

**BUILDING CONSENSUS IN THE ECONOMY:
AN OUTLINE OF THE DEBATE¹**

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1. The economic debate as part of a broadly based systemic debate

South Africa is at present still in the midst of a (political, economic and ideological) transformation. This process started in the middle of the 1970s and the political dimension thereof underwent an important political transformation in 1994. It would, however, be a mistake to allege that the transformation is almost complete. Very important transformations in *social* and *economic* relations in an *ideological* orientation are still taking place. It may take at least another 10 years before a stable social and economic framework and a common value system will be in place. Only then will it be proper to regard the transformation as complete.

From an economic point of view, the South African transformation will not be complete before a new SYMBIOSIS has been forged between (the black controlled) STATE and (the mainly white controlled) CAPITAL. To be in line with today's world, South Africa has no choice but to develop an appropriate system of democratic capitalism to replace the previous system of racial capitalism. Due to the fact that the political power will be concentrated mainly in black hands, while economic power will remain in white hands - at least for the foreseeable future - the system of democratic capitalism will be rather vulnerable during its period of formation.

To forge a successful SYMBIOSIS between STATE and CAPITAL (as the basis of a sustainable system of democratic capitalism) at least two things will be necessary. First, a relatively stable social structure to discipline all those partaking in economic activities to act in a manner reconcilable with a system of democratic capitalism. Secondly, a unifying ideology (or shared values) with which both those in control of the STATE and those in control of CAPITAL can identify and can internalise as directive principles. Given South Africa's position as a developing country, highly dependent on the influx of foreign investment, the SYMBIOSIS between STATE and CAPITAL would only succeed to create conditions conducive to accumulation and

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economic growth if the unifying ideology (and the values on which it is based) is of such a nature that it will facilitate South Africa's reintroduction into the Global Economy.

It is important to realise that the economic debate during the period of transformation cannot be a narrow debate, restricted to what is popularly regarded as economic phenomena. The South African economic problem is presently a systemic problem, closely intertwined with other systemic problems such as the task to build a new political order, to build a new society and to internalise a new unifying ideology. Given the importance of the Global Economy in today's world, the predicament in which South Africa finds itself at present will remain unresolved if our social and economic system cannot be reconstructed in a manner reconcilable with the rather strict conditions set by the Global Economy for developing countries such as South Africa.

2. Polarisation in the political debate on five problem areas

The political debate about the South African problem has lately become rather polarised between the New Left orientated protagonists of the (mainly black) ANC government and the New Right orientated protagonists of the (mainly white) opposition parties. The fact that two of the (mainly white) opposition parties - i.e. the NP and the DP - have close links with the (mainly white) capitalist sector, gives an additional dimension to the debate between the South African New Left and New Right. While the protagonist of the government are inclined to blame virtually all the serious problems facing the country on the apartheid system, the protagonists of the opposition parties are inclined to disavow themselves from any responsibilities for the current problems by attributing these problems almost exclusively to the mal-administration and the alleged endemic ineptness of the new government.

The protagonists of the new government regard the South African problem mainly as a still unresolved *moral* problem, caused by the structural injustices inherent to the systems of white political dominance and racial capitalism. The protagonists of the opposition parties (and the mainly white capitalist sector), however, are going out of their way to shift the focus away from moral issues and try to identify the South African problem as an *efficiency* problem, caused by the policy blunders of the new government and by its (alleged) inability to formulate and implement a comprehensive and effective policy strategy. Although both these polarised views contain elements of truth, we certainly cannot leave it to the political parties - with their short-

term party political agendas - to do a proper analysis of the systemic problems facing South Africa. The debate between the political parties is, nonetheless, important as an example of the sharp difference in the value (and/or ideological) orientation between the two political groups, representing STATE and CAPITAL respectively.

Fortunately, it is not only the political parties that are participating in the (mainly) ideological debate on the South African problem and on possible solutions. It may be possible to distinguish a pattern in the broadly based debate and to identify a growing consensus about certain issues such as where we are coming from, where we are, and where we are heading.

For the purpose of this paper, we can identify the problems at present facing the South African political economy in terms of the following five problem areas:

First, a lack of the necessary *socio-economic stability* as manifested by the high level of violence, crime and other forms of lawlessness.

Secondly, a lack of the necessary *equity* as manifested by the sharp inequalities in the distribution of income, of property and of opportunities and in the abject poverty in which the poorer 40 per cent of the population has to live.

Thirdly, the relatively low level of *economic growth* and the poor job creating ability of the economy.

Fourthly, the inability of both the private and the public sectors to create socio-economic and ideological condition conducive to a fuller integration of the South African economy into the *Global Economy*.

Fifthly, the inability of the new government to *govern effectively* and to facilitate the systemic transformation towards a sustainable system of democratic capitalism.

It is necessary to emphasise that these five problem areas are closely interdependent, in the sense that an adequate solution for each of them very much depends on progress attained in finding solutions to the other four problem areas.

3. An outline of the debate

To understand the debate on South Africa's present political economic situation, it is necessary to give a summary of the opposing views about the causes and possible solutions of each of the five problem areas mentioned above.

3.1 *The need for socio-economic stability*

The most visible and the most talked-about problem in South Africa - both locally and internationally - is the high level of violence and criminality. Last year the World Health Organisation (WHO) released figures showing that South Africa's murder rate, at 53,5 per 100 000 people, was more than twice that of the country with the second highest murder rate in the world, the Caribbean island of St Lucia, with 22,6 murders per 100 000 people. To this we must add the high level of thefts, car hijacking, organised gangsterism, drug smuggling and the unlawful activities of a variety of local and international syndicates. Although all kinds of petty crime and thefts have become part of the survival struggle of the poor, crime and organised lawlessness is not by any means restricted to the poor and traditionally disadvantaged population groups. Alarming forms of criminal activity, reflecting anti-social attitudes - for example the unpreparedness to pay rates and taxes - have also become prevalent in wealthy white circles. White collar crime and corruption attained a structural character in the 1980s and it seems as if this characteristic has been perpetuated intact into the new South Africa.

Opposition parties and their supporting media blame the high level of crime and violence almost exclusively on the inability of the new government to maintain law and order. There is some merit in this accusation, but it is unfair to put all the blame on the new government. Due to the strategic role the police have had to play in maintaining the apartheid system, it now does not have the credibility to fight crime and violence effectively. The fact that corruption has seemingly become rife in the police service complicates matters tremendously. The judicial and correlative services, inherited from the previous government, are also not suitable for the task of effective crime prevention.

There is growing consensus that the high levels of crime and violence must be attributed to a multitude of factors that have undermined society formation in South Africa over a relatively

long period of time. We should not forget that the main characteristic of South Africa's history, over a period of more than 300 years, has been the dragged-out group conflict and group plundering between a multitude of ethnic, colour and language groups. Until the beginning of the century, the group conflict was rather bloody - such as the wars of the British colonial authorities against the Xhosas, the Zulus and against the two Boer Republics. Since 1910 the process of group plundering has continued, but within constitutional frameworks. Although it has become less bloody, it has remained rather violent. During the apartheid period, society was artificially divided and fragmented into hostile groups. We can put forward a strong argument that the deprivation, the repression and the injustices inherent to the system of apartheid, not only impoverished the African population, but also brutalised large numbers of Africans. It is not reasonable to expect that those sections of the population that have been impoverished and brutalised by the inhuman structures of apartheid should suddenly act in a civilised and pro-society manner now that the structures of apartheid have been removed. The "wounds" afflicted to society and to numerous individuals by apartheid will, unfortunately, remain part of the South African situation for a considerable period of time.

Violent activity became widespread during the Struggle and the Resistance of the NP government against it - especially in the period since 1976. Both the Struggle and the Resistance were accompanied by ideological warfare. This situation gave people on both sides of the great divide ample opportunities to find all kinds of moral, religious and ideological justifications for their violent and criminal activities. Unfortunately, this tendency to act in an anti-social manner and to find easy ideological justification for such behaviour - some of a rather dubious nature - has become internalised in the value orientation of large sections of the population. After decades of Apartheid and the Struggle against it, the South African society is a very disruptive and divided society, not only along racial and ethnic lines, but also because of seemingly unreconcilable values and attitudes.

It will not be wrong to claim that a large part of the tendency towards lawlessness and corruption that is ravaging the New South Africa in the second half of the 1990s, has its origin in the latter half of the 1980s. The years from 1985 until 1990 must be regarded as the "darkest" years in South African history. In a desperate attempt to maintain the system of white dominance, the NP government declared several states of emergency. President Botha's strategy of "co-optive dominance" was *per se* a pretext to institutionalise a system of "structural corruption". Those

prepared to co-operate with the bureaucratic state were handsomely rewarded, while every form of opposition was mercilessly repressed. During the same period the so-called Mass Democratic Movement made many black townships ungovernable. A low-level war was fought with every conceivable "weapon". Corruption and lawlessness became institutionalised on both sides - and both sides regarded their actions as legitimate.

If we had to identify the most serious problem facing South Africa today, then it is the absence of a proper *social structure*. The South African population does not presently constitute a Society. We do not have the shared values, the cross cutting interest groups and the common history necessary to cement the population into some kind of community. There are signs of an emerging civil society, but it is still too fragmented to be instrumental in society building and to exert the necessary constraints on the tendencies towards lawlessness and corruption. Important parts of the emerging civil society were previously associated with the liberation struggle. During the Struggle their orientation was to destroy apartheid. To what extent these organisations can reorientate themselves to play a constructive role in Society Building, is still uncertain.

The importance of a well-developed and a well-integrated Society, as a precondition for a market-orientated economy, is not always appreciated to the necessary degree. Before Adam Smith published his *Wealth of Nations* in 1776, his *Theory of Moral Sentiments* was published in 1759. If both books are read simultaneously, it becomes clear that Adam Smith regarded a well-developed society as an indispensable *precondition* for a market economy. The main problem addressed by Adam Smith was whether individuals, pursuing their self-interest, will not disrupt society through selfish and anti-social behaviour. He was confident that if a well-developed society was in place, it would discipline all the participating individuals to pursue their self-interest in competitive markets with *prudence* and in a civilised manner. From this it ought to be clear that a capitalist economic system, with its heavy reliance on individual freedom and initiative, cannot function in a social and moral vacuum - i.e. in a situation where neither groups nor individuals are constrained by appropriate social structures and societal values.

Against this background, there can be little doubt that South Africa's main task at present should be Society Building in the broadest sense of the word. This is necessary not only for its intrinsic value, but also because it is an indispensable precondition for a capitalistic orientated economic

system. South Africa can also not expect to receive the desperately needed support from the Global Economy if law and order is not restored within the framework of a social structure based on civilised values. South Africa at present finds itself in a strange catch-22 situation. It needs a much higher degree of social stability to create conditions for accumulation and an increased economic growth rate. But if South Africa could maintain a higher growth rate for a reasonable period of time, it can bring an end to some of the group conflict and strife and integrate marginalised groups into the mainstream of the economy. The task of Society Building can then be much easier.

To suggest that Society Building should presently be our main task, is easier said than done. The problem is that Society Building is something that cannot be accomplished in the short term. It is a multi-faceted process that can only unfold over a relatively long period of time. Over the last two years President Nelson Mandela's charismatic personality has made a valuable contribution towards "nation building" and towards the healing of wounds. The Truth and Reconciliation Commission (TRC) is also supposed to bring about reconciliation in a country torn apart by decades of group conflict and group strife. It is still too early to say whether the TRC will accomplish its purpose. Recently its activities have caused a lot of discontent and controversy. This should not surprise anybody. It was clear from the outset that the process was going to be a very painful one. It was, however, a process that South Africa could not avoid.

The revival of ethnicity in the new South Africa will undoubtedly hamper the task of Society Building. It is rather unfortunate that ethnicity - which has played such a decisive role in South Africa's history of group conflict and group strife - should surface again during the early years of the new democratic South Africa. The two strongest examples of aggressive ethnicity also have a strong territorial basis, i.e. the Zulu ethnicity in Kwa-Zulu Natal and Afrikaans "nationalism" (including White and Coloured people with Afrikaans as mother tongue) in the Western Cape. Both these versions of ethnicity could seriously disrupt attempts towards Society Building.

What ought to be clear during this earlier phase of Society Building is that we cannot afford - especially from a political and economic point of view - to allow violence, criminality and lawlessness to degenerate into a situation of chaos. As is evident from the experience of other countries during their periods of transformation, tendencies towards "lawlessness" are to be expected after long periods of protracted political conflict and strife. The lesson to be learnt from

other countries in similar situations of threatening chaos, is that the (new) authority should be strict and uncompromised in its efforts to restore law and order.

Although strict law enforcement will not necessarily eliminate the root causes of the lawlessness and the anti-social behaviour, it is nonetheless an indispensable precondition of Society Building. Whether the ANC government - with its strong emphasis on democracy and human rights - has the will and the capacity to restore law and order with the needed iron fist, is doubtful. This is a matter that will be discussed again in section 3.5 below.

3.2 *The need for a redistribution and a poverty relief programme*

The very unequal distribution of income, property and opportunities, and the widespread poverty must also be regarded as one of South Africa's most serious problems. The GINI coefficient is probably the best known measure of inequality and the most appropriate measure for international comparisons. The South African GINI coefficient was estimated at 0,68 for 1991. Of all the countries for which satisfactory data are available, South Africa has the highest GINI coefficient and therefore the highest degree of inequality.²

Although the structures and policies of racial capitalism and apartheid cannot be blamed for all the inequalities, a large (albeit indeterminable) part of these inequalities can - and should - be blamed on the social, economic and political structures created and maintained during the period of white supremacy. The per capita income of whites in 1946/47 was 10,6 times higher than the per capita income of Africans. This racial disparity ratio had increased to 15 times by 1970, due to the intensification of discriminatory measures by the NP government since 1948. The increased bargaining power of some African groups during the Struggle caused the racial disparity ratio to decline to 12,3 times in 1991.³ Apart from the racial disparity ratio, the unequal distribution of income can also be illustrated by arranging South Africa's population by income groups. In figure I the population is divided in equal fifths. While the richest fifth received 68,9 per cent of total income, the poorest fifth received only 1,5 per cent of total income! Almost all the whites form part of the richest fifth, while the poorest fifth comprises mainly Africans.

² See Whiteford A. and McGrath M., *The Distribution of Income in South Africa*, HSRC, 1995, Table 6.6.

³ *Ibid*, Table 5.5.

Property, wealth and economic power are also very unequally distributed. It was estimated in the mid-1980s that 88 per cent of all personal wealth was owned by the top 5 per cent of the population. Due to the Land Acts of 1913 and 1936, it was (until recently) not possible for Africans to own land (small exceptions aside) in 87 per cent of the South African territory. As far as power is concerned, economic power and control are very much concentrated in the hands of the white group. The five largest 'corporate conglomerates' control more than 80 percent of the value of the stocks quoted on the Johannesburg Stock Exchange. 'Media Power' is also concentrated in the hands of a few white controlled newspaper groups⁴.

Figure 1⁵

⁴ This situation may change in the near future. An African business consortium is to take over Johnnic, which currently controls several English newspapers.

⁵ Whiteford, A, Posel, D and Kelatway, *A profile of Poverty and Human Development*, HSRC, 1991, Table 10.

What is perhaps even more alarming is the large number of the population living in poverty - i.e. below a specified poverty line. It is estimated that 48,9 per cent of total households (or 17,3 million individuals) are living in poverty. The greater majority of those living in poverty are Africans.⁶ Important shifts have taken place in the distribution of income among the different racial groups from 1975 until 1991. The most disconcerting development, however, has been the sharp decline in the income of the bottom 40 per cent of African households. Their income declined by 42 per cent, while the next 20 per cent of households' income declined by 26 per cent. Sixty per cent of all African households were, therefore, considerably poorer in 1991 than in 1975. The poorest 60 per cent of Africans have not only been impoverished by the exploitative structures of segregation and apartheid, but they also had to bear the brunt of the damage done to the economy during the Struggle and the Resistance. The simple fact that the whites have controlled the economy and have moulded it to serve their interests, has directly and indirectly been very much to the disadvantage of people other than white. For decades the system of racial capitalism was for decades based on cheap, unskilled African labour. The capital intensity of the Western orientated economic system and its poor employment creating ability are important causes of the high level of unemployment. (See foot 9 in the next section for the causes of the capital intensity of the economy). A high percentage of the unemployed are Africans; another important reason for African poverty.

In the debate on the causes of inequality and poverty, sharp ideological differences exist between the arguments put forward by the (mainly white) middle class and (mainly black) lower classes. The polarised debate is a close reflection of the debate between the New Right and the New Left in Western countries. Wealth and poverty are often ascribed in the rich Western world to the merits and demerits of the relevant individuals. In South Africa the whites are also very inclined to claim that they have earned their income and wealth through their individual abilities and hard work. The mainly white middle class - with its typical success ethic and individualistic orientation - is also inclined to blame African poverty on the alleged flaws and shortcomings in the character and personality of the impoverished individuals. Due to these white middle class prejudices, the whites are in general rather unsympathetic towards the plight of the poor and also unprepared to acknowledge that *systemic* and/or structural factors played a causal role in the unequal distribution of income and in the widespread poverty in the ranks of people other than white. Given the almost dogmatic acceptance of middle class (and freemarket) prejudices in

⁶ *Op cit.*, Table 7.1 Whiteford and McGrath estimated that 67 per cent of African households live in poverty Table 7.3.

white circles, it is a rather unavailing task to try to convince the whites about the important role the *structures* (or power relations) of white political dominance and racial capitalism have played, since the beginning of the century, in the enrichment of the whites and in the impoverishment of people other than white. Whites are simply not prepared to acknowledge that a large part of their wealth is undeserved and that a large part of the poverty of the Africans is also undeserved! It will take a huge effort of adult education to convince the whites of the truth about white wealth and black poverty in South Africa (see section 3.5 below).

The sharp disagreement about the true causes of inequality and poverty hampers the introduction of an effective poverty relief program. Those who judge the problem with typical middle class prejudices are normally quick to complain that poverty relief that involves handouts, is morally unjustifiable. But in spite of this complaint, strong moral, economic and political arguments can be put forward in favour of a comprehensive poverty relief programme - or for a War on Poverty.

Poverty is so widespread and severe, that poverty relief is desperately needed from an humanitarian point of view. Given the wealth available in the country, it is certainly indefensible that 40 per cent of the population - i.e. those living in poverty - receives only 5,6 per cent of total income, while the richest 20 per cent receives almost 70 per cent of income. The poorest 40 per cent of the population can be regarded as the true victims of both Apartheid and the harm done to the economy by the Struggle and the NP government's Resistance to it. Viewed from this perspective, the poverty of the poorest 40 per cent is to a large extent not of their own making. A heavy responsibility therefore rests on the shoulders of the democratically elected government to implement policy measures to relieve the poorest 40 per cent of their *double burden* - i.e. the burden of both Apartheid and the Struggle!

A comprehensive poverty relief programme is also needed to create the necessary social stability. The high level of violence and criminality is undoubtedly poverty-related. A poverty relief programme is also needed to break the "vicious circle of poverty" for those people trapped in a sub-culture of poverty. In many cases poverty has become institutionalised to such a degree that it is no longer an economic problem, but mainly a sociological one. In the case of chronic community poverty a poverty, mentality is perpetuated from one generation to another. In these kinds of disrupted and dysfunctional communities, it is of no consequence to be concerned about

the "dependency culture" that may be created by a poverty relief programme that contains handouts.

We must also take note of the fact that the poorest 40 per cent is by far not as well organised as the middle 40 per cent. Given the strong bargaining power of the middle 40 per cent (i.e. mainly those with job opportunities in the formal sector) vis-à-vis the poorest 40 per cent (see Figure 1), a distinct possibility exists that the government may neglect the poorest 40 per cent. If this should happen, a new kind of "apartheid" can develop between the so-called (organised) Black Insiders and the (unorganised) Black Outsiders. This kind of "discrimination" will not only be very detrimental from an economic point of view, but may in the long run also undermine the social and political stability of South Africa⁷.

In spite of these strong arguments in favour of a comprehensive poverty relief programme, it seems as if fiscal constraints prohibited the new Government to implement such a policy. It also seems as if the new government does not have the necessary organisational capacity to implement an adequate poverty relief programme⁸. Consequently, the argument of the wealthy middle class that the only way to solve the poverty problem is to maintain a high economic growth rate, seems to have won the day - at least for the present. The "Redistribution through Growth" strategy is based on the assumption that a high growth rate will have a favourable "trickle down effect". This, however, is not necessarily the case. When it becomes apparent that the redistribution effect of a higher growth rate - attained by the government's new macroeconomic strategy for "growth, employment and redistribution" (see below) - is not as redistributive as envisaged, the demand for a comprehensive poverty relief programme will again become urgent. The question whether redistributive measures - and especially a poverty relief programme - are a *precondition* for greater social stability and for a higher economic growth rate, will remain a nagging one.

⁷ The new government should not ignore the warning of Whiteford and McGrath: "The gap between black and white income was certainly a partial cause of the social and political turmoil which this country has experienced over the past decade and more. The possibility now exists that the emerging income gap among Africans can threaten the viability of (the) democratically elected government". *Op cit*, p 75.

⁸ The lack of capacity becomes more evident when it is realised that an appropriate poverty programme cannot be implemented by the Department of Welfare and Population Development, but would necessitate a special State Department.

3.3 *The need for increased economic growth and employment creation*

The two decades from 1973 until 1994 was a period of stagflation and growing unemployment in South Africa. During this period the annual growth rate was only 1,7 per cent and the real per capita income declined at an annual rate of 0,7 per cent. The part of the labour force that could not find employment in the formal sector of the economy increased from less than 20 per cent to more than 40 per cent. Since the early seventies the value of the South African rand declined from $\pm \$ = R1$ to $\$ = R4,5$.

The poor performance of the South African economy since 1974 can to a large extent be blamed on the Struggle and the Resistance against it. The protracted struggle for political control in South Africa took place, to a large degree, in the economic arena and has done considerable damage to the economy.

As one can expect of a developing country, foreign investment played quite an important role in South Africa's development. During the period 1946 to 1976, an annual economic growth rate of 4,6 per cent was maintained. During this period, 13,5 per cent of Gross Domestic Investment (GDI) was financed by foreign investment. During the 1960s and early 1970s, South Africa's overall investment record was very impressive, with the ratio of fixed investment to GDP rising from 18 per cent in 1962 to a peak of 30 per cent in 1972. Since 1976 the investment to GDP ratio has declined to a low of under 16 per cent in 1993. An important factor in this decline was the outflow of foreign investment (due to the disinvestment strategy of the liberation movement). During the same period real net domestic savings also declined sharply.⁹ The gross domestic savings is at present 16½ per cent of GDP, while investment forms 19 per cent of GDP.

During 1994 and 1995 the economy experienced a slight revival, concurrent with the political transformation. The growth rate increased to 3 per cent, but it turned out to be mainly jobless growth. The rather poor job creating ability of the economy has become a matter of great concern. It can be blamed on the high capital intensity of the modern sector. The capital labour ratio has increased by more than 300 per cent since 1960¹⁰. When the liberation organisation was

⁹ While net savings was as high as 14 per cent of GDP in the 1960 and early seventies, it has declined to the low level of 6 per cent per annum.

¹⁰ The tendency towards capital intensity was stimulated by Dr. Verwoerd's policy to create a white economy (independent of African labour) in South Africa. When trade-union rights were given to Africans in 1980 - at a time when the Africans were still deprived of political rights - African trade unions (such as Cosatu), not only played a

unbanned in 1990, great uncertainty existed about the economic policies of a future black government. Immediately after Mr Mandela's release in February 1990, he stated in unequivocal language that nationalisation of private enterprises was still part and parcel of the ANC's economic policy. This caused considerable trepidation in the ranks of the highly concentrated corporate sector of South Africa. On strength of the promises made in the 1955 Freedom Charter of the ANC, it was generally feared in white circles that an ANC-government would be inclined towards the same kind of macroeconomic populism that had caused havoc in South and Latin American countries in the decades after the Great Depression.

The interim period (from 1990 to 1994), when informal and formal political negotiations took place, was very productively utilised by the capitalist sector for economic discussions with the ANC on the economic system and policies for a future democratic South Africa. During these discussions the ANC leader core moved through a so-called "learning curve" to appreciate the hard realities of a market orientated economy in an expanding Global Economy. During these discussions the ANC was also "educated" about the severe economic problems facing South Africa after 20 years of stagflation and growing international isolation.

Van der Berg gave the following summary of the "shifts" that took place in the ideological orientation of the ANC on economic matters:

The ANC became increasingly drawn away from its earlier simplistic adherence to socialist rhetoric and equity dogma as spelt out in the Freedom Charter Today, the ANC's formal position on many issues is no longer distinguishable from that of centre-left political groupings in Western Europe and in its commitment to social equity within a market-driven economy. It is a conventional social democratic party.

This shift in ANC economic thinking has not been unproblematic for its labour allies, who reluctantly had to accept the defeat of socialist ideology in the modern world, but who found it hard to come to grips with this. Moreover, the ANC is a broad church that has found it increasingly difficult to reconcile the interests of widely diverging interest groups. Amidst widespread unemployment, it is now no longer strange to hear ANC politicians mutter darkly about the "labour elite" who undermine job creation and

decisive role in the liberation struggle, but also used its bargaining power to increase African wages sharply. These wage increases gave a further stimulus to the capital intensity of the modern sector of the economy. Due to the high capital intensity, the economy has become highly dependent on capital goods influx. When the growth rates increase with one percentage point, the import of capital goods increases with 3,4 per cent. On the one hand the high capital intensity is therefore responsible for the weak job creating ability of the economy. On the other hand, it is responsible for the high dependency on capital imports and on the influx of foreign investment to maintain a higher growth rate.

economic growth. Labour is now but one of the interest groups served by the ANC, and it is clear that the interest of the groups making up its constituency sometimes diverge.¹¹

During the first two years of the new political dispensation, an unnatural "windlessness" existed in the ideological debate on economic matters. In this period Nedlac (the National Economic Development and Labour Council) was formed as the central vehicle for dialogue on social and economic policy between the newly elected Government and the major organised constituencies in the country. In 1995 Nedlac played a key role in finding enough common ground for a new Labour Relations Bill to be enacted with the support of the parties at Nedlac. The apparent agreement in Nedlac was, however, deceptive. This became evident in the "ideological war" between Big Business and organised labour in the first half of 1996.

The continued poor performance of the South African economy and the high level of unemployment caused an extra-ordinary 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.¹² The document is written in a very aggressive - and perhaps too aggressive - style. Its attitude towards the new government's economic policy - or the lack thereof - is almost hostile. It alleges that "no credible and comprehensive policy framework exists - only a broad conglomeration of plans and objectives". It strongly emphasises the deteriorating situation of crime and violence and warns that this may wreak economic havoc. It asks for an unequivocal commitment by the government to be tough on crime and violence. It's strongest criticism is targeted against the new government's fiscal investment, labour and trade policies. It makes a plea for a drastic decline of the budget deficit from almost 6 per cent to less than 3 per cent and to decrease it at a rate of at least 1,5 per cent of GDP annually. To attain this, all government spending (including social spending) as percentage of GDP should be decreased and government employment should be decreased rather drastically, while income taxes should also be decreased. Its most controversial proposal is for a brisk privatisation programme that could generate approximately R100 billion. The argument set out in the document is that the proceeds could be used to repay a large part of the public debt (presently almost 60 per cent of GDP) and to create lucrative investment opportunities to invite the highly needed foreign investment and entrepreneurship.

¹¹ Van der Berg, J. *Labour and private sector strategies for growth*. Unpublished paper, June 1996.

¹² "Growth for All: An economic strategy for South Africa", prepared by the South African Foundation, Johannesburg, February 1996.

In the SAF document the high level of unemployment is not blamed on the high capital intensity of the modern sector, but on rigidities in the labour market. The document states that unionised workers earn far more than their non-union counterparts and that wages are too high in relation to productivity. It claims that the inefficiencies and inflexibility built into the labour market has impeded growth (particularly via undermining industrial exports) and has led to the economy having virtually no capacity to create jobs. The document makes 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 argument is that an increase in lower-wage jobs will not only increase employment, but will also increase the trickle-down effect of a high growth rate. Finally, the SAF document makes a plea for a vigorous export drive as an indispensable element in a strategy for a higher economic growth rate over the long term¹³.

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 sees the first priority to be growth with job creation, organised labour sees the active promotion of social equity as the priority. The document opens by investigating the inequalities in society, in contrast to the SAF document, which starts by painting a picture of the poor growth performance and states that unemployment is South Africa's biggest problem. The labour document proposes six pillars to promote social equity and job creation. It is rather meaningful that not one of the six pillars of the labour document is similar to the five pillars of the SAF document¹⁴. Cosatu's main complaint is that the SAF document is written in terms of the Thatcherite ideology of "neo-liberalism" and that it is completely inappropriate for a country such as South Africa with its widespread poverty in black circles and the high concentration of economic power in white hands. Its criticism is summarised in the following paragraphs:

It is telling that the business community represented by the SA Foundation has launched a well-financed and well publicised campaign to cling onto their wealth. They do so by creating a range of red-herrings, such as the alleged "inflexible" labour markets and the

¹³ To succeed with an export drive, the importance of a more flexible labour market and wage constraints are again emphasised. It also makes a plea for the replacement of export subsidies with supply-side measures to boost productivity and for the elimination of most exchange controls on residents within two years.

¹⁴ The five pillars of the SAF document is (i) an appropriate legal framework (ii) an appropriate macro-economic policy, (iii) an efficient government (iv) competitive market through privatisation and a flexible labour market, and (v) an outward orientated economic policy. The six pillars of the Cosatu document are (i) job creation, (ii) redistributive fiscal policies, (iii) breaking the stronghold of big business in the economy, (iv) improving worker rights, (v) building greater industrial democracy and (vi) championing economic development and worker rights internationally.

alleged "labour elite". In so doing, they seek to let poor people pay for growth and development, whilst keeping the wealth and power to the privileged intact.

Their policy prescriptions consist of a restatement of ideologically driven 'solutions'. Behind the gloss lies the oft-repeated programme of economic deregulation, lower tariffs, privatisation, weaker trade unions, lower corporate taxes, reduced labour standards and financial market liberation. This has become known as the "neo-liberal" programme.

It is a programme which has been advanced by the International Monetary Fund and the World Bank, and by international capital. South Africa's business has merely repeated the stale and simplistic formulated underpinning these programmes. It is a programme to weaken the trade unions. It is a programme which will divide society, strengthen the wealthy and reduce the prospect of negotiated agreements. It is certainly not true that increased growth automatically leads to increased equity. Indeed, the experience of the Reagan/Thatcher years has shown that growth in these societies came at the expense of labour (pp5-6).

After the publication of the Cosatu document, it seems as if little common ground exists between Big Business and Labour and that it would not be possible for government to find policies which can appeal across such a great divide. Van der Berg makes the important point that in spite of the sharp differences, the ideological differences between Big Business and Labour are not explicitly brought to the fore as was the case in past decades!

Though the demands in the labour document all appear to implicitly reject the principles of capitalism, ideological socialism is not alive in the Cosatu document. The lurking socialist influence is much the weaker for having no coherent ideological framework. The labour document is a pragmatic rather than an ideological one, propagating interests rather than an ideological position. One gains the impression that labour itself has advanced the document not as a serious attempt at spelling out a policy view, but as a bargaining chip. One shared view is that "it is growth which fosters job creation which is critical" (Cosatu 1995:5). Cosatu appears to recognise that the debate is going against it, that in most circles there seems to be an acceptance that the labour movement speaks only for the interest of the employed and that their demands may often be contrary to those of the unemployed. Both business and labour are very keen that jobs should be created, even though they may apportion the blame for the lack thereof differently.¹⁵

In June 1996 the Ministry of Finance published the department's new macroeconomic strategy - *Growth, Employment and Redistribution (GER)* (prepared by a group of 15 economists)¹⁶. The purpose of the document was to formulate a comprehensive and well integrated macroeconomic strategy. Both the SAF and the Cosatu documents emphasise the lack of a government strategy.

¹⁵ *Op. cit.*, p 10.

¹⁶ *Growth, Employment and Redistribution - A Macro-Economic Strategy*, Department of Finance, Pretoria, 1996.

The GER main starting point is that although growth of at least 3 per cent per annum represents a considerable improvement on past performance, it is not a development path which meets the goals South Africans have set for themselves. It alleges that in the context of a 3 per cent growth, it is doubtful whether annual job creation much in excess of 100 000 would be possible over the next five years. With a 3 per cent growth, the scope for increased public spending on social services would also be severely limited while the balance of payment would also remain a structural barrier to accelerated growth (p 3).

GER's point of departure is that sustained growth on a higher plane requires a transformation towards a *competitive, outward-orientated* economy. 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 2000.¹⁷ To attain a growth rate of 6 per cent in the year 2000, the GER 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 hopeful that gross domestic savings will rise to 22 per cent of GDP and that gross domestic investment will increase to 26 per cent of GDP in the year 2000. This will require 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 presuppose much greater reintroduction of the South African economy into the Global Economy. This will be discussed in the next section.

The GER is rather optimistic that its integrated macroeconomic strategy would be instrumental in creating some 833 000 more jobs than would otherwise be possible. It hopes that 1,3 million additional jobs will be created in the next five years¹⁸. This is an optimistic projection. It can only materialise if the labour unions are prepared to give their co-operation in labour market reform and in wage moderation.

¹⁷ Several inter-related developments are called for: accelerated growth of non-gold exports; a brisk expansion in private sector capital formation; an acceleration in public sector investment; an improvement in the employment intensity of investment and output growth; and an increase in infrastructural development and service delivery making intensive use of labour-based techniques. The expansion envisaged in the above aggregates is substantial and entails a major transformation in the environment and behaviour of both the private and the public sectors. This must include: a competitive platform for a powerful expansion by the tradeable goods sector; a stable environment for confidence and profitable surge in private investment; a restructured public sector to increase the efficiency of both capital expenditure and service delivery; new sectoral and regional emphases in industrial and infrastructural development; greater labour market flexibility; and enhanced human resource development (p 2).

¹⁸ "Growth itself could account for about one-third of the increased job creation envisaged under an integrated strategy. Government programmes can add a further quarter of the new jobs, mainly through accelerated labour-based infrastructural development and maintenance of public works in urban and rural areas. Some 30 per cent of the increased employment will have to arise from institutional reforms in the labour market, employment enhancing policy shifts and private sector wage moderation" (p 18).

The GER document was received very well by the business community, while Cosatu's reaction to it was not as negative as expected. From an ideological point of view, it takes a position between the SAF and Cosatu documents, but undoubtedly closer to the former. Cosatu's mild reaction towards the GER can be attributed to the moderate idiom in which it is written, compared with the SAF document. An important complaint raised against the GER by the "left wing" of the Alliance, is that if the macroeconomic strategy succeeds to move the economy onto a higher growth path, it will very much be to the advantage of the (mainly white) corporate sector and that it may even bring about a greater concentration of economic power. This is probably a valid complaint, but the wealth owned by whites and the concentration of economic power are "structural problems" that must not be confused with short-term macroeconomic problems. The "restructuring" of power relations in the economy is a matter that should be addressed irrespective of the success, or not, of the macroeconomic strategy.

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, can be regarded as a remarkable shift in the ANC's ideological orientation in the period from 1990 to 1996. The ANC's strong commitment to stick to the strategy has opened important ideological differences within the tripartite Alliance of the ANC, Cosatu and the South African Communist Party (SACP). Whether the "broad church" would succeed in accommodating the ideological differences within the Alliance will not only be one of the most interesting, but also one of the most meaningful developments to watch during the next six months. The degree to which the Budget of March 1997 can accommodate the recommendation of GER and Cosatu's reactions to it, will be decisive.

The general agreement between the ANC government and the business sector on the GER is indicative of a growing understanding between (the mainly black controlled) STATE and (the mainly white controlled) CAPITAL. To claim that it is also indicative of a SYMBIOSIS between STATE and CAPITAL will be premature. As long as the Alliance between the ANC and the black labour movement remains as close as it is (if not ideologically then organisationally), and as long as the relationship between Big Business and the black labour movement remains as confrontational (and even hostile) as it is, it would be overenthusiastic to talk about a growing SYMBIOSIS between State and Capital.

For the moment we cannot come to any other conclusion than that the political and economic power struggle towards a new "constellation of power" is far from complete. Against this background we should regard the GER not only as an economic strategy, but also as an important ideological strategy. The implicit ideological purpose of the GER is to drive a wedge between the ANC and Cosatu/SAPC. The chances that it would accomplish this must be regarded as good. Although the GER is in all probability too optimistic from an economic point of view, its optimism would be justifiable if it can be instrumental in "normalising" the relationship between the ANC and Cosatu/SAPC.

One of the key words in the vocabulary of the ANC is "transformation". Although the new government has been a strong instrument for transformation, we have reason to ask critical questions about the "transformation" experienced by the ANC and by the tripartite Alliance. To what extent the ANC has succeeded to "transform" itself from a liberation organisation into a political party with the responsibility to govern the country, is not clear. Similarly it is also not clear to what extent Cosatu has succeeded to "transform" itself from a highly politicised (and even militant) trade union confederation (that has played a strategic role in the liberation struggle) into an ordinary trade union confederation. The importance of the GER as an ideological statement must be judged against the background of the incomplete "transformation" of both the ANC and Cosatu. Should the GER succeed in driving a wedge between the ANC and Cosatu, it will be instrumental in facilitating the "transformation" of not only the ANC and Cosatu, but also the relationship between them. This kind of "transformation" is an indispensable precondition for the completion of the "restructuring" of power relations necessary for a sustainable system of democratic capitalism based on a Symbiosis between State and Capital.

3.4 The need for a reintroduction of the South African economy into the Global Economy

For many years South Africa's economic and political relations with the outside world have been a controversial and ambivalent matter. As a developing country and as the exporter of primary products, South Africa is highly dependent on the inflow of capital and on the availability of export markets. In spite of these dependencies the white Afrikaners maintained - in especially the first half of century - a rather hostile attitude towards the alleged imperialistic exploitation and against the alleged exploitation of foreign capitalism. In sharp contrast to the Afrikaners, the English Establishment was always internationally orientated.

During the third quarter of the century South Africa attained a high economic growth rate, supported by a large influx of foreign investment. In this period the Afrikaner orientated NP-government "normalised" its attitude towards the Global Economy. During the Struggle the liberation organisations were successful in "organising" the international community to conduct a policy of sanctions and disinvestment against the racist regime in South Africa. This policy to isolate South Africa economically, played an important role in the economic predicament in which South Africa found itself in the late 1980s. It was therefore instrumental in the political transformation in the early 1990s.

After two decades of increasing international isolation, the South African economy is currently faced with the challenge to become *reintroduced* into the Global Economy. It is generally acknowledged in business circles that it would not be possible to move the economy to a higher growth path without a large influx of foreign investment and without succeeding in exporting labour-embodied industrial products. Unfortunately, no unanimity exists about the necessity to be reintroduced into the Global Economy. Cosatu and the SACP are anything but enthusiastic about the Global Economy and are not prepared to subjugate themselves to the harsh discipline of international markets. There are also indications that the ANC government does not appreciate fully the importance and the true character of the fast growing Global Economy.

In marked contrast with the tripartite Alliance, the white business sector and the (mainly white) opposition parties are very positively orientated towards the Global Economy. They strongly emphasise the alleged beneficial effects of the disciplinary working of international markets. One gets the impression that the (mainly white) capitalistic sector - including the (mainly white) opposition parties - nowadays even tries to "mobilise" the Global Economy to exert "economic discipline" on the new government. From this perspective, the Global Economy has become an important ideological pawn in the ongoing "power game" that will eventually determine the power relations on which South Africa's system of democratic capitalism will be based. In today's Global Economy the SYMBIOSIS between STATE and CAPITAL cannot be forged only with *local* CAPITAL, but must also be forged with *international* CAPITAL.

To appreciate the issues at stake in the ideological debate on the Global Economy, it is necessary to identify the different conjunctures of the evolving global order. We can distinguish three

conjunctures in the global order since the Second World War.¹⁹ The first conjuncture was in place from 1945 until 1971. It was the period of the Bretton Woods system, the golden age of high economic growth and the height of the Cold War. The Bretton Woods system of stable and managed exchange rates gave countries a high degree of autonomy, both with respect to the range of economic policies, and in terms of their domestic social and welfare arrangements. The kind of international economic co-operation established under this system explicitly set out to reinforce a country's economic sovereignty. The high economic growth rate - which was maintained world-wide during this period - also reduced pressure of individual countries to bring their international policies and philosophies in line with the current international authority.

This kind of world order created the "space" (or the latitude) for the NP government in the third quarter of the century to pursue its apartheid policy in spite of the fact that it was against the grain of the anti-racist attitude in not only Third World countries but also - albeit to a lesser degree - in Western countries. This world order also allowed South Africans to pursue a policy of import substitution behind protectionist trade barriers. It is fair to say the NP government became "spoiled" and "rigid" in this period (1948-1971) by the high degree of "economic sovereignty" it enjoyed.

In August 1971 the United States abandoned the fundamental principles of the post-war Bretton Woods system. From then on a very different dynamic took hold of the international order. The changing configuration limited countries' autonomies in ways which would have been inconceivable in the period 1945 to 1971. In the new growing Global Economy, South Africa could only maintain its international position so long as its export markets were not threatened and so long as its access to international financial markets remained unchallenged. Both came under attack from the mid-1970s and especially in the latter part of the 1980s. By the end of the 1980s the sanction and disinvestment strategies - propagated by the liberation organisations - brought South Africa to its economic knees. During this period the NP government tried its utmost to "go it alone" economically, but it was all in vain. Looking back, it is fair to say that in the 1970s and 1980s the NP government acted as if the old global order of the 1950s and 1960s was still in place. It can also be said, to the benefit of the NP, that when it acknowledged defeat in 1990, it subjugated itself fully to the pressure and discipline of the global order. Since then the white business sector and the NP no longer regard the Global Economy as a threat, but very

¹⁹ See O'Meara, Dan, *The Last forty years*, 1996, pp 472 - 475.

much as a "partner", not only to furnish the necessary economic support, but also to assist South Africa in the maintenance of a capitalistic orientated economic system.

The acceptance of the Global Economy by the capitalist sector in South Africa more or less coincided with the development of a new conjuncture of the world order from 1990 onwards. This new conjuncture is characterised by two aspects: the international uncertainty following the end of the Cold War and the rapid extension of all aspects - trade, monetary, financial investment etc. - of *galloping* globalisation.²⁰ In this new conjuncture the economic sovereignty of individual countries was limited in ways different from the period 1971 to 1990. In the 1930s the British economist Joan Robinson claimed that "there is only one thing worse than being a colony of Britain, and that is not being a colony of Britain." This statement can be adapted and made applicable to the "new" Global Economy ... There is only one thing worse than being part of the 'new' Global Economy and that is not being part of the 'new' Global Economy."

Two of the five pillars in the SAF document on "Growth for All" were a plea for a closer integration into the Global Economy. The SAF document motivated its request for "a brisk privatisation programme" with the argument that "it would send a strong, positive signal to local and foreign investors, demonstrating that government is committed to implementing market-friendly policies (and) that it would attract new technology and open up markets abroad". It also regarded a "vigorous export drive as part of a strategy to promote more rapid growth in exports of manufactured goods" (pp vi & vii).

In its reaction to the SAF document, Cosatu declares that "the trade union movement accepts the need to open our economy, but we required a process that is carefully managed and sequenced in order to avoid job losses". It also calls for "a co-ordinated public works programme in order to create jobs" and that "the domestic market must remain an important focus for the output of our goods" (pp 11-16). Cosatu is also not prepared to acknowledge South Africa's high dependence on the influx of foreign investment. It is of the opinion that it would be sufficient to encourage savings through a National Provident and Pensions Fund (p 19).

One of the important reasons for Cosatu not being in favour of a vigorous export drive, is because it realises that such a policy can only succeed if wage moderation can be maintained and

²⁰ *Ibid*, p 474.

if the labour market can become more flexible. The National Institute of Economic Policy (NIEP), Cosatu's economic think tank, recently launched a scathing attack on the government's macroeconomic strategy. It described the GER document as a "panic" response to the recent exchange-rate instability and lame succumbing to the policy dictates and ideological pressures of international financial institutions.²¹

The GER document is strongly orientated towards the Global Economy. It acknowledges that a growth rate of 6 per cent in the year 2000 would require capital inflows equivalent to almost 4 per cent of GDP (p 6). It also states "that the central thrust of trade and industrial policy had to be the pursuit of employment creating international competitiveness" and that "world competitiveness nowadays depends as much on comparative advantage in the public policy arena as it relies on technology, human resources and physical capital" (pp 17 & 21).

The fact that the ANC government has committed itself strongly to the GER document is an indication that it also realises the importance of a full *reintroduction* into the Global Economy. Whether the ANC also realises how important the restoration of social stability is as a precondition to invite the necessary foreign investment, is still uncertain.

The fact that Cosatu and the SACP still have a hostile orientation towards the Global Economy is somewhat incompatible if we compare their attitude with the capitalist sector and the NP's total commitment to the Global Economy. While the latter two tried to "go it alone" during the Struggle, the tripartite Alliance succeeded to "employ" the Global Economy against the old white order. It is indeed ironic that important sections of the Alliance now tried to opt out of the "new" Global Economy. The fact that Cosatu announced recently that it would support privatisation programmes conditionally could be a first step in the direction towards accepting the economic philosophy of the Global Economy.

3.5 *The need for good and effective governance*

It has been two and a half years since the new government took up office. Until the end of last year the new government's ability to govern looked rather promising. It enjoyed a high degree of internal and external confidence. But since the beginning of this year, it has seemed as if the new

²¹ Sunday Independent, 1 September 1996, p 5.

government has lost its touch. Apart from a lack of efficiency in many government departments, and apart from personal blunders by several ministers, there are also signs of a lack of co-ordination and of direction in the new government. The sharp decline in the value of the Rand since February can be attributed to a negative re-evaluation of the South African situation - and especially the new government's performance - by the Global Economy.

A great deal of the problems encountered by the new government can be blamed on the structure of the government, on the ANC's lack of experience and on its policy of affirmative action. It seems that the lack of co-ordination originates at Cabinet level. Although Pres. Mandela is a strong unifying factor from a symbolic point of view, he is not exerting the necessary co-ordinating influence on the Cabinet. In the absence of a strong and centralised "prime ministerial office", many of the ministers are free to do their own thing. This clearly has a disruptive effect on government activities. The fact that some of the ministers belong to the IFP, is also not conducive to co-ordinated government action.

Problems created by the lack of experience and/or of ability in the case of many ministers, are aggravated by inefficiencies in the bureaucracy. Some of these inefficiencies are the result of the obstructive behaviour of public service from the old order. A large part of the inefficiencies must, however, be attributed to the incompetence of public servants who have been appointed in accordance with the policy of affirmative action. Many of these appointees are simply not capable of shouldering the responsibilities with which they have been entrusted. The (mainly white) opposition parties are very harsh in their condemnation of the policy of affirmative action. Such criticism is not always valid. While we can criticise the application of affirmative action, it is not justifiable to question the validity of the principle. In its attempt to rectify the injustices of the past in too short a period, the new Government unfortunately has appointed persons in professional positions for which the appointees do not have the necessary professional capacity. South Africa can certainly not afford - given the poor state of the economy - the "unprofessionalism" that is built into the bureaucratic system by many of the affirmative action appointments.

The fact that the ANC still acts like a liberation organisation and still experiences problems to transform itself into a political party, is undoubtedly also an important reason for its inability to govern effectively. The tripartite Alliance between the ANC, Cosatu and the SAPC have the

character of a "broad church" accommodating a great variety of conflicting ideological convictions. The overarching purpose of the "broad church" was to defeat apartheid. As long as the Struggle continued, the ideological strife was easily subdued. A world of differences exist, however, between the challenges facing a liberation movement and the challenge facing the new government in the post-liberation period. If the impression should continue that the ANC is unable to achieve control over the conflicting elements within the "broad church", the chances for the new government to succeed in achieving effective control over events in the country would remain slim. Strangely enough, the ANC's strong democratic tradition is probably also impeding the government's ability to govern effectively. The tradition to consult all the so-called "stakeholders" before a decision can be made on virtually any issue may be laudable, but it is definitely not conducive to the kind of decisiveness desperately needed in the present situation.

To put all the blame for the lack of effective governance on the shoulders of the ANC, is certainly not fair. It is also necessary to take due account of the nature of the legacy inherited by the new government from its predecessor. It would not be an exaggeration to claim that this legacy was in many respects - and especially from a structural point of view - an almost "bankrupt" legacy. The twenty years preceding the political transition was a period of stagflation and creeping poverty. Unemployment increased from 20 per cent in the early 1970s to more than 40 per cent today. The poorer sixty percent of Africans are considerably poorer than 20 years ago. In the years preceding the political transition, the public debt increased from R100 billion in 1990 to R280 billion in 1995 (or from 36 per cent to 57 per cent of GDP). In spite of severe fiscal constraints, the new government has the responsibility towards its constituency (i.e. those who have been disadvantaged for generations) to attain parity in social spending as soon as possible. This is an enormous task if we take account of the fact that social spending on the much poorer African population (comprising 75 per cent of the total) in 1990 was (in per capita terms) only 27 per cent of the social spending on the relatively affluent whites!

When judging the lack of efficiency, the wastefulness and the endemic corruption in both the political and public sectors, we should remember that all these things were the order of the day during the last 10 years of white political dominance, when a serious breakdown of government took place (see bottom paragraph on p 5 above). We have enough reason to fear that the structural corruption that has become part and parcel of the old system in both the public and

private sectors - during its lost (or dying) years - has been perpetuated almost intact into the New South Africa.

Perhaps the most alarming aspect of the present debate on the South African problem - during this delicate phase of the transformation process - is the unqualified and unnuanced denunciation of the new government for its lack of *efficiency* by the opposition parties and by large sections of the broader white community. Although constructive criticism against the new government's lack of efficiency would be justifiable, the viciousness of the criticism has become a matter of grave concern. The ANC's inability to govern *efficiently* is condemned in such strong language in white circles that one gets the impression that *efficiency* is regarded as the only or most important "value". Although no one can question the importance of efficiency in an economic debate, it is certainly not justifiable to overemphasise its importance or its value vis-à-vis other values. When an important section of the white population - i.e. a population group that has been responsible for the maintenance of a morally very doubtful system for such a long period - is suddenly inclined to overemphasise the importance of efficiency as if it is *the* dominant moral value, one cannot be but suspicious - especially if one considers the fact that whites were not similarly concerned about efficiency while *they* were governing the country. Can it represent an attempt of the whites to draw the attention away from their own immoral past by focusing on the alleged immorality of the new government's lack of efficiency?

The unpreparedness of many whites to acknowledge guilt and to show repentance for the injustices inherent in the apartheid system should be identified as an important impediment in building consensus about South Africa's past and future. Many whites - including the mainly white political parties and important business leaders - claim that they have no knowledge of the exploitative nature of apartheid or that they have personally not been involved in any immoral deeds against people other than white. For many whites it is convenient to claim that they do not have any knowledge of - or don't understand - the phenomenon of *structural* injustice. This kind of alleged innocence should not be allowed to remain unrebuked. It is such a prevalent attitude in white circles, that it is indeed a pity that the government has appointed only one, instead of two Truth Commissions. The task of the second Truth Commission could have been to establish the truth about socio-economic and political developments in South Africa since the beginning of the century in an attempt to uncover to what extent the political and economic systems (and the power structures on which both these systems were based) were morally unjust and have

enriched the whites undeservedly and have impoverished the African and Coloured population groups undeservedly. The report of the second Truth Commission could have played an important role in educating the white population about their own history and awaken within them a sense of social consciousness. A better understanding of the *exploitative* nature of the structures of white political dominance and racial apartheid could have made a meaningful contribution towards reaching consensus on matters economically. Although such an understanding will not solve the problem of effective governance, it may bring about greater forbearance with the problems facing the new government.