

RSA

MACROECONOMIC PLAN¹

SJ Terreblanche

University of Stellenbosch

1. A short history of the RDP from its formulation until its sudden abandonment

The Reconstruction and Development Programme (RDP) was released before the 1994 election by the Tripartite Alliance (i.e. the ANC, COSATU and the SACP) as its main policy platform.

One of the main merits of the RDP document is that it gives a clear and comprehensive description of all the "skewnesses" and injustices which became part of the South African (SA) society during the century of racial capitalism, white political supremacy, discrimination and apartheid.

The RDP identifies five major policy programmes which should be implemented vigorously in an attempt to rectify the unbearable conditions created by apartheid for the majority of the population. This includes programmes to meet the basic needs of the poorer 40% of the population (17 million persons) living in absolute poverty, programmes to develop the neglected human resources of mainly the Africans, programmes to bring about a "fundamental restructuring" of the economy, programmes to democratise the state and society and programmes for the successful implementation of the RDP.

As part and parcel of the ideological justification for the dramatic transition from white political dominance towards a democratic elected government, the RDP has had enormous *symbolic* importance. Munslow and Fitzgerald were correct in stating in 1995 that "(i)t is hard to overestimate the symbolic importance of the RDP and the consensus it created. This forms an important part of the nation building and healing process following the deep divisions of the past. The RDP is now an icon of the new South Africa and almost all sectors of society have given it their support"²

Although no reasonable person could question the dire need and justification for the RDP programmes, it was however evident from the beginning that the targets set by the RDP were somewhat unrealistic and even utopian. The Tripartite Alliance was, however, not an ordinary political party, but a "broad church" of liberation organisations. The RDP document was born in the trenches of the Struggle and the purpose of its utopian élan was to unite the variety of ideological viewpoints within the "broad church" into a united front.

Although the political transition towards a democratic government took place more smoothly and peacefully than was expected, the implementation of the RDP programme is - with a few exceptions - a rather big disappointment. While it was envisaged to build a minimum of one million low-cost houses over five years, far less would be built. The land reform programme planned to redistribute 30 per cent of agricultural land within the first five years. During the first

¹ Paper read at the *Multi-Event 1999 on Transforming Public Life: Religion in the Making of Cultural values and Public Policy (South Africa)* on 16 February 1999 in Cape Town.

five years very little agricultural land has been redistributed. The programme to supply clean drinking water and adequate sanitation was one of the success stories of the RDP. Reasonable success has also been attained with electrification, but to reach the set goal will also take much longer than envisaged.

Programmes to redistribute health services are well under way, but the process proved to be much more painful than expected. In order to supply the necessary health services in rural areas, the highly developed health services in urban areas had to be scaled down. The reform of health services has consequently become a highly controversial political issue. The way in which educational transformation is taking place, reveals more or less the same pattern. Great strides, were made in bringing about parity in welfare spendings. More than 60% of government's total non-interest spending is on social services. Although this is commendable, the inequalities are so big and poverty so widespread that it is not enough to bring about a more equal distribution of income or to relieve poverty to the necessary degree.

The track record of the new government in building a new and more *equitable* economic system also fails in producing what was promised. The RDP document stated unequivocally that "the South African economy is in a deep-seated structural crisis and as such requires *fundamental restructuring*" to create a strong, dynamic and balanced economy which will eliminate the poverty created by apartheid.

The RDP was people-orientated and a development strategy in which the new government was supposed to play an active role in the economy to give a new *direction* and a new *structure* to it. The whole idea of the RDP to bring about a "fundamental restructuring", was born out of the conviction that the South African system of capitalism was not a "normal" or "social-democratic" kind of capitalism, but a remnant of the system of colonial and/or racial capitalism that has been in place for the greater part of the 20th century. The South African version of capitalism has demonstrated a deep-seated tendency towards *systemic exploitation* and structural injustice towards people other than white. The power relation operative in the SA system of capitalism strongly tended towards *capital intensity* (i.e. it tended towards accumulation at the cost of employment and human development) and towards a concentration of *economic power*. Those who compiled the RDP realised correctly that if the SA economic system would remain "fundamentally unstructured", the *systemic* tendency towards inequality, unemployment and increased poverty for the lower 60 per cent of the population will continue unabated. They also realise that the tendency towards large conglomerates and the concentration of economic power in the hands of a rather small corporate elite will also continue unabated if the economy remains "fundamentally unstructured".

As long as these tendencies continue, we will make no headway towards the democratisation of our economic system – even if a part of the relatively small corporate elite becomes black. Due to the fact that the RDP was the official policy for only two years, it is not surprising that the SA economic system has indeed remained to a large degree "fundamentally unstructured". It is therefore also not surprising that the problem around capital intensity, inequality, unemployment and widespread poverty and large scale economic concentration has remained unresolved.

² Munslow, B. and Fitzgerald, P. 1995. "The Reconstruction and Development Programme". In Fitzgerald, P., McLennan, A. and Munslow, B., *Managing Sustainable Development in South Africa*. Cape Town: Oxford University Press, p 42.

Although the growth rate increased to 3% in 1994 and 1995 - in comparison to the 1,7% in the preceding 20 years - it dropped to less than 2% in 1996 and 1997 and to less than 1% in 1998. Unfortunately, the economic growth attained was mainly jobless growth. Consequently unemployment remains on a high level - i.e. more or less 8 million workers or at least 40% of the potential labour force. The distribution of income undoubtedly has become more unequal than was the case in 1991. In sharp contrast to the emergence of a wealthy black elite of more or less 5 million people the income of the poorest 60% of the total population (mainly African and more or less 25 million people) has continued to deteriorate. Their share in total income has declined from about 14% in 1991 to more or less 11% presently.

The RDP programmes to democratise the state and society have been rather successful - if not too successful. With the exception of only one province, namely the Western Cape, political power is now firmly vested in black hands in both the central and provincial governments. Due to the rather strict application of the principle of affirmative action a large part - and perhaps a too large part - of the public service has become "Africanised". A similar process - but to a lesser degree - is *en route* in the private sector. Affirmative action has created jobs for the upper echelon of Black "insiders", but has had little effect on the Black "outsiders" - i.e. the lower 60%. Affirmative action is therefore an important reason for the growing inequality in black circles.

The ministry of the RDP was abolished in 1996 and the office of the RDP has been transferred to the office of the Deputy-President Thabo Mbeki. Viewed from a social justice perspective, there was little wrong with the RDP, except that it was perhaps too ambitious and set itself the task to accomplish too many targets in a too short period of time. The real problem with the RDP lay on the level of its implementation. On this level at least three serious constraints were encountered: of a fiscal, an organisational and a governmental nature.

South Africa's public finance was in a problematic state in 1994, partly due to the high defence spending in the 1970s and 1980s and partly due to the structural corruption that became endemic from 1985 onwards. The public debt increased from 32 per cent of GDP in 1980 to 57 per cent presently - i.e. from R20 billion in 1980 to more or less R360 billion presently.

One of the unpleasant lessons learned by the new government was that the tax capacity of the economy - after 20 years of creeping poverty - is rather restricted. To make matters worse, a strong inclination of not paying taxes - at least not to a black government - has developed among relatively wealthy whites. Revenue collection is also hampered by organisational inefficiencies. On top of this, the new government refrained from installing a wealth tax. This was the obvious thing to do given the new government's huge task of restoring social justice after a century of *systemic exploitation*.

[It seems as if neither the government nor the Truth and Reconciliation Commission understand the phenomenon of *systemic exploitation*, caused by the systems of white political dominance and racial capitalism that have been in place for the greater part of this century. The TRC regards the perpetuation of the gap between rich and poor as a threat to *peace and stability*. It is, however, rather strange that the TRC does not motivate its plea for redistributive measures also in terms of rectifying the *social injustices* caused by the exploitative systems. If we look at the inequalities and abject poverty - without taking the historical context into account - we can put forward (as the Commission and the

government have done) a strong argument for comprehensive redistribution measures. But if we look at the inequalities and poverty in South Africa in their proper *historical context* and take the structural and/or systemic exploitation of the apartheid system (broadly defined) over a period of at least 100 years into account, then the removal of these extreme inequalities and the abject poverty is not only an issue of redistribution (to maintain peace and stability) but it becomes a more pressing matter of restoration of Social Justice through the necessary *systemic reform and reconstruction*. It is of the utmost importance to realise that the transformation process cannot only be a redistribution process. The transformation process will be meaningless if the damage of colonial plundering during not only this century – but also in the previous two – is not undone. This is the only way to create a new society in say 20 or 30 years' time³.]

The problems "inherited" from the previous government on the expenditure side of the Budget, were perhaps even worse. The social spending during the apartheid era was very "skew". In per capita terms social spending on whites was in 1990 almost four times larger than on Africans! To bring about parity in social spending in a reasonable period of time, is not only an enormous task, but also a very painful one.

Public sector employment was extraordinarily large in 1994, not only due to the overgrown "white" public sector, but also to the irresponsible employment practices of the nine homeland governments. The tasks of redirecting public spending, rationalising and renewing (read "Africanising") public sector employment are also formidable.

One of the most serious obstacles in the way of the new government was that it has had the unenviable task to implement the RDP with a public service of which the top echelon was still white. This white public service was inefficient and demoralised in 1994 and many of the public servants were all but positively orientated towards the new programmes. Through the policy of affirmative action not only the obstructive ones were replaced, but also senior public servants who could have made a positive contribution. Unfortunately many of the new black appointees do not have the training and the experience and above all the professionalism to build an efficient and effective public service. After five years of democratic government, one of the big problems still confronting the new government is the glaring lack of state capacity. One has the impression that the capacity of the public sector is becoming weaker by the day. Large sections of the public sector are not only very inefficient, but also rife with wealth hunting through "careerism", and widespread corruption and nepotism that has become more endemic or structural than what was the case in the last decade of the apartheid regime. It was as if the new government took it for granted that the necessary state capacity would be available. Consequently it did not do enough to build capacity deliberately. With the wisdom of hindsight we now realise that the new government should have acknowledged from the beginning the utmost importance of state capacity for a developmental state and especially for a government that wants to restructure the economy and society at large. The government should have prioritised the need to build such a state. It should have retained a greater part of white knowledgability and recruited additional top manpower from foreign countries. It is not too late to start the necessary building state capacity vigorously, but time is running out. In doing so the government will have to review its affirmative action programme.

³ On request of ESSET I have just completed a 25 page commentary on the TRC's Findings and Recommendations on the Business Sector. I call it *The TRC Findings of the Business Sector vs the phenomenon of systemic exploitation*. Copies are available at ESSET or can be ordered from me.

In many respects the new government was not capable for the enormous task with which it was confronted from 1994 onwards. The Cabinet was perhaps too big and not always well co-ordinated. From the beginning the Cabinet faced enormous potential trade-offs to decide about: growth vs. redistribution, unemployment vs. inflation, socio-political stability vs. macroeconomic stability, and basic needs vs. structural adjustments. The implementation of the RDP demanded clear-cut policy decisions from the government. Many of these decisions would have been unpopular and would have created tensions within the "broad church".

Perhaps the most important reason for the failure of the RDP was that government was too "soft", too hesitant and in the end avoided making the critical choices about RDP priorities. One possible interpretation – according to John Luiz – for the government's sudden abandonment of the RDP in 1996, is that the government at that stage accepted its own limitations and also realised that it did not have the manpower and the state capacity to implement the RDP. This experience convinced the government that it did not have the governmental and state capacity which were necessary to administer a developmental economy and to bring about the highly needed "fundamental reconstruction" of the economy. Consequently, according to Luiz, the government – in desperation – handed over the "solution" of the economic problem to the alleged "automatic" and "efficient" forces of a free-market mechanism⁴. Although this interpretation of the abandonment of the RDP is perhaps too cynical, it is not without merit. Hopefully, the experience with a pro-market approach during the last three years will convince the government that an unbridled market economy is everything but an effective instrument for *restructuring* the economy (and especially not an economy that is a remnant of a colonial and racist system), for bringing about development (in the people sense of the word) and for bringing about the necessary redistribution.

2. The acceptance of GEAR as macroeconomic strategy in June 1996

In February 1996 Mr Trevor Manuel was appointed as Minister of Finance. The business sector originally reacted very negatively on his appointment. The Rand depreciated from R3,60 to the American dollar to R4,60. This sharp devaluation was an indication of the lack of foreign confidence in both the profitability of the SA economy and the ability of the new government to create conditions conducive to invite a larger influx of foreign investment. The high level of violence and crime also played a role in the negative re-evaluation by the markets of the Global Economy. The high inclination towards violence and crime should, however, also be regarded as a "remnant" of the apartheid period when large numbers of the black population was brutalised.

The continued poor performance of the South African economy (internally and externally) and the high level of unemployment caused an extraordinary sharp debate on macroeconomic and employment policy issues at the beginning of 1996. The *South African Foundation* (SAF) - comprising the 50 largest corporations - published a document called "Growth for All" in February. The document was written in a very aggressive style. Its attitude towards the new government's economic policy - or the lack thereof - was almost hostile. It alleged that no credible

⁴ Luiz, John Manuel, "Political regimes and the conditions for development-orientated state intervention: A theoretical and comparative perspective with reference to South Africa". D.Phil.-thesis, University of Stellenbosch, 1998, ch. 7.
Journey

and comprehensive policy framework exists. It strongly emphasised the deteriorating situation of crime and violence and warned that this may wreak economic havoc. Its strongest criticism was targeted against the new government's fiscal, investment, labour and trade policies. It made a plea for a drastic decline of the budget deficit and of government spending (including social spending). It rejected the RDP programmes as unattainable. Its most controversial proposal was for a brisk privatisation programme that could generate approximately R100 billion. It made a strong plea for a two-tier labour market without prescribed minimum wages, as an attempt to absorb many of the unemployed into lower paid jobs.

The SAF document evoked a strong ideological reaction from Cosatu which - in April 1996 - published a document on "Social Equality and Job Creation". Whereas business saw the first priority to be growth in job creation, organised labour saw the active promotion of social equity as the priority. Cosatu's main complaint was that the SAF document was written in terms of the Thatcherite ideology of "neo-liberalism" and that it was completely inappropriate for a country such as SA with its widespread poverty in black communities and the high concentration of economic power in the hands of a small group of whites.

In June 1996 the Ministry of Finance published the department's new macroeconomic strategy - *Growth, Employment and Redistribution (GEAR)* (prepared by a group of 15 economists). The purpose of the document was to formulate a comprehensive and well integrated macroeconomic strategy. GEAR's point of departure is that sustained growth on a higher level (to create the highly needed economic capacity) requires a transformation towards a *competitive, outward-orientated* economy⁵.

GEAR was rather optimistic that its integrated macroeconomic strategy would be instrumental in creating 1,3 million additional jobs in the period until 2000. This optimistic projection could only have materialised, according to the GEAR document, if the labour unions were prepared to give their co-operation in labour market reform and in wage moderation, and if almost a third of the additional jobs could have been created by infrastructural expansions in the public sector.

The GEAR point of departure was that sustained growth on a higher plane requires a transformation towards a competitive outward orientated economy. It stressed the need for market-led growth, fiscal and monetary discipline and investor confidence. While the document pays only lip-service to redistribution and poverty relief, its fundamental concern appears to be with the balance of payments, inflation and foreign direct investment (FDI) as is reflected in the conservative (i.e. the neo-liberal) policy it advocates.

Ideologically GEAR was situated very squarely within the supply-side/new classical paradigm. Apart from its more careful formulations, there is indeed little difference between the "growth for all" document of the *South African*

⁵ It develops a strategy to attain a growth rate of 6 per cent per annum and job creation of 400 000 per annum by the year 2000. It emphasises the need for government consumption expenditure to be cut back and for private and public wage increases to be kept in check. It is hoped that gross domestic savings will rise from 15 to 22 per cent of GDP and that gross domestic investment will increase from 18 to 26 per cent of GDP in the year 2000. This would have required a capital inflow equivalent of 4 per cent of GDP, i.e. more or less R30 billion in the year 2000. An influx of foreign investment of this magnitude would thus presuppose a much greater reintroduction of the South African economy into the Global Economy. To attain this, the document also emphasises the need for privatisation.

Foundation which was openly Thatcherite in content and tone. Both GEAR and "Growth for All" envision a world economy as an integrated capitalist system, where market forces reign supreme and deservedly punish countries which do not obey the written code of "sound" fiscal, monetary and labour market policies⁶.

The strong anti-state orientation - started by the Reagan/Thatcher's swing to the ideological right - runs like a golden thread through the GEAR document. This begged the following questions: If the state's role is to be scaled down drastically, who will be responsible for bringing about "fundamental restructuring" of the economy? Who will act as a countervailing force against the extraordinary power concentrated in the hands of the Commanding Heights and other well organised pressure groups in the white private sector? Who will be the architect of the highly needed developmental state?

The fact that the ANC government - including Pres. Mandela - has not only accepted the macroeconomic strategy, but has also declared that its contents is non-negotiable, reflects a remarkable shift in the ANC's ideological orientation in the period from 1990 to 1996. While the ANC in 1990 took a position on the economic ideological spectrum well to the left of centre, its present position can be described as centre-right. In ideological terms the ANC walked quite a long distance from the RDP to GEAR. It is therefore not surprising that the government experiences quite serious problems to convince all its partners about the merit of GEAR. In sharp contrast to the RDP document, which was intensively discussed in the ANC Alliance, GEAR was preceded by no consultation within the ANC - even top ANC figures were not acquainted with its details before its public release.

The GEAR plan fundamentally hinged on a rather implausible massive increase in private sector investment, financed through a large influx of foreign investment. The other cornerstone of the plan was the idea of a more "flexible" labour market. [This part of the plan was perhaps more meritorious given that black wages were increased much faster than productivity from the beginning of the 1980s. Greater flexibility and greater wage moderation could have been pursued without embracing the free market ideology.]

Perhaps the most important difference between the RDP and GEAR was that, while the former expected from the state to conduct a people-orientated developmental policy, the latter saw South Africa's economic "salvation" in a high economy growth rate that would result from a sharp increase in private capital accumulation in an unbridled capitalistic system - nationally and internationally. The government's task in this was to refrain from economic intervention, and to concentrate on the necessary adjustments that would create an optimal climate for private investment. GEAR posed state-spending as an impediment to economic growth with the (doubtful) argument that such spendings were inclined to "crowd-out" private investment. On top of this, the GEAR document claimed that increased private investment would not only lead to higher growth, but also to greater employment and that the trigger-down effect would bring about the necessary Redistribution of income! Consequently the plan would not only deliver Growth, but also Employment *and* Redistribution!

⁶ See Nattrass, N., 1996. "Gambling on Investment: Competing Strategies in South Africa". *Transformation* 31: 25-42.

Amidst all the simplifications on which the plan was based, nothing was said about the *structural* tendencies of the South African version of capitalism, i.e. the tendencies towards greater economic concentration, greater capital intensity, jobless growth and growing inequality between (mainly white) skilled and (mainly black) unskilled workers. (During the high growth of the 1950s the income of whites increased much sharper than the income of blacks). The document also did not investigate the possibility that increased public expenditure – well directed – could "crowd-in" private investment by helping to create a structural bedrock for sustained growth and by bringing about the highly needed human development. But what was rather surprising, was that the GEAR document did not offer international examples, where neo-liberal adjustments of the sort championed by GEAR have produced a socially progressive or human orientated developmental outcome⁷.

It is almost three years since the GEAR macroeconomic strategy was announced. Government policy as reflected in the GEAR document appeared to be an oxymoron: it is not enhancing growth, employment or redistribution. To the contrary, the growth rate since 1996 is on average only 1% per annum, real per capita income has declined, almost 600 000 jobs have been abolished and the distribution of income has become more unequal. In mitigation of GEAR it must be acknowledged that the crisis in Global markets and its negative effect on emerging countries have affected the South African economy very negatively. But in all fairness it should also be acknowledged that – even if the Global crisis had not occurred, the original targets of the GEAR document – i.e. 6% growth in 2000 and 1.3 million new job opportunities by the year 2000 – were overly optimistic and even utopian from the start. We have every reason to suspect that GEAR's extraordinarily optimistic scenario was a deliberate attempt to enhance its ideological acceptability in all circles. This optimistic scenario of GEAR is perhaps its weakest feature, given that it was not formulated in the trenches and was not an election document as was the case with the RDP.

The crisis in the Global markets is only the external reason why the GEAR policy has failed to live up to its promises. Several internal reasons must also be taken into account. The GEAR document presumed that if macroeconomic stability can be maintained, it would be sufficient to create an environment conducive to invite the necessary foreign investment. In this presumption the economic approach of the GEAR document has been too narrow. The experience of the last three years should be sufficient to convince the government that a high degree of socio-economic stability and a higher degree of governmental efficiency and greater state capacity are equally important – if not more so – to create an environment conducive to invite foreign investment.

It is a pity that the GEAR document did not emphasise the maintenance of social stability to the same degree as macroeconomic stability. We can put forward a strong argument that the high levels of violence, crime and lawlessness must be regarded as South Africa's most serious problems and that they impede economic growth more than anything else. Opposition parties blame the high levels of crime and violence almost exclusively on the inability of the new government to maintain law and order. There is some merit in the accusation, but it is unfair. We should not forget that the main characteristic of South Africa's history, over a period of more than 300 years, has been a dragged-out conflict and group plundering. During the apartheid period society was artificially divided and fragmented into hostile groups. The deprivation, repression and injustices inherent to the system of apartheid not only

⁷ See Marais, Hein, *South Africa: Limits of change*, University of Cape Town, 1998, Ch. 5

impoverished the South African population, but also brutalised large numbers of them. The South African population does not at present constitute a society. We do not have the shared values, the common ideological connections, the cross cutting cleavages and the common history to cement the population into some kind of stable community. A multitude of strong centrifugal forces and widespread lawlessness is an ominous threat to the stability and coherence of both state and society. Given the lack of a proper social structure and a well developed civil society, we actually cannot afford ourselves the luxury of a relentless free market capitalistic system. [Adam Smith was adamant that a well-organised society based on good society values, is an indispensable precondition for free-market capitalism. Why are we not taking Adam Smith seriously?]

Taking the above considerations into account, it is clear that the government put the cart before the horses with its free market approach. In the present phase of our precarious transformation process, the emphasis of government policy should not have been on macroeconomic stability only, but on Society Building and on a truly developmental strategy, including the reconstruction of the South African economy. What South Africans need in the present phase of the transformation process is not the relentless discipline of a world-wide free market mechanism, but greater compassion for the ordeal of the greater majority of the population.

We stated above that the lack of state capacity and governmental efficiency were important reasons why the RDP was not implemented successfully. What we must not forget is that the nature and the capacity of the state determines, to a large extent, the efficiency of *any* economic policy. The GEAR document reflects the anti-state sentiments popular in New Right circles in several liberal capitalistic countries. The anti-state attitude in these countries only try to "roll-back" the state involvement in the economy without breaking down state capacity. In these countries the capacity of the state and the efficiency of the government remain well developed and well institutionalised. Unfortunately this is not yet the case in South Africa. We are in a phase of the transformation process in which the state needs to reinvent and re-establish itself in important aspects to make sure that the necessary discipline and order are maintained not only in the public sector, but also in society at large.

Given the socio-economic instability and the uncertainty prevalent in South Africa during the still incomplete transformation process, the state ought to have been a much "harder" state than what has been the case. Such a "harder" state – with the capacity to force down discipline, to make difficult decisions and to set clear priorities – is not only a precondition for a developmental state, but also for a market-orientated state. The need for a "hard" state – especially during a transitional period – was unfortunately not acknowledged by the compilers of the GEAR document⁸.

3. The ideological quantum leap to a position right of centre

The ANC government's ideological shift to a position right of centre was so unexpected, profound and decisive, that it is more appropriate to describe it as an *ideological quantum leap* than an ideological journey from the RDP to GEAR.

⁸ It is possible that the compilers of the GEAR document were influenced by the anti-state prejudice that has its roots in Lockian liberalism rather popular in English speaking business circles in South Africa. This version of liberalism wants the state to be nothing more than a "night watch".

If we read the RDP together with Pres. Mandela's speech on a people-centred society in Parliament on 24 May 1994, then we have reason to position the ANC's ideological orientation in 1994 on the ideological spectrum as clearly to the left of the social-democratic capitalism of Scandinavian countries. When the new government encountered problems during its first two years in office to implement its RDP strategy, it became noticeable that the ANC was relinquishing some of its ideological principles in the name of pragmatism and affordability. When it accepted the GEAR document on 14 June 1996 – the tone and content of which were almost similar to the *Growth for All* document of the SAF – *the ANC government undisputedly made an ideological quantum leap to a position considerably to the right of centre on the ideological spectrum*. Three years after the event the riddle remains unresolved: what were the real reasons for this sudden change of heart, of orientation and of strategy?

In an attempt to solve this riddle one can either blame it on the imperatives of the South African situation after decades of apartheid, or we can blame it as the outcome of an intense ideological "powerstruggle" behind the scenes in which pressure groups on the right of the ideological spectrum emerged as ideological conquerors in June 1996. I am inclined to blame the quantum leap as the outcome of the ideological "powerstruggle", although the hard reality of the South African situation also played a minor role. Let us first discuss the economic imperatives of the situation and then the ideological "powerstruggle".

(a) The hard realities or the economic imperatives of the South African situation

As indicated above, the new government encountered at least three serious constraints in the implication of the RDP: firstly a fiscal constraint due to the poor fiscal and economic legacy it inherited after 50 years of apartheid and 20 years of the Total Strategy; secondly, an organisational constraint due to the lack of an efficient public service and a distressful inability of the new government to build the necessary state capacity, and thirdly, the inability of the new government to prioritise the RDP and to integrate it as the guiding principle of its socio-economic policies. Other hard realities that confronted the new government at the beginning of 1996, were the high level of unemployment, the low level of investment (both local and foreign), the high public debt, the sharp fall in the value of the Rand and the high level of crime and violence.

Nobody can dispute the point that a policy adaptation was necessary during the first half of 1996. If such a policy adaptation implied a scaling down of RDP targets, a better priority of RDP programmes and a shift of its ideological orientation towards a position, say slightly left of centre, nobody could have blamed the ANC government of a lack of ideological consistency. Such a gradual shift towards the ideological centre could have been justified rather convincingly in terms of the hard realities or the imperatives underpinning the South African economy. But in my book the ideological quantum leap that took place, was of such a nature that it cannot be explained satisfactorily in terms of the hard realities, but only in terms of a more comprehensive ideological "powerstruggle" in which the ANC leadership was the loser and rightwing pressure groups the undisputed victors.

People who are inclined to offer the hard realities with which the new government was confronted in 1994 as a sufficient excuse for its ideological quantum leap, are inclined to argue that both the Pact government of 1924 and the NP government of 1948 got rid of their "socialistic" or "left wing" ideological baggage when they had been confronted

with the hard realities of the South African situation in 1924 and 1948 respectively. This is quite an interesting argument that is worthwhile exploring in more detail.

Only three General Elections since 1910 produced a change of government – in 1924, 1948 and 1994. During all three occasions the coalition or alliance that won the elections, was an "underdog" coalition and rather hostile towards capitalism and the liberal or right wing party that was in government before the elections. All three new governments entered office with well articulated "left wing" programmes, but none of them succeeded in implementing their "socialistic" agendas as had been promised before the election.

In the Pact government of General Hertzog and Colonel Cresswell, the NP was very critical against the continued influence of British colonialism, while the Labour Party was ideologically hostile towards the South African version of capitalism. The Pact government was a typically green-red coalition (comprising small Afrikaner farmers and white workers). The main agenda of the Pact government was to create a *white* welfare state in South Africa. It enacted additional racist legislation that caused a sharp outflow of foreign capital. It did not succeed in implementing its white welfare state ostensibly due to the very strong resistance of the English speaking business sector and the mainly English speaking public service. But what is interesting, is that the Pact government never abandoned its anti-capitalistic stance. (One can allege that when Hertzog entered into a coalition with General Smuts in 1934, he made common cause with the capitalist. It was the price he was prepared to pay to get Smuts' support for the removal of the Africans in the Cape Province from the common voters roll).

The NP's agenda before the 1948 election was to create a new social order in South Africa. The agenda had three main aims:

- (i) to 'restructure' the economy to free Afrikaners from the exploitative 'foreign' system of capitalism and to adapt the system to the needs of the (Afrikaner) volk – i.e. to change it into a system of Afrikaner *volkskapitalisme* (people's capitalism)⁹;
- (ii) to implement the policy of apartheid as a solution to the 'native problem' to ensure the purity of the Afrikaner volk and to solve the (alleged) conflict and friction inherent in a process of racial integration;
- (iii) and to solve the (alleged) poverty of the poor white Afrikaner and to rectify the (alleged) injustices of the past by implementing a comprehensive welfare policy of Afrikaner upliftment.

Once in government, the NP failed conspicuously in its intention to create a new economic order to replace the 'foreign' system of capitalism. This NP *volte face* can perhaps be explained in terms of economic imperatives. But what is more likely, is that the racist NP, once in office, discovered that the 'racial' character of the South African

⁹ During the war NP spokesmen put forward the idea of an 'Afrikaner socialist order' and pampered with radical ideas about nationalising the gold-mines and about a statutory system of profit sharing. In this aspect its agenda was quite similar to that of the ANC Alliance.

system of capitalism was, from an Afrikaner perspective, far more advantageous than the alleged disadvantages of the anti-Afrikaner system of capitalism. Instead of trying to 'capture' the capitalist system, the NP went all out to get the state as completely as possible under its control. In this it was successful to such a degree that the NP and the state in due time became almost synonymous. Within ten years almost all state departments – including the security departments – were brought under the strict control of the NP and were 'Afrikanerised' and politicised at the same time. The NP retained its idea of a comprehensive welfare state for Afrikaner upliftment. The NP succeeded partially in bringing it about not by abolishing capitalism, but by intensifying racial exploitation through a plethora of additional segregationist legislation. The NP also retained, for a rather long period, its hostile attitude against the capitalist private sector under control of the English Establishment. But with the rise of an Afrikaner capitalist sector this attitude softened from 1960 onwards. The NP only became outspoken in favour of free market capitalism during the early 1980s, when it became convenient for it to defend capitalism against the alleged Total Onslaught from Moscow.

(b) The ideological "powerstruggle" since 1990

Shortly after the ANC was unbanned in 1990, its 'socialistic' orientations became the target of an intense ideological 'onslaught' from powerful right wing pressure groups. For the purpose of this paper we can distinguish between four such pressure groups.

The first and the most formidable of those pressure groups was the South African business or capitalistic sector – both the English and Afrikaner components of it – with its outspoken ideological allegiance towards Reaganomics and Thatcherism. What we should not forget is that both the English and Afrikaans speaking parts of the private sector are rather free market in their public announcement, but not in their 'behind the scene' negotiations activities. Both were spoiled with 'behind the scenes' relationships. The English business sector was enormously pampered by the SAP/UP governments during the first half of the century. The Afrikaner business sector's quick rise in the second half of the century was to a large extent the result of government favours and patronage. During the 1980s businesses from both sections profited handsomely from Armscor's activities and from sanctions bustings. It was therefore important for both parts of private business to build close friendship relations with the ANC, not only to prevent the "fundamental restructuring" of the economy, but also to make sure that they will continue to share in the spoils of favouritism and patronage.

When Mr Mandela alleged on 13 February 1990 at Soccercity that the nationalisation of the goldmines, the banks and monopoly industries was still part of the ANC agenda, it caused an enormous outcry and a fall on the JSE. The real campaign of business to convince the leadership core of the ANC of the alleged merits of a free market approach, took place while the constitutional negotiations were being held in Kempton Park in 1992 and 1993. The story was told jokingly that the leader core of the ANC Alliance was during that time "wined-and-dined-from-morning-till-night" by the captains of mining, industry and banking. In 1994 the business sector was speaking approvingly of the steep economic learning curve through which the leader core has moved! After the 1994 elections a multitude of pressure groups focused on the different committees in Parliament and hammered out their case with unbelievable energy and a self-assurance reminiscent of religious zeal. Right through this period the business sector was assured of the loyal

support of both the English and Afrikaans media. The best example of this was the way all these newspapers hammered Trevor Manuel after his appointment of Minister of Finance early in 1996 and how he became their hero after GEAR was announced.

The whole ideological campaign – or should we say the 'religious crusade' – of business reached a zenith when the *Growth for All* document of the *South African Foundation* was published in February 1996. When the GEAR strategy was announced, the ideological approach of business was for all practical purposes swallowed hook, line and sinker by the ANC. Since that day the government can – as far as its macroeconomic strategy is concerned – do almost nothing wrong in the eyes of the business sector. The best example of this was the equanimity with which business supported the scaling down of GEAR targets in 1998. It had really become an awkward situation. Although the ideological approach of business did not deliver, not a single dissenting voice is heard from business. What an excellent example of religious – I am sorry – ideological obedience!

It is necessary to put the ideological influence of the white business sector on the new government in a broader historical context. After Mr de Klerk made his momentous speech in February 1990, small meetings were organised all over the country to create opportunities for NP spokespersons to explain what was going on. On these occasions NP supporters were comforted that it would not be too difficult for white politicians to outwit the ANC during the negotiations! We all know that it was the ANC that almost completely outwitted the white politicians during the negotiations. Although it took the white business sector (and its loyal media) the best part of seven years to succeed with its well orchestrated ideological onslaught on the ANC, there can be little doubt that this time round the ANC was outwitted by the business community.

Since 1994 we are busy building a sustainable system of Democratic Capitalism in South Africa. The 'democratic' or political side of the new system will in the foreseeable future be firmly in black hands. The 'capitalistic' or economic side will for the foreseeable future be firmly in white hands. For Democratic Capitalism to function successfully some kind of working relationship between the political and economic spheres is necessary. The crucial question, however, is which power block is presently setting the (ideological) pace. Giving white businesses' hands down ideological victory concerning the GEAR strategy, it seems as if white business has grabbed the initiative. If this is indeed the case, then it is bad news for the successful democratisation of society and for the fundamental restructuring of the economy.

The ANC inherited in 1994 a mainly Afrikaans speaking public sector from the previous government. This public sector was also an important pressure group in the "powerstruggle" to convince the new government to accept a free market approach. The Afrikaner orientated public sector was not always in favour of a free market approach. For many decades a rather tense relationship existed between the Afrikaner orientated public sector and the mainly English speaking private sector. During these decades the public sector was pro-state and in favour of the active participation of the state in the economy. In the beginning of the 1980s a curious rapprochement took place between the Afrikaner orientated public sector and the mainly English speaking private sector. The public sector embraced the free market ideology, while the private sector – in a quid quo pro – agreed that market related salaries could be paid to senior public servants. On the strength of this "deal" many of the public servants became more dogmatic freemarketeers than their peers in the private sector. When the new government took office in 1994, it was challenged by the strong free market ideology of senior civil servants in departments like Finance, Trade and Industry and in the Reserve Bank. The role these public servants played to convince the new government to accept the GEAR macroeconomic strategy, should not be underestimated.

A third pressure group that partook in the "powerstruggle" to convince the new government to accept the GEAR macroeconomic strategy, is the new black elite. From 1975 to 1991 the top 20% of African, Coloured and Indian households increased by almost 40%. Since 1991 these groups' income has increased even faster. More than half of the individuals in the top 20% of the total population is presently black. This top 20% receive 72% of total income. More or less 10% of the Africans, 17% of Coloureds, 54% of Indians and 86% of Whites are in the top 20%. We can regard the more than 4 million blacks in the top 20% as a black elite that has emerged rather quickly during the last 10 to 20 years. Heribert Adam, Slabbert and Moodley described the ideological orientation of this top 4 to 6 million blacks as follows:

"The [new black elite] that benefits most from the post-apartheid order is a fledgling black middle class. It consists of a growing number of independent entrepreneurs, a managerial aristocracy in high demand and a new political bourgeois eager to join in the consumerism of their former oppressors ... Most ANC officials measure equality by comparison with the affluence of the predecessors. *On top of the vast discrepancies in wealth [between the black elite and the lower 60% of the black population] a thorough Americanisation [of ideological attitudes] has penetrated all segments*¹⁰. American habits and ostentatious consumption have become the desired yardstick by which South African progress is measured ... An unashamedly elitist self-confidence pervades the new bourgeoisie ... The emulation of Hollywood lifestyle by a new *Ebony* resembles the silly glorification of royal titles, quaint British country culture or English dress codes by the old colonisers. It should have been of no concern were it not for the squandering of public money amidst a sea of poverty"¹¹ [my italics].

The rise of this black capitalist elite with an Americanised ideological orientation would also be of no concern were it not for the important role a large section of them played in the ideological quantum leap towards the acceptance of a free market ideology by the new government. Both the policies of affirmative action and black empowerment have played a strategic role in the rise of the black capitalistic orientated elite. It was quite natural for them to embrace the free market ideology of their partners in the private sector. It is a pity that they have pressurised the government to abolish the RDP in favour of a free market approach. If the government should consider a new policy approach – say left of the ideological centre – it would be extremely difficult to get the support of the dominant group in the new black elite.

The fourth pressure group in the "powerstruggle" to convince the government to accept the free market approach is the Global market. It is somewhat difficult to identify the players in the Global Economy. Trevor Manuel described the Global Market as an amorphous entity. It is nonetheless a formidable pressure group. Jeffrey Sachs described the United States' – as the only global power – role in the Global Economy as follows:

"America has wanted global leadership on the cheap. It was desperate for the developing world and post-communist economies to buy into its vision, in which globalisation, private capital flows and Washington advice would overcome the obstacles to shared prosperity, so that pressures on the rich countries to do more for the poorer countries could be contained by the dream of universal economic growth ... *In essence, America has tried to sell its social ethos: the rich need not help the poor, since the poor can enjoy rising living standards and someday become rich themselves* ... Washington became skittish at anything or anybody that challenged this vision. When developing-country leaders pointed out that development was much harder than it looked; that their economies were falling further behind in technology; that they were being destabilised by financial flows they could neither track nor understand; that falling commodity prices were taking them further from the shared prosperity that they had been promised; that unattended disease was ravaging their societies ... or that they were still drowning in debt ten years after America acknowledged the need for debt relief; *all these honest reflections were taken as hostile challenges to the vision of shared prosperity, because they put at risk the notion of cost-free American leadership*"¹² [my italics].

During the period 1994 to 1996 the USA and its agents – the World Bank and the International Monetary Fund – could propagate the above quoted American promise that the Global economy (as it is based on the relentless discipline of

¹⁰ The new black elite may presently comprise 6 to 8 million of the blacks.

¹¹ Adam, H., Slabbert and Moodley, *Comrades in Business*, Tafelberg, 1997, pp 174-175.

¹² *The Economist*, September 12th, 1998, p. 21.

foreign markets) is the *only* "avenue" on which emerging countries can travel if they want to share in the prosperity of a fast growing Global Economy.

Two members of the 15 person technical team that compiled the GEAR document were from the World Bank¹³. These two representatives were in a strategic position to convince the other members of the technical team about the virtues of the so-called Washington consensus and about the free market strategy that should be accepted by developing countries. One of the key aspects of the Washington consensus is that the role of the state should be restricted to a minimum. In January 1998 Joseph Stiglitz, senior vice-president of the World Bank, made a speech in Helsinki, Finland on the topic "More Instruments and Broader Goals: Moving towards the post-Washington Consensus". In this he granted to point that the Washington consensus prescription for developing countries was too anti-state in its approach. In his speech he acknowledged that the state has quite an important role – complementary to the role of the market – to play in developing countries. He formulates the Washington consensus as follows:

"The Washington consensus held that good economic performance required liberalised trade, macroeconomic stability, and prices right. Once the government dealt with these issues – *essentially once the government 'got out of the way'* – private market would allocate resources efficiently and generate robust growth".

According to the Post-Washington consensus Stiglitz acknowledged that it is now realised that the policies of the Washington consensus "are sometimes misguided":

"Making markets work requires more than just low inflation, it requires sound financial regulations, competition policy and policies to facilitate the transfer of technology and to encourage transparency ... We had broadened the objectives of development to include other goals, such as *sustained development, egalitarian development, and democratic development* ... *In our search for these policies, however, we should not ignore the inevitable trade-offs*" [my italics].

Since the new government was convinced in 1996 to make a quantum leap towards a minimal state and a free market approach, lots of things have happened to demonstrate how mistaken the quantum leap has been. Firstly, it became evident that the maintenance of socio-economic stability and the necessary capacity in the governmental and public sectors are in all probability more important than macroeconomic stability to create an environment conducive to invite foreign investment. Secondly, the World Bank acknowledged explicitly that its policy prescriptions were misguided. Thirdly, the Global Crisis of 1997, and especially of 1998, has demonstrated that a world wide free market approach is everything but a *panacea* for developing countries. On the contrary.

The pleas made by Pres. Mandela and Deputy President Mbeki for a comprehensive reform of the structure of the Global Economy is commendable. A sufficient "restructuring" of the Global Economy must imply a more equal playing field between the rich North and the poor South. This will imply a "cost-factor" and the rich North will have to pay it. It is unlikely that the United States and other highly developed countries will be prepared to take responsibility for the "price tag" of a restructured Global Economy. If it is indeed unlikely that the Global Economy will be "restructured" to become more friendly towards emerging countries, the government should not only scale down its

¹³ Of the other members three were from the Development Bank of SA, two of the SA Reserve Bank and one from the Department of Trade and Industry of the Department of Finance.

macroeconomic targets, but *reformulate* its social-economic strategy in its entirety. In doing this, it should at least make a ideological quantum leap to a position left of centre of the ideological spectrum. This is not an occasion to spell out the details of such a new policy strategy. But if the government were prepared to make such a move, it will bring its policy approach in line with the social democratic ideology that is in place in no less than 13 of the 15 members of the European Union. It is indeed high time for us to break out of the stranglehold of the liberal capitalistic ideology of the British-American world and to accept at least the social-democratic ideologies of Continental Europe.