacity to win consent from business for a sustainable programme to address inequality.⁸⁰

The key question, then, may be whether there is any current prospect of such a coalition emerging, an issue which was discussed in the previous section. But while that discussion addressed the question from the perspective of interests, it may, given the argument made here about the salience of identities, be useful to revisit the issue to examine whether it is possible to imagine identities working in such a way that they become a catalyst of, rather than an obstacle to, egalitarian politics and social policy. The question here may be whether it is possible to imagine a form of identity politics which would, firstly, assemble a broad black coalition able to use notions of solidarity to induce greater concern among the black middle class and affluent to address poverty, rather than, as on occasions at present, as a means of winning broad consensus for the ‘empowerment’ of the new economic elite. And if there were, would it be capable of framing its goals in a way which would win the consent – or at least the willingness to bargain – of the white elite?

In principle, identities do not preclude this: the nationalist paradigm of the ANC does not necessarily exclude the poor, and does not mandate a preoccupation with the business and professional classes alone. Since it is not enough simply to deracialise the economy to address black poverty, it is possible that a ‘left’ camp could exploit this space to build relations with the unemployed in support of a redistributive agenda. Such a policy would imply a shift away from the current stress on the black middle class towards a renewed emphasis on the poor. This position would also be quite consistent with a tradition of African nationalism. Thus, if the economy continues to lose jobs while black access to the professions and perhaps business increases, it is possible that the ‘left’ could, by harking back to the Freedom Charter, claim such a redistributive agenda as the authentic expression of African nationalism. It is therefore worth devoting some intellectual effort to an attempt to understand the likely content of such an alliance. But, at present, it is hard to imagine who might conceive of and successfully implement such a strategy.

⁷⁸ Khehla Shubane and Mark Shaw, *Tomorrow's foundations?: forums as the second level of a negotiated transition*, Johannesburg: Centre for Policy Studies, 1993.

⁷⁹ For the impact of the seemingly most effective of the forums, the National Housing Forum, see Mary Tomlinson, *Mortgage bondage?: financial institutions and low-cost housing delivery*, Johannesburg: Centre for Policy Studies, 1997.

⁸⁰ Steven Friedman and Mark Shaw, Power in partnership?: trade unions, forums, and the transition, in Adler and Webster (eds), *Trade unions and democratisation in South Africa, 1985-1997* pp 190-214.

These possibilities for a shift in the paradigm certainly merit examination, although under present circumstances they seem unlikely. Therefore, economic and social policy will probably continue to be made within parameters similar to those discussed here. Addressing poverty and inequality will remain government concerns, but will continue to have to vie for attention with market-led growth and the promotion of a black owner class – there may be more occasions on which, as with the change in land subsidy policy, it will have to take a back seat to the other imperative. The continued – albeit reduced – influence of the union movement will continue to constrain labour market deregulation, but there could be further movement in this direction as unemployment continues and mainstream thinking locates the problem in labour market rigidities or in widespread perceptions among business that they exist.⁸¹

Finally, one other prospect needs to be considered: the impact of activist and NGO activity in a world in which cross-national communication has become far easier. The point implied above, that the real novelty in the current global environment may not be the oft-cited capital flows as much as the increased ease with which information flows across borders, may well, as we are repeatedly told by some contemporary scholars,⁸² also make possible new forms of collective action which seek to hold businesses and governments to account – the fact that activists are able to co-operate across national borders may play an important role in increasing the effectiveness of ‘social movement’ activity. Thus, in South Africa, this was able to induce pharmaceutical manufacturers to withdraw a court action which sought to overturn a law allowing the import of cheaper drugs.⁸³ On a world scale, the clearest example is the protest directed at international trade and financial institutions at venues such as Seattle and Washington DC.

The South African drug case refuted the notion that multinational corporations are all-powerful. Many of these claims tend to forget that even the largest corporation is staffed by humans who dislike being subjected to public scorn. A world in which their behaviour in South Africa is immediately visible in Europe and North America is clearly one in which the companies are obliged to account for the ethics of their actions. However, what is less clear is whether the current wave of electronic social movement activity is capable of producing sustained action for redistributive reform; at present it seems far better suited to issue-based action. Certainly, in South Africa, attempts by activists to initiate action against poverty have not yielded either the concerted campaign or the successes which the action against the drug companies has achieved. And, even if it could be shown that this sort of action has substantial potential for sustained action against inequality (which possibility this paper does not wish to dismiss), changes won by it would still need to be translated into concrete policy outcomes by a state. It is therefore to the issue of state capacity that we now turn.

⁸¹ Centre for Policy Studies, *Job losses: the (un)usual suspects?*, summary of a seminar on the causes of job losses held at CPS with the support of the Friedrich Ebert Stiftung and led by Jeremy Baskin.

⁸² See, for example, Alberto Melucci, *Challenging codes: collective action in the information age*, Cambridge Cultural Social Studies, Cambridge University Press, 1996.

⁸³ See Steven Friedman, Corporations are not all-powerful, *Mail & Guardian*, 12/4/01.

State capacity

This issue was the subject of important consensus and disagreement between our political analysts and technical specialists.

The point of consensus was that the current global environment has not removed the importance of states in determining prospects for growth and redistribution. It may well be that the correlation between state and nation is eroding or undergoing redefinition as once homogenous societies become 'multicultural'. But that does not mean that individual states have been fundamentally disempowered to the extent that their sole option is to conform to the dictates of international economic power-holders. There was consensus, therefore, that, while the challenges facing the South African state were different to those of a couple of decades ago, it could respond to current global trends in a way that enhances prospects for growth and equity.

But this only served to raise an important source of debate on the sorts of public sector reform required.⁸⁴ Two related points were made: first, that the new challenges posed to the state by the current global context implied the need for new approaches – in particular a more sophisticated regulatory capacity. Second, that there was a danger in reducing the requirements of growth and redistribution to politics alone, since this ignored the need for a public service far better able to respond to the society's challenges than that which is currently available. Enhancing the technical capacity of the state remained a priority, regardless of the political balance of power. But, in reply to the first point, what if the sort of regulation required is simply beyond the capacity of the state? If this point applies to South Africa, it is even more apposite to other southern states in which state capacity is significantly weaker. In response to the second, enhanced technical capacity within the state is obviously desirable, but the costs of attempting an inappropriate level could sharply outweigh the benefits, firstly because they might entail a costly unwillingness to compromise with key interest groups inside and outside the bureaucracy, and secondly because they might ignore the cost to the public service of an excessive zeal for change. Part of the latter point is perhaps best illustrated by the observation of a local business leader that the South African Post Office has been incapacitated by an attempt to apply the latest management theories to an organisation used to a particular sort of routine: 'They tried to turn it into McDonalds; we landed up with neither a McDonalds nor a post office'.⁸⁵ The key question, on both of these issues, is whether there are 'second-best' options in which the state can be assigned tasks which are less ambitious and which assume lesser degrees of capacity.

Perhaps the beginning of a resolution lies in the realisation that the state (rather than the bureaucracy alone) comprises a host of diverse and usually autonomous institutions which are somehow integrated in and through a hierarchical system. What we can justifiably ask, therefore, is: which institutions are crucial to an anti-poverty agenda? Do they exist? What capacity do they have? Their nature and role will also change, depending on the way in which poverty is understood and on the sorts of interventions thought neces-

⁸⁴ This discussion is a result of our engagement with Iraj Abedian and Lynelle John, 17/5/01.

⁸⁵ Interview, 1995.

sary to alleviate it. If we say that poverty is relieved through economic growth alone – a hypothesis unsustainable in the South African context, given the points made earlier about both the income effects of unemployment and the reality that the skills gap is a severe barrier to employment regardless of the growth rate – then the measure of state capacity is surely the effectiveness of growth-engendering institutions. If we insist rather that poverty relief must be premised on more direct state interventions in the fields of service delivery (basic water, electricity, and houses), welfare grants (pensions), and public works, then the South African state may already be more capacitated than is often thought, raising the possibility that attempts at further ‘capacitation’ may, if they are over-ambitious, destroy more than they create.

The situation is uneven. In the large urban centres, despite a current fashion for privatisation and corporatisation, metropolitan departments and utilities have a more than adequate record of service provision, although this has primarily been deployed in formerly white suburbs in which the required infrastructure already exists. Indeed, current moves towards what are euphemistically called ‘alternative service delivery agents’ are more ideologically motivated than premised on a sober assessment of capacity or performance. Johannesburg is in the embarrassing situation of wanting to corporatise a host of functions –convert them into autonomous utility companies run like private businesses– that have a proven record of high and cost-efficient service. Electricity provision is a case in point. Many local governments have been able to generate surpluses from its efficient and cheap provision which they have used to subsidise other functions. Once corporatised, or ring-fenced, local governments would be denied (deny themselves) access to these surpluses for other purposes. South Africa is one of the few developing countries that has an infrastructure for providing pensions throughout the country, even in rural areas. Indeed, one scholar remarks that, based on his extensive experience of India and other developing countries, state capacity in South Africa is very high.⁸⁶ This must, however, be qualified first by noting that the technical capacity of large metropolitan areas is not typical of the local government system, and second, that capacity in some areas of service provision is substantially lower than in others, and that education and the provision of personal safety via an effective criminal justice system are among the laggards.

These points do suggest that, in parts of the South African public service, state capacity to perform redistributive functions may be substantially underestimated, and that attempts at ‘aiming higher’ may be counterproductive. Nevertheless, there is no shortage of evidence of substantial deficits in capacity and competence which cannot be addressed by ensuring the required degree of political support for programmes. Clearly, the South African state would be unable to adequately implement a redistributive agenda unless these capacities were improved. But this does not end the argument, since there are clearly political as well as technical constraints to their improvement. In the two years since June 1999, when a new administration took office promising more efficient governance, there are no signs that these can be effectively addressed by a strategy that denies the need for negotiation with relevant interest groups.

⁸⁶ Personal communication, Patrick Heller, 2001.

Finally, a further word on the political capacity of the state. The conflict with pharmaceutical companies mentioned earlier is significant not only because activist NGOs managed to force significant changes from the firms; it is also relevant that, in this instance, they were acting in defence of a law, in other words of a government action. It seems reasonable to assume that the legislation would not have been defended to the degree that it was if the task had been left to the government alone, and that the government's capacity to implement its health policy was substantially assisted by the activists.

There is, to be sure, nothing new about governments working in partnership with social actors. The only difference may be the tentative hypothesis that NGO activism may be able to play, within limits, some of the roles played in the past by labour-led alliances. And the point is crucial in South Africa because post-1999, in health matters as well as others,⁸⁷ the government has tended to see activism as a threat to its authority rather than as an invaluable resource. And, while some of its critics may insist that this illustrates the degree to which it does not share the egalitarian aims of the activists, it may well be attributable to a deep-rooted attempt to vest leadership in the state of campaigns which can succeed only if the energies and enthusiasm of society is inspanned in their defence. Thus, while social movement activism may be no substitute for redistributive coalitions, the capacity of states to tackle redistributive agendas (if the appropriate political coalition is assembled) may now well depend as much on the capacity to assemble activist campaigns in their support as the ability to perform technical functions.

Implications for economic and social policy

What implications does this analysis hold for economic and social policy?

Prospects for growth

The implications of contemporary political trends for growth prospects is a crucial element in the equation. While growth does not necessarily ensure narrowing inequality, it is trite to point out that the egalitarian potential of social policy would be enhanced if significant growth were achieved.

But, as with social policy, so with economic strategy: the limits and potentials of particular approaches are shaped by the political context in which they are applied. The argument proposed by the initial conceptual work on this project⁸⁸ suggests that the key properties of a workable growth path would be its ability to win the confidence of economic actors, and that this is a more urgent priority than the recipes which dominate many economic debates.⁸⁹ In principle, this suggests that, within limits, any set of economic policies would achieve this if they could win the support or consent of, at the very least, much of business and organised labour. But what are those limits?

⁸⁷ Steven Friedman, Society must be brought on board to combat AIDS, *Synopsis* 4(1), Johannesburg: Centre for Policy Studies, 2000.

⁸⁸ Friedman, Democracy, inequality, and the reconstitution of politics.

⁸⁹ Steven Friedman, Looking to ourselves: non-economic features of our economic future, unpublished paper presented to a NEDLAC discussion on economic futures, Johannesburg, July 27, 2000

Engagement with our technical specialists suggests that to ask the question in this way is perhaps to miss the point. On one level, the claim that any set of policies would be likely to assure growth if they enjoyed the support of economic actors was not only endorsed, but was labelled ‘tautological’.⁹⁰ By implication, the question then becomes: what sort of compromises might win the confidence of domestic business (and therefore its international counterparts)? While this does indicate the need for more research into the way in which market perceptions are formed, which might illuminate the ‘space’ available for attempts to influence investment decisions, it seems likely that, in current circumstances, the type of economic interventions which would win sufficient business confidence to trigger growth may look suspiciously like the policy recipes we have been concerned to rebut, since enthusiasm for state intervention remains low, and the sort of pressure which triggered the European social democratic compromises is absent. Similarly, it could be argued that reservations about the competence of a majority-rule government is likely to be addressed less by a negotiated compromise than by enhanced administrative competence.

But the issue may be far more complicated than this answer suggests. While the space for a classic social democratic compromise – or even the kinds of interventions business was prepared to accept during the sanctions period – may be absent, it has already been suggested that the need for a growth path in South Africa which would entail co-operation between business and labour may be more apparent to business than many market ideologues suppose.⁹¹ Continued interest in forums for negotiation with labour and corporate involvement in social investment suggest that while business may be under less pressure to secure its environment here, this is not at all the same as insisting that it is under no pressure to do this at all: even if it has alternative investments, this does not mean that it has lost all interest in protecting those which remain in South Africa. Whether specific compromises which have been mooted in policy debate – such as union agreements to restrain wage increases in exchange for other advantages, whether these are procedural in the form of enhanced participation or increases in the ‘social wage’, that proportion of profit which, directly or through taxes, is used for social goods and services; or union acceptance of labour market flexibility in exchange for ‘supply-side and industrial policies that help to retrain workers’⁹² – are likely to win approval is less clear than the likelihood that a negotiated compromise which would produce growth is feasible in principle but that, in current circumstances, the terms are likely to be more consistent with current market orthodoxies than many proponents of negotiated economic policy would prefer.

⁹⁰ Engagement with specialists, 17/5/01.

⁹¹ Note, for example, remarks by Christoph Köpke of Daimler-Benz SA on SAFM Radio, 22/5/01, 13/8/01.

⁹² Nicoli Nattrass, Discussants’ remarks, in Friedman and de Villiers (eds) *Comparing Brazil and South Africa*.

Social policy: constraints, parameters, and possibilities

A negotiated growth path would inevitably contain redistributive dimensions. And even if no negotiated route to growth emerges, this analysis has suggested that redistributive reform will still be pursued under the current balance of forces.

The first question this raises is whether there is an 'optimal' social policy mix which, on the best information available, might be considered most likely to reduce poverty and inequality. It seems likely in principle that technical design may be needed more in this sphere than in economic policy. If we accept that economics is a matter of inducing particular forms of behaviour – investment, productive work, deferred consumption – it might, as suggested above, be possible to argue that just about any policy mix which inspired confidence in potential investors, producers and savers would be adequate to the task. But social policy seems to require a different framework: whatever the political context, the interventions required in societies with relatively high skills levels are presumably different to those in countries – such as South Africa – where skilled people are in short supply, particularly given structural changes in the economy which ensure that job growth is likely only in categories where formal skills are required.⁹³ Capacity problems are also more germane here: the sharp divide in post-apartheid South Africa between policy intention and implementation⁹⁴ is a reminder of the dangers of attempting to formulate social policy without respect for the capacity to implement it. This paper has already suggested (albeit with qualifications) that social policy would have to be tailored to the technical capacity of the state. In principle, therefore, even if the broad argument presented here is accepted, there would seem to be a need to reach an understanding of the parameters within which social policy must operate, and the issues on which it would need to focus before enquiring into the political feasibility of particular options. The need to begin with the technical may be more apparent in the search for workable social policy than in the quest for its economic equivalent.

This analysis could, for example, point to a need to reorder social policy priorities. An aspect of the discussion of political context which has been implied but not stated is that current trends ensure greater enthusiasm for 'collective' instruments such as bulk infrastructure, improved government services such as education or health, or project-linked housing subsidies⁹⁵ than for individual entitlements such as cash transfers. If 'technical' analysis suggests that the latter hold greater potential for redressing inequality, there may be a need for a debate which hinges not on the additional resources needed to address inequality, but on how those currently available are to be used. This would then require a

⁹³ Haroon Borat and Rashad Cassim, *Industry and trade policy: is it job-friendly?*, cps Policy Forum, Johannesburg, 1999.

⁹⁴ Friedman, The problem with policy.

⁹⁵ 'Project-linked' subsidies are tied to a housing project and are therefore released collectively to those who benefit from or participate in it. By contrast, individual subsidies are available to persons who then exercise discretion in their use. While both are available, 'project-linked' subsidies predominate. See Mary Tomlinson, *From institution-building to house-building: the second year of the government's housing subsidy scheme*, Johannesburg: Centre for Policy Studies, 1996.

further exercise in analysis aimed at identifying the probable political obstacles to and opportunities for reallocation.

Within the limits set by an adequate analysis of the nature of the problem, respect for the political again becomes essential. This analysis has suggested that the key ingredient of politically viable social policy is that it must be able to win broad consent – from the recipients, and the elites which will have to both implement and pay for it. This does not necessarily mean that only policies which win the consent of all conceivable interests are to be considered viable: total consensus, even among organised interests rather than individual citizens, is rare. But it does imply that workable options must attract the co-operation of those required to make them viable, and that, if significant opposition remains, a strategy is required to cope with it.

As suggested above, the most obvious candidates for broad support is intervention which covers as broad a section of society as possible. But, given South Africa's income profiles, its differential access to services, and the widespread use among the affluent of non-state services, such as health and education, are there interventions which might make a significant dent in inequality while holding benefits for strata other than the poor? And, if options for policies in which more affluent interests have a direct stake are limited, enquiry would need to turn to examination of social policies which are in principle capable of winning support among key constituencies.

One approach, similar to that proposed above for economic policy, is to suggest that just about any intervention will win the required consensus if accompanied by an appropriate political strategy – one which seeks to ensure the participation of potential beneficiaries in decision-making and which recognises the need to secure the consent of those whose co-operation is essential. While approaches which, in the spirit of rational choice theory, assume that social compromises are inevitably the result of material interest calculations⁹⁶ are inadequate in a society in which identities play so crucial a role, the parameters of the possible are better understood if an accurate assessment is available both of the cost implications of particular options and of the likely response from those expected to contribute.

Some work on cost implications is available. It has been calculated that a basic income grant of R293 a month would cost the state about R478 million a month; in theory, this is the amount required to ensure that everyone lives above the poverty line.⁹⁷ This raises an obvious question: why, since the cost is fairly modest, is the grant not introduced? The argument offered is that it is difficult to target it to the poor;⁹⁸ but, while this may explain why it may not eliminate poverty, it does not explain a failure to adopt it: the same may be said of other measures, such as the housing subsidy, which *have* been implemented. One plausible explanation is that the amount required to eliminate poverty is

⁹⁶ The classic of this genre is perhaps Adam Przeworski, *Capitalism and social democracy*, Cambridge: Cambridge University Press, 1987.

⁹⁷ Using figures for 1995 assuming R293 to be the individual poverty line. Haroon Borat, Susan Hayter and James Hodge, *Globalisation, employment and poverty alleviation in SA*, proposed chapter in forthcoming review of political, economic and social trends, unpublished.

⁹⁸ *ibid.*

perceived to be greater than these calculations suggest, and that state decision-makers therefore fear that the costs would soon prove to be unsustainable. Clearly, however, debate on this issue has just begun, and, as it develops, understanding of the political constraints to and opportunities for interventions of this sort will become far clearer.

A related and equally important question concerns propensity and willingness to pay. To name but one crucial example, increases in municipal rates over the past five years seem to have elicited substantial resistance from property owners – yet it is not always clear that this is prompted by the prospect that middle-class people will incur severe financial costs. Are they really a financial burden, or are responses shaped largely by perceptions, among which the expectation that the money will not be used for the stated purpose may dominate?

Analysis of social policy options should not restrict itself to current constraints – it should also seek to calculate the requirements of meeting specified objectives. One example is the claim that current pension levels are sustainable only if tax revenue rises by 3 per cent.⁹⁹ An informed estimate of the resources required to fund particular strategies or to implement specific interventions would offer an important grounding for political analysis aimed at assessing redistributive policies, by casting further light on the material implications for companies and individual households.

An important element in the equation may also be the ‘political content’ of particular policy options. The issue here is not the degree to which particular interventions and strategies are likely to elicit consent from the affluent – an issue discussed earlier – but the likely political impact on beneficiaries. It has been argued that, while some strategies are likely to elicit dependency or passivity, making no contribution to recipients’ ability to become autonomous social actors, others can open up wider possibilities for action and thus enrich the quality of citizenship; ‘asset-based’ strategies are one example of approaches which are said to have this effect.¹⁰⁰

In South Africa, the regional dimension of social policy is another key area because it can illumine both the likely impact of cross-border migration trends on social policy options as well as the pressures likely to influence current migration policy. Current evidence suggests, therefore, that restrictions on the entry and employment of skilled workers are likely to be relaxed, while approaches to those considered unskilled will remain.¹⁰¹ A clearer understanding of the economic and social viability of this approach would help clarify whether this evolving policy direction is sustainable, given the pressures it is likely to face. One of several questions relevant to this analysis is the likely implication of migrant access to social policy instruments – and of high immigration together with effective exclusion from their benefits.

⁹⁹ Shadrach M Appanna, *Reforming the social security system in South Africa: a transition to an efficient centralised system* mimeo, May 1999.

¹⁰⁰ Xolela Mangcu, *Towards a productivist asset-based approach to welfare in South Africa*, Washington DC: Woodrow Wilson International Center for Scholars, forthcoming.

¹⁰¹ Centre for Policy Studies, *South Africa Update*, September 1999; Department of Home Affairs, Notice 621 of 2000, *Immigration bill: for comments*.

Finally, how viable are social policy options that rely on partnerships between public institutions and private agents – a category that clearly includes business, but is not restricted to it? These are much in vogue, although they have prompted resistance from municipal trade unions.¹⁰² Because they have considerable potential to affect political dynamics, attention is needed to their economic and social constraints and possibilities if a fuller understanding of the politics of social policy is to be achieved.

Data is available on all these questions. However, discussion with our technical panel suggest that there is no consensus among specialists on its meaning and, therefore, on the answers to the questions posed here. Further enquiry may be of value, but is outside the ambit of this study.

However, one important point is proposed here in an attempt to focus discussion in this area – that, provided the political constraints are understood, there are significant possibilities for more redistributive social policy. This analysis has suggested, therefore, that the scope for European-style coverage by social policy instruments is limited, but that measures that appeal to universal values have considerable prospects for success: it has been persuasively argued, for example, that the South African economic elite's propensity to support redistributive social policy is significantly greater than its Brazilian counterpart.¹⁰³ Clearly, however, the scope of the possible is limited by this constraint; but it may be significant for all that. State performance may well be critical here, since the propensity to support reform is inhibited by persistent suspicions that resources will be consumed by corruption and mismanagement. While some of this may stem from an anti-state bias, and deeply rooted suspicions of black competence, much more remains to be done to improve levels of public service probity and commitment to service before it can be credibly argued that these reservations are purely a product of prejudice. Achieving greater honesty and dedication in the public service may not be easy – but it is a far more appropriate activity than many of the formulae for bureaucratic reform currently on the agenda.

Conclusions: new questions, new answers?

This analysis has suggested a framework for examining the relationship between inequality and South Africa's new democracy. We hope that this takes the debate forward. But, as in any worthwhile intellectual endeavour, it leaves much open for further study. This concluding section will seek to clarify the task ahead by identifying the key issues that are likely to shape the response of South Africa's new democracy to a daunting legacy of inequality – and the impact of this inequality on democracy's prospects.

Perhaps the key question is the degree to which inequality matters for South Africa's democracy. While this question is central to all of our case studies, in this society it takes a particular form, one underpinned by the central role of identities in general, and race in

¹⁰² Simon Stacey, *New capacities for old: public-private partnerships and universal service delivery*, Johannesburg: Centre for Policy Studies, 1997

¹⁰³ Lieberman, National political community and the politics of income taxation in Brazil and South Africa in the 20th Century.

particular, in determining political and social relevance. As implied earlier, the core issue here is the strength and durability – for the majority – of both the political capital engendered by the ‘post-apartheid dividend’ of greater dignity and freedom, and identity as a more potent source of identification with the new order than material considerations. It is at least possible that democracy’s survival depends more on its ability to continue offering citizens intangibles than its capacity to reduce inequalities.

Even if this conclusion is reached, it does not necessarily gainsay the need for action against inequality – besides the moral imperative, there may be important social and economic reasons for questioning the sustainability of the current distribution of resources and capabilities.¹⁰⁴ Nor do threats to democracy necessarily take the form of overt challenges by its organised opponents. We have suggested one further possible consequence of growing inequality for democracy in South Africa: the social and political results of informalisation. As more and more people become dependent on the informal economy for survival, they become increasingly beholden to a range of networks, organisations, and syndicates. Despite the huge diversity between them, in certain areas this increasingly means criminal syndicates and networks which are inimical to democratic practice, for a number of reasons. They reproduce undemocratic values and practices; they use means (crime, violence) which bypass state institutions, and compromise their ability to govern. An analysis of inequality’s implications for democracy therefore needs to take into account its role in placing people beyond the reach of democracy as well as eliciting organised challenges to the democratic order.

Regardless of how this question is answered, a key South African issue is the relationship between identities and attempts to promote growth and reduce inequality. On this as on other issues, it could be argued that the form which identities take here render the society reasonably well equipped to avoid the worst consequences of problems, but unable to prevent the problems’ persistence. This analysis has argued that the peculiar form and effect of identities – and of the political history which they produced – do constrain options for growth and effective social policy. The key question, then, is whether the society’s elites are able to move beyond the current paradigm to find ways of co-operating on innovative solutions. Given this society’s history, the degree to which racial identities and the way they translate into social and economic behaviour in general and policy in particular are likely to continue to constrain possibilities or to open them up is likely to be central.

More is at stake here than attitudes and values, although these are crucial. The analysis requires also a searching examination of institutions – from the constitution to current patterns of decentralisation (or lack of it) to political party systems and modes of economic interaction – and the degree to which they constrain, or open opportunities for, creative strategies and approaches.¹⁰⁵ Immediate post-1994 analyses suggested, for ex-

¹⁰⁴ The ‘capability’ approach to poverty and inequality is associated with Amartya Sen, *Inequality re-examined*, Cambridge Mass: Harvard University Press, 1995.

¹⁰⁵ For the importance of institutions in shaping economic behaviour, see Douglass C North, *Institutions, Journal of Economic Perspectives*, 5 (1), Winter 1991; Douglass C North, The Adam Smith address: economic theory in a dynamic economic world, *Business Economics* 30 (1), January 1995.

ample, that the replacement of the current electoral system – closed list proportional representation – by a constituency-based alternative might enhance legislatures' responsiveness to the poor. Subsequent events, particularly the fact that the only level of government which does include constituency representation, the local, enjoys least credibility among citizens,¹⁰⁶ has underlined the extent to which political culture – in this case internal party discipline – ensures that institutional changes are at best a necessary condition for responsiveness. It seems likely that, if opportunities do exist to reshape institutions and understanding, these are likely to stem more from successful attempts to redefine identities in ways that recognise their importance but seek to make them better equipped to accommodate difference¹⁰⁷ than from attempts to wish them away by seeking to build consensus and partnership on instrumental rationality alone.

It could be argued that South African democratic institutions will only be responsive when citizen action forces them to become so. This may be too extreme – institutional reform may be possible in the absence of popular mobilisation for it, and may help to make grass-roots participation easier. And even if the point is conceded, those who mobilise for a more inclusive political order will need to know what changes are most likely to offer them the say they seek. One model enjoying some currency is that in Porto Alegre in Brazil and Kerala in India, where municipal and state budgets respectively were devolved to popular assemblies for allocation and distribution. Proponents insist that participation is not simply a 'talk-shop' but a real avenue for the poor to articulate their needs and have them acted upon. They add that it also helps to entrench democratic institutions and practices, since access to social resources becomes dependent on respect for and conformity to a host of democratic principles. South Africans familiar with a recent history in which 'direct participation' became in some cases a means of enabling local power holders to bypass democratic control will want to examine this model more closely. But, whatever conclusion is reached, a debate about institutional options remains a key ingredient of the egalitarian democratic agenda.

Finally, even if a workable political approach to inequality can be conceived, this will still have to stand the test of 'technical' analysis. We hope that the insights generated here have taken forward our understanding of inequality and democracy, and the relationship between the two. But, if this project has not deflected us from our contention that the political remains a crucial and undervalued element of the quest for greater freedom as well as equality, it has also reminded us of the need to harmonise the political dimension with a greater respect for the technical.

What, then, does our analysis tell us about prospects for egalitarian politics in post-apartheid South Africa? First, it has sought to demonstrate the seriousness of the constraints which it faces. This is a crucial antidote to the common view, particularly on the left, that reduces post-apartheid social and economic policy to little more than a morality play in which an egalitarian alliance which overthrew apartheid and formulated the RDP is somehow betrayed by politicians and officials who listen to bad advice. In reality, the

¹⁰⁶ IDASA, *Public evaluations of and demands on local government*, Cape Town, February 1998.

¹⁰⁷ Xolela Mangcu, *South Africa's quest for a new national identity: notes on the African renaissance*, proposed chapter in forthcoming review of political, economic and social trends, unpublished.

coalition was never as egalitarian or as redistributive as these analyses suggest (indeed, neither was the RDP). This paper has sought to demonstrate that the political limits on egalitarianism in current circumstances lie in the nature of an identity politics in which the poor remain largely unorganised, and in which the chief organisational vehicle of egalitarianism within the governing alliance, the trade union movement, is constrained both by the predominance of identity solidarities in the alliance but also by economic changes which place a substantial (although not unbridgeable) wall between its members and the poor, and ensure that unionised workers are far less numerically significant than they were in countries which pursued democratic egalitarian agendas.

Another analysis, which explains the 'retreat' from egalitarianism as the outcome of a Gramscian battle for 'hegemony' which the left lost¹⁰⁸ is substantially more plausible, because it examines policy as the outcome of a contest between contending forces. But it is also, from the analytical perspective advanced here, wanting if it fails to see that control of the agenda by the civil society organisations and social movements which champion a redistributive agenda would not have egalitarian consequences as long as these groups remain cut off from and thus unable to articulate the concerns of the poor. The issue is not that the champions of the poor lost the battle with those who have no quarrel with markets as long as they are not monopolised by whites. It is that the poor continue to lack a champion or voice, and that, as long as they do, the egalitarian potential of those who advocate redistribution will be stunted both by their limited base in the electorate and the likelihood of a gap between the needs which they identify on behalf of the poor and those they would themselves express.

Also, neither view offers a coherent account of how the affluent could be induced to co-operate with the proposed agenda. This may well be because it denies that this is a problem since their co-operation is not necessary, in which case it would be obliged to explain how the redistributive forces would ensure sustained increases in the living standards of the poor after a history which has deprived the majority of capital, and the skills required to generate the required degree of state capacity.

However, while this analysis has been concerned to locate the obstacles to egalitarianism in a framework which denies the possibility of change, either by persuading those in authority to return to their presumed roots or by an improvement in the strategic capacity of the 'left' as it is currently constituted, so too has it been concerned to note some of the elements in the environment which favour a more egalitarian agenda. Ironically, since this paper has been concerned to demonstrate the constraints which identity politics place on egalitarianism, it may well be that they also offer egalitarian opportunities not available elsewhere precisely because of the society's particular history of racial subjugation. We have already noted that identity bonds place outer limits on the extent to which the governing alliance can ignore the concerns of the poor (even if these parameters are fairly broad). We have argued too that the ANC tradition is capable of alternative interpretations, and that it is possible to imagine a successful attempt to invoke its symbols in support of an egalitarian agenda: if pursuing this programme does not require a break with

¹⁰⁸ Hein Marais, *South Africa: limits to change – the political economy of transition*, Palgrave, 1998.

the ANC tradition, the political and psychological costs of embarking upon it to those most likely to attempt it are substantially reduced. Finally, the analysis has suggested that this society's racial history may have made its economic elites more open to redistribution than they might be in similar societies because of their vulnerability to charges of perpetuating apartheid; but it has also implied that this potential is most likely to be realised by approaches which seek to move beyond appeals to racial guilt to universal values, and thus to a search for non-racial moral consensus.

These factors suggest that, in South Africa at least, it is neither Utopian nor an exercise in long-term projection to imagine an effective egalitarian coalition which, by building an alternative account of the ANC tradition to that which now dominates, successfully turns identity from a constraint into an asset and, without challenging the current dominance of the ANC alliance, steers it in a more egalitarian direction, and then develops a programme capable of winning the compliance of the affluent – in some cases, through bargained compromises. It could also be argued that the vehicles of such a politics already exist, in the trade union movement and in the NGOs and social movements which comprise an informal redistributive alliance.

At present the emergence of this coalition is sharply constrained by a variety of factors which have been mentioned here or in other discussions of these issues – the lack of opportunities for pluralism within the governing alliance and the strategic and capacity weakness of the redistributive actors, as well as the absence of a credible egalitarian programme. This paper has tried to identify some of the areas in which research is needed, both on workable egalitarian options and on the propensity of the affluent to comply with them. However, it is the key contention of this paper that none of these factors will prove decisive unless the key obstacle to the emergence of this coalition is addressed: the gap between the redistributive coalition and those on whose behalf it urges redistribution. In other words, a voice for the poor, both through organisation in civil society and in alliances with key forces within it, and in the further democratisation of democratic institutions, remains the *sine qua non* of a credible egalitarian politics, even in South African conditions.

Our analysis suggests, however, that far more is at stake here than a failure of the will, which could be remedied by exhorting unionists and NGO activists to sally forth and organise the poor. This endeavour may face severe structural impediments of which the most important is the growth of informality, both in economic activity and in social organisation. This paper has suggested that the poor do not live in an organisational void which might be filled by energetic activists. On the contrary, there is evidence that at least two forms of organisation are likely to be found in the world of the poor: that of the informal power holders, and those of the informally employed themselves. But, precisely because of its informality and invisibility, relatively little is still known about informal organisational life and its implications for egalitarian politics. And it is in enhancing this understanding that the beginnings of the construction of an egalitarian coalition lies. Some of this may emerge from practice if activists indeed make far more serious attempts to draw the poor into the new democratic community which became possible in 1994. But the need to seek a deeper understanding of politics and associational life among those

beyond the formal polity and economy is the most urgent research task highlighted by this analysis.