

2007

THE UNDEMOCRATIC NATURE OF OUR NEW DEMOCRACY  
IN SOUTH AFRICA<sup>1</sup>

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**My chapter in *The State of the Nation*, 2008 was: "*The development of state in South Africa: The difficult road ahead.*"**

In my chapter I emphasized the need for a *truly developmental state* in South Africa as a means to find a morally acceptable solution for our serious poverty and unemployment problems. But I also stated that *en route* to a developmental state, the government will have to overcome at least four stumbling blocks: firstly, the lack of capacity in the public sector; secondly, the business culture of materialism, individualism and the obsession with the bottom line in the private sector of the economy; thirdly, the huge bargaining power business people wield compared to the powerlessness of the impoverished majority; and finally, the South African economy's extensive involvement in the American empire and the consequent stranglehold of global institutions on the government's policy-making process.

Since I wrote the chapter, the American economy has moved into a recession or a mild depression. For all the American satellite states in the Poor South this is bad news. The American administration has spent trillions of dollars in an attempt to soften the negative effects of the recession. I have no criticism of what the US administration is doing to counteract the spectacular failure of the *neoliberal* capitalist approach institutionalized by Reagan and Thatcher. The ideological meltdown of market fundamentalism is at least something in which we can rejoice. Unfortunately, it will take decades to wipe the ideology of market fundamentalism from the minds of the South African freemarketeers.

The trillions of dollars spent by the US administration to salvage the debris of neoliberal capitalism will have to be repaid. The American tax payers will have to foot a large part of the bill. But the American empire will also use its imperial power

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<sup>1</sup> Paper read at a Panel Discussion at the Cape Town International Book Fair, organized by the HSRC on the topic: "Reviewing the State of the Nation: 15 years into the South African democracy, what are the biggest choices?", 13 June 2009.



to "squeeze" more out of its satellite states in the Poor South. For Africa this can prove to be disastrous. For South Africa it is going to be rather uncomfortable.

But let us return to our South African conundrum: the majority of whites (say 70%) who were undeservedly rich in 1994 – because of apartheid – have become even more undeservedly rich since then, and the blacks (say 50% of them) – who were undeservedly poor in 1994 – as a result of apartheid – are today still undeservedly poor. South Africa's population can be divided into three socio-economic classes: a rich non-racial middle-class elite of approximately 20%, an impoverished (mainly black) underclass of approximately 50%, and the other ± 30% who are neither rich nor poor. They represent a middle group that live reasonably comfortably.

It is time for us to acknowledge quite explicitly that our joint *politico-economic* system – institutionalized in 1994 – has turned out to be a *dysfunctional* system. We cannot afford to bluff ourselves any longer. Our politico-economic system is dysfunctional, because the system has turned out to be hopelessly too *elitist* – it serves mainly the middle-class elite of 20%, to a lesser extent the middle group of 30%, while our new politico-economic system *systemically* excludes, neglects and even betrays the poorest 50%.

Apartheid and the power and property relations on which that politico-economic system was based from ±1890 until 1994 produced a dysfunctional and a cancer-ridden system. The entrenched *elitist* system and the power and property relations on which this new politico-economic system has been based since 1994 is also a dysfunctional and a cancer-ridden system.

During the apartheid century the middle-class elite was almost exclusively white. It comprised approximately 15% of the population and it was rich in comparison with the rest of the population. In today's *elitist* politico-economic system the middle-class elite is non-racial and somewhat bigger than the middle-class elite in the apartheid century – it comprises approximately 20% of the population. In relative terms the new middle class is even richer than it had been in the apartheid period. The contrast between the luxury and extravagance of the lifestyle of say the richest 5%,



and the destitution and wretchedness of the living conditions of the poorest, say 20%, represents the vulgarity of our society!

Political power in our *elitist* politico-economic system is concentrated in the hands of a ruling class of, say, 2 million (mainly black) people. Economic power in our *elitist* politico-economic system is concentrated in the hands of a ruling class of, say, 2 million people - a majority white and a minority of black (mainly BEE) people. The political ruling class and the economic ruling class are very much in cahoots with each other. The two ruling classes have a joint vested interest in the perpetuation of our dysfunctional politico-economic system. They also are in agreement on the alleged virtues of neoliberal capitalism and globalism. Each one of the two ruling classes is very careful not to disturb the power and the privileges of the other ruling class. BEE is part of the cement that keeps the two ruling classes together. *The real problem is that neither the political nor the economic ruling class can be held effectively accountable for the deteriorating situation of the poor.*

South Africa has been a *democracy* since 1994. Fair enough. But democracy is not only about representative elections every five years. Democracy – in the true sense of the concept – is a system in which everyone in a position of POWER – irrespective of the nature of the power – can be held *accountable* and should be held accountable for the way he/she uses that power. This is not happening in South Africa.

The political ruling class is sitting very comfortably, very entrenched, very cosy in their elite tower in Pretoria. The ANC is still a liberation movement. The political ruling class knows that within the system of proportional representation at least 55% of the population – tragically enough, the majority of those who are trapped in systemic poverty and unemployment – will always vote for them. There is no way whatsoever in which the ANC can be held *effectively* accountable for the way it governs – or does not govern – and administer the country. Incompetent and inefficient ministers were not held accountable for their actions and they are not fired even when the need to fire them becomes patently obvious. Highly incompetent, inefficient and even corrupt public servants and representatives – on all three levels of government – are also not been held accountable (or fixed) for their "misdeeds".



This is not democracy. This is *cronyism* at its worse. The political ruling class is under no real pressure to be concerned about, or sensitive to, the predicament of the impoverished and the unemployed. We have reason to fear that they will continue to "solve" the poverty and the unemployment problems *rhetorically* – as during the last 15 years.

The economic ruling class also sits very comfortably, very entrenched and very cosy in their elite tower in Johannesburg. The property of this ruling class – including the part that was accumulated undeservedly in both the politico-economic systems – is protected in a way that is entrenched in the Constitution, as if property is something sacrosanct that cannot be touched under any circumstances whatsoever. Perhaps the most insurmountable stumbling block *en route* towards greater social justice in South Africa is the highly *unequal* and deeply entrenched distribution of *property* – both physical and human property.

When I proposed a wealth tax to the TRC in 1997 to build a Restitution Fund for poverty alleviation, I was ridiculed as an unrealistic professor from outer space. All the people that were so critical of my proposal in 1997 should realize one thing: as long as the distribution of PROPERTY – both physical and human property – remains as *unequally* distributed as is presently the case, the problems of poverty and unemployment will remain as serious as they are.

The power of the economic ruling class is also entrenched by their dogmatic commitments to the MARKET and to the neoliberal approach, and by South Africa's extensive involvement in global capitalism and global markets. While the economic ruling class sings the praises of free market capitalism and competition, the business sector is organized into large semi-monopolistic corporations and large power blocks. Consequently, this sector is not even sensitive to market forces and very little concerned about the poor and the unemployed. This sector continues with its capital-intensive production methods and technologies completely as if South Africa is a First World country.

The economic ruling class is *accountable* only to those with buying power. In 2006 the buying power of the richest 20% was 43 times greater than the buying power of





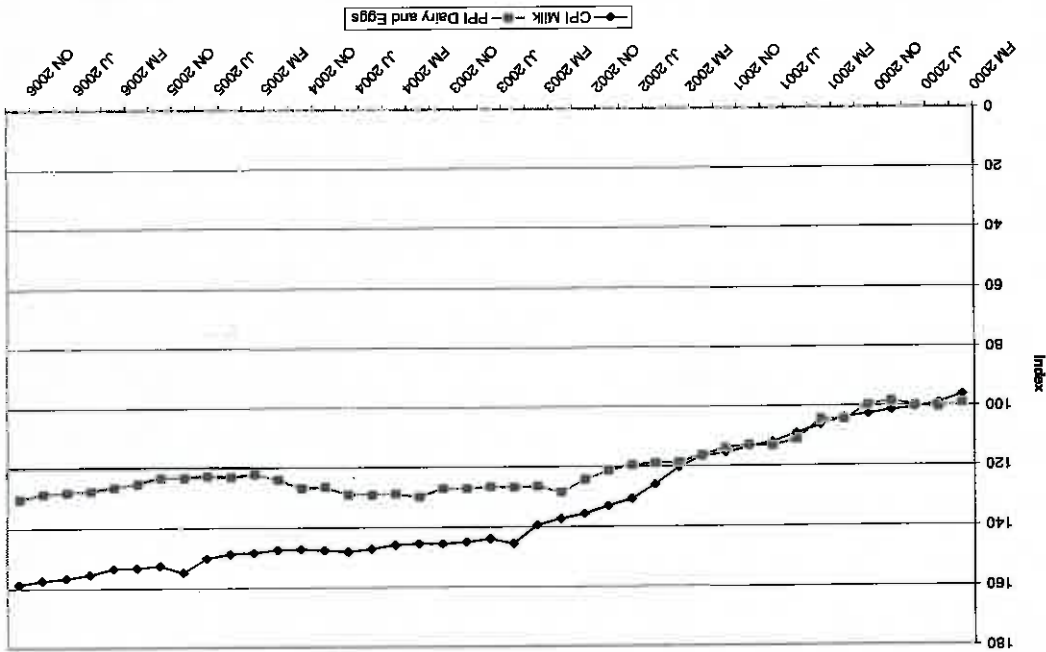
the poorest 20%, while the buying power of the richest 10% was 94 times greater than the buying power of the poorest 10%. On top of this, the MARKET's "playing field" is exclusively reserved for those with property. The poorer half of the population is without skills and without eggs to sell. They, therefore, cannot obtain a ticket to enter the "playing field" of the MARKET. They are *systemically excluded* and they will remain excluded until they have the necessary skills or eggs to sell.

In a capitalist system like ours there is no way whatsoever in which the small economic ruling class can be pressurized to accept *accountability* – or to show commiseration – for the dismal plight of the impoverished and unemployed majority.

**Let me conclude:** Our joint politico-economic system is highly *dysfunctional*. It is *dysfunctional* because neither the political ruling class nor the economic ruling class are held *accountable* – or can be held accountable - for the *elitism* of the system and for the systemic betrayal of the poor. This is not democracy. This is political *cronyism* and economic escapism *par excellence*. The challenge is to find a way to *radically democratize* our elitist political and economic institutions to ensure that both the political and the economic ruling class are indeed held *accountable* for their disgraceful neglect of the poor and the unemployed. The danger is that without a radical democratization of our *elitist* system, the underclass can one day demand *accountability* from the ruling classes in a violent and non-democratic way.

Correlation coefficients, determine the degree of linear association which does not necessarily imply causation in any meaningful sense of that word. Granger (1969) developed an approach to test whether one variable "caused" another or visa versa. The approach tests how much of the one variable can be explained using its' own past values and if adding past values of the other variable, the explanation can be improved. It determines the lead/lag relationship between variables, and in this case price. In a competitive market where price discovery is determined by supply and

Figure 5: CPI Milk and PPI Dairy and Eggs: February 2000 - November 2006



From the above it is clear that the degree of association between the producer price and processor and retail prices is not as strong as when they were not de-trended. Thus changes in prices at the producer level are not strongly associated with changes in price at both the processor and retail level. One could argue that the researcher should have de-trended the retail prices with the CPI milk and the producer and processor prices with the producer price index (PPI) for dairy. Figure 5 shows the CPI milk and PPI dairy and eggs on the same graph. The two indexes follow each other very well until February, March 2002, after which the CPI continues to increase while the PPI remains relatively constant indicating that the whole sale price of dairy products remained fairly stable while the retail prices continued to increase. It is not clear why retail prices continue to increase while producer prices remain relatively constant.

Real Retail Price			
Real Processor Price	1		
Real Producer Price	0.51	1	
Real Retail Price	0.35		1

Table 11: Correlation Coefficient real producer, real processor and real retail prices of Retailer B 'own brand' UHT milk.