

Trajectories for South Africa
Reflections on the ANC's 2nd National
General Council's discussion documents

Edited by

Omano Edigheji

Special edition of *Policy: issues & actors*

Vol 18 no 2

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Centre for Policy Studies

Johannesburg

June 2005

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ISBN - 1 - 920030 - 22 - 0

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1

Introduction: Debating South African Economic Policy, the National Question and Unity and Diversity in the ANC

Omano Edigheji

1.1 INTRODUCTION

Managing an economy is not an easy task, especially in context of global imperatives, where a country that deviates from the global norm is meted with punishment by global capital. The task is more difficult in a society like ours with conflicting imperatives. To a large degree, some white South Africans want to cling to privileges derived from the colour of their skin. On the other hand, most blacks want all manifestations of black disempowerment to be addressed. These competing imperatives pose critical challenges for building one nation that belongs to all South Africans. To a large extent, South Africa's ability to effectively address these imperatives will be dependent on the ability of the ruling party, the African National Congress (ANC), to maintain its cohesion and unity. If the ANC was to break up, and its alliance with the South African Communist Party (SACP) and the Congress of South African Trade Union (COSATU) was to disintegrate, it would compromise South Africa's transformation efforts. This will in turn have negative consequences for the African continent's development project.

As a ruling party that is determined to succeed, the ANC recognised that although it has made some progress since assuming the mantle of governance, major challenges remain. Cognisant of this, it aimed to review some of its policies. Consequently, in preparation for its forthcoming 2nd National General Council (NGC) scheduled for 29 June - 3 July 2005, the ANC recently released the following three discussion documents, namely:

1. Development and Underdevelopment
2. The National Question
3. Unity and Diversity in the ANC

If adopted, these documents are likely to have significant effects on the South African policy landscape. As a policy research centre, the Centre for Policy Studies (CPS) is interested in participating and facilitating debate around the issues raised in these discussion

documents as part of the efforts to consolidate our democracy. It is in light of this that CPS is dedicating this special edition of its *Policy: issues and actors* to these three thematic areas.

The ANC's willingness to evaluate its policies and performance, and to take corrective measures where necessary, should be welcomed by South Africans across the political spectrum. However, we all have to be open-minded and ensure that the policy review is all encompassing without excluding any policy domain from coming under the microscope. The review needs to be guided by certain basic objectives, namely: ensuring that the South African economy becomes globally competitive, bridging the divides between the first and second economies and eradicating the poverty which is most prevalent amongst the black population. These objectives have to be premised on core national values such as equality, human dignity, non-racialism, non-sexism, poverty reduction, social justice, shared growth and global economic competitiveness. It is these objectives and our national values rather than given policies that should be treated as sacrosanct in any policy review. Each policy and proposed measures should therefore be judged by how closely they conform to these values and promote the aforementioned objectives.

Before proceeding to set the outline of this publication, there is a need to briefly highlight some of the issues raised in the development and underdevelopment document. The document seems to assume that there is a positive relationship between compromised workers' rights and poverty reduction, as well as lowered workers rights and enhanced human dignity. Are workers' rights not human rights? Given our history of dehumanization of workers in general and black workers in particular, a key question that we need to address as a society is whether or not the only option available to us in managing the economy is to lower workers' rights. Will such an effort not further entrench the legacy of apartheid? Will advocates of lowering workers' rights, though entrenched in the constitution, be equally prepared to conduct a review of constitutionally enshrined property rights, since the property clause may have constrained the ability of the state to effect redress and redistribution?

1.2 STRUCTURE OF THE PUBLICATION

This special issue of *Policy: Issues and Actors* focuses on the issues raised in the discussion documents. Consequently, it is divided into three thematic areas: Part 1 on Development and Underdevelopment, Part 2 on the National Question and Part 3 on Unity and Diversity on the ANC.

In chapter 2, Iraj Abedian addresses the context for the adoption of the Growth, Employment and Redistribution (GEAR) policy framework. He then proceeds to examine the current economic context, which he argues calls for a different macro-economic framework.

Omano Edigheji, in chapter 3, focuses on two key issues, namely industrial policy and the developmental state. He sets out the need for an industrial policy. In addition, he points

out that focus has to be placed on the institutional characteristics of the state if the South African state is to be regarded as developmental. This lays the groundwork for Chapter 4 by Steven Friedman that focuses on the need to embed the South African state.

In chapter 5, Edward Webster and Andries Bezuidenhout address the flexible world of work in South Africa. In particular, they highlight the factors that made redress difficult in the post-1994 South African labour market. On the basis of this, Webster and Bezuidenhout propose how these obstacles could be overcome. In chapter 6, Neva Makgetla focuses on how the formal sector has contributed to reproducing economic divisions in South Africa. Against this background, she raises several questions that need to be addressed in economic policy reforms.

In chapter 7, Ebrahim Fakir examines the concept of the National Question and its application in the South African context. He then identifies some of the current issues pertaining to the National Question and proposes how they can be addressed. Devan Pillay addresses the National Question from a class perspective in chapter 8. In his view, the central political challenge in post 1994 South Africa is a class question. In chapter 9, Adam Habib discusses the challenges of effecting redress while at the same time building a single nation. He proposes how this redress can be achieved. In chapter 10, Siphon Seepe outlines the ANC's conception of the National Question. He then identifies the problem with such a conception. On the basis of that critical appraisal, he makes some suggestions on how the National Question can be addressed.

Aubrey Matshiqi, in chapter 11, focuses on unity and diversity in the ANC. He identifies some of the current issues that threaten the ANC's unity. In chapter 12, Khehla Shubane focuses on the issues of race, class and leadership in the ANC, and their implications for unity and diversity of the party. Against this background, he makes some recommendations on the way forward.

PART ONE

Development and Underdevelopment

2.1 INTRODUCTION AND BACKGROUND

The current debate on macroeconomic policy in South Africa is possibly overdue by about three years. In June 1996, Finance Minister, Mr Trevor Manuel, addressed Parliament stating that the Growth, Employment and Redistribution Strategy (GEAR) would constitute South Africa's new macroeconomic strategy for a five-year period. Well past its sell-by date, GEAR has remained the prevailing policy framework almost by default. So the launch of a national debate, initiated by the ANC, is both bold and in the national interest.

Since its adoption, GEAR had become a rallying cry in ideological arguments. Many ideologues voiced their ritual opposition without checking the context, the content, the numbers or the sustainability of their explicit or implicit alternatives. Clearly, emotions and increased difficulties associated with deep structural changes across the entire economy had overwhelmed the concerns for sound macroeconomic management, responsible governance and sustainable strategies.

The story of GEAR dates back to 1995. Decades of macroeconomic and fiscal mismanagement by the apartheid regime had left behind an economy characterised by a severe balance of payments constraint, globally uncompetitive business practices, outdated production technology, high inflation and interest rates, a vulnerable exchange rate, unsustainable government budget deficits and relatively high government debt service cost. With the debt service cost approaching 22 % of the annual Budget and the prime interest rate at 18 % and rising, the prospect of financing government's deficit was becoming increasingly bleak. Furthermore, government's assets and liabilities were in a state of disarray making it near impossible to access global financial capital at a rate lower than the local capital market.

This state of affairs rendered the country vulnerable to macroeconomic instability and given the run on the rand in the first quarter of 1996, something had to be done. Earlier, the Labour Relations Act (1995) had caused concern within local and international investment circles. Then GEAR was introduced as South Africa's new macroeconomic strategy for the

following five-year period. The over-arching objective of the new strategy was to bring about macroeconomic stability and engender credibility. To this end, various elements of macroeconomic policy were brought together. In terms of the new strategy, fiscal targets were aligned with macroeconomic and financial conditions. At the most strategic level, the budget deficit and government debt had to be managed down to create scope for reallocating public resources to unavoidable social expenditures such as education, welfare and health. This precondition was crucial for the legitimacy of the strategy over the medium term.

In retrospect, GEAR, as an integrated macroeconomic strategy, helped sustain private sector investment at a time when the public sector and its agencies were undergoing reconstruction and were unable to invest. Critically, by raising the economy's resilience GEAR enabled the economy to cope with ongoing global turbulence since 1996. As South Africa moved up the sovereign credit rating scale, the cost of borrowing in the global capital market declined steadily.

Setting a new benchmark for South Africa's global creditworthiness had important socio-economic consequences. It reduced the cost of finance for Government and improved Government's ability to meet its service delivery obligations. Also the improved credit rating benefited the country's corporate sector, facilitating its ability to access international lines of credit and finance at declining costs.

Recently, the debt servicing costs comprised 14 % of Budget 2003/2004 and 13.2 % of Budget 2004/2005; a sharp decline from 20 % in 1995. For Budget 2005/2006 this implies a saving of over R20 billion in the fiscal year. Such savings and the vastly improved tax collection capacity of the South African Revenue Services (SARS) had gone a long way to enable the government to provide in excess of R70 billion in tax relief over the past five years, mostly to lower income households.

2.2 THE NEED FOR POST-GEAR MACROECONOMIC POLICY

South Africa's macroeconomic success over the past decade has been considerable and unprecedented by global standards. The country's sound macro-financial fundamentals have, however, been overshadowed by the widespread poverty and high levels of unemployment. It is widely recognised that poverty and unemployment have structural as well as policy-related roots in South Africa. To ameliorate poverty and make a meaningful reduction in the levels of unemployment, a new integrated macroeconomic strategy is needed. In light of this, the current debate on macroeconomic policy is justified.

It is a fact that South Africa in 2005 has a totally different macro-financial configuration than a decade ago. South Africa's public debt and fiscal deficits are clearly within the norms of sustainability. As result, it can well afford an expansionary fiscal policy provided it can ensure effective public expenditure. The inflationary dynamics are firmly under control and

the economy is getting used to low inflationary environment with the associated expectations of price stability. Importantly, the business environment is far more competitive, with very little subsidisation of industry. Against this backdrop, an integrated economic policy need not focus on stabilisation per se; rather it needs to incorporate measures that would serve the economy's strategic positioning in the global economy on the one hand, and that directly attack the causes of income inequality on the other.

2.3 KEY FEATURES OF POST-GEAR MACROECONOMIC POLICY

Clearly, this is the contested terrain of competing ideologies. Care should be taken that elegant macroeconomic solutions are not substituted for much needed micro-institutional measures. Lowering the cost of capital must be a key part of package of measures. But more critically, the effective cost of labour, the productivity of public investment and the efficacy of public service delivery need to be thoroughly assessed. Given the rising need for skills in South Africa's tertiary sector economy, special attention has to be paid to the entire human resource development infrastructure. A post-GEAR economic policy in South Africa needs to engage with the factors that lead to the expansion of business, the management skills within the public sector, the rising employability of youths and the ability of the economy to sustain its relative global resilience. Success in these areas would define whether or not the state is developmental.

Going forward, the South African economy now needs an appropriate mix of macro- and microeconomic policies to help achieve better global competitiveness on the one hand, and accelerate poverty eradication on the other. Significantly, the conceptualisation of such a policy mix and, more critically, the successful implementation of it, require a well-resourced state infrastructure. Unlike the stabilisation policy that could be done with a strong National Treasury, supported by a sound monetary policy framework, the success of economic policy henceforth will rely heavily on the capabilities of state infrastructure and its effectiveness in policy development, coordination and implementation. Assuming that we arrive at an appropriate policy framework, investing in the capacity of the state is, therefore, crucial for a successful post-Gear economic policy.

An effective human resource development strategy needs to be another aspect of our economic policy. At present, the most important factor hindering economic growth and welfare is our inadequate education and training system. Widespread shortage of skills within the society is but one of its manifestations.

A well-functioning and development-oriented local government sphere is another component of an integrated economic policy that aims to achieve higher economic growth that is well-spread across sub-national regions.

Last, but not least, is the need for a well-defined industrial strategy (discussed in the next chapter by Edigheji) that is rooted in the comparative advantages to the country and enhanced by an appropriate mix of factor prices and foreign exchange policy.

2.4 CONCLUSION

In a nutshell, there should be no illusion that graduating from the elegant and simple macroeconomic stabilisation framework into a complex multi-sectoral economic policy paradigm is bound to be challenging and risky. A great deal of ongoing research would have to underlie efforts by the political leadership to ensure success in this regard.

3.1 INTRODUCTION

The African National Congress's (ANC's) second National General Council's (NGC's) discussion document, *Development and Underdevelopment*, has reignited the debate on South Africa's economic policy direction. One of the justifications for the document is the need to learn from successful developmental experiences elsewhere, including East Asia. To achieve this, a holistic view has to be taken of the East Asian experience in particular. One of the main characteristics of their economic policy was their industrial policy. Other economic policies, including the macroeconomic policy and labour market policy, were all subjected to the overall thrust of their industrial policy.

In this chapter, I will then firstly focus on industrial policy, an area that has been neglected not only in the discussion document mentioned, but also in the overall policy direction of the democratic dispensation. The economic policies (macroeconomic policy, labour market policies and microeconomic policies) of post-1994 South Africa have to be undertaken in the context of one overarching policy, which in the case of the East Asian countries was an industrial policy.

Secondly, I will focus on the discussion of the developmental state, the main driver of the Asian economic success. Although this is recognised in the discussion document, like most post-1994 policy proposals and subsequent policies, only passing reference is made to the developmental state. At best, the developmental state is discussed only in terms of its objectives, that is, what the state is expected to do. No attempt is therefore made to understand the institutional characteristics that were the defining elements and enabled the East Asian states to successfully develop their economies. Thus, if South Africa is to learn lessons from the Asian experience in particular, there is a need to focus on the institutional dimension of the developmental state.

This chapter thus attempts to provide a definition of industrial policy and its core characteristics. On the basis of this definition, the role and character of the democratic developmental state is thus provided.

3.2 DEFINING INDUSTRIAL POLICY

Labour and macroeconomic policies have become the overriding economic policy in South Africa. Since 1996, with the adoption of GEAR, macroeconomic policy became the overarching economic policy, defining the parameters of other economic policies and social policies. In the absence of a broad economic policy, such as an industrial policy, macroeconomic and labour market policies are bound to have conflicting imperatives. The South African approach is in stark contrast to the East Asian experience where industrial policy set the parameters for other economic policies.

But what is industrial policy? Johnson provides a succinct definition of industrial policy. According to him, industrial policy is “a summary term for the activities of governments that are intended to develop or retrench various industries in a national economy to maintain global competitiveness”.¹ It is therefore the initiation and coordination of the activities of government to leverage upwards the productivity and competitiveness of the whole economy and the industries in it. In his view, industrial policy is the attempt by government to move beyond the broad aggregate and environmental concerns of monetary and fiscal policy of the market system. Industrial policy also enables the state to choose between winning and losing industries. It is also recognition that transformation of industrial structure is poorly accomplished through the market mechanism. Therefore, industrial policy is informed by the fact that changes in industrial structure are enhanced by coordinated government interventions. Implicitly, it means that government is not a passive but rather an active player in shaping the global economy.

Thus by its very nature, industrial policy reflects the changing conception of comparative advantage. It moves away from the classical conception of comparative advantage that referred to geographical differences and various natural endowments that constitute a basis for competitiveness in the global economy. As Johnson succinctly puts it:

The new dynamic concept of comparative advantage replaces the classical criteria with such elements as human creative power, foresight, a highly educated work force, organisational talent, the ability to choose, and the ability to adapt. Moreover, these attributes are not conceived of as natural endowments but as qualities achieved through public policies, that are through state interventions, such as education, organised research investment in social overhead capital.²

Suffice to say that this defeats the argument that South Africa cannot compete in the global economy in sunrise sectors, because it lacks comparative advantage in these sectors. Through industrial policy, it is possible for the democratic state to create new comparative advantages especially in the sunrise sectors and thereby enhance the country's

¹ Johnson Chalmers. 'Introduction: The Idea of Industrial Policy.' in Johnson C (ed). The Industrial Policy Debate San Francisco: ICS Press, 1984.

² Ibid.

competitiveness. Consequently, there is a need for bold, imaginative and offensive industrial policy rather than defensive policy that relies on the primary sector.

Among other things, South Africa's industrial policy should seek to promote aggressive investment behaviour by local and foreign entrepreneurs by reducing risks, providing information, promoting research and development and promoting the appropriate education and re-education of the workforce. Promotion of life-long learning is central to the achievement of this goal. Unfortunately, in the absence of an industrial policy, the discussion document reinforces our piecemeal approach to economic policy reforms.

3.3 COMPONENTS OF INDUSTRIAL POLICY

Industrial policy has two basic components, macro- and micro-levels:

1. Macro-level industrial policy: At the macro-level, government through its industrial policy seeks to provide incentives for private savings, investment in research and development, cost-cutting, quality control, enhancement of competitiveness and improvements in labour management relations.
2. Micro-level industrial policy: At the micro-level, through industrial policy government seeks to identify those technologies that will be needed by industry in the medium to long term and to facilitate their development. At the same time, it anticipates those technologies that will decline in importance and to assist in their orderly retreat or support them as a matter of social necessity.

These two components of industrial policy are not mutually exclusive as they are integrated in most industrial policy. Through these levels of interventions, the state is able to stir the economy from **sunset** to **sunrise** industries. This approach makes the debate in South Africa about the privileging of labour-intensive industries over capital-intensive industries unnecessary. In an economy like ours, the focus of industrial policy should be aimed to move the economy to sunrise sectors and industries that are **labour-absorbing**, which will at the same time enhance its competitiveness. Key to the success of such an industrial policy would be the stages and types of sunrise industries that are promoted by the developmental state. Thus, as it is rightly observed in the 'Industrial strategies for accelerated growth' document of the Department of Trade and Industry,³ our industrial policy must effectively divert resources from the primary sectors such as mining to new sources of growth; without necessarily endangering the primary sector itself. What this means is that the primary sector does not remain the focus of our industrial policy.

³ Department of Trade and Industry. 'Accelerating Growth And Development: The Contribution Of An Integrated Manufacturing Strategy.' April 2002.

3.4 KEYS TO THE SUCCESS OF INDUSTRIAL POLICY

Successful industrial policy in South Africa as elsewhere requires an intelligent and internally coherent government with the political will and administrative capability to create a focal point for economic transformation and mobilise society around its developmental agenda. In other words, the South African state has to provide a vision for the future economy and induce private agents to work towards the same goals. The state must at the same time induce private agents to maximise investment opportunities. Similarly, active state investments, such as social and economic infrastructural services have to be promoted in the context of an industrial policy.

A key element of industrial policy is that state's interventions must be selective and strategic to achieve its strategic goals of industrial development and economic transformation. It also means that sequencing of its policies and interventions are critical. Through selective interventions, the state can target particular industries for assistance or incentives, while at the same time discouraging others by withholding support. Industrial targets are therefore the dynamic anticipation of what will be an economically efficient allocation of resources in the future. Selective interventions and targeting of particular industries were key components of the successful East Asian industrial development.

A lesson for South Africa is that through selective interventions, the state will be able to facilitate the sharing of knowledge, networks and infrastructure among South African businesses and between local and foreign companies. This is a necessary condition for innovation, development, growth and global competitiveness.

Industrial Policy is conjunctural. Its conception, content and forms differ from one country to another reflecting each country's stage of economic development, the conditions of the international political economy, natural and historical circumstances and the national political and economic situation.

What are the conjunctural factors that must inform South African industrial policy? The discussion document identifies the coexistence of the First and Second economies as one of the major features of South Africa. It also points to the greater integration of the global economy that might constrain the ability of the state to foster industrial and economic transformation. The South African First economy is highly integrated and the Second economy marginalised or excluded from the global economy. Two other conjunctural factors that need to be highlighted are that the economy is primary sector based and the economic disempowerment of the majority black population - an inheritance from the apartheid period. Black economic disempowerment took the form of lack of access to education, basic health care, education and skills development, meaningful employment opportunities, arable land and basic infrastructural and social services and also the dominance of corporate South

Africa by a few white conglomerates with undemocratic workplace practices where workers were basically dehumanised.

These factors, namely bridging the divide between the two economies, globalisation and black economic empowerment (BEE) must therefore shape South Africa's industrial policy. This approach means that BEE must constitute a central focus in our industrial policy. The aim must be to transform the structure of economic power so that the black majority (as individuals, as households and as a community) can participate meaningfully and equally in the economy. This would entail a strategy to increase the productive access bases of the black population. These should include access to skills development and training, employment opportunities, basic social and infrastructural services, land, financial resources and participation in decision-making positions in the corporate world and social organisations. BEE also requires the transformation of the ownership structure of the South African economy. It would entail the transformation of the organisational culture, internal management structures and work organisation of the private sector, which remains non-inclusive and alienating and made previously disadvantaged people invisible in the workplace.

3.5 THE 'DEVELOPMENTAL' STATE IN SOUTH AFRICA

In the post-1994 South Africa, very often the state is referred to as developmental. However, very few attempts are made to define it. At best, the developmental state is discussed in terms of the role of the state in development. The current discussion document is no exception. Hence the state is discussed in terms of its "interventions to ensure the integration of the two economies, poverty alleviation, job creation, and, most importantly, sustained economic growth".⁴ Thus while it applauded the role of the East Asian developmental state, the document failed to address the institutional attributes that enabled them to effectively carry out its role in ensuring successful development. Developmental objectives is only but one aspect of a developmental state.

The second and most important aspect is the institutional characteristics of the state. As I have argued elsewhere, "what sets a democratic developmental state apart from others is that not only is it able to clearly set its development objectives; it also establishes institutional structures in order to achieve the objectives".⁵ For example, both the post-colonial African state and the East Asian developmental state were both developmental in their orientations. However, what set the latter apart from the former is that it established

⁴ African National Congress. 'Discussion Document: Development and Underdevelopment Learning From Experience to Overcome The Two-Economy Divide.' 2005: 1. <http://www.anc.org.za/ancdocs/ngcouncils/2005/2economydivide.html>

⁵ Edigheji Omano. *A Democratic Developmental State in Africa? A Concept Paper*. (Research Report 105.) Johannesburg: Centre for Policy Studies, 2005: 7.

the internal institutions and relations with its social partners in order to realise its defined objectives. The argument therefore is that a developmental state is defined both by its objectives and institutional characteristics. An apt definition in this regard is provided by Thandika Mkandawire who defined a developmental state “as one whose ideological underpinnings are developmental and one that seriously attempts to construct and deploy its administrative and political resources to the task of economic development”.⁶

Is the post-1994 South African state developmental? In terms of its orientation, it is, but it lacks the institutional attributes and hence the capacity to realise its goals. I now proceed to a discussion of some of the key institutional attributes, which are ignored in the discussion document, that the South African state needs to address if it is truly to be regarded as a developmental state.

3.5.1 Political Will by the Political Leadership

This is the first lesson that South Africa can draw from the institutional characteristics of the East Asia. A strong commitment by the political leadership (that is, the ANC-alliance) is crucial for successful industrial transformation. The alliance must provide a focal point or a vision on industrial policy, which must form the basis of the government engagement with other social and economic interests in its attempts to achieve a **shared growth** path. The unambiguous commitment by the political leadership represented in the alliance would be the key to successful industrial policy and consequently strategic engagement with the global economy.

3.5.2 State Coherent and Autonomy

Coherence and autonomy of the state is the second important institutional lesson South Africa can learn from East Asia. Three indicators of these are meritocratic recruitment, predictable career-paths for top economic bureaucrats and the presence of a super-ministry. These enable the state to have the in-house capacity to be able to independently formulate and implement economic policy without being captured by societal interests. For example, South Korea was able to achieve meritocratic recruitment by recruiting its top economic bureaucrats from the Korean National University. The question for South Africa is: is there a university or universities in the country that is able to produce the requisite human resources for the state? With respect to the career-paths of top economic bureaucrats, their high turnover rate in South Africa undermines the effort to establish a developmental state. The achievement of policy coherence in the East Asian developmental state was to a large degree

⁶ Mkandawire Thandika. ‘Thinking About the Developmental States in Africa.’ *Cambridge Journal of Economics* 2001.

dependent on policy coordination through the establishment of super-ministries such as the Economic Planning Board (EPB) in South Korea, Economic Planning Unit (EPU) in Malaysia and the Economic Development Board (EDB) in Singapore. In most of the cases, the super-ministries were chaired by the prime ministers or deputy prime ministers.

In the case of South Africa, two proposals are currently on the table, a dedicated cabinet cluster or a super- ministry. As the experience of the last few years has shown, while the first option has achieved considerable coordination of planning, it is unlikely that this is the most effective way to ensure coordination of economic policy and alignment of departmental policies. In this regard, South Africa needs to draw on the experience of the East Asian countries by establishing a super-ministry. It is therefore puzzlingly that some people and political parties have criticised efforts to strengthen the Policy Unity in the Presidency while at the same time demanding a developmental state. When established, the super-ministry could be headed by the deputy president, who should be freed of other responsibilities to focus primarily on the formulation, coordination and implementation of economic policies. The respective economic ministries should be accountable to the super ministry.

5.2.3 Clear Definition of powers between the bureaucracy and the politicians.

Another lesson that South Africa can draw from the East Asian experience is to have a clear division of power between the politicians and the technocrats. This means that the political leadership must **ruled** by setting the broad goals of industrial transformation while leaving key decisions (planning, intervening and guiding the economy) to the bureaucracy.

3.5.4 Mobilisation of business, trade unions and broader civil society

One major aspect that the discussion document failed to learn from the East Asian developmental experience is that not only did the state forge partnerships with key economic actors (including capital), but that each of the actors were required to make sacrifices in order to achieve the developmental goals. For example, to foster growth, the business community, particularly big business, was required to make long-term investments and upgrade organisations and management. Also, the non-elite segment of the population was induced to make short-term sacrifices in exchange for larger benefits in the long-term. To ensure their buy-in, highly visible wealth-sharing mechanisms (such as land reform, free primary education and free basic health care) were introduced to induce the non-elites to support the growth process. Unlike simple income transfers, these mechanisms gave the population real assets and encouraged them to believe that they would indeed derive long-

term benefits from growth.⁷ Also, the social pact that has been the foundation of the Irish remarkable economic success was premised on each of the social partners making sacrifices for the overall economic development. There was no free rider!

The current discussion document repeats one of the major mistakes of post-1994 South Africa. The relationship between the state and capital has been such that government has strived to make the necessary sacrifices, including creating conducive climate for investment and increasing spending on economic infrastructure, but without business needing to make any sacrifices. The document therefore aimed to reduce the cost of capital, create a dual labour market that will water down the rights of workers and increase government infrastructural spending. There is no explicit sacrifice required on the part of business - indeed it is having a free ride. The East Asian experience shows that **shared growth**, which the discussion document aimed to promote, is about all the economic actors, making sacrifices to bake the cake.

In order to be developmental, the South African state will have to mobilise and forge partnerships with business, trade unions and broader civil society around its goals of industrial transformation. This will involve building trust and all parties making sacrifices to achieve the goals of industrial transformation and economic development. Although, the democratic government has established a number of institutions and processes of social dialogue, including the National Economic Development and Labour Council (NEDLAC), these institutions have proved inadequate to forge a national developmental consensus. There is therefore a need to re-examine these institutions. Where they have failed to meet their mandates, they have to be replaced with new structures or strengthened to achieve the goals defined by the state.

3.6 CONCLUSION

In conclusion, rather than have piecemeal economic reforms as the discussion document has sought to do, there is a need for comprehensive economic reforms in the form of an industrial policy. It should set the framework for South Africa's economic development. Macroeconomic policy and labour market policies would have to be undertaken within the context of an industrial policy.

Although this chapter focused on industrial policy, it needs to be recognised that to bridge the divide between the First and Second economies of our country, industrial policy needs to be complemented by an agrarian reform as an effective way to accommodate the unemployable in productive and income generating activities. One common characteristic of developmental states in developing countries such as South Korea, Taiwan and India (and

⁷ Campos Jose Edgardo, Root Hilton L. *The Key to the Asian Miracle: Making Shared Growth Credible*. Washington, D.C: The Brookings Institution, 1996.

non-developmental states such as Egypt) that they were able to reduce income and wealth inequalities in the last fifty years is that they aggressive agrarian reforms that altered the production relations by placing productive assets including land in the hands of the poor. Unfortunately, the discussion document is silent on this issue. Over the last ten years, South Africa has had a lame-duck approach to land reforms. Consequently, most land remains in the hands of the white minority; thereby entrenching income and wealth inequalities. Government has even acknowledged that its target of redistributing 30 % of all farmer land to blacks by 2015 will not be met. In the light of the above, an appropriate lesson to draw from the Asian experience is aggressive land reform.

Lastly, for the South African state to be truly developmental there is a need to set up the necessary institutional arrangements. Central to this are the autonomous institutions that are embedded in society. In the absence of embedded autonomy, no state, including the South African state can be regarded as a developmental state.

4

Embedding the 'developmental' state in South Africa

Steven Friedman

4.1 INTRODUCTION

Development is about far more than getting the policy recipe right. The African National Congress's (ANC's) discussion document on Development and Underdevelopment⁸ is an attempt to build a case for deregulating the labour market. But the authors also insist that the document is part of a wider agenda - addressing the gap between the First and Second economies identified by President Thabo Mbeki. The document is at pains to distance itself from reliance on the market above all: much of it is devoted to the case for state intervention. It denounces the "Washington consensus" and, citing examples from elsewhere, insists that success in addressing poverty depends on "...the ability of government to act as a developmental state".

The document proposes a range of interventions to fight poverty. Besides lowering the cost of capital (which may include targeted interventions designed to stimulate capital formation in the Second economy) it proposes "linkages" aimed at building a "staircase" which will transport people in the Second, deprived, economy into the affluent First: "providing quality education and health care to the poor, implementing a land reform programme and providing access to credit to small-scale businesses, investing in infrastructure that lowers transport costs and extends basic services and consolidating a social security safety net".

4.2 THE NEED FOR A DEVELOPMENTAL STATE

This package falls short of the East Asian developmental state model in which the state intervenes in the market to promote growth and spread its benefits. Elaborate industrial

⁸ African National Congress. 'Discussion Document: Development and Underdevelopment: Learning from Experience to Overcome the Two Economy Divide.' National General Council 2005, 29 June-3 July 2005. <http://www.anc.org.za/ancdocs/ngcouncils/2005/2economydivide.html>

policies which pick winning industries at the expense of losers are not, for example, a feature. Also, East Asian developmental states relied not on reducing union influence but on preventing it. Still, there is little doubt that East Asia is the source of the document's inspiration.

The document is, however, completely silent on what the post-apartheid state will need to do to achieve this vision. This seems to confirm the suspicion that the document is less a charter for a developmental state than a rationale for labour law changes. Still, if the government wants to build a developmental state able to turn democratic breakthroughs into development equivalents, it will have to do far more than generate macroeconomic ideas and relax labour laws. Until the government gets to grips with the requirements of becoming a developmental state, it will continue to be vulnerable to the charge that its ambitions far outstrip its capabilities.

4.3 EMBEDDEDNESS: A KEY INSTITUTIONAL FEATURE OF A DEVELOPMENTAL STATE

A state cannot be developmental unless it is embedded. The term, not to be confused with the practice of embedding journalists with occupying armies, is associated with Peter Evans's study *Embedded Autonomy*.⁹ He argued that developmental states needed sufficient autonomy to prevent their domination by vested interests, but that they also need institutions that are "embedded in a concrete set of social ties that binds the state to society and provides institutionalised channels for the continual negotiation and renegotiation of goals and policies."¹⁰

So states cannot be developmental unless their tendrils are sunk deep into society. Regulation requires knowledge of the likely reaction of the regulated - a government that regulates pharmacies and then discovers that they act in unexpected ways to frustrate it, is not embedded enough to regulate in a way that will meet its goals. Citizens will also not cooperate with a developmental state unless they feel it knows what they want and feel included in its programmes.

An embedded state does not have to be friends with all major social actors. But it needs social ties with those constituencies without whom development is impossible. It also needs to penetrate deep enough into society to know enough about those whom it seeks to discipline rather than woo.

The post-apartheid state is not embedded in this way. Its ties to largely white-owned business are weakened by the limits of trust across racial barriers. Its seemingly natural ties

⁹ Evans Peter. *Embedded Autonomy: States and Industrial Transformation* Princeton University Press, 1995.

¹⁰ Evans 12.

to organised labour and that section of civil society that fought with it to end apartheid have been obstructed by differences over social and economic policy.

Most importantly, it is not embedded in the grassroots of society despite its overwhelming electoral victories. Evidence is in the fact that development policy repeatedly reflects misreading of preferences and social realities among the grassroots poor.¹¹ If confirmation is needed that the ability to mobilise anti-apartheid resistance does not mean an insight into the minds of those at grassroots level under democratic conditions, the current wave of urban protest against lack or slow pace of service delivery provides it.

4.4 PRIORITIES FOR EMBEDDING THE SOUTH AFRICAN STATE

Talk of a developmental state in South Africa is premature because neither the institutions of government nor the majority party have established the tendrils in society that would provide the state with the capacity to play that role. To begin to acquire them government will have to deal with two priorities.

The first priority concerns dealings with business and labour. The government interacts with both but its engagement has not yet created the conditions for a developmental state. Growth will not be possible unless a significant section of business is persuaded to cooperate with government (either because it shares a vision with the government or is convinced it has no other option) and organised labour is seen as a productive partner, not a hindrance.

The second priority is to recognise that embeddedness in society requires invigorated democratic representation. The government will not reach effectively enough into society to secure cooperation on development, until society reaches effectively enough into government to ensure that policy is informed by an adequate understanding of grassroots realities and that citizens feel sufficiently invested in the state to want to work with it.

4.5 CONCLUSION

These ideas are appealing to some in government but are often associated with structured processes. In these processes government initiates contact with citizens through *izimbizo* or local government ward committees. These rarely, if ever, produce embeddedness, which needs a sustained process in which representatives engage with citizens; listening as much as they talk.

¹¹ For details see Friedman Steven. 'Equity in the Age of Informality: Labour markets and Redistributive Politics in South Africa.' (Working Paper 160) Institute for Development Studies, University of Sussex, July 2002.

Embeddedness can also not be achieved by denying difference by seeking to mobilise citizens in lockstep behind government, regardless of what some in government hope for. Citizens will cooperate freely only if the diversity of opinion, interest and value among them is recognised in a more vigorous democracy.

Building a developmental state is not simply an act of will. It requires careful nurturing of social ties with key economic actors and citizens at grassroots level. Much remains to be done before the preconditions of developmentalism will be met in South Africa.

5.1 INTRODUCTION

In a recent discussion document for the 2nd National General Council (NGC) of the African National Congress (ANC) at the end of June, the authors suggest that “perhaps South Africa should consider accommodating some flexibility in its labour regime”.¹² In practice the South African world of work is highly flexible. It is, as we demonstrated in our recent book, differentiated into three very unequal flexible zones of work.¹³

In the first zone, that of the core workplace in the formal economy, workers are subject to socio-economic inclusion, earn wages and have access to legislative rights and a union voice. In the second zone, the non-core, workers are subject to job insecurity and low wages. These are workers who work precariously on temporary contracts. They are often externalised through labour market intermediaries such as labour brokers. The third zone, the peripheral zone, consists of those who have been excluded from the formal economy and who engage in informal income-generating activities on its margins. For many in this zone ‘work’ does not include a regular income. In fact, for many there is no income at all but rather payment in kind. The result is an enormous strain on families, households and communities.

¹² African National Congress. ‘Discussion Document: Development and Underdevelopment: Learning from Experience to Overcome the Two Economy Divide.’ National General Council 2005, 29 June-3 July 2005: 18. <http://www.anc.org.za/ancdocs/ngcouncils/2005/2economydivide.html>

¹³ Webster E, Von Holdt K. *Beyond the Apartheid Workplace: Studies in Transition*. Pietermaritzburg: University of KwaZulu-Natal Press, 2005: 27-32.

5.2 THE NOTION OF LABOUR MARKET RIGIDITY IN SOUTH AFRICA IS A RED HERRING

Of course, the apartheid labour structure was characterised by a racial division of labour and of power in the workplace. The discussion document proposes that the entrenchment of new forms of exclusion in the post-apartheid era, will limit the ability of legislation and labour market institutions to redress the legacy of racial and gender discrimination. Indeed, we may simply see more of the same if the existing differentiation and segmentation is allowed to continue. Treating the labour market as the sole **cause** for high levels of unemployment, instead of the terrain where the **consequences** of rapid economic restructuring play out, is an unproductive approach to social policy. The notion of 'labour market rigidity' becomes, then, a red herring.

The argument that the labour market is too rigid assumes that labour markets operate like commodity markets - that there is a direct and inverse relationship between labour supply and labour demand. This implies that if the cost of labour increases, the demand will decrease. However, this argument does not take into account that the demand for labour is also derived from the demand for goods and services. If income levels in an economy decrease, there will be less demand for goods and services. A possible answer to this may be to increase exports, but if trade is to assist in alleviating unemployment then it will need to be linked to an industrial policy that supports labour-intensive industries.

As a recent analysis indicates, South Africa's current trade structure is not doing much to create employment.¹⁴ Exports remain geared primarily toward relatively capital-intensive sectors; notably minerals, heavy chemicals and the automotive sector. Their analysis suggests that the main causes of slow growth in the economy lie in the basic structure of the formal sector, historically centred on minerals and large capital-intensive projects. As long as this remains unchanged, modifications in the labour regime will not lead to substantial job creation. Indeed since 1998, formal employment has only grown at about 1 % a year, or about half as fast as the population.

5.3 UNEMPLOYMENT, CASUALISATION, EXTERNALISATION AND INFORMALISATION AND THEIR IMPACT ON THE LABOUR MARKET

The election of a democratic government in April 1994 began a process of reconstructing the workplace both to overcome the legacies of racial and gender discrimination and to meet the challenges of global competition. Agreement on this new labour regime was reached after often lengthy consultation and sometimes open conflict, in the newly created multi-partite body, the National Economic, Development and Labour Council (NEDLAC). New statutes

¹⁴ Meelis T, Makgetla N. 'Impact of Trade on Economic Structure.' *Trade and Industry Monitor* (December) 32; 2005: 2-6.

included the Labour Relations Act (1995), the Basic Conditions of Employment Act (1997), the Employment Equity Act (1998) and the Skills Development Act (1998). Some existing institutions were reformed, while a set of new ones were created - notably the Commission for Conciliation, Mediation and Arbitration (CCMA) and thirty Sectoral Education and Training Authorities (SETAs).

Yet, a range of complex, diverse and often contradictory pressures complicated efforts to bring about redress in the labour market. At the level of the workplace, this transition often leads to conflicting imperatives, such as the need to respond to increased levels of competition while attempting to support redress measures. If apartheid was essentially the organisation of inclusion and exclusion on the basis of race, post-apartheid South Africa has reordered the lines of inclusion and exclusion along new features. These features are rising levels of unemployment and the division of the world of work into three zones. Both these features still overlap with and reinforce racial and gender inequality.

The rise in unemployment is caused by a complex interplay between factors related to labour supply and demand. On the supply-side of the labour market, we have seen population growth, as well as the fact that more women are actively seeking jobs. In terms of skills, there are shortages in key areas - aggravated by the continued failure of the education system. On the demand-side of the labour market, industries that are sensitive to import competition, such as the footwear, clothing and textile industries, have lost a significant number of jobs. The crisis in the gold mining industry has also resulted in large-scale unemployment. Hence, we see a shift in the labour market away from mining and manufacturing to services and retail.

The division into three zones of work is the result of three distinct but mutually reinforcing trends; casualisation, externalisation and informalisation. Labour regulation is generally based on the idea that most employees are engaged in a standard employment relationship. This refers to a contract of employment that requires workers to work indefinitely, on a full-time basis, at the premise of the employer. The process of casualisation deviates from the first two characteristics of the standard employment relationship. It refers to fixed-term (or temporary) contracts or part-time employment. Externalisation involves a deviation from the third characteristic of the standard employment relationship. Here a third party enters the employment relationship. This can involve labour brokers, temporary employment agencies, or working at home. Workers technically no longer work at the premises of their employers, because they are employed by a third party (the labour broker). The employment relationship between temporary employment agencies and their employees is often temporary in nature. The processes of casualisation and externalisation overlap and are mutually enforcing. Informalisation refers to unregulated work. Various forms of casualisation and externalisation can be used to bring this about. Workers become so vulnerable that they are not able to enforce the rights accorded to them

by the constitution and the labour statutes.¹⁵ Various industrial case studies show that these workers often do not enjoy the same levels of security and protection.

Thus, while the new labour market architecture attempts to bring about redress, the counter trends of unemployment and casualisation, externalisation and informalisation limits the impact of these new institutions. Is there a way out of this labour market stalemate?

5.4 THE WAY FORWARD: REGULATED FLEXIBILITY

Labour's pursuit of high wages and high job security may in certain circumstances be self-defeating. High standards at the core may have its costs; it may encourage employers to choose labour-saving technology, to subcontract work or to employ undocumented workers. Indeed, this is exactly what has happened, leading to shell agreements where labour wins high standards on paper that apply to fewer and fewer workers in reality. Even greater flexibility, as suggested in the discussion document, such as waiving the minimum wage, must be approached with caution. By itself this suggestion may lead to a further downward levelling of working and living conditions, with little increase in employment. Wage stability and variation in employment conditions would be more likely to have the desired effects when they are combined with a social wage and are determined through collective bargaining. The idea of a social wage seems counterintuitive in a developing country like South Africa, with high levels of both poverty and inequality. Nonetheless, South Africa could be described as a residual model of a social welfare state, the core of which is the provision of a basic pension for everyone in need.

The integration of existing labour market flexibility and welfare would allow a degree of 'regulated flexibility' in the labour market (greater job and wage differentiation) in return for a minimum standard of benefits, thereby ameliorating the impact on workers. The social wage provides workers at the lower end of the labour market and the unemployed with a degree of income security. These benefits are extremely important in a labour surplus economy where job creation will be slow, while the consequences of adjustment are felt immediately.

5.5 CONCLUSION

The two-tier labour market proposed by the discussion document exists in practice. Why then, has this not led to an expansion of employment? Indeed, we must consider the policy implications of a multi-faceted explanation for the lack of employment growth. The rise of

¹⁵ Bezuidenhout A, Godfrey S, Theron J, Modisha M. 'Non-standard employment and its policy implications.' Report submitted to the Department of Labour. Sociology of Work Unit, University of the Witwatersrand and Labour and Enterprise Project, University of Cape Town, 2004.

non-standard employment in the construction industry has, for instance, led to the collapse of key bargaining institutions. These institutions are needed for negotiated changes to the labour market, described by some as 'regulated flexibility'. This means that the specific terms of regulation should be determined in negotiations through the current industrial relations institutions: industry-wide bargaining councils and workplace-level agreements. What is surprisingly absent from the discussion document, is any recognition of the existing, lengthy process of agreements reached through the sector job summits. These provide the foundation for a coherent industrial policy. Indeed, initiatives such as these enable workers and employers to bargain on concessions and to reach agreements that are appropriate to a specific industrial context. They also enable the parties to negotiate improvements as conditions improve, thereby helping to ensure that concessions do not become permanent. Where workers are not covered by such institutions, the Basic Conditions of Employment Act allows for ministerial determination of minimum conditions.

The concessions also require an active and strong developmental state to maintain a system of social welfare that is integrated with these labour market agreements. Above all, the concessions require capital to relinquish unilateral control over investment and production decisions by embracing forms of joint decision-making at the micro-, meso- and macro-levels. In the absence of such joint decision making, it is likely that the surpluses generated through wage stability and labour market flexibility, as has happened, would benefit capital alone, rather than generate growth and employment creation.

6

Development and Underdevelopment in context

Neva Seidman Makgetla

6.1 INTRODUCTION

The African National Congress's (ANC's) discussion document on Development and Underdevelopment argues that dualism means recent economic growth does not necessarily alleviate poverty. However, it fails to analyse how the formal sector helps to reproduce economic divisions. As a result, its recommendations seem unlikely to support more balanced growth. This shortcoming emerges most strongly in the section on labour laws, which ultimately calls for measures that would entrench discrimination and exclusion.

We will first analyse the discussion document's overall approach. The final section assesses the proposals on labour policies.

6.2 THE FORMAL SECTOR AND THE REPRODUCTION OF EXCLUSION

The discussion document argues that while government policies have strengthened the formal sector since 1994, mass poverty and inequalities still remain central challenges. It argues that this situation reflects the continued existence of two economies.

In South African two 'economies' operate in one country. The first is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. The second is mainly an informal, marginalised and unskilled economy, populated by the unemployed and those unemployable in the formal sector. Despite the impressive gains made in the First economy over the last decade, the benefits of growth have yet to reach the Second economy.¹⁶

¹⁶ African National Congress. 'Discussion Document: Development and Underdevelopment: Learning from Experience to Overcome the Two Economy Divide.' National General Council 2005, 29 June-3 July 2005: 13. <http://www.anc.org.za/ancdocs/ngcouncils/2005/2economydivide.html>

The document argues that dualism was created under apartheid in order to generate cheap labour by impoverishing the majority. As a result, the “Second economy” is caught in a “poverty trap”, unable to generate savings and investment. It depends largely on transfers, markets and inputs from the First economy, which remain inadequate to stimulate development.¹⁷ The document concludes that to remedy this situation requires a strong, focused state that can maintain growth in the “First economy” while encouraging growth in the “Second economy” through infrastructure, education and support for micro-enterprise. According to this discussion document, then, the roots of dualism lie exclusively in the inability of the Second economy to accumulate sufficient capital. By extension, the solution ultimately lies in ensuring that “those currently caught within the Second economy [are] able to grow and develop without the need for exceptional outside interventions.”¹⁸

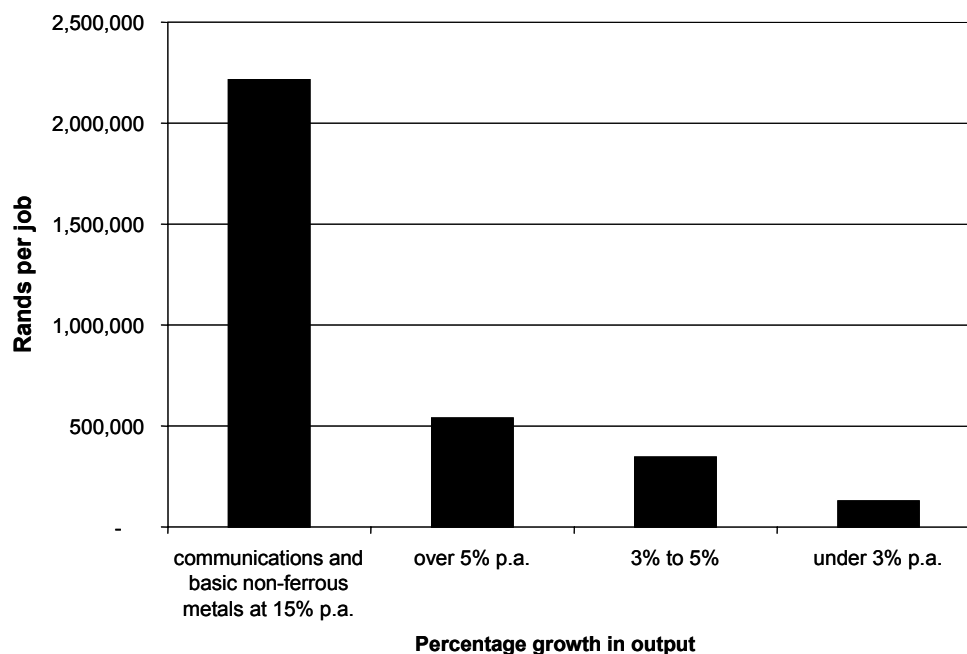
A more compelling analysis would explore how structures of ownership, production and markets in the formal sector maintain the exclusion and impoverishment of the majority of South Africans. In particular,

(a) Growth in the formal sector has focused on relatively capital-intensive sectors, essentially finance, telecommunications, minerals production, auto and heavy chemicals. As the following chart shows, in the past decade, more capital-intensive sectors have generally grown much faster than labour-intensive activities. This trend, in turn, means that the formal sector cannot create sufficient employment. Moreover, growth in capital-intensive sectors encourages continued concentration in ownership.

¹⁷ African National Congress 6.

¹⁸ African National Congress 7.

Chart 1: Growth of sectors according to capital intensity, 1994-2002¹⁹



Source: Calculated from, TIPS EasyData, downloaded from www.tips.org.za in December 2004.

(B) Relatively concentrated and conservative financial and retail networks in the formal sector further militated against small and micro-enterprises. In effect, the majority of the population remains largely alienated from these critical institutions, undermining access to both finance and markets.

Economic programmes have prioritised growing the formal sector, and especially export industries, rather than targeting relatively labour-intensive sectors. In the same vein, the discussion document does not identify sectors in the First economy that could enhance employment creation.

This approach aligns with the World Bank's latest *World Development Report*. It argues that development requires a strong state to ensure a stable, low-cost environment, while letting the market determine the structure of production and ownership.²⁰ From this perspective, the call for a strong state does not challenge the reliance on markets to direct growth.

¹⁹ The y-axis shows the average capital intensity of all sectors (at the three-digit SIC level) achieving each rate of growth.

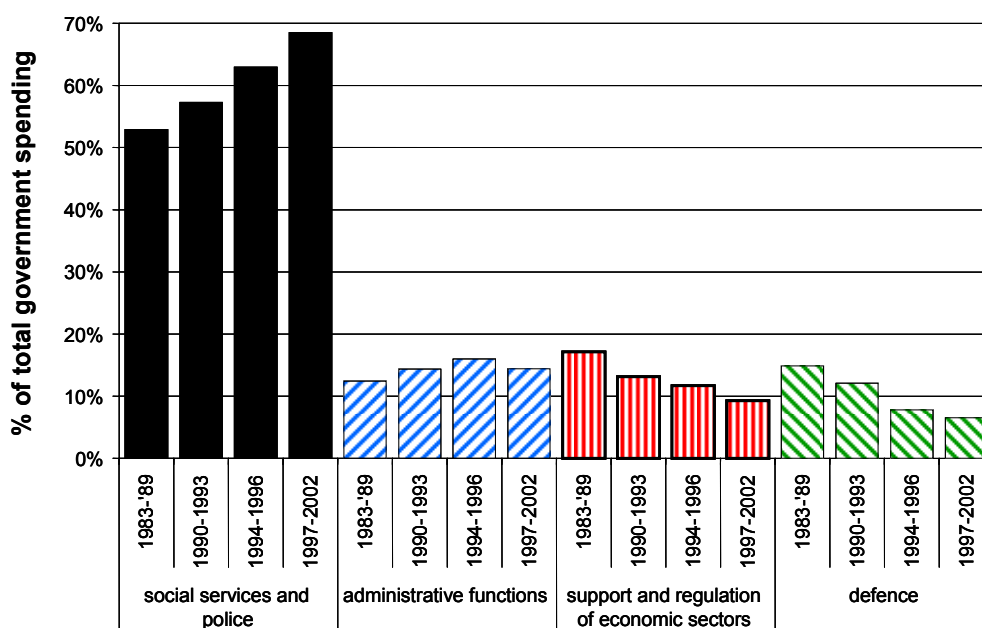
²⁰ World Bank. *World Development Report 2004* New York and Washington: OUP, 2005.

This approach assumes that market decisions are purely rational. In the real world, however, businesses respond to overall improvements in the economic climate by continuing to develop the industries they know best. The chances of substantial diversification remain slim, and with it the hopes for more balanced and inclusive development.

6.3 THE UNDERLYING DISCOURSE: WELFARE VERSUS DEVELOPMENT

The discussion document's proposals make more sense if we understand it as an input, not on dualism, but on how best to address poverty. From 1994, the democratic state emphasised extending government services and welfare in poor communities, rather than economic reconstruction. As a result, the share of government spending going for welfare continued to increase steadily, while the share available for restructuring the economy declined. This continued trends that had started back in the early 1980s.

Chart 2: Government spending by function, 1983-2002



Source: Calculated from, SARB long-term data series on public accounts, downloaded January 2005.

Certainly no economist will disagree with the document's argument that sustainable solutions to poverty must centre on expanding employment, rather than welfare. Still, the document does not suggest strong solutions to increase economic opportunities for the poor. In these circumstances, there is a risk of cuts in welfare without substantial improvements in income from employment.

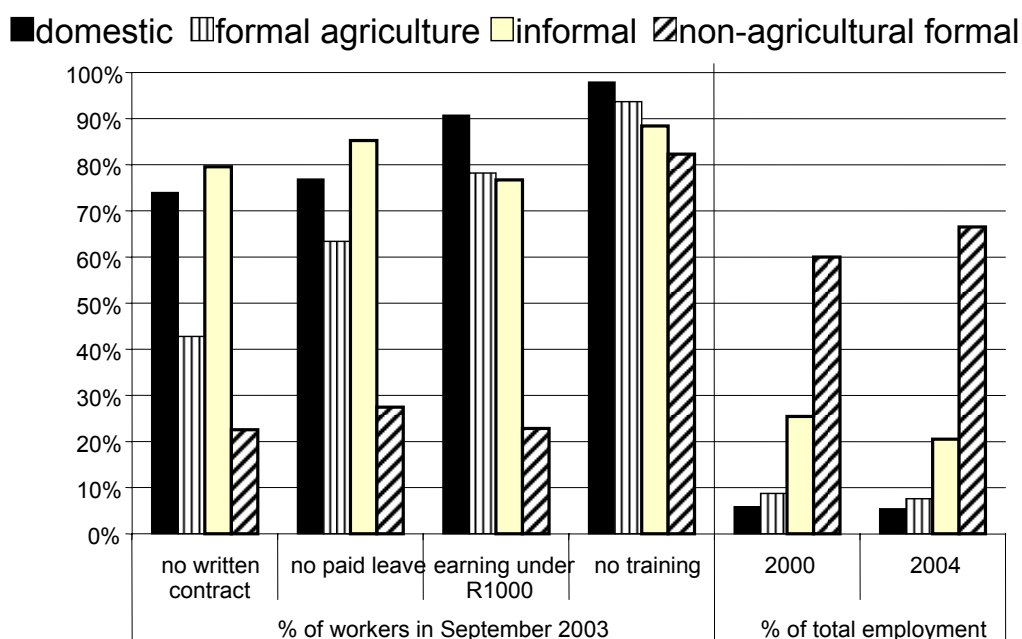
6.4 PROPOSALS ON LABOUR POLICIES

The proposals on labour policies illustrate the problems that are the result of ignoring the shortcomings in the formal sector. The document argues that all the labour laws adopted since 1994 impose excessive costs on employers. It then proposes limits on centralised bargaining and weaker labour laws for specific groups of workers, including young and rural people as well as relatively labour-intensive industries such as clothing. The document provides no evidence of these excessive costs on employers. Arguments to this effect rely on employers' subjective evaluations, with no attempt to verify their assertions.²¹ In reality South Africa's labour laws are the same as those found in many other countries that have much lower rates of unemployment. Since 1994 employers' profits have risen much faster than workers' pay. Profits increased from 26 % of the national income in 1993 to 31 % in 2004. Meanwhile, workers' incomes dropped from 57 % in 1994 to 52 % in 2004.²²

If the labour laws proved a substantial hindrance to job creation, the sectors where they have the least impact (domestic, farm and informal work) should have had the most rapid employment growth in recent years. In fact, the opposite is true. These sectors' share in total employment has dropped since 2000, as the following table shows.

²¹ Small Business Project (SBP). 'Regulatory Compliance Costs in South Africa.' Presentation to Treasury, October 2004.

²² Calculated from South African Reserve Bank (SARB) 2005.

Chart 3: Growth in employment and adherence to labour laws²³

Source: For the conditions of employment, calculated from, Statistics South Africa, Labourforce Survey, September 2003. Database on CD-ROM. For the share of total employment, calculated from, Statistics South Africa, Labourforce Survey, September 2002, Table C, p. iv, and September 2004, Table A5, p. xxiv. Downloaded from www.statssa.gov.za in May 2005.

This situation suggests that dual labour laws would entrench exclusion, rather than overcoming it. Reliance on cheap, overworked labour means employers have little interest in improving skills or productivity. Indeed, that was the experience under apartheid, when differentiated labour laws for different industries and regions were established.

Finally, the document's proposals on centralised bargaining demonstrate its empirical weaknesses. It argues, with the International Monetary Fund (IMF) 2004²⁴, that the system of bargaining councils imposes unaffordable wages on small and rural employers. Yet in the event:

- Well under 20 % of private-sector workers are covered by bargaining councils, which means that the councils cannot have such a determinant impact on employment.
- The councils grant exemption from minimum wages to more than 80 % of the applications by small enterprises.
- The vast majority of councils negotiate only for specific areas, mostly for municipalities. The national councils set different wage rates for different regions.

²³ Written contracts and paid leave are legally required for all workers by the BCEA. Due to changes in weighting, the actual numbers employed by sector cannot be calculated.

²⁴ International Monetary Fund (IMF). 'South Africa: Staff Report for the 2004 Article IV Consultation.' 2004. Downloaded from www.imf.org in May 2005.

- The minimum wages agreed to by councils is often very low, especially for rural areas. For instance, the minimum wage for clothing workers in small towns remains under R1000 a month.

6.5 CONCLUSION

The recognition that growth in the formal sector has not adequately benefited the majority of South Africans is a critical first step toward a more effective development strategy. In the absence of a systematic analysis of the failures of the formal sector to create employment and support small enterprise, however, this recognition in itself does not point to policies to create a more integrated and equitable economy. Instead, it can lead to strategies that actually entrench dualism by focusing on the growth of micro-enterprise as the only way out for the poor.

PART TWO

The National Question

7

The National Question in context

Ebrahim Fakir

7.1 INTRODUCTION

What has been contemplated through political discourse to be the National Question is neither new nor unique to South Africa. It is one that has animated societies as diverse as Russia and Rwanda. It is certainly one that has occupied the African National Congress (ANC) and the broader liberation movement for most of its history.²⁵ Of course, it ought to occupy all of South Africa, given its centrality to the evolution and development of society.

The ANC's current policy trajectory is informed by rich discussion on the National Question. This question has influenced, in part, the strategic and tactical choices the party has made in Government. One such tactic is that of appeasement of the constituencies that it defeated in the transition to democracy. The aim of this tactic was to placate but also to signal genuine inclusiveness in the new democratic society for white South Africans in general and the Apartheid puppet masters in particular - this included white South African business whose complicity with (or at least extensive benefit from) the apartheid project is well documented. This concession included the guarantee of non-retribution for the frighteningly inhuman injustices of the past.

Other policy choices that the ANC made on the basis of discussions on the National Question include the values that are now enshrined in the Constitution's Bill of Rights, such as fundamental equality, non-racialism, the granting of equality to all languages and religions and the body of rights and obligations that accrue to all citizens. As such, it is informed by a broadly humanist impulse in all of its orientations. This has influenced policy instruments (legislation or departmental policies) to relieve inequality, but has proved ineffective thus far. In general, this approach has tried to address the substantial distortions

²⁵ See 'Nation Formation and Nation Building - The National Question in South Africa.' <http://www.anc.org.za/ancdocs/discussion/nation.html>
Also the extensive documentation on the ANC National Conferences, Kabwe 1985, Morogoro 1969, Mafikeng 1997. Ngculu J. 'Debating the 'National Question' for unity and transformation.' Umrabulo, 21 October 2004.

of the past, while not removing the advantages inherited by communities that were beneficiaries of Apartheid. Consequently, white privileges (and the smaller advantages that some black communities, coloureds and Indians enjoyed over the majority of the dominated black population) have remained largely intact.

Have levels of poverty receded and living conditions and access to opportunity for the majority improved? In part, yes²⁶, but the quality of life of the majority of people is nowhere near the quality of life enjoyed by those who benefited from apartheid. The living conditions of most of the black population have remained the same as under apartheid; the enjoyment of political rights notwithstanding. In making the concessions indicated above, greater latitude is given to beneficiaries of apartheid. This has compromised the degree to which redress could be effected. One of the surprising phenomena of the democratic dispensation is that an ANC minister would be moved to publicly address the concerns of Afrikaans speakers, without having to do the same for other language groups. The Government is called upon to address issues of concern to the minority, yet those doing so do not ask that the Government to address the concerns of the majority.

What has this got to do with the National Question? Or more appropriately what is the National Question?

7.2 WHAT IS THE NATIONAL QUESTION?

Broadly defined the National Question pertains to the oppression of one or a number of other people or peoples by a dominant imperial or colonial power. One of South Africa's leading black intellectuals and current Minister of Arts and Culture, Pallo Jordan, argues that:

*the right to self determination or to national freedom or independence does not apply to the dominant group, but is applied exclusively to the dominated or oppressed group. International Law, as it evolved since 1945, including a number of United Nations General Assembly resolutions on South Africa, underwrote this interpretation of the right to self determination. Neither International Law nor established tradition recognises any right to self determination by an oppressor group or nation. This is a right that can be claimed exclusively by the oppressed.*²⁷

In the same vein Yunus Carrim, points out that “the National Question in South Africa has traditionally referred to liberation from white minority rule, the ending of the Bantustan

²⁶ ‘Towards a Ten Year Review.’ Government Communication and Information Service, 2004. See document above for a full exposition on the social, economic and political changes that have manifested since 1994.

²⁷ Jordan Pallo Z. ‘The National Question in Post 1994 South Africa.’ Discussion Paper in preparation for the ANC 50th National Conference, African National Congress, August 1997. <http://www.anc.org.za/ancdocs/discussion/natquest.html>

system, and the political unification and integration of the country, and the creation of a single South African nation.”²⁸

For the ANC-led liberation movement, the content of the National Question has flowed from an understanding of apartheid South Africa as “colonialism of a special type”. Essentially, apartheid was seen as comprising all the core features of colonialism - except that the colonisers, constituted in the white minority, and those colonised, the black majority, lived in the same territory. Hence the struggle was understood to be for the national liberation of the black, particularly African, majority.²⁹

The National Question as currently defined in the ANC National General Council’s discussion document is:

*the liberation of blacks in general and Africans in particular, the creation of a non-racial, non-sexist, democratic and united South Africa with a quest for a single united nation with a common overriding identity, and resolving the antagonistic contradictions between races, and combating tribalism, racialism and any other form of ethnic chauvinism.*³⁰

The discussion document has sought to address how this would be achieved, although to a limited extent. An extended analysis suggests that the National Question and addressing it are enmeshed in the broader social challenges facing South Africa.

Many have sought to think, and tried to convince others to think, that the National Question pertains to addressing the issue of race, racism, culture and identity. That much it is, but also a lot more. Confining the National Question to issues of ethnicity, race, culture and identity, ignores the fact that these issues are implicated in the social contradictions and distortions inherited from apartheid. To do so evades the intersection of race and oppression and the racially defined coincidences of being black and poor.

Against this background, addressing the National Question must assert that it is ultimately about giving expression to the choices and concerns of the black majority - within the context of a constitutionally enshrined body of rights and duties for all. These are not mutually exclusive or antagonistic to a plural, multi-cultural, multi-faith, non-racial, multi-lingual and a non-sexist democracy. Given that democracy is about majority rule, then the will of the majority must prevail within the constitutional context of equality and non-discrimination. Also, since transparency and accountability are central elements of democracy, decision makers and institutions have to be accountable to all South Africans, and especially to the majority black population. Further, because democracy is about equality, access to public goods and services must accrue equally to everyone. The National

²⁸ Carrim Y. ‘The National Question in Post Apartheid South Africa - Reconciling multiple identities.’ South African Communist Party. African Communist No.145, Third Quarter 1996.

²⁹ Ibid.

³⁰ ‘Discussion Document: The National Question.’ African National Congress (ANC) National General Council 2005. <http://www.anc.org.za/ancdocs/ngcouncils/2005/nationalquestion.html>

Question in our country must necessarily address the anomaly of blacks' enjoying political rights without the opportunities to access and realise their social and economic rights.

7.3 SO WHAT IS THE NATIONAL QUESTION TODAY?

Statutory sexism and racism have been formally eradicated and a democracy, both formal in content and substantive in orientation, has been established. Equal rights, equal opportunity and an internationalist engagement are orientations that characterises South Africa post-1994. Yet, the material benefits of this are yet to accrue to all South Africans - blacks in general and Africans in particular. So while the theory of colonialism of a special type may not be strictly relevant today, the vestiges that gave rise to it persist. The contingent chasms, stratified on the divide of race, ethnicity, class, sexual orientation, HIV status and the remains and forms of ingrained inequality have, perhaps unintentionally, taken root.

Also, contingent chasms remain contained and encapsulated in the continuing relationship between power and powerlessness in the economy and society, in the workplace, in access to education, in the opportunity to work and the opportunity to access public goods and services - all remaining racially defined. The logic on which the economy is based (still largely a free market one), ingrains inequalities not only between races, but (with the opportunities created for blacks through preferential procurement and black economic empowerment) also within communities. A substantial opportunity exists in this regard for greater government intervention in the economy and regulation. The key challenge in the current historical conjuncture would be to find an appropriate and adequate balance between addressing the rights that accrue equally to all South Africans (which in the case of the previously privileged minority includes property rights), with the kind of redress required by the majority. How then, should current relations of production and consumption change, where production depends on the labour of the majority and high levels of consumptive capacity remain with those directing the production? How does a society go about changing patterns of accumulation to reduce racially defined poverty and inequality?

7.4 CONCLUSION

The responsibility in addressing the National Question with all its ramifications partly lies with Government to use the extractive, coercive and regulatory power of the state. Government must extract the kind of resources that can be redistributed or introduce changes in the conditions under which production, consumption and accumulation occur; either through prescriptive policies or through greater regulation and intervention in distribution. However, equally important are clear and unequivocal commitments from those that benefited from apartheid about what they are willing to contribute to addressing the National Question.

8

Class Perspective to the National Question

Devan Pillay

8.1 INTRODUCTION

Cuban president Fidel Castro told the South African parliament in 1998:

There are still today two South Africas which one ought not to call the 'White' one and the 'Black' one. That terminology should forever be dropped if a multiracial and united country is meant to be created. I would rather put it this way: two South Africas - the rich and the poor.³¹

This goes to the heart of the National Question; namely the construction of a united, non-racial and non-sexist South African nation.

Recently a student came into my office and strongly objected to the use of racial categories in class discussions. "I do not see race", she insisted, "and therefore refuse to be forced to look at people in racial terms." While she conceded that we could not avoid racial categories when describing our apartheid past, she took to heart the standard sociological perspective that 'race' is socially determined and has nothing to do with biology. In other words, there is only one race, the human race, and physical differences such as skin colour, hair, shape of eyes et cetera are superficial differences. As such, race was, in her view, not real, but a social invention that could be conjured away if we all refused to deal in these categories.

This student happened to come from a historically advantaged (ie white) background. The reaction of some students from a historically disadvantaged (ie black in the generic sense) background was to dismiss her view as an attempt to block a discussion on the persistence of racially prescribed privilege, under the guise of a new-found embrace of non-racialism. These students objected to her denying them their right to be proud of their

³¹ Friends of Cuba Society. 'It's a matter of life or death.' Commandant Fidel Castro's address to the South African parliament, September 1998.

blackness and to benefit from government policies of affirmative action and black economic empowerment (BEE).

At one level, this seems like an inversion of attitudes during apartheid era, where most people classified as white wanted to reinforce racial categories to maintain their positions of superiority, while many classified various shades of non-white wished to be simply regarded as equal human beings. Is it now the case that historically disadvantaged people are re-asserting their race because they stand to benefit, while historically advantaged people seek a denial of race because it has become more expedient?

The latter charge can certainly stick to the seasoned politicians of the Democratic Alliance (DA) and their older supporters. Their objections to affirmative action and BEE that is based on “free market solutions”, which in effect lock in current privilege, ring hollow. However, we should be extremely cautious about laying the same charge at the door of young historically advantaged South Africans. There seems to be an increasing number of young people, eager to embrace the ‘rainbow nation’, who wish to do away with race classification altogether.

How do we reconcile such attitudes, which resonate profoundly with the non-racial principles of our struggle for liberation, with the need to address the persistence of inequality in most spheres of social life?

8.2 AN OVERVIEW OF THE AFRICAN NATIONAL CONGRESS'S DISCUSSION DOCUMENT

It is with the background given above that I read the African National Congress's (ANC's) discussion document on the National Question. Although most of the commentaries in the media about the document have been confined to two lines suggesting that Afrikaners have a greater commitment to the new South Africa than their English-speaking counterparts, the document itself raises a wide range of vexing issues facing this country.

The overarching concern is: to what extent have we progressed towards “non-racialism, non-sexism and a common patriotism and nationhood”? It warns that we cannot sweep under the carpet the difficult challenges we face as we strive towards that goal. To ignore these challenges, as the Soviet Union did during much of the last century, would invite the “most venomous and destructive expression” of contradictions amongst different groups in the future. According to the document, this is what makes the National Question the “central political question of our time”.

While the document notes “important strides” that have been made in the country since 1994, to its credit it also highlights some of the difficulties we face as a nation-in-formation. These include tribalism within the ANC, ethnic chauvinism, the tendency to view the ‘other’ as monolithic groups and persisting “economic apartheid”.

It re-asserts that the National Question is, in the first place, about “the liberation of blacks in general and africans in particular”. In doing so, it stresses the need for “african unity” to combat tribalism, but then immediately reassures us that this “should not be confused with a narrow, chauvinistic form of Africanism which denies the rights of minorities”. These are standard ANC formulations that go back decades. Do they need to be revised, as we strive towards true non-racialism?

Interestingly, most references to race are in the lower case - presumably to underline the difficulties of racial terminology in South Africa. The document states this explicitly, and goes on to pose the dilemma raised earlier: While “race classification cannot be avoided” to ensure representivity in various spheres, we run the risk of “freezing racial and cultural categories”. No solutions, however, are offered to overcome this dilemma. One reason could be that the discussion is disconnected from the discussion of class inequality. Indeed, no mention is made of the key clause added to the standard formulation of the ANC’s 1969 Morogoro conference, namely: “the special role of the **working class**” in the national liberation struggle.

8.3 THE INTERSECTION OF RACE AND CLASS IN SOUTH AFRICA

The ANC has for a long time argued that race and class were intertwined under apartheid. This was in stark contrast to the views of most liberals and narrow nationalists, who saw the struggle purely in racial terms. For the ANC and its alliance partners, apartheid was **in essence** a particular form of capitalism that used racial instruments to ensure a plentiful supply of cheap labour.

This gave rise to the two South Africas: one largely black and poor and the other predominantly white and wealthy. However, unlike black consciousness groups which crudely conflated race and class, and argued that “all blacks are workers” and “all whites are capitalists”, the ANC recognised class differentiation within each group. Indeed, while most capitalists were and still are white, the majority of white people have always been lower middle class and working class. Nevertheless, the stark picture of racial capitalism has been one of a strong correlation between race and class. This, however, has begun to unravel.

The question now is: will a ‘de-racialised’ capitalism (or indeed a ‘re-racialised’ black capitalism) address the national question, or will it simply mean that the **form** of gross inequality will change, but not the **substance**?

8.4 BRINGING CLASS BACK-IN

The discussion document reveals its class blindness in different ways. For example, it mentions “gated communities” as a “physical reminder of resistance to nation-building”.

Yes, it looks that way on the surface, but is it a racial issue or a class issue? Working class suburbs are not gated (just go to the south of Johannesburg), but affluent suburbs are and they are becoming increasingly multi-coloured. Indeed, you will find many former and current ANC leaders lauding the advantages of living behind secure fences.

Indeed, other ANC discussion documents, far from addressing the problem of the two South Africas, propose to further entrench the class divide. The proposal for a dual labour market, praised by business and the DA, will accelerate the current trend towards a small core of insiders benefiting from a globalised South Africa, surrounded by a sea of unprotected temporary or casual workers and the unemployed - the perpetual outsiders. The demographics within each sphere may change, but the essence of the proposal will remain the same.

In other words, while it is correct to recognise that racial and ethnic sensibilities are real and cannot simply be conjured away, the **fundamental issue** remains poverty and class inequality. This is the real cause of instability in all societies, which race and ethnicity merely exacerbates, especially when used by unscrupulous politicians to mobilise support for their elite advancement.

If affirmative action and economic empowerment were primarily **class based** as opposed to racially based, then meaningful inroads into the problem of the two South Africas will have been made. The vast majority of the poor are black. By focussing redress mechanisms on the poor (for example skills development or university admission), we can minimise the 're-racialisation' of our public discourse, yet still reach primarily black people.

This might mean not completely abandoning non-class (eg race, gender or disability) affirmative action measures in middle class professions, but only for a limited period, as long as the playing fields remain grossly uneven. Care, however, should always be taken to avoid tokenism and appointing under-qualified people to achieve representivity targets. This merely sets people up for failure and undermines efficient service to the public. Our goal should be to reach the point, as quickly as possible, where measures to ensure equal opportunities for all and to prevent discriminatory practices should be sufficient to promote general black advancement, given that black people are the vast majority.

Then there is the highly contested policy of black economic empowerment. A racially based approach says that developing a black 'patriotic bourgeoisie' is a measure of progress. But is it? While it may have symbolic meaning, how many people actually benefit from BEE? A class based approach says that meaningful black economic empowerment (that is the upliftment of the excluded majority) can only come about through an interventionist, democratic developmental state. Following the Freedom Charter, measures include:

- public ownership of key sectors of the economy
- increased workers' participation in decision-making at company level

- a transfer of resources from the rich (who are mainly white) to the poor (who are mainly black), through higher taxation and an enlarged welfare state (including subsidised transport, food, housing).

In addition, a range of meaningful and sustainable support mechanisms to stimulate economic activity amongst poor people, such as encouraging micro and small enterprises and land reform, can reach millions more people than playing musical chairs in the boardroom. Much of this can be done in a relatively colour blind way, yet still benefit black people in the main.

8.5 CONCLUSION

The argument thus far does not mean that symbolic issues such as representation, culture, language, beliefs and art should be ignored. These have great political resonance. All social issues cannot be crudely reduced to class issues as this would repeat the mistakes of the Soviet Union and elsewhere. It simply means that the **central political question** of our time has to be the class question; the question of poverty and socio-economic inequality. With this firmly in focus, the National Question can be dealt with much more meaningfully.

9

Confronting the National Question

Adam Habib

9.1 INTRODUCTION

What is the defining element in the contemporary National Question? The African National Congress's (ANC's) discussion document on the subject has an absolute answer: the liberation of the African majority. It is not, in the document's view, about minority rights even if these may be important. An appropriate measure to assess progress on the National Question, the document states, "is the extent and depth of the liberation of African people in particular - and blacks in general".

At one level this is a refreshing interpretation. For too long now, the post-1994 discourse on the National Question has been overwhelmingly dominated by the focus on minority rights. As the discussion document recognises, our transition was primarily inspired by the need to free a majority, not a minority, from the shackles of racial and economic exploitation.

However, at another level, the ANC's document is particularly disappointing. While having raised the dominant element of the contemporary National Question, it proceeds to ignore or refuses to reflect upon the political consequences of the ruling party's attempt to address the liberation of the African people. While it recognises the need for redress, it ignores both the reifications of racial identities that this may facilitate and the political tensions this creates among racial groups in our society; undermining the emergence of a common national identity.

And therein lays the conundrum of our National Question. How to effect redress directed at a majority, while simultaneously incorporating historically advantaged minorities in the promotion of a national identity? The discussion document, by refusing to address this conundrum, does precisely what it claims in its introduction it hopes to avoid; namely, to enable the ruling party to "shirk its historic responsibility ... on the central political question of our time".

9.2 THE CONSTITUTIONAL BASES FOR REDRESS

The Constitution of the Republic of South Africa (Act 108 of 1996) commits to both social justice and a single nation. Redress is an explicit political mandate identified in the Constitution. Section 9 (2) of the Constitution explicitly states that “To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination, may be taken”. This redress mandate was constitutionally enshrined because of a recognition that particular social groups in our society were historically discriminated against. No equal playing field can thus be assumed in South Africa. If such an assumption was made and access to or competition at the social, economic and political levels was left simply to the market, the consequence would be a reproduction of the historical disparities of our past. It would in effect advantage the beneficiaries of apartheid. The constitutional priority is thus to create an equal playing field and address in a proactive way the consequences of the injustices that were historically perpetrated. In the words of the preamble of the Constitution, its purpose is to “heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights”.

9.3 REDRESS AND THE BUILDING OF A SINGLE NATIONHOOD

But redress cannot be interpreted in an unqualified manner. It must be undertaken within the framework of the Constitution and must respect other provisions enshrined in it. After all, the preamble of the Constitution also states that “... South Africa belongs to all who live in it” and calls for the realisation of “a unity in our diversity”. This implicit call for the development of a single nationhood is perhaps the overriding goal of our constitution. Redress, as a constitutional mechanism of social justice, must then be constructed in a manner and undertaken in a form that is compatible with the goal of realising the establishment of a single nation.

Can the two constitutional imperatives be pursued simultaneously? Is it possible to pursue redress, while encouraging the emergence of a common national political identity? A number of scholars have argued over the last few years that it is indeed possible to address both constitutional objectives, provided the redress project itself is reconceptualised. Their alternative is to pursue redress in a form that addresses the historical disparities that are structured along racial lines without using race as the criteria for public action and public policy. How to do this? We could learn a lesson in this regard from initiatives currently underway at the University of California and other public colleges in the United States. These institutions, confronted with, and sometimes advocates of, state legislation banning affirmative action, have begun to investigate and implement racially neutral criteria that will facilitate diversity and benefit the materially disadvantaged. Similar redress programmes are underway in the United Kingdom with the aim of getting poor youngsters into universities. These redress projects, ironically inspired by the successors to the Right in the

United States and United Kingdom, involve policy experimentation with the aim of achieving empowerment conceptualised along class lines. Would such a redress programme not be the answer to our own South African dilemma? Apartheid and the segregation that preceded it, bequeathed to South Africa a class structure that is largely racially defined. This overlap between race and class categories allows for a situation where a redress strategy with class objectives at its core would have the effect of mediating historical racial disparities, without reinforcing racial identities and aggravating racism.

9.4 CONCLUSION

Reconceptualising the redress project would not on its own counter the racial polarisation of our society. A review of our macroeconomic policy is also necessary. After all, it needs to be kept in mind that the politics of non-racialism can never be built in an environment of economic scarcity. For a non-racial political project to make progress, South Africa would require a class-structured redress project coupled with an alternative social-democratic macroeconomic strategy. Such a strategy would have to consist of a number of policy features of a traditional Keynesian economic programme including among others, increased social expenditure, significant regulation of the markets and capital and an industrial policy directed at facilitating both employment and a decent standard of living.

The ANC's discussion document reflects on none of this. Instead, it simply poses some questions, and without truly addressing these questions, again motivates for the existing redress strategy. No reflection is undertaken of the strategy's consequences; how, for instance, redress has in certain circumstances been manipulated to advance the interests of a relatively privileged minority within the black population. Even more serious is the document's failure to recognise (forget addressing) the tension that may exist between the state's existing redress strategy and its constitutional obligation to facilitate the development of a common national identity.

The net result is that the document will reproduce a polarised debate between the ruling party and the official opposition on the necessity of redress. Is it not necessary, a decade after our founding election, to transcend this almost facile debate, and recognise that while redress is essential, the form of its implementation is as important? Should we not demand a little more political imagination from the ruling party and its parliamentary critics who aspire to replace it?

10.1 INTRODUCTION

Stripped of all the hype, the African National Congress's (ANC's) discussion document on the National Question is a big disappointment. Unable to come with new ideas, the ANC has sought to rehash the past and to distort the reality to fit the fiction. At the same time it shows a lack of appreciation of the challenges facing South Africa. Its continued reference to white South Africans is nothing short of an obsession. We are told of ANC leaders being warmly embraced by poor whites. Not surprisingly, we are not told of the leaders of the opposition being warmly embraced by poor blacks in historically no-go areas such as Soweto, Limpopo and the Eastern Cape. Such deliberate omission and distortion have become a stock and trade of the ruling party.

10.2 NON-RACIALISM AND PATRIOTISM IN THE EYE OF THE ANC

The document exposes a bizarre understanding of non-racialism and patriotism. There is a tendency to regard support of the ANC as a commitment to non-racialism. Such a view undermines the very notion of multi-party democracy. It is possible for parties to share common values and objectives, but to differ on processes and strategies. This was true of liberation movements.

In addition, support for the ANC is equated to patriotism - "the leader of the white opposition party, for the first time, pointedly proclaimed his patriotism, his allegiance to the state, his respect for the office of the president... For the first time there was a sense that the white parliamentary opposition was being just that, and not an opponent of the system of democratic rule." That the opposition was anything but this is a misunderstanding on the part of the ANC.

In an effort to justify its raising of a non-issue, we are treated to images of conflicts between Christians, Muslims, Jews, Hindus and ethnic cleansing in the Balkans and Rwanda.

The fact that ethnic groups have successfully lived in peace side by side is not factored in this simplistic reading of human nature. Conflicts do occur between regions that are mono-ethnic and monolingual. At the heart of these conflicts is the scramble for scarce resources. This basic fact escapes the ANC.

10.3 WHOSE NATIONAL QUESTION?

The ANC's own argument is trumped by its definition. The national question is

“about the liberation of blacks in general and Africans in particular. Secondly, it is the struggle to create a non-racial, non-sexist, democratic and united South Africa. Thirdly, it is the quest for a single united South African nation with a common overriding identity. Fourthly, it is about resolving the antagonistic contradictions between black and white. And, fifthly, it is about combating tribalism, racialism or any other form of ethnic chauvinism.”

Aside from repeating this ad nauseum, the document does not give an indication on how this will be achieved.

Having indicated that it will not shirk its responsibility in answering the National Question, the document raises the question: What will make us a nation? Instead of a straight answer, we are again taken down memory lane - another rambling about the Bantustan and about rights in the Constitution. Having reached a cul de sac, race is hauled from the dark corners and we are reminded of the obvious.

“White go to better government schools than Africans, whites get better police services, better municipal services, etc. It is so that a small number of whites own most of the land. It is so that rural Africans feel a deep sense of injustice at the inequitable ownership of land...The majority of whites and the majority of Africans live in two different worlds, one prosperous and the other poverty stricken.”

Reading through this litany of complaints, one will be forgiven for thinking that the ANC is not in power. It is an organisation trapped in the discourse of powerlessness. Moaning about its helplessness, the ANC reminds us. “In spite of the constitutional equality of all languages, English and Afrikaans continue to dominate. The African languages still receive insufficient state resources”. This invites a question, has the ANC forgotten who is running the state? That such is the reality is a reflection of the incompetence that has come to characterise the South African state.

With nothing new to offer, the document makes a startling assertion.

It is becoming clearer and clearer that white Afrikaners have a different emotional, psychological and material relationship to Africa and South Africa compared to other whites. There are many signs indicating that Afrikaners are embracing the new South Africa and Africanism more readily than English-speaking whites.

A statement that is not so much delusional as it lacks any empirical validity. An observation pointed out by Patrick Laurence: “The discussion paper makes no attempt to substantiate either its or Mbeki’s statistical observation with statistical data, presumably because it can find no hard evidence”. If anything the only data reveals a different story. Laurence continues:

An SABC/Markinor opinion poll of October 2004 notes that white support for the ANC immediately after the April 14 election constituted a miniscule 4 percent of the white electorate (against the 84 percent of black electorate)...Extrapolation from the available evidence suggests that most Afrikaner votes lost by the NNP between 1999 and 2004 went to the DA and not the ANC, the reputed affinity between black Africans and white Afrikaners notwithstanding.³²

A second problematic aspect of the ANC’s assertion is to impose group thinking on the community that defines itself as Afrikaner. The Afrikaner community is as diverse as any community. Who and what is an Afrikaner? Afrikaners themselves are quick to point out that the answer “depends on which Afrikaner you ask.”

For Xolela Mangcu, the whole question smacks of ethnic blackmail. He writes:

As a black person I find the whole debate about who are the better whites, the Afrikaners or the English, quite patronising. Here we are, a people in power, still trying to figure out who are abelungu abasithandayo (the whites who love us). Try as we might to speak of a resurgent Africanism, we are still trapped in a posture of powerlessness, which invariably leads to a politics of ethnic blackmailing.

The blackmail proceeds by getting one group, the English, to conform to our wishes by suggesting that the other group, the Afrikaners, are actually doing much better. Once we’ve got the English in a tizz, we can then inform the Afrikaners that the English are catching up with them. The hope is that both groups will converge around a standard of conformity.³³

10.4 CONCLUSION

To conclude, the manner in which the National Question is raised is nothing short of a red-herring to divert us from the glaring failures of the ruling party. Moreover, matters of culture and identity cannot be legislated. Some governments have tried to do this in the past at great cost to their people. Debates about identity brings little comfort to the majority of our people faced with the experienced reality of degrading poverty, homelessness, landlessness, unemployment, health hazards, illiteracy and other social ills. The political stability depends on the resolution of these economic challenges.

³² Laurence Patrick. ‘The myth of African/Afrikaner ‘brothers’.’ Sunday Independent 2005.

³³ Mangcu Xolela. ‘Politics of ethnic blackmail can backfire on the blackmailers.’ Business Day 26 May 2005.

PART THREE

Unity and Diversity in the ANC

11.1 INTRODUCTION

Unity is a very important resource for political parties. It is often a determinant of internal party cohesion and, therefore, an important indicator of a political party's possible share of the political market in the contest for the hearts and minds of voters. In a discussion document that was written in preparation for the Provincial Conference of the African National Congress (ANC) in Gauteng in September 2004, it is argued that "the unity of the movement remains a precondition for a fundamental transformation of South Africa into a truly non-racial, non-sexist, democratic, united and prosperous society".³⁵ The importance South Africa's ruling party, the ANC, attaches to party unity is illustrated by the publication of a discussion document for the 2nd National General Council (NGC) with the title - **Unity and Diversity in the ANC Overview of the ANC's Experience**. According to this discussion document, "Unity is an organisational value upheld and pursued by all political movements because it enhances the effectiveness of collective action. But, political collectives are made up of diverse individual members, who have come together to pool their energies in pursuance of shared objectives".³⁶

The questions of unity and diversity in the ANC are relevant with respect to the content of the discussion document that was prepared for the purpose of debating the National Question. These documents are part of four discussion documents that will be debated at the NGC at the end of June 2005.

³⁴ This chapter was written before former Deputy President, Jacob Zuma was released from his duties and the election of a new leadership of the ANC in the Western Cape in which Ebrahim Rasool lost the chairmanship of the party in the province.

³⁵ 'Build and Safeguard the Unity of the Movement!' ANC Gauteng PEC Discussion Document, 2.

³⁶ 'Discussion Document: Unity and Diversity in the ANC.' Overview of the ANC's Experience, 2.

11.2 THE CHALLENGES OF UNITY AND DIVERSITY IN THE ANC

The discussion document on 'Unity and Diversity' takes the view that "In 2005, not only is our movement relevant, it has demonstrated in three consecutive general elections that it enjoys the support and confidence of the overwhelming majority of South Africans".³⁷ The assumption seems to be that any threats that the ANC faces to internal party unity are latent and may only become potent in future in the absence of vigilance and effective political management.

What seems to be a more realistic assessment of the challenges facing the ANC with regard to internal party unity is articulated in Gauteng ANC's discussion document of 2004 according to which the "assumption of political power by the ANC-led democratic movement in 1994 has brought with it new difficulties in achieving unity and internal cohesion **at all levels of the movement** (own emphasis)" and "there is a new climate in the organisation wherein individual interests tend, from time to time, to undermine the organisational and collective interest".³⁸

This discussion document was written at a time when the debate over who would succeed Thabo Mbeki as president of the ANC in 2007 exploded onto the media landscape and signs of division over this matter showed within the party. It is therefore clear that one of the threats to party unity within the ruling party at the moment is that of the succession battle. Deputy President Jacob Zuma has become the most central figure in the succession debate. The conviction of Durban business man Shabir Shaik on two counts of corruption and one of fraud may pose a serious threat to party unity. It is significant of Shaik's conviction that the judge found that there was a "generally corrupt" relationship between Zuma and Shaik. Because some within the ANC may perceive the Shaik trial as part of a political strategy to undermine Zuma and prevent him from becoming president, tensions and divisions may arise at all levels of the ANC when leaders and members adopt opposing positions.

The Gauteng document raises another important matter; that is, the advancement of individual interests and the pursuit of personal agendas at the expense of the organisation or the unity and cohesion of the party. It is not surprising that this has become one of the challenges of the transition for the ruling party. The 1994 democratic breakthrough has brought with it the emergence of new political elites and the potential creation of new economic elites from the ranks of the historically oppressed and the liberation movement. In these changed political and economic circumstances the ANC and the new state have become instruments of class formation in view of the growing black capitalist and middle classes. In other words political participation and access to political power are no longer objectives in themselves but have become means towards economic ends. Control over scarce economic resources or access thereto are becoming the underlying threat to ANC unity.

³⁷ 'Discussion Document: Unity and Diversity in the ANC.' Overview of the ANC's Experience, 1.

³⁸ 'Build and Safeguard the Unity of the Movement!' ANC Gauteng PEC Discussion Document, 4.

The competition for political power and economic resources is beginning to assume a racial, ethnic and tribal dimension. In the discussion document on the National Question the ANC shows that it is beginning to be affected by prejudices of a racial and tribal nature. It uses the situation in the Western Cape where tensions are developing between Africans and coloureds as an example. What is worrying to the authors is the fact that a dialectical relationship is developing between tensions of a racial nature in South African society and competition for political power and influence within the ruling party. It is in this context that the reported tensions between ANC chairperson in the Western Cape, Ibrahim Rasool, and ANC secretary, Mcebisi Skhwatsha, must be understood. It is possible that in the Western Cape a tension is also developing between the ANC's insistence that the struggle was fought for the benefit of blacks in general and Africans in particular and the demographics of the province. The implication of this assertion is that government delivery programmes should show a bias towards Africans. In other words, this assertion may be causing feelings of alienation among the coloured communities of the Western Cape from the ANC and the democratic state. The same can be said about perceptions that there exists a Xhosa agenda that seeks to control the upper echelons of leadership within the ruling party and government.

11.3 CONCLUSION

The danger of perceptions of ethnic agendas is that while such perceptions may not always be rooted in reality, the fact that they are a political reality may undermine the unity and cohesion of the party. This means that the diverse nature of South African society and the character of the ANC itself may, ironically, become threats to an ANC that espouses non-racialism, if the different and sometimes conflicting racial and ethnic interests are not carefully balanced. The answer is not to deny that such interests exist but to engage in an ongoing project to minimise their impact on the political culture of the country.

However, we must not fall into the trap of exaggerating this problem and other threats facing the ANC because any threats the ruling party faces with regard to internal party unity tend to be offset by the weaknesses of opposition political parties. Eradicating contradictions of a racial and ethnic nature may be a pipedream. The ANC can then take comfort in the fact that such contradictions may continue to coexist with the gift of a poorly performing opposition and the electoral benefits that accrue from it, regardless of the impact racial and ethnic contradictions have on party unity and cohesion.

12.1 INTRODUCTION

The African National Congress's (ANC's) discussion document on Unity and Diversity is very interesting. It covers a range of issues, which constitute the very basis of South African politics. Race and class are two issues that link South African politics like a golden thread. The topics of race and class, have informed the policies of virtually all political formations in South African politics. In this chapter, I will focus on these two issues, race and class, which continue to provide the basis for the country's politics.

12.2 RACE, CLASS AND THE ANC

In modern day South African politics, race has always included ethnic identities both among whites and blacks. Ethnic strife between the English and Afrikaans is a matter of the record. Anti-Semitism among white groups is also well documented. Ethnic competition among Africans is legendary; with incidences of ethnic fundamentalism finding expression even in the current period. Though it has been forced to retreat, racial fundamentalism among sections of the white group is all too apparent. It assumes a different form between Afrikaans and English speaking sections.

For most of the period of its existence, the ANC has been the only organisation in the country that comprehended the twin challenges of race and class the best. The organisation has offered appropriate responses to these two challenges.

Except for a brief period during the 1930s, the ANC has given each of these two major political challenges the appropriate significance. Through experience gained in the struggle, it has realised that exclusion, whether of a race or class, will ultimately not succeed. Given the incessant racial indignities over an extended period, let alone the exploitation of black people generally and African people especially, it is indeed remarkable that the non-racial and multi-class approach of the ANC has achieved the success that it has. This success has

been a result of the constant attention it has paid to these two issues. There is no indication that in the future the organisation will need to pay less attention to race and class. The diligence needed to understand the relative importance of these challenges should in fact be increased.

Indeed, in the period ahead, there is every indication that the approach of the ANC towards these two challenges will continue to be under scrutiny. The defeat of apartheid has created the space for indigenous practices. This has led to, among other things, the rediscovery and rebuilding of traditional institutions of governance among Africans. Colonial conquest and later apartheid destroyed, distorted, eroded and in some cases undermined these practices. In the process of rebuilding these institutions, sometimes an undue premium will undoubtedly be put on ethnic identities. This may lead to an exaggeration of this identity with damaging consequences to the broader South African project.

Currently, race relations are under scrutiny. Many people from different race groups feel that they are not getting what they expected from a free South Africa. Some among the African population are worried that the government is not giving enough attention to their problems. Across the country, arguments that the African population's lived experiences in the past ten years are not in any material sense different to their lived experiences under apartheid have been heard. Indeed inadequate housing, poor health, poor access to education opportunities and high rates of unemployment have tended to be the main problems of African people. These people continued to be over-represented at the lowest rung of the racial hierarchy in South Africa. For their part, some among coloured and Indian people suggest that opportunities created in post-1994 South Africa have disproportionately gone to the African population. Among coloured people this is captured by an often heard refrain that, "in the past we were not white enough, and in the present we are not black enough."

White representatives routinely point to "a new form of discrimination", which in their opinion is pushing, especially white males to the bottom of the pile. In this community a refrain that is often heard is, "there is no future for whites in SA." Those among this community who have relocated abroad have in part relied on this view to do so.

Similarly, an inappropriate emphasis on the class character of South African society may lead to conclusions that seek to elevate this challenge to an important position overriding all others. After all, wealth distribution in the country is atrociously skewed racially.

It is unreasonable to expect that the ruling party is populated only by people who give equal weight to the issues of race and class. Experience teaches that some within the ANC will lay an emphasis on the one issue and not the other. This has been the case throughout the history of the ANC. However, views of policy makers in any period will also be informed by a host of other challenges prevailing in the environment. Gender equality for instance, is a challenge that both race and class adherents will have to take into account. They will have to temper their classic views to accommodate the obvious requirement of gender equality.

Views hold by policy makers in South Africa also play themselves out in a globalised world and an African continent that is participating marginally in the world affairs. African leaders are taking steps to reinsert the continent into the globalised world.

12.3 THE ROAD AHEAD: THEORETICAL UNITY AND LEADERSHIP

Many will accept that the ANC will need to have a reasonable theoretical unity to forge ahead. Ideally this unity should be sufficiently deep to allow for these issues to be pursued beyond the term of office of the current leadership. At the same time a new leadership may seek to articulate its own priorities that may differ from those of the current leadership. Every political leader always leaves their fingerprints on their organisations.

Leadership is critical in all this. Policy choices are ultimately driven by leaders. The literature emanating from the ruling party strongly suggests that the president is at the center of his government's policies, not simply as a gate keeper but as an active craftsman of policy. With due respect to the members of the party, nothing seems to support the contention that they have been at the cutting edge of key policies in the party and in government. To give two examples, foreign and economic policies owe their success to the fact that the incumbent leader is suitably knowledgeable in these areas.

While unity in a practical, organisational and theoretical sense is crucial to any party, evidence suggests that leaders have bigger roles to play in setting the environment that this occurs in; as has been the case with the ANC. Dissent within the party also seems to be a value which, within reason, should be encouraged and allowed. Thus leaders in successful organisations are first among equals and due care should be exercised in electing them. We in Africa should know better for our continent is replete with leaders who have abused this privilege.

Voters also come into play here. Continuity of policies pursued by the majority party is possible only if the party is voted back into office. If the performance of the current government is anything to go by, the confidence of the party increases with an increased electoral majority. While there is little doubt that the ANC will be returned to office in the next elections, there is nothing to suggest it will receive the huge support it did in the last.

12.4 CONCLUSION

History points to the fact that successful organisations are those that (among other things) have allowed their leaders to lead by not overly hemming them in. However, organisations that have invested little in elaborating on the broad framework under which leaders have to conduct their craft, have paid the price of producing leaders who have strayed too far from the democratic ideal.