

REFLECTIONS ON SOUTH AFRICAN DEMOCRACY:
EVALUATING THE FIRST DECADE:
THE SOCIO-ECONOMIC ENVIRONMENT¹

Sampe Terreblanche

1. DISTRIBUTIONAL SHIFTS OVER THE PAST 30 YEARS AND THE EMERGENCE OF A CLASS SOCIETY

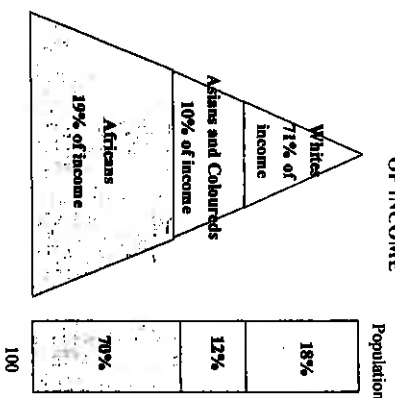
The performance of the South African economy - viewed from a per capita point of view - has improved in a meaningful way since 1994. The average annual economic growth rate was 2,7% and the real per capita income increased by 0,6% annually. This is a much better performance than what was attained during the previous 20 years. From 1974 until 1994 the annual growth rate was only 1,7%, while the real per capita-income declined by 0,7% annually. The period from 1974 to 1994 was a period of stagnation and of creeping poverty. These 20 years coincided with the struggle against apartheid.

In both these periods - that encompass the past 30 years - the burdens of creeping poverty and the benefits of increased per capita growth, were respectively not distributed *equally* or *proportionally* between the different racial class and income groups in South Africa. During the struggle period the household income of almost all population groups declined with the exception of the top 25% of blacks. Their income increased by almost 40% to a large degree as a result of concessions made to them by the apartheid regime in a desperate attempt to pacify them. Unfortunately, the income of the poorest 50% of blacks decline by almost 50% while the income of the poorest 40% of whites, also declined - albeit from a much higher level - by almost 40%.

The *distributional shifts* that took place during the struggle period were to a large extent perpetuated during the past 10 years. The income of the top one-third of the total population (both blacks and whites) increased by $\pm 20\%$, while the household income of the poorest 45% of blacks declined by a further $\pm 10\%$ since 1994.

It is illuminating to compare the distribution of income in, say, 1973, with the distribution of income in 2003. In 1973 the South African society was very much a *racially* divided society. The whites were 18% of the total population and received 71% of total income. The Asians and coloureds were 12% of the population and received 10% of income. The Africans were 70% of the population and received only 19% of total income.

THE RACIALLY DIVIDED SOCIETY OF 1970
AND ITS UNEQUAL DISTRIBUTION
OF INCOME



This very "skewed" racial stratification of income was the direct result of the systemic exploitation that took place during the long period of extended colonialism (1652-1994). This "skewed" racial stratification changed very little during the first 75 years of the 20th century. During these 75 years the whites were always less than 20% of the total population and received permanently more than 70% of total income. The Africans, on the other hand, were during these 75 years almost 70% of the total population, but received permanently less than 20% of total income. The Coloureds and the Asians were during these 75 years $\pm 12\%$ of the population and received $\pm 10\%$ of total income.

The rather dramatic *distributional shifts* that took place over the past 30 years - i.e. during both the struggle (1974-1994) and the democratic (since 1994) periods - have transformed the South African society from a society stratified along *racial* lines into a society stratified along *class* lines. The most important of these distributional shifts were:

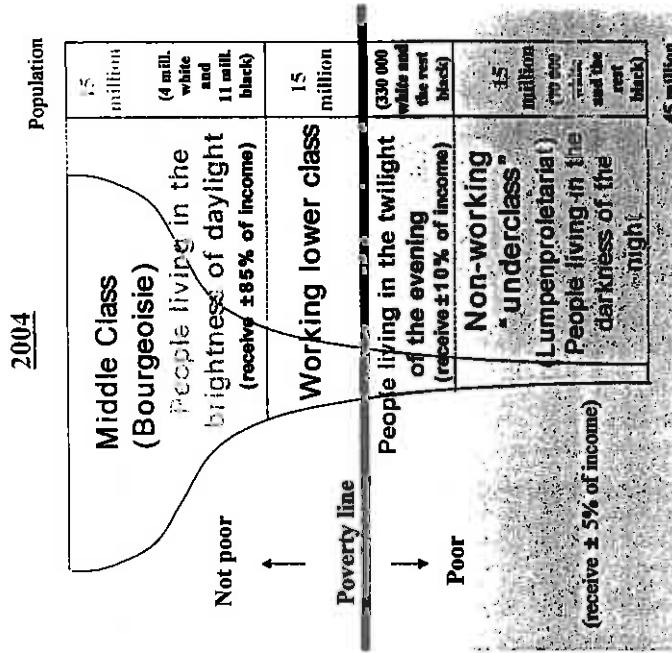
- i) the decline of the whites' share in total income from 71% in 1970 to less than 50% today;
- ii) the increase in the income of the top 25% of blacks by almost 40% from 1975 to 1994 and by a further $\pm 30\%$ since 1994;
- iii) and the decline in the income of the poorest 45% of blacks (± 18 million people) by almost 50% from 1974 until 1994 and by a further $\pm 10\%$ since 1994.

Several factors were responsible for the dramatic decline in the income of the poorest 45% of blacks. The factor that made the greatest contribution to the ongoing pauperisation of the poorest ± 18 million, is the sharp increase in unemployment since 1970. It increased from $\pm 20\%$ in 1970 to $\pm 42\%$ today. Unfortunately, the unemployment problem is mainly an African phenomenon. African unemployment has increased from 24% in 1970 to more than 40% in 1994 and to more than 50% today. In 1970 34% of all Africans (children and elderly people included) was permanently employed in the formal sector. Today only 13% is thus employed.

¹ Paper read at the Black Management Forum Annual Conference in Cape Town, 9 October 2003.

If we take both the changed income patterns and the changed employment patterns over the past 30 years into account, we can divide the present South African population of 45 million people into three socio-economic classes of roughly 15 million each.

South Africa's Highly Stratified Class Society



- i) Firstly, a non-racial and rich *middle class* (bourgeoisie) of which 4 million are white and 11 million are black. This class socio-economic position has improved in a spectacular way over the past 10 years. This class is living in the brightness of daylight.
- ii) Secondly, a poor *lower class* (or workers class) of 15 million people that are mainly black. The heads of households in this class have access to job-opportunities although many of these job-opportunities are in the informal sector. The socio-economic position of a large part of this class has improved over the past 10 years, but the socio-economic position of the rest has deteriorated. This class is poor but not desperately poor. This class is living in twilight of the evening - in different shades of twilight.
- iii) Thirdly, the *bottom* 15 million are a black (and mainly African) *underclass* (or lumpenproletariat) that was already desperately poor in 1994, but whose socio-economic position has deteriorated further over the past 10 years. The heads of households in this class have almost no access to job-opportunities in either the formal or the informal sector. They are therefore a non-working *underclass*. This class is living in the darkness of the night.

2. **SOUTH AFRICA AS A THREE CLASS NATION OR A THREE-NATION-NATION**

Let us look in somewhat greater detail to the socio-economic position of each of the three classes and to the social, political and economic determinants that are responsible for the improvements and/or deteriorations of the socio-economic position of each class.

i) The rich middle class or the bourgeoisie

This class receives ±85% of total income and ±37% of the income of Africa South of the Sahara. This class lives in a wonderful oasis amidst a large and impoverished African desert. This class should count its blessings.

The white component of the *middle class* (4 million people) are relatively rich. They have done quite well over the past 10 years, although some have become poorer. I am going to concentrate on the 11 million black middle class people. This group - and especially the ±2 million that can be regarded as the black elite - experienced a dramatic improvement in their socio-economic conditions since 1974 and especially since 1994.

The rise of the black middle class should be regarded as a very positive phenomenon. But if we take account of the fact that the relative quick *embourgeoisement* of the black middle class took place during the same 30 years in which the socio-economic situation of the *underclass* deteriorated dramatically, then there is genuine concern that the black middle class' *embourgeoisement* may have taken place too quickly, too easily and that many of them have also become too rich. Although it is not easy to identify a direct causal link between the *enrichment* of the black middle class and the *impoverishment* of the black *underclass* over the past 30 years - and especially over the last 10 years - it is quite reasonable to conclude that the

one would not have been possible without the other. The two black classes are to a significant degree two sides of the same structural coin.

Several factors contributed to the rather quick *embourgeoisement* of the black middle class. In many cases blacks have attained their elite and/or middle class status through merit, hard work and dedication. This must be acknowledged and appreciated. But what we also have to acknowledge is that the policy measures of the apartheid regime - during the crisis phase of apartheid - and the policy measures implemented by the new government, very much facilitated and stimulated the emergence of the black middle class over the past 30 years.

When Black Economic Empowerment (BEE), Affirmative Action, Employment Equity, Preferential Procurement Frameworks are debated, the ANC government regularly *motivated* those measures by two arguments: firstly that the exploitation experienced by all 40 million blacks during apartheid should be rectified, and, secondly, that the sharp inequalities in the distribution on income should be removed. I am in full agreement with both these arguments.

If we look at the manner in which "empowerment" - broadly defined - was implemented over the past 10 years, it becomes apparent that it is mainly the black middle class - and to a lesser extent the black working lower class - that are the beneficiaries of these measures, while almost none of the advantages reaches the *underclass*. At the same time the unequal distribution of income has become much starker over the past 10 years - especially that between the 35 million Africans.

The glaring discrepancy between the *motivation* of "empowerment" by the government and the actual implementation of the governments' "empowerment" programme need our serious attention.

We should remember that huge costs are involved in all "empowerment" measures. A large part of these costs are hidden, for example, the lack of efficiency and waste, the lower economic growth rate, nepotism, careerism, corruption, white emigration etc. It is, therefore, important to realise that resources available for *empowerment* purposes are *scarce* and that it should be used with prudence and wisdom and that it ought to be spend *effectively* - i.e. in accordance with well-prioritised and well-balanced programmes and strategies.

I am not complaining about the size of resources that were transferred - directly and indirectly - from whites to blacks for "empowerment" purposes over the past 10 years. The size of those resource could - and perhaps should - have been greater. But I think we have every reason to complain about the manner - and especially about the priorities - in which the transfer of resources took place.

The *prioritisation* of all the different "empowerment" programmes *lacked* proportionality and humanity. Too much resources were transferred to people at the top echelon of the black socio-economic pyramid and too many lucrative opportunities were created for the same group, while too little resources were transferred to the *underclass* and almost no new opportunities were created for them.

The attempt of the government to broaden the effect of BEE by the new Broadly Based Black Economic Empowerment (BBEE) Act is to be welcomed. But if we look at the scoreboard by which companies' black economic empowerment status and their empowerment contribution will be measured, we still have reason to fear that BBEE will remain "trixisted" strongly towards the top echelon of the socio-economic pyramid. There is no justification for this to continue for another 10 years.

ii) The working lower class

This class receives $\pm 10\%$ of the total income. Members of this class are poor, but not desperately poor. This class lives in the twilight of the evening. The socio-economic position of some in this class has improved over the past 10 years, while the position of others have deteriorated. It is difficult to determine where to draw the line.

The heads of households in this class have access to job-opportunities in either the formal or the informal sector. Many have, unfortunately, lost their formal employment and became "casualised" workers in conditions that are often appalling. The "social income" of this class has increased due to the water, electricity, telephones, health services, housing and social security that were supplied *additionally* by the government over the past 10 years. It was mainly this class that was the beneficiaries of these services. What has been accomplished by the government in this regard, is laudable. Unfortunately, many of the new "connections" are being "disconnected" because the recipients did not have the cash flow to maintain them.

iii) The desperately poor and non-working underclass or lumpenproletariat

The socio-economic position of the *underclass* is not only problematic, but has become critical. The real household income of this class is almost 60% lower than what it was in 1974. It receives $\pm 5\%$ of the total income. According to the recent Human Rights Commission Report, 17 million people live below the poverty line. This class has attained very little advantage from the new water and electricity "connections". This class is uneducated, unskilled and almost completely marginalised from the mainstream of economic activity. According to the newest census, 34% of all people older than 20 years is illiterate. (SSA, Census, 2001). The breadwinners of this class have limited access to job-opportunities. Their structural unemployment is deeply institutionalised. Many of them are unemployable. It is estimated that ± 8 million (or 30%) of the potential electorate of 27 million, are not yet registered for next years election and that many of them are not even in the possession of ID's. A large percentage of the adults and children in the *underclass* that qualified for social security grants do not receive these grants. Civil society organisations in the ranks of the *underclass* are either poorly organised or non-existent. The people in the *underclass* are voiceless, voiceless, pathetically powerless and even faceless.

The organisational powerlessness of the *underclass* must be appreciated against the background of the highly organised character of the rest of South African society. While the rest of South Africans have access to highly organised pressure groups to bargain for privileges, patronage and services, the *underclass* is living in an organisational vacuum. We

should, therefore, not be surprised that this class is very much neglected by the government and by different levels of the public sector.

I have the impression that the government does not understand the complexities, the magnitude and the endogenous dynamic character of the poverty problem of the *underclass*. The *underclass's* poverty is like a snowball that rolls at its own momentum from a slope. The government spends more on social services, but not nearly enough to stop the poverty snowball in its track. The members of the *underclass* are the real victims of the high levels of crime and violence and of contagious disease because they do not have the resources necessary to protect themselves against the disruptive effects of these adversities.

3. AN INCOMPLETE TRANSFORMATION AND THE DYSFUNCTIONALITY OF OUR NEW POLITICO-ECONOMIC SYSTEM.

How can we explain the ongoing deterioration in the socio-economic position of the *underclass*?

I think it is important to consider their dismal socio-economic position within its proper historical context. In 1970 - when apartheid reached its zenith - people in the *underclass* were already poor and very much deprived. The 20 years of struggle and of creeping poverty (1974-1994) have had devastating effects on this class. They can be regarded as the real victims of the struggle.

When African labour lost its cheapness and its docility in the 1970s, the corporate sector took defensive steps and started to replace African labour with capital. The corporate sector continues to this day with its drive towards increased capital intensity in its production methods and is employing a smaller and smaller percentage of the *potential* labour force. Increased capital intensity within the framework of global competition is responsible for growing unemployment, and growing unemployment is responsible for growing poverty.

From 1974 to 2003 the character of the South African economy was transformed from a system of *racial and colonial capitalism* into an *open first world capitalist enclave* that detaches itself from a large part of the black labour force. During the informal negotiations on the future economic system and policy - that took place between an ANC leader core and the corporate sector - the corporate sector convinced the ANC to accept a neo-liberal and global orientated economic policy and to regard the South African economy as though it is a free-market economy and as if it is a system that is appropriate to serve the interest of *all* South Africans. This was a serious mistake. Over the past 10 years the neo-liberal and globalisation policy and the new labour laws stimulated the trend towards enclavism quite strongly - and with it the trend towards increased unemployment.

It was wrong to try to superimpose a neo-liberal and free market and globalised economic system on the ash heap of colonialism and apartheid. The *minimum* but essential conditions - of the human, social, judicial and institutional nature - that *must* be in place before a free market economy can serve the *total* population, are not in place in post-apartheid South Africa and these conditions cannot be "created" easily or over a short period of time.

During the negotiations that took place in the early 1990s between an ANC, a white leader core and global corporations a new "social contract" was agreed upon. This "social contract" - and the compact of power and ideological orientation on which it is based - fully includes the black middle class (now 11 million people) on lucrative terms into the benefits and opportunities of the new system, it includes a part of the working lower class partially, but it excluded the *underclass* almost completely. All that was "given" to the *underclass* in 1994 was the promise that it will benefit *over the long run* from economic growth. But up till now the 2,7% economic growth that was attained annually, has "delivered" *no* trickle-down effect to the *underclass*. Even Pres. Mbeki has acknowledged recently that we cannot expect that a strong "first world economy" will automatically have a trickle down effect in favour of the "third world economy".

Our new politico-economic system is not serving the *underclass* and cannot serve it. This class is *systemically* excluded and neglected due to the deeply institutionalised *dysfunctionality* of our new system. The new system is dysfunctional because it is too strongly "geared" to serve the rich middle class (both the black and the white middle-class) and *not* "geared" to serve the impoverished black "*underclass*".

The challenges of the next decade will be to *transform* both the political and economic parts of our new politico-economic system in such a way that a system will be institutionalised that will operate *functionally* on behalf of *all* socio-economic classes in South Africa.

We have accomplished a remarkable political transformation. Unfortunately, our transformation is incomplete. We urgently need an additional transformation - and additional power, ideological and policy shifts - to include the *underclass* into the benefits of our politico-economic system. The *underclass* is living in the darkness and coldness of a seemingly everlasting winter night. This is unacceptable.

THE FAULT LINE IN THE SOUTH AFRICA ECONOMY

Samipie Terreblanche

1. An outstanding characteristic of the SA economy is the fault line that divides the "first" and the "second" economy in two separate worlds.
2. The fault line was originally drawn between the privileged whites and the exploited blacks and was introduced and maintained by colonialism segregation and apartheid.
3. When gold was discovered in 1886 it was only possible to exploit it profitably if cheap and docile black labour was available.
4. The Africans were at that time still economically independent as sharecroppers in maize production on white farms and also as traditional farmers in their own areas.
5. The *South African Native Affairs Commission (SANAC)* (1903-1905) proposed that African should be deprived of their economic independence and turned into an impoverished proletariat with no choice but to seek contract labour in the white economy.
6. The Land Act (1913) prohibited sharecropping on white farms and restricted the native reserves to only 8% of South Africa's territory

THE POLITICO-ECONOMIC SYSTEM OF SA FROM ±1880 UNTIL ±1980

1. The joint politico-economic system of SA was:
 - a political system of *white political dominance*
 - and an economic system of *racial and colonial capitalism*.
2. A close symbiotic relationship existed between the whites that control SA politically and the whites that control it economically.
3. The successive white governments enacted several black labour repressive laws - on request of the white employers classes - to satisfy the employers almost insatiable demand for cheap, docile and unskilled black (and especially African) labour.
4. The politico-economic system that was in place was an highly *dysfunctional* system because it did not - not even nearly - served the interest of all the different population groups.
5. This politico-economic system was highly dysfunctional, because it *discriminated* against the blacks (both politically and economically) and because it *exploit* many blacks (80% of the population) *systemically*.

THE SOUTH AFRICA ECONOMY FROM 1913 UNTIL 1973

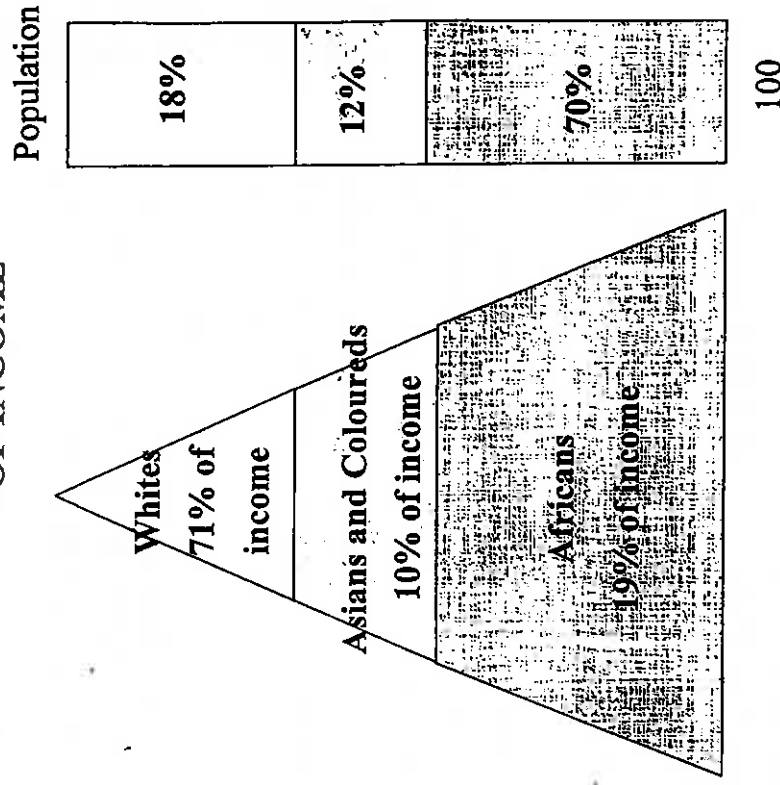
1. The Land Act was the rock on which the gold and maize industries were built - the white employers classes attained high profits until 1973.
2. In 1952 Dr Verwoerd introduced a migrant labour system for employment in manufacturing. He introduced labour bureau to control the movement of African workers with an iron fist - the so-called "dompas" system

3. The consequences of systemic exploitation

- From 1913 - 1973 the whites were always less the 20% of the total population and received constantly more than 70% of total income.
 - The Africans were almost 70% of the total population and received constantly less than 20% of total income.
 - The per capita-income of Africans decline from 9% of white per capita income in 1917 to only 6,8% of white per capita income in 1970.
 - Almost all property was in white hands, while Africans were not allowed to own property in "white" South Africa.
4. South Africa experienced its golden age of high growth from 1933 to 1973 - annual economic growth rate was 4,5%.

THE RACIALLY DIVIDED SOCIETY OF 1970 AND ITS UNEQUAL DISTRIBUTION

OF INCOME



THE FAULT LINE OF 1973

1. In 1973 the fault line in the South African economy was already deeply institutionalised.
2. The African Homelands were underdeveloped reservoirs in which cheap labour was recruited and the Africa townships were sleeping in ghost towns.
3. The population was divided between a middle class (bourgeoisie) of 20% and an impoverished lower class of 80%.
4. The middle class was composed of almost all the whites and a small black (mainly Coloured and Indian elite).
5. The lower class was almost exclusively black and rather poor.
6. In 1973 SA was very much a racially divided society with a very unequal distribution of income.

FROM 1974 TO 1994 THE FAULT LINE SHIFTED AND DEEPENED

1. The 20 years from 1974 to 1994 was a period of stagflation and creeping poverty amidst the struggle, sanctions and disinvestment.
2. The annual growth rate was only 1,7% and the per. capita income decline by 0,7% annually.
3. The per capita income of the top 25% of blacks increased by more than 40% because they were pampered by whites in a desperate attempt to convince them about the alleged merits of apartheid.
4. But the income of the poorest 60% of the blacks declined by almost 50% as a result of increased unemployment.
5. In 1995 34% of the total African population (of 15 million) was permanently employed in the formal sector, in 1994 18% was thus employed and in 2003 only 14% of the total African population (of 35 million) was permanently employed

THE TRANSFORMATION
OF BOTH FACETS OF THE JOINT
POLITICO-ECONOMIC SYSTEM
FROM 1974 UNTIL 1994

FROM 1974 TO 1994 (continue)

6. When the blacks and especially the African labour force lost its cheapness and its docility in the 1970s - amidst illegal African strikes and unrest - the corporate sector started to replace African labour by capital.

- The capital intensity of the economy increased sharply from 1974 to 1994.

- Unemployment increased from 1,8 million (20%) in 1970 to 4,2 million (30%) in 1995.

7. In 1994 the population was divided in two classes:

Firstly, a white middle class (4½ million) PLUS a black middle-class-in-the-making of ±8 million.

Secondly, a black impoverished lower class of considerably poorer than in 1974 of ±26 million.

8. From 1974 to 1994 the fault line *shifted* from 20% to ±30% of the population while it also *deepened* with the impoverishment of the lower 60% of blacks.

1. The transformation of the political system of white political dominance did not happen abruptly in 1994.

2. A slow but certain political *powershift* took already place from the Soweto unrest (1976) until De Klerk speech (1990): The whites were slowly losing its bargaining power and its legitimacy, while the top echelon of blacks (±25% of them) gained bargaining power and legitimacy. Consequently the per capita income of the top ±25% of blacks increased by 40% in spite of the creeping poverty during this 20 years.

3. As the capital intensity increased sharply from 1974 the SA economy was transformed from a system of racial and colonial capitalism into a *First World capitalist enclave* with capital intensive production processes.

4. As the economy moved towards enclivity, the labour absorptive capacity of the modern sector declined quite sharply and unemployment started to increase.

WHERE SHOULD WE DRAW THE POVERTY LINE ?

1. The percentage of the population living in income poverty (or absolute poverty) declined from 51,1% in 1995 to 48,5% in 2002, but the number of the poor increased from 20,2 million to 21,9 million.
2. According to the SAHDR (2003) the *depth* of the poverty - or the so-called poverty gap - has also increased, i.e. the poor becomes poorer.
3. The South African Human Development Index (HDI) improved from 0,715 in 1990 to 0,730 in 1995, but deteriorated quite considerably to 0,680 in 2002.
4. The unequal distribution of income as measured by the GINI-coefficient increased from 0,596 in 1995 to 0,635 in 2001 - indicating larger inequality. This coefficient continues to place SA in the ranks of the most unequal societies in the world.
5. Although service delivery has improved over the past 10 years, 38% of households were still deprived of "good" access to four to six of the following seven basic services in 2001: *Health, energy, sanitation, education, communication, housing and drinking water.*

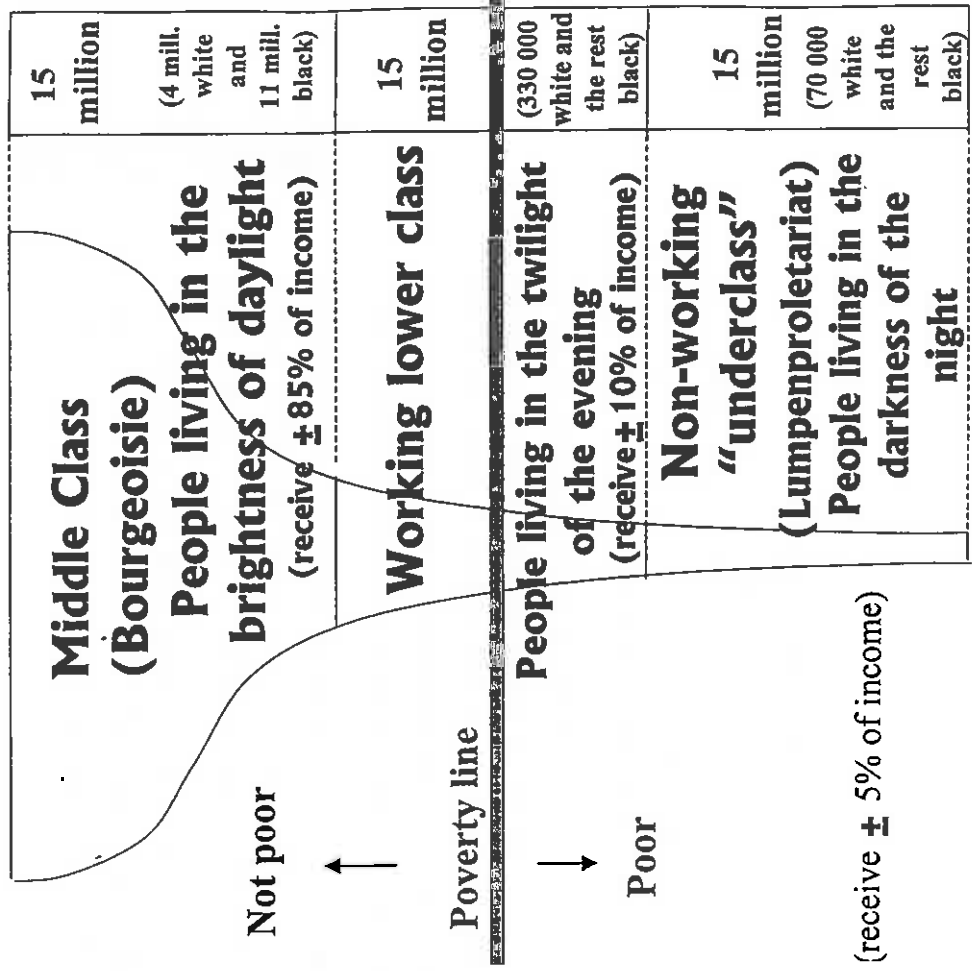
WHY HAS THE POOR BECAME POORER OVER THE LAST 10 YEARS?

1. The ANC spend more on social services and poverty alleviation than the NP government, but by far not enough.
2. Social spending as a % of non-interest government spending increased from 51% in 1992 to 58% in 2004.
3. In 1994 poverty was already like a snow ball rolling in its own momentum against a slope - it continues to role over the past 10 years and it becomes bigger.
4. The poor is exposed to several poverty traps:
 - Increased unemployment
 - A lack of bargaining power - civil society is almost non-existent in poverty circles. (This is quite a problem because the ANC government's policies is moulded by pressure).
 - A large part of the poor are the captives of a sub-culture of poverty and has already developed a poverty mentality that perpetuates and aggravates poverty.
 - A mutually reinforcing dynamics exists between violence, criminality, and ill health on the one hand, and the pauperization process on the other.

South Africa's Highly Stratified Class Society

2004

Population



45 million

Source: Compiled from Borhat & Hodge, 1999 and Gelb, 2003 en SAHDR, (2003) Tabel 2.7.

Employment in the formal and informal sectors		1970		1995		2003	
		million	(%)	million	(%)	million	(%)
Potential labour supply	± 9 million	± 14 million	± 20 million	± 23 million	± 13,4 million	± 23 million	± 23 million
Employment in the formal sector	6,5 million	8,1 million	8,4 million	13,4 million	(72%)	(50%)	(58%)
Employment in the informal sector	0,7 million	1,7 million	3,2 million	4,8 million	(8%)	(12%)	(21%)
Unemployment (wide definition)	1,8 million	4,2 million	8,4 million	4,8 million	(20%)	(30%)	(21%)
	—	Additional job opportunities created from 1970 to 1995: 2,6 million	Additional job opportunities created from 1995 to 2005: 1,8 million	Additional job opportunities that must be created from 2003 to 2014: 6,6 million			

Situation if unemployment is reduced to 21% in 2014

WHAT HAPPENED WITH THE FAULT LINE OVER THE PAST 10 YEARS?

1. The fault line continues to *shift* and it continues to become *deeper*.
2. The trends from 1974 to 1994 - i.e. growing capital intensity, growing unemployment, the upward mobility of the top 25% of blacks and the downward mobility of the poorest 60% of blacks - continues unabated.
3. The free market economy, globalization, neoliberalism and the ANC's policies were all conducive for *shifting* the fault line and for *deepening* it.
4. Consequently, the black middle-class-in-making, became part of the new non-racial middle class of 15 million people - this class represents 1/3 of the population and receives $\pm 85\%$ of total income.
4. We can divide the lower 30 million of the population in two classes:
 - a *working lower class* of 15 million receiving $\pm 10\%$ of income - they are poor but not desperately poor.
 - and a non-working *underclass* (or lumpenproletariat) receiving $\pm 5\%$ of income - they are desperately poor.

WHY IS THE ANC NOT SPENDING MORE ON POVERTY ALLEVIATION?

1. In the early 1990s a new compact of power was forged between the corporate sector (and its global partners) and a leader core of the ANC - agreement was reached on several Elite Compromises.
2. For the ANC, the agreement implies three things:
 - Firstly, it committed itself not to restructure the modern sector (or the enclave),
 - Secondly, it accepted the idea of redistribution through growth, i.e. the "trickle down" scenario.
 - Thirdly, it accepted the ideology and systemic approach of global corporatism towards matters economic - i.e. neoliberalism, the idea that SA is (and ought to be) a free market system, globalization and export promotion.
3. The corporate sector agreed (somewhat reluctantly) to the policies of affirmative action (AA) and black economic empowerment (BEE). (Cooption has been a part of British colonialism).
4. Both AA and BEE were very instrumental in promoting the interests and the enrichment of the rising black middle class.

ANC (continue)

5. More resources and opportunities were transferred over the past 10 years from whites to the black middle class (11 million) than to the 22 million whose income is below the poverty line.
6. Given the terms of the Elite Comprise the ANC's spending on black upliftment is very much "twisted" toward the black middle class and especially towards the black elite.
7. The BEE programmes very much lack proportionality and morality.
8. The poor is consequently systemically excluded, but rhetorically they are very much included.
9. To make matters worse, the modern sector (or the enclave) is also marginalising the poor. In 1994 40% of the population was already marginalised from the modern sector of the economy. Today a larger percentage is marginalised to a larger degree. No "trickle down", whatsoever, was experienced over the past 10 years.

THE DYSFUNCTIONALITY OF THE NEW POLITICO-ECONOMIC SYSTEM

1. The politico-economic system of 1970 was a system of *white political dominance* and an economic system of *racial and colonial capitalism*.
2. This system was highly *dysfunctional* - it discriminate and exploit the blacks systemically.
- 3a. The *political* facet of the new politico-economic system is a representation democracy that is controlled by the black middle class given the proportional system of representation,
- 3b. The *economic* facet of the new politico-economic system is an *open, first world capitalist enclave*, that is disengaging itself from a large part of the African labour force and consumer market.
4. In the new politico-economic system the ANC is from a party political point of view very strong, but form a governance point of view rather weak vis-a-vis to the strong pressure groups in society and in global capitalism.
5. The new politico-economic system is a huge improvement on the one of 1970, but it is still *dysfunctional*. It is dysfunctional because it does not serve all the groups and classes society - it in fact, *excludes and neglects* the poor systemically.

WHAT ABOUT
THE NEXT 10 YEARS?

1. If the ANC maintains its present policy approach and if a growth rate of 2,7% per annum is also maintained, then the fault line may shift further, but it will certainly also become deeper.
2. The size of the middle class may increase marginally.
3. But, given that ±3 million workers will enter the labour market and given the declining absorptive capacity of the enclave, it is highly likely that the poor will get even poorer, that the HDI will decline further and that the GINI coefficients will increase further.
4. The ANC has promised the electorate that both poverty and unemployment will be cut by half in 2014
To cut unemployment from 42% to 21% will necessitate the creation of 5,6 million new jobs. That is simply not attainable.
5. As long as the present politico-economic system - and the power relations and ideological orientation on which it is based - remains in place, the system will remain *dysfunctional*, the fault line will become deeper and the rich will become richer and the poor poorer.

1. It is necessary that the Elite Compromises on which agreement was reached in the early 1990s, be renegotiated.
2. The compact of power that was institutionalised in the early 1990s is at all not sympathetically orientated towards the plight of the poor.
3. It will, of course, not be easy to convince the privilege middle class - and especially the new black elite - to enter into a renegotiations of the Elite Compromises and to accept a different ideological approach.
4. Consequently, the highly needed restructuring of our political and economic systems will not take place for a long period of time.

WHAT TEMPORARY MEASURE
CAN BE TAKEN TO IMPROVE
THE AWFUL DESTINY
OF THE POOR?

1. The Taylor committee has proposed a Basic Income Grant (BIG) for the poor. Its annual cost will be between R20 billion and R30 billion.

- I cannot judge whether it is an implementable proposal.

2. I do think the government ought to spend ±R20 billion additionally on poverty alleviation and job-creation annually.

3. But it will also be difficult to convince the new compact of power to spend this amount additionally.