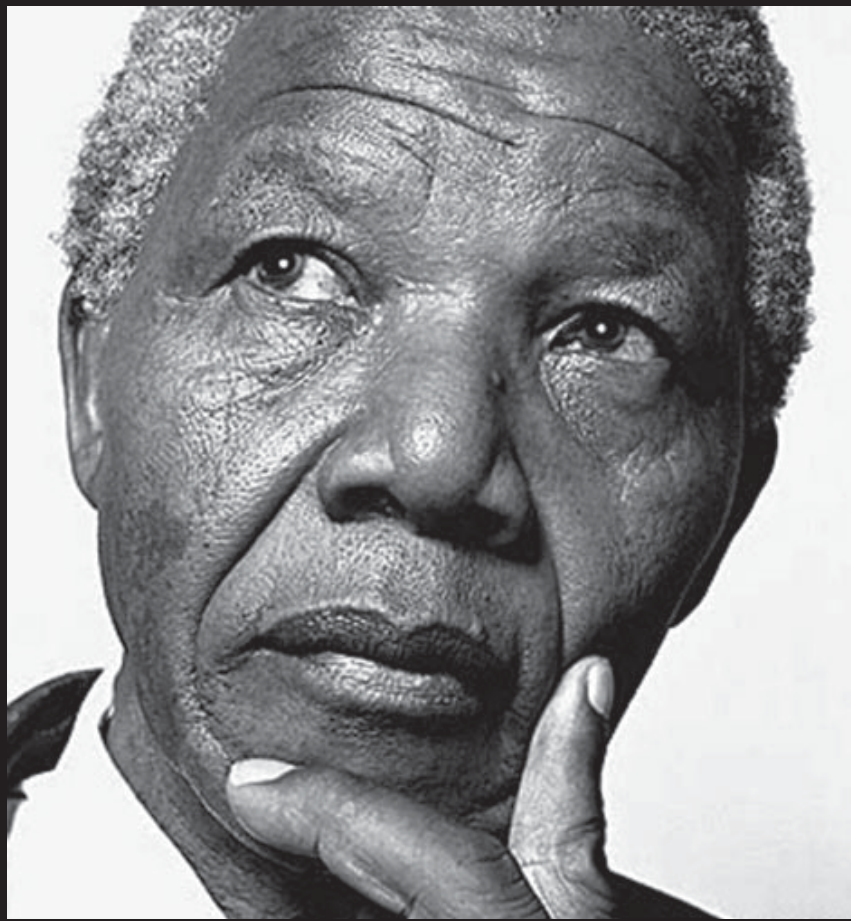




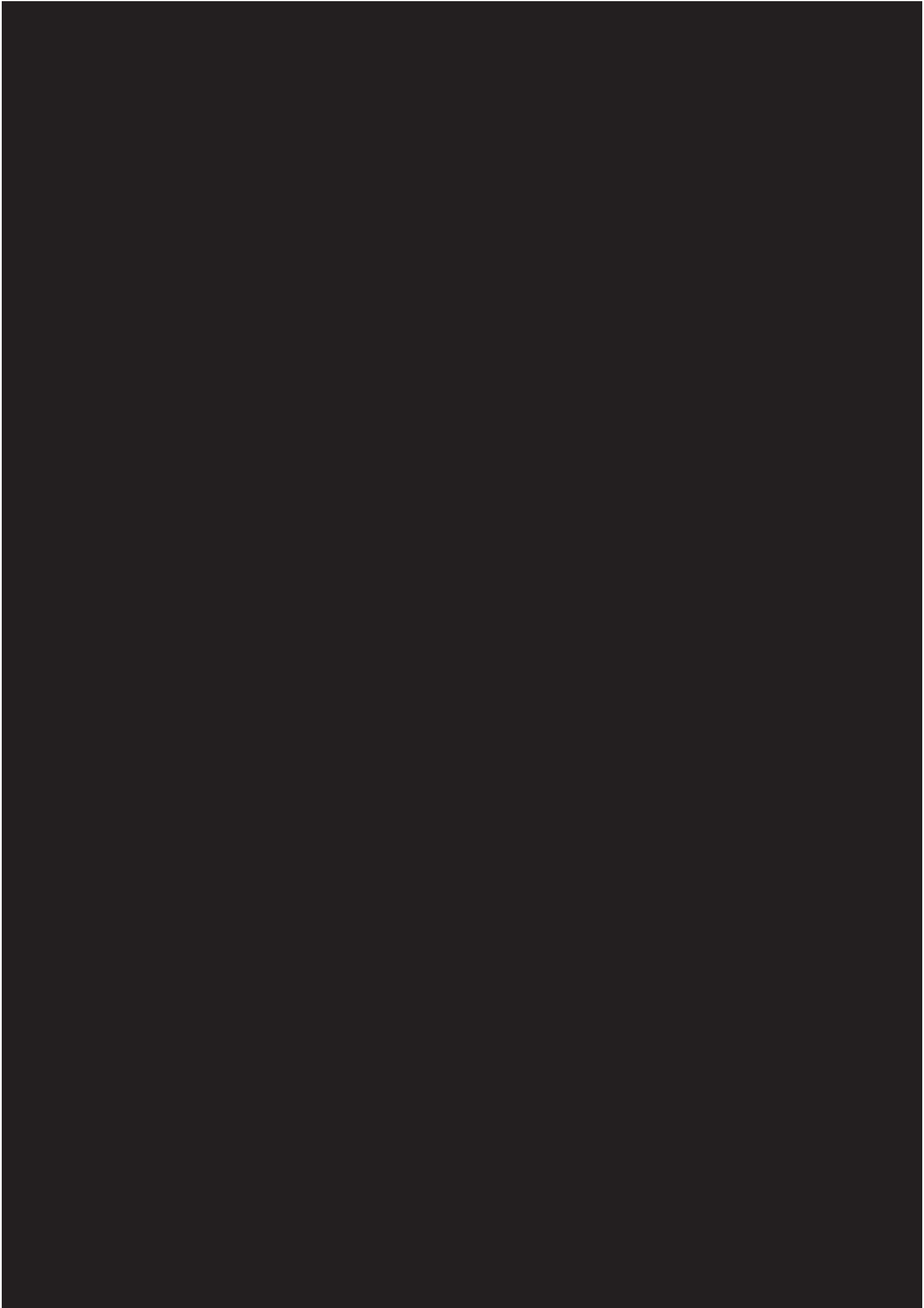
# African Communist

4th Quarter 2013

Issue Number 186



**A TRIBUTE TO  
MADIBA**





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## EDITORIAL NOTES

# Tribute to Madiba

The SACP salutes South Africa's greatest son

*“...the true revolutionary is guided  
by great feelings of love”*

– Che Guevara

**O**n going to press we learnt of Cde Nelson Mandela's death. Below are extracts from the eulogy to Madiba by SACP General Secretary, Cde Blade Nzimande.

The South African Communist Party joins the millions of the people of South Africa, the majority of whom are the working class and poor, and the billions of the rest of the people the world over, in expressing our sincere condolences to Ms Graca Machel, the entire Mandela family, the ANC and our Alliance on the passing away and loss of what President Jacob Zuma correctly described as South Africa's greatest son, our hero, a true revolutionary, President Nelson Rolihlahla Mandela, Tata Madiba.

We also wish to use this opportunity to express our solidarity with the African National Congress, an organisation that produced him and that he also served with distinction for most of his life, as well as all his Cdes in our broader liberation movement. As Tata Madiba said: “It is not the kings and generals that make history but the masses of the people, the

workers, the peasants...”

The passing away of Cde Mandela marks an end to the life of one of the greatest revolutionaries of the 20th century, who fought for freedom and against all forms of oppression globally. As part of the masses that make history, Cde Mandela's contribution in the struggle for freedom was located in the collective membership and leadership of our revolutionary national liberation movement as led by the ANC - for he was not an island. In Cde Mandela we had a brave and courageous soldier, patriot and internationalist who, to borrow from Che Guevara, was a true revolutionary guided by great feelings of love for his people, an outstanding feature of all genuine people's revolutionaries.

To properly commemorate the life and struggles of Cde Madiba it is important that we also respect and honour the way in which he understood his own role and contribution in the liberation and reconstruction of our country. Cde Madiba always insisted that he was part of a collective and therefore his own contribution must not be placed above the collective that he was part of. This is very important, so that as we remember Cde Madiba we also remember and

honour the many leaders and Cdes that he worked with: Lilian Ngoyi, Dora Tamana, Walter Sisulu, Moses Kotane, Yusuf Dadoo, Andrew Mlangeni, Govan Mbeki, Joe Slovo and many others.

Another important lesson from Madiba's life is that his own personal popularity did not go to his head. He never regarded himself as being above the organisations that he served. Madiba did not approve of a personality cult to be developed around him. It is therefore important that as we honour Madiba we commit ourselves to fight any attempts or traces towards a personality cult in our movement. As leaders and cadres we must aim to be always humble and serve our people with humility.

Cde Mandela always insisted that he was no saint, but a cadre of our movement who also, in the course of struggle, made mistakes. A key feature of genuine revolutionaries is not not to make mistakes, but the ability to timeously recognize and admit to those mistakes, and seek ways to correct them. All of us should learn from this.

At his arrest in August 1962, Nelson Mandela was not only a member of the then underground SACP, but was also a member of our Party's Central Committee. To us as South African communists, Cde Mandela shall forever symbolize the monumental contribution of the SACP to our liberation struggle. The contribution of communists in the struggle to achieve South African freedom has very few parallels in the history of our country. After his release from prison in 1990, Cde Madiba became a close friend of the communists until his last days.

The story of Mandela and the SACP has both personal and organisational dimensions. Mandela's early history with the SACP from the late 1940s to the

mid-1950s was that of hostility towards the SACP, like many other nationalist leaders of the time. But by the time of the Rivonia trial, Cde Madiba had had a different experience and relationship with the SACP, which he eloquently explained in his speech at the trial:

"It is perhaps difficult for white South Africans, with an ingrained prejudice against communism, to understand why experienced African politicians so readily accept communists as their friends. But to us the reason is obvious... For many decades communists were the only political group in South Africa who were prepared to treat Africans as human beings and their equals; who were prepared to eat with us; talk with us, live with us, and work with us. They were the only political group which was prepared to work with the Africans for the attainment of political rights and a stake in society. Because of this, there are many Africans who, today, tend to equate freedom with communism..."

Madiba further captured the relationship between the SACP and the ANC in his message, as President of the ANC to the SACP's 9th Congress in Johannesburg in 1995:

"It is not given to a leader of one political organisation in a country to sing praises to the virtues of another. But that is what I intend to do today. If anything, this signifies the unique relationship between the African National Congress and the South African Communist Party.

"It is a relationship that has detractors in abundance; a relationship that has its prolific obituary scribes. But it is a relationship that always disappoints these experts. Because it was tempered in struggle. It is written in the blood of many martyrs. And, today, it is rein-

forced by hard-won victory.

“Individuals and groups who profess to be democrats lose all rationality when gripped by the venom of anti-communism. We in the ANC are driven by a different logic.

“And we do not apologise for the fact that our alliance with the Party is also based on the warm sentiment of experience in struggle against apartheid. It is only natural that we should feel the welling of emotion, when we remember heroes and heroines of the calibre of Bram Fischer, Malume Kotane, Alex la Guma, JB Marks, Moses Mabhida, Yusuf Dadoo, Ruth First and others. Whatever seemingly powerful friends we might have today, the ANC cannot abandon those who shared the trials and tribulations of struggle with us.”

Cde Mandela refused throughout his prison life and thereafter to denounce or distance himself from the relationship between the ANC and SACP, even during difficult times like during the adoption of the policy of Gear by the ANC government, a policy the SACP considers as inappropriate for our country. We shall forever cherish Madiba’s principled stance and commitment to the Alliance, even when faced with problems.

The one major lesson we need to learn from Mandela and his generation of leaders was their commitment to principled unity within each of our Alliance formations as well as the unity of our Alliance as a whole and that of the entire mass democratic movement. Their generation struggled to build and cement the unity of our Alliance, and we therefore owe it to the memory of Cde Madiba to preserve the unity of our Alliance. Let those who do not understand the extent to which blood was spilt in pursuance of Alliance unity be remind-

ed not to throw mud at the legacy and memory of the likes of Madiba by being reckless and gambling with the unity of our Alliance.

The SACP respects Madiba’s commitment to our Alliance because he knew, from his own practical experience, that our Alliance was built through struggle. His very statement in Rivonia emphasized the importance of our Alliance in taking forward our struggle. In memory of Cde Madiba and his legacy of commitment to our Alliance let us defend the unity of Cosatu! A divided Cosatu can only serve the interests of the bosses. As a special recognition of the sacrifices of Madiba we call upon all union members under the banner of Cosatu to defend the unity of the federation and all its affiliates! In honour of Cde Madiba let us also protect the unity of the ANC and the SACP! As a tribute to Cde Madiba let us defend and deepen the unity of our Alliance and expose the wedge drivers who want to divide and weaken our Alliance!

Cde Madiba always knew that it was only a united Alliance that was best placed to lead the efforts of building a united, non-racial, non-sexist South Africa. Despite the many strides that we have made this task has not yet been achieved. It is therefore important that in his memory we preserve the unity of our Alliance to take forward the struggle of Cde Madiba.

In celebrating the life of Madiba we must all go out to build our organisations. An important part of building our organisations is that of consistently waging mass campaigns for the benefit of the workers and the poor of our country. We need to revive our Alliance ‘Know Your Neighbourhood Campaign’, as a permanent door-to-door campaign

where we live.

The most important and immediate campaign that we should wage in honour of Cde Madiba is that of the 2014 Election campaign. There can be no better celebration of the life of Madiba than to win next years' elections with the ANC getting an even bigger margin. The ANC electoral victories always made Cde Madiba happy. For Madiba, a life-long ANC cadre, let us go all out as the Alliance to campaign for an overwhelming ANC electoral victory in 2013. The ANC is the only organisation that is capable of addressing the needs of the overwhelming majority of our people. Its record of governance speaks for itself, and that is why South Africa today is a much better place than it was in 1994!

The SACP supported Madiba's championing of national reconciliation and nation building. But national reconciliation for him never meant avoiding tackling the class and other social inequalities in our society, as some would like to make us believe today. For Madiba, national reconciliation was a platform to pursue the objective of building an egalitarian South African society free of the scourge of racism, patriarchy and gross inequalities. And true national reconciliation shall never be achieved in a society still characterized by the yawning gap of inequalities and capitalist exploitation.

In honour of this gallant fighter the SACP will intensify the struggle against all forms of inequality, including intensifying the struggle for socialism, as the only political and economic solution to the problems facing humanity.

For the SACP the passing away of Madiba must give all those South Africans who had not fully embraced a democratic South Africa, and who still in one way or the other hanker after the era of

white domination, a second chance to come to terms with a democratic South Africa founded on the principle of majority rule.

We call upon all South Africans to emulate his example of selflessness, sacrifice, commitment and service to his people. Let's make our own practical contribution towards nation building and a better South Africa:

- Let us make sure our schools, FET colleges and our universities are functional!

- Let us build safer communities by building community safety forums in our localities!

- Let us build better localities by protecting our schools, our clinics and our community halls!

- Let us do permanent door-to-door campaigns to tackle problems in our communities!

- Let us be like Madiba, let us not throw stones, but let everyone of us make a contribution to build a better South Africa!

### **On the economy and the state**

This issue of African Communist focuses on matters relating to economy and the nature of the state. It comes at a time when the country is experiencing major challenges in economic growth, with a 0,7% growth in the last quarter.

Included in this issue is the SACP's Augmented Central Committee Political Report, which reviews the almost 20 years of our democracy. It argues that while the conditions of the majority of South Africans, including the working class and the poor have improved, the balance of class forces has generally worsened for the working class and poor relative to the power of monopoly capital since 1994.

The major socio-economic gains, the report notes, have been made “against the flow” of the dominant growth trajectory and are the result of government-led efforts and popular struggles. They have been largely based on efforts of reform and redistribution at the margins – a redistributive politics of “delivery” out of surplus without fundamentally transforming the productive economy itself.

With the adoption of Gear (Growth, Employment and Redistribution) in 1996, a transformative NDR strategy was abandoned. The main beneficiary of the post-1994 transition has been monopoly capital. Since 1994, it is noted, profits have increased but the surplus has not been put back into inclusive, developmental investment in growth or into wages.

The ANC has called for a second more radical, phase of our transition. For the SACP, the main content of this must be driven through building capacity for, momentum towards and elements of socialism now. “It is only such measures that can ensure that we realize a radical break with the current semi-colonial growth path, building on the very important policy breakthroughs and government programmes (like infrastructure) that are in place now.”

This issue carries the SACP’s *Discussion Document on the NDP* (National Development Plan). The SACP’s position is that the NDP is not carved in stone. The SACP refuses to monumentalise the NDP – by refusing either to demonise or canonise it.

The Discussion Document notes that the NDP does not recognise that the current conjuncture is considerably different globally from that of the mid-1990s. While in the mid-1990s a neo-liberal triumphalism was pervasive, now the

neo-liberal hegemony is considerably challenged globally.

The NDP focuses on implementation weaknesses without reviewing policies. The SACP’s Discussion Document on the NDP also notes that: “Instead of building towards broad consensus from a clear ideological base, it has started with a fabricated, bland consensus that obscures radically different agendas and then sought to impose detailed recommendations from it. This has resulted, as it could only have resulted, in an extremely mixed and contradictory bag of tricks.”

The NDP assumes that there is nothing systemically problematic about the semi-colonial growth path in which the country is locked. The “influence of the ghost of the old neo-liberal model is most obvious .... in Chapter 3, ‘Economy and employment’”. The NDP is “extremely weak on the critical dimension of placing the economy onto a new growth path – namely through re-industrialisation....the NDP is exceedingly unambitious. It aims to reduce the Gini co-efficient from its 2009 figure of 0,70 to 0,60 by 2030. That would leave SA still as one of the most unequal societies in the world!”

But the Discussion Document notes that the NDP has put on the agenda the imperative of national long-range planning. The NDP should be seen as a broad vision open to criticism and engagement. It is not a plan, still less a fit-for-implementation plan. On the economic front “we must insist that the plans for implementation are critically (but not exclusively) the NGP, IPAP2, and the PICC’s infrastructure build programme. None of these plans/programmes are, of course, above criticism, and all require continuous re-iteration in the light of

ongoing practice.”

The Discussion Document notes that: “For the ANC, its alliance, and the ANC-led government, there is a broad consensus that we need now to move into a second more radical phase of the national democratic revolution. Key pillars of this second more radical phase include placing our economy on to a new labour-absorbing growth path through, amongst other things, a multi-year, state-led infrastructure programme, linked to re-industrialisation of our economy, including greater beneficiation of our natural resources. Critical to sustaining this second phase is the consolidation of a developmental state and the mobilisation of popular forces, particularly the working class and poor.”

This issue also contains Cde Ben Fine’s interesting article, “Beyond the Developmental State”, which considers the relevance of the “developmental state

paradigm” to South Africa, with its minerals-energy complex.

Also in this issue is Cde Ben Turok’s article on “The Evolution of Economic Policy”. It provides an overview of the economic debates over a decade of ANC government, up until the NDP. It examines the changes in economic policy and why they were made. Cde Turok argues that the “ANC government has been rather cautious in the implementation of economic policies and has pursued orthodox economic policies. This has led to stalling in some key sectors of the economy.”

We would like to continue these debates in future issues and request our readers to make contributions. ●

## AUGMENTED CC

# Build elements of, capacity for, and momentum towards socialism

The past 20 years and the next 10. Political report to the SACP Central Committee, December 2013

Our 1995 7th Congress adopted an important programme, in the form of a strategic perspective, Socialism is the future, build it now. This perspective has always guided our Party since then, to anchor our role in the immediate post 1994 period, immediately after the democratic breakthrough of 1994. In fact, the primary theoretical and strategic content of building working class hegemony in all key sites of power and sites of struggle must be the struggle to roll back the capitalist market.

In fact, there is a deeply dialectical relationship between perspectives contained in our 1995 document and our current programme, The South African Road to Socialism. Our 1995 strategic perspectives laid a strong foundation for a campaigning SACP from 1999 onwards with its own distinct campaigns. Similarly these campaigns are meaningless and will have no direction unless understood within the context of building capacity for, momentum towards, and elements of socialism, in the here and now. In fact, the main content of the second phase of our transition must be characterised by rolling back the capitalist market as part of driving a develop-

mental agenda that will benefit the majority of the workers and the poor.

For the SACP the main content of the second, more radical, phase of our transition must be driven through building capacity for, momentum towards and elements of socialism in the here and now. It is only such measures that can ensure that we realize a radical break with the current semi-colonial growth path, building on the very important policy breakthroughs and government programmes (like infrastructure) that are in place now.

This Augmented Central Committee (ACC) must reflect on the past twenty years and the last five years of governance, especially the SACP's participation and lessons to be learnt out of this. This assessment must be subjected to our own programme and strategic perspective of building socialism now through building working class hegemony in all key sites of power and fronts of struggle.

### **Towards the 20th anniversary of democracy in SA – why we need a second radical phase of the NDR**

The celebration of the 20th anniversary of our 1994 democratic breakthrough

will be used by the ANC alliance as a central theme of next year's election campaign. This is perfectly correct. However, it is important that the manner and content given to this celebration is based on a clear analysis, including a CLASS analysis of what has transpired over the past two decades – otherwise the campaign will lack credibility amongst our mass base and, above all, will not sufficiently underline the reasons why we need now to consolidate a second radical phase of the democratic transition.

It is impossible to understand the need for (and the nature of) this second radical phase without understanding the following apparent paradox:

- Things have generally *improved* for the majority of South Africans, including the working class and poor – but

- The *balance of class forces* has generally worsened for the working class and poor relative to the power of monopoly capital since 1994.

The first part of this paradox, the story of important positive changes and victories since 1994 should be well-known to us, but it bears constant repeating – particularly to counter the pessimists and doomsday prophets in the media and opposition parties who argue that “things are worse than they were under apartheid”. It is a message designed to sow despondency, pessimism about the ANC-led alliance, and even a loss of faith in popular power and our new democracy. It is a message taken up by both the right and ultra-left.

Besides the critical consolidation of a non-racial democratic dispensation within a unitary state and the entrenchment of a progressive Constitution, the many socio-economic achievements include:

- The lifting of the floor of poverty

through, amongst other things, the roll-out of social grants. The number of South Africans receiving social grants has risen from 2,4million in 1994 to an impressive 16,1m at the present.

- An increase from 13,8m (2001) to 23,5m (2010) of those in the LSM 5-10 bracket (LSM stands for Living Standards Measure, and brackets 5-10 are regarded as “middle” and “upper” strata).

- The reduction of those living below the poverty line to 9% of the population.

- Households with electricity rising from 58% in 1996 to 85% in 2011.

- Between 2- to 3-million RDP houses.

- Sanitation and water connection rollouts.

- The (belated) rollout of ARVs – the largest ARV programme in the world – now beginning to have a tangible impact on life expectancy (after a drastic drop).

- A significant impact on adult illiteracy.

These are all remarkable achievements and they have everything to do with the progressive role played by the ANC-led alliance and the new democratic government.

However, these and other major socio-economic gains have been made “against the flow” of the dominant growth trajectory, they are the result of government-led efforts and (to a lesser extent) of popular struggles. They have been largely based on efforts of reform and redistribution at the margins – a redistributive politics of “delivery” out of surplus without fundamentally transforming the productive economy itself. Because of this, all of the gains achieved are threatened, and many already have been hollowed out.

**South African monopoly capital has been the major beneficiary of the 1994 democratic breakthrough**

To understand the dominant growth path trajectory over the past two decades it is useful to return to the early 1990s. An important factor in the 1994 democratic breakthrough was the strategic realisation by South African monopoly capital (and the media and research think-tank apparatuses that advanced its interests), that white minority rule, having served monopoly capital's objectives very well for decades, was no longer viable. The cost of waging regional wars, notably in Angola and Namibia, the instability at home as a result of the rolling semi-insurrectionary waves of resistance, and international sanctions, particularly financial and oil sanctions, had all led to a significant decline in profitability.

This was an important factor behind the emerging national consensus for an advance to some kind of non-racial democracy that opened up the negotiations process. However, there were two very different class strategic agendas at play in this “consensus”:

- For the broad liberation movement a democratic breakthrough was seen essentially as a platform to advance immediately (certainly as far as the SACP was concerned) with what we now call a “second phase” of radical transformation.

- For South African monopoly capital it was almost the exact opposite. The establishment of a formal non-racial democracy was seen as a “necessary risk” to open up the region and world to South African business and restore profitability. The strategic objective was to create a “formal”, “low intensity” democracy in which majority power would be checked and balanced through a wide

range of institutional and other arrangements, including making “delivery” of “change” dependent upon and hostage to capitalist-driven growth. The idea was also to tame the ANC – partly through fomenting an Alliance break-up. Writing in 1992, Frederik Van Zyl Slabbert captured this overall strategic agenda well when he wrote: “one of the most daunting challenges facing [a future ANC government] is to protect the new political space created by negotiations from being used to contest the historical imbalances that precipitated negotiation in the first place... ” In other words, for monopoly capital and its ideologues, the strategic objective of moving towards a democratic settlement was not to advance radical transformation – but to forestall it.

On balance, it is this latter strategy that has prevailed – not because it was wrong of the NLM to pursue a negotiated settlement, not because of any major constitutionally imposed limitations, and certainly not because (as the ultra-left alleges) we were pursuing an NDR strategy. In fact, the problem was that from around 1996 there was a **failure** to decisively and confidently pursue an NDR strategy within the new democratic space and with an overwhelming electoral majority – as a result, the second radical phase of the NDR was postponed.

**The illusions of a social democratic social accord with monopoly capital**

This relative failure was, in part, the result of another failure – a misreading in the early 1990s of what we were dealing with from the side of South African monopoly capital. There was an illusion that it would be possible (and desirable) to pursue a patriotic, “win-win”, “social democratic accord” between labour, the

new ANC-led administration, and South African monopoly capital. The model that was assumed to be applicable to post-apartheid SA was a re-play of the social democratic pacts that operated in much of post-World War 2 Western Europe through to the early 1970s (the “golden epoch” of capitalism).

Perhaps this was not an illusion, but part of a deliberate strategy to consolidate a particular relationship between the post 1994 state and monopoly capital. This could be especially so given the dedicated placement and training of our cadres who played a very key role in the evolution and driving of the 1996 class project. Some were sent to Goldman Sachs, Harvard School of Government, etc, as well as the role they played in sidelining some of the key research and analyses by the Macro-Economic Research Group.

Nevertheless.... The illusion that SA in the 1990s was ripe for such a patriotic pact was grounded on three interrelated illusions:

It failed to appreciate that South African monopoly capital (unlike West European capital in 1945) had not been ravaged by war, with factories destroyed and a work force scattered or disappeared. In the interests of restoring profitability, post-WWII West European capital was inclined to act “patriotically”, by investing in national reconstruction and development - re-building destroyed economic and social infrastructure, investing in training, and paying high tax rates. By contrast, while South African monopoly capital had suffered declining profits and growth rates through the 1980s and early 1990s, it was not on its knees. Sanctions and strict foreign exchange controls had led to increasing accumulation of surplus within the country, leading to grow-

ing conglomeration with inter-twined mining and finance capital moving into manufacturing, forestry, logistics, retail, property and services. SA monopoly capital looked to a democratic transition as an opportunity to disinvest out of the country, to globalise, to financialise and to unravel its diverse multi-sectoral holdings by focusing on key assets to maximise “share-holder” value. Patriotic investment into national reconstruction and development was not a priority.

The social democratic illusion in SA also failed to appreciate that not only was SA 1994 not Western Europe of 1945, but that the developed capitalist world itself had changed since 1945. The hey-day of social democratic accords, even in the Nordic countries, had long since come and gone. The very successes of these social accords in achieving near full employment and an extensive social wage had greatly strengthened the bargaining power of the working class and popular strata (although still within the confines of a capitalist system). This resulted in the social pacts entering into a period of conflictual stagnation (expressed economically in rising inflation), which was eventually “resolved” through a class offensive against labour and the welfare state (Thatcherism) and what later became known as neo-liberal policies (monetarism, Reaganomics, etc.) which enabled national monopoly capital to break out of national compacts, spurring on three decades of accelerated globalisation in pursuit of cheap labour markets in the developing world, and growing speculative financialised activity.

The 1994-era South African longing for a Nordic style social pact also failed to appreciate that the post-war reconstruction of Western Europe (and Japan) was greatly assisted by US aid (Marshall Aid)

in a particular conjuncture that no longer applied globally in 1994. It was thought that a democratic SA would benefit from major flows of foreign direct investment as a result of our “universally acclaimed” good behaviour in achieving a negotiated settlement. But in 1945 Keynesian economics, not neo-liberalism, was the globally dominant ideology in the capitalist world. Perhaps an even more important contrast was that US aid to promote (capitalist) reconstruction and development in Western Europe and Japan was driven by the new competing reality of an expanding socialist bloc in East European and (after 1949) in China. In 1994 this “threat” was no longer felt in the US.

It is important to remind ourselves of all these contrasting geo-political and economic realities – because the social democratic illusion of an all-in, multi-year social pact with monopoly capital is still being held up as SA’s best hope in the National Development Plan (NDP), for instance. This is how the NDP envisages the social accord that lies at the heart of its overall political vision:

Labour agrees “to accept lower wage increases than their productivity gains would dictate”. While business agrees “in return...that the resulting increase in profits would not be taken out of the country or consumed in the form of higher executive remuneration or luxuries, but rather reinvested in ways that generate employment as well as growth.” (NDP, p.476).

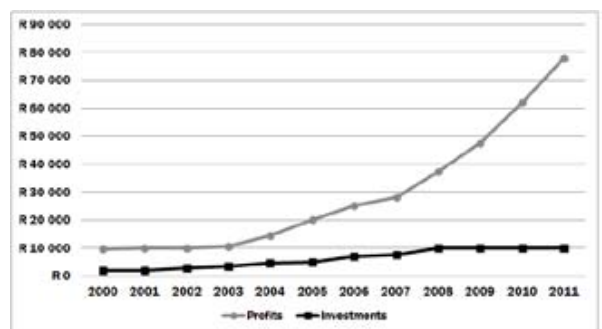
The hopelessly utopian nature of this proposal is emphatically underlined by what has actually been happening over the past 20 years of democracy in South Africa. As even the recent Goldman Sachs 20-year report card on South Africa acknowledges, labour productivity has far out-stripped wages. According to the

Goldman Sachs report labour productivity per worker trebled in a decade – from around R88 000 in 2002 to around R256 000 in 2012. (Of course, these productivity gains have been achieved largely through increasing capital-intensity with mass retrenchments of semi-skilled workers).

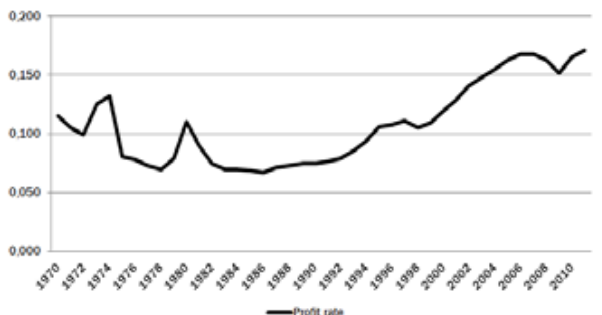
Notwithstanding these dramatic increases in labour productivity and resulting increases in profits, monopoly capital has generally done the exact opposite of what the NDP hopes it will do – paying itself higher executive remuneration, consuming imported luxuries, and not re-investing but disinvesting and/or maintaining an investment strike while diverting surplus into financialised speculative activity.

These tables all spell out a basic narrative – since 1994 profits have increased but the resulting surplus has

**Reinvestment of profit:  
SA construction industry**



**Profit rate in SA – total net operating surplus relative to total capital stock**



Source: Dick Forslund, “Profits, ‘productivity’ & wage bargaining” (AIDC)

not generally been ploughed back either into inclusive, developmental investment in growth or into wages. Another way of putting this is that since 1994 the medium-term strategic agenda of South African monopoly capital has largely prevailed over the strategy of using the democratic breakthrough as a platform to advance a second phase of the NDR.

This is not to say that transforming the balance of class forces is now irreversible – and, indeed, important shifts in policy and practice have been occurring over the past decade, and especially since 2009. However, in some ways the altered domestic balance of forces now makes the task more difficult than it might have been in the mid-1990s with South African monopoly capital still strategically off balance in the light of the new political reality.

The power of South African monopoly capital and mistaken policy choices by government, particularly in the period 1996 to around 2003, have meant that it is monopoly capital that has positioned itself to be the main beneficiary of the democratic breakthrough of 1994. But it is not just a question of who has benefited most. Benefits translate into class power, and class power translates into the ability to dominate; the capacity to subvert and undercut transformational endeavours; to influence and infiltrate our own formations; and the resources and arrogance to wage an unceasing ideological onslaught against progressive, state-led policies.

#### **How GEAR policies favoured monopoly capital's disinvestment agenda**

The NDP envisages raising investment levels from 16% of GDP (2012) to 30% plus by 2030 – (a 30% level was achieved in the 1980s). But the NDP fails to say

how (apart from proposing the utopian idea of a social pact), because it fails to diagnose why investment levels dropped badly after 1994. In effect this is because it is unwilling or unable to critique the GEAR macro-economic package and related policies. These all played straight into the hands of monopoly capital's agenda to disinvest out of SA through:

- The liberalisation of exchange controls;

- The allowing of dual listings to major SA monopolies (Anglo, De Beers, SA Breweries, SASOL, Old Mutual, Liberty, Billiton, etc.);

- Which was exacerbated by allowing foreign operators where we already have major domestic operators (Edcon, Top TV, Walmart), resulting in further expatriation of dividends;

- Too high an exchange rate versus a more competitive Rand (which effectively enhanced the value of Rand-denominated assets taken abroad, at the expense of our manufacturing and agricultural sector);

- Too high a level of interest rates at the expense of domestic investment (to attract short-term inflow transfusions, “hot money”, to compensate for the haemorrhaging impact of capital flight).

In addition to all of the above, there has also been massive illegal capital flight and insufficiently effective regulation of transfer pricing, particularly in the mining and construction sectors. As a consequence, it is estimated that some 20-25% of GDP has been disinvested since 1994.

#### **Financialisation – the growth of the casino economy at the expense of job-creating productive investment**

Related to all of the above, nurtured by and further contributing to it has been

the dramatic “financialisation” of the commanding heights of the economy. “Financialisation” refers, in the first place, to the growing dominance of banks, insurance companies, retirement funds and other financial institutions relative to other sectors of the economy. Since 1994 the financial sector in SA has increased by some 300% compared to 67% for the rest of the economy. The NDP and Goldman Sachs praise this growth, but what does it actually mean? It means, as Professor Ben Fine puts it, “some three times the amount of financial assets had become necessary to support the production of a unit of output.” While the financial sector has ballooned in size, the relative importance of manufacturing and mining has diminished. The “contribution of mining and manufacturing to GDP has fallen to 23% from 38% in 1986” (Goldman Sachs).

However, “financialisation” does not just refer to the ballooning of the financial sector as such, it also refers to the way in which key productive sectors themselves are increasingly dominated by “share-holder value”, nominal “financial worth”, as opposed to other economic and social values. This results in all kinds of other perverse outcomes – the disposal of less profitable mines, in order to cherry-pick the most profitable regardless of the impact on jobs or productive output; company buy-backs of their own shares in order to artificially prime the share value; the payment of senior management in shares in order to incentivise short-term dividend returns, rather than long-haul productive investment. The rapid and dramatic financialisation of the South African economy since 1994 has seen the value of the JSE relative to actual productive output in our economy ballooning. The Goldman

Sachs report notes approvingly that “South Africa is a standout among all countries covered, with an equity market capitalisation that is twice the size of GDP”.

### **Financialisation - the example of Afrgri**

Afgri is an agricultural services company that dates back 90 years. It was originally an agricultural co-op set up to assist white family farms. It was handsomely supported by successive white minority governments with subsidies and other assistance. After 1994, instead of transforming this cooperative to service emerging and subsistence farmers, government liberalised agriculture. Like other former agricultural co-ops (KWV, Clover, Senwes) it transformed itself into a private company and listed on the JSE in 1996. Former cooperative members now became share-holders, free to trade their inherited shares on the stock-market. Financial speculation and profit maximisation began to displace agricultural production and food security concerns.

Today, Afgri remains a major player in our agricultural sector, and therefore, in theory, also a key asset in ensuring rural transformation and South African food security. It owns a vast proportion of South Africa’s grain storage capacity, it provides services to 7 000 mainly commercial farmers through its rural-based retail outlets and silos. It is the largest supplier of John Deere tractors in Africa and was recently subsidised through governments’ tractor support programme for emerging farmers. Afgri also acts as an agent for the Land Bank distributing some R2-billion a year on behalf of the bank.

Afgri has recently been in the financial news with the proposed next, en-

tirely predictable and dangerous step into further speculative financialisation. The senior management are now intending to de-list the company and sell it for R2,6-billion to a private, largely unknown investment company, Agri-Groupe Holdings, which is registered in the tax-haven of Mauritius. 70% of its share-holders are reportedly North American. Although all of this has been covered in the financial pages of the media, there has been very little political outcry up to this point.

However the African Farmers' Association of South Africa (Afasa), representing a claimed 30 000 black smallholder farmers, has endeavoured to raise the matter. It has called on government to prevent the sale and taken the matter to the Competition Commission, labelling the proposed sale as a "blatant stealing of a cheap asset built by the state and South African commercial farmers". Afasa has correctly noted that Afgri is "a very important cog in the lives of farmers and rural communities in Mpumalanga, Gauteng, Free State and KwaZulu-Natal...This is a company at the very heart and soul of South African agriculture and has been so for a century."

Unfortunately, the proposed sale of Afgri has also now served to further divide black farmer representative structures, with the National African Farmers' Union of South Africa (Nafu SA) coming out in "unequivocal support" for the move and in opposition to Afasa. It is probable that the Nafu SA leadership has been offered shares in the new arrangement, with its president Motsepe Matlala appearing to take a very opportunist stance. He has been quoted as saying that "as far back as 1996 Nafu SA had taken a stance similar to Afasa's present one and lobbied against the de-

regulation of agriculture — when the agricultural co-operatives such as KWV became companies. We said you can't deregulate the industry with blacks on the outside. We still hold that view. But the then agriculture minister Thoko Didiza went to court and we lost the case. We had to move on and we are now at a time when moving on is even more important. We have laws in this country and you can't continue to invoke history when opposing progress."

It is critical that the SACP supports Afasa and that we ensure that the deepening loss of sovereign control over our food value chain to speculative foreign domination is halted and reversed.

The unfolding Afgri case is an exemplary reminder that the disastrous impact of the 1996 class project continues to be at play. It is absolutely imperative that the SACP injects this kind of class analysis into the 20-years of democracy narrative. Without such a class analysis we will simply get a "things are better than they were" story line. It is a story line that, whatever its merits, will disarm us in seeking to chart out the way forward to advance, deepen and defend the NDR.

The dominance of monopoly capital has also been buttressed by its control and dominance of private commercial media, which has for years been on a sustained ideological offensive against the working class and the ANC-led government. Part of this offensive has been on blaming government for all the ills of capitalism, including for effects of the predatory behavior of monopoly capital itself. In addition, there has been a sustained and continuous ideological attacks on the working class, blaming it for things like strikes and indebtedness as being responsible for lack of

investment and problems in our country. For instance private capital's attack on government's credit listing amnesty was seeking to absolve the financial sector for its complicity and responsibility in working class indebtedness through reckless lending.

### **Towards the SACP Centenary**

Using this ACC it is important that we begin to focus our programmes and activities towards the centenary of the SACP in 2021. But this focus must not just be about working towards a date in a calendar, focus on what kind of SACP and what kind of South Africa would we like to see by that time, essentially 8 years from now. This is particularly not a long period, but will be characterised by a number of milestones in which the SACP must contribute towards shaping the outcomes.

2014 marks 20 years after the democratic breakthrough. Incidentally, the correctness of our characterisation of 1994 as a democratic breakthrough is being affirmed by the very notion of the necessity to inaugurate and drive a second phase of our transition. The 1994 first democratic elections marked a democratic breakthrough rather than an achievement of a substantively democratic South Africa at the time. It was a deliberate characterisation on our part signalling the fact that whilst 1994 inaugurated a historically and qualitatively new era in our country, lots of struggles still lay ahead to achieve the kind of South Africa envisioned in the Freedom Charter. The fact that only now we are talking about a more radical second phase means that much as a lot has been achieved – and indeed the ANC is correct in its observation that South Africa is a much better place than it was

in 1994 – a lot still has to be done. The notion of a second phase certainly does not mean that a lot has still to be done through 'business as usual' (and certainly not through 'business unusual' as well), but that we will need decisive breaks and ruptures with parts of the trajectory we have pursued, especially during the first 16 or 17 years since the democratic breakthrough.

2014 we are also holding the fourth national democratic elections. It is therefore also a year during which we must reflect on the past 20 years and map a way forward, and in our instance using our centenary as an important milestone and measure going forward. This ACC must discuss and adopt key elements of our programme of action for 2014, but a programme of action that must be contextualised within, and also lay a basis for sustained SACP work towards 2021.

Between 2014 and 2021, 2017 becomes very significant in the wake of our own 14th Congress and the 54th Conference of the ANC. In both these congresses it is likely that there will be significant changes in the leadership across our Alliance structures, thus laying a basis for a different leadership for government after the 2019 elections. Our actions and campaigns from next year onwards must prefigure and seek to shape the kind of leadership and priorities for the 2017 congresses and beyond. We must begin to reflect on the challenges for 2017 at this very ACC.

Prior to 2017 we will be holding our Special Congress in 2015. This special congress must, amongst other matters, receive and adopt a report on the organisational renewal and restructuring of the SACP. But much more importantly the Special Congress must not

only receive a report on the SACP and state power, but must assess the entirety of our Medium Term Vision of building working class hegemony in all key sites of power and fronts of struggle. Much as the issue of the SACP and state power is most fundamental, this needs to be related to the broader question of power in society as a whole.

The year 2017 also marks the centenary of the Great October Socialist Revolution. From now onwards we must begin to prepare for this centenary as it is an important platform to intensify socialist propaganda in the broader South African society, and also tell the story of the relationship between the Union of Soviet Socialist Republics (USSR) and the struggles for national liberation and socialism, both in our country and in the rest of the world. It would be important to produce some publications for this centenary, including both the negative and positive lessons from the 1917 revolution and its aftermath.

2019, two years before the SACP's centenary, will mark the holding of the 5th democratic elections, and the inauguration of a government whose new leadership would have been elected in 2017. It would indeed have to be a government that will reflect the extent of the influence of the SACP and its socialist values, as well as the extent to which the power of the working class would have had an influence in society.

The forward march to 2021 starts now, with the preparations towards the 2014 elections and the 2014 SACP programme of action being the major platforms to start this march in earnest.

### **The SACP's 2014 programme of action**

It is important that we ground our 2014 programme of action on an assessment

of the state of each of our Alliance components and the tasks that arise out of this for the SACP in particular.

The state of the ANC branches and the effectiveness of these structures in our communities is relatively weak. In some areas there is indeed a very real danger of implosion within our structures, and the Alliance is often weakest at this level. In fact the functionality of our Alliance structures at branch level must be assessed against the background of the relationships and functionality between the ANC and SACP structures. It is also against this background that we must also reflect on the strengths, weaknesses and functionality of the SACP's VD based branches and the extent to which they are providing leadership in community struggles and people's effective participation in governance at a local level.

Whilst the ANC and SACP branch structures tend to do some commendable work during the elections, this work is however always complicated by internal battles around nominations, especially during the local government election campaigns. These structures are unable to have any sustained programmes of mobilisation for effective driving of governance beyond the elections

The anchor of the 2014 Programme of Action must be the revival of the "Know Your Neighbourhood" Campaign (KYNC), especially to capacitate our branch structures to undertake this work in communities, including a proper grasp and understanding of priority governance and local development issues. Our political education and capacity building for our branches must prioritise the understanding of the locality and the mobilisation of communities to

drive local development programmes and projects. In a number of our areas both our districts and branches must also be empowered to actively participate in the many infrastructure development projects being rolled out by government.

The second key component of our 2014 Programme of Action must be the revitalisation of the financial sector campaign, building on the organisational and campaign work done during the 2013 Red October Campaign. Through this campaign the SACP must aim to build a mass movement aimed at the socialisation of the financial sector, as a platform for intensifying the critique of capitalism and its financial system as well as building the much needed community organisation and mobilisation.

Key components of the campaign must include:

- Criminalisation of the perpetrators of irregular garnishee orders.
- Criminalisation of law firms acting as debt collectors – they have no such powers in law
- Tighter regulation of micro-lenders.
- Action against the SASSA service provider which is illegally marketing air-time and other “services” at pension pay-out points, preying on the vulnerable.
- The socialisation of worker retirement funds – especially those nominally controlled by trade unions. These funds have been captured by private sector pension fund managers and have become a key factor in the growth of business unionism, and the related factional battles within Cosatu.
- The launch of the Postbank.
- The roll-out of FLISP (the government-guaranteed provision of bonds for

the gap housing market). Despite being announced by government, Treasury has failed to provide the promised back-up guarantee and the banks (who are not excited by the idea in the first place) have used this as a reason to boycott the proposal.

The financial sector campaign must be intensified as our flagship campaign towards the centenary of the SACP, and as a primary platform around which to build mass organisation and campaigning at local level. Our districts must be appropriately capacitated and resourced to be able to lead this campaign. The SACP must develop a political education programme and materials to capacitate our local leadership. Whilst it is important for Marxist-Leninist classics to be studied by our local structures, these in themselves without accessing and developing contemporary Marxist knowledge on the financial sector, will not empower our Cdes on tackling current challenges.

**The challenges facing the progressive trade union movement: the need for focused and sustained SACP and Cosatu activism**

It is also within this context that we must clearly define the tasks of the working class moving forward. It is important that we face the reality that the working class is currently faced with an extremely challenging period, especially the very real threat of a significant breakaway from our ally, Cosatu.

During the course of this year the SACP has been undertaking extensive analyses and discussions on the challenges facing the trade union movement, especially our ally, Cosatu. We have come to the principal conclusion that the challenges facing the trade un-

ion movement must not be approached from the standpoint of personalities, but through a careful analysis of the material and objective conditions facing the trade union movement, and as the basis for understanding the unions' own subjective strengths, weaknesses and responses to its challenges.

The objective primary sources of the challenges facing the trade union movement are a combination of the impact of the current global capitalist crisis as well as the advances and offensive by monopoly capital as captured in the first part of this political report. Whilst the global crisis might have worsened, the challenges facing the labour movement, critical in the South African reality is the economic dominance of monopoly capital over the past twenty years, including the reversal of some of the gains made by the trade union movement since 1994.

However, within the above context, what we have not adequately analysed are some of the specificities of the tensions that have erupted within Cosatu over the past few years, but especially over the last year. What we might not have properly grasped is the extent to which Cosatu has been contested internally (and indeed from outside) by a combination of forces, combining a variety of contradictory forces of workerism, business unionism and aspirations to use the trade union movement to access political power outside of, and in opposition to, the national liberation movement.

The primary target of this offensive has once more been the SACP. The SACP has always been the principal target of all the anti-Congress traditions, especially those breaking away from within our broad movement, from the PAC,

to Inkatha, the Group of 8 and Cope. Even inside our movement conservative strands like the 1996 Class Project and the New Tendency had all prioritised the SACP as its target – to seek to discredit and displace it, if not to drive it out of the alliance.

The latest factionalist surge from within Numsa has also placed the SACP as its primary target, in the same way as the 1970s workerist tradition had done in FOSATU, and later Cosatu. The primary reason for this is that a strong SACP has always acted as a counter to any workerist, or other claimed leftist pretences. The factionalist putsch by Numsa has become more intense, especially in the light of a more united SACP, whose prestige and influence in broader society and government policies has grown significantly after Polokwane.

In fact the Numsa-led opposition to the SACP participation in government had nothing to do with strengthening the SACP outside of government, but was about minimising the influence of the SACP especially on the state. Coupled with this was to keep the SACP highly dependent on trade union resources, in a manner that it could be controlled and be reduced into some union-controlled, oppositionist extra-parliamentary NGO type organisation.

What is the essence of the phenomenon we are seeing expressed through Numsa to try and capture Cosatu and redirect it into a political base for individuals and a faction within Cosatu? This tendency had sought to use Cosatu as its political base, position it gradually as part of some independent “civil society” than part of the liberation movement, building on the personal popularity of one Cosatu leader. This faction has been seeking to build its alternative base

inside Cosatu by siding and supporting some of the renegade (and breakaway) elements in some of the key Cosatu affiliates (in NUM, SATAWU, POPCRU, etc). Its strategy has also been to challenge the authority and standing of the ANC through championing itself as the primary fighter against corruption. Whilst using this left rhetoric, its primary source of influence has been business interests associated with some of the union investment vehicles, which also coincides with some of the personal accumulation interests within this tendency.

There is a coalition of a broader range of forces and interests both within and outside Numsa. The dominant tendency within the leadership of Numsa is firmly rooted in business unionism (hence its close links to EFF), backed by an old existing workerist tendency now working closely with formations like WASP. The latter sees an opportunity to achieve both inside and outside Numsa what it had always want to achieve, to drive a wedge between Cosatu and the ANC/SACP. But even more dangerous is that all these elements are showing a willingness to work towards a worker coalition with Nactu, Amcu and other splinters from Cosatu unions, including disgruntled elements within the federation. Whilst these trends do not share the same political strategy or political goals, their interests converge around either capturing Cosatu or splitting from it, using Numsa as the nucleus of an alternative federation.

It was the response to this agenda by this tendency within Cosatu that led to the reaction by the leadership of Cosatu, immediately sparking the 'political process' and the subsequent problems.

There are two primary tasks in the immediate future to (re)unite Cosatu.

The first is the need for Cosatu to re-mobilise but re-focus, away from programmes that have been defined by the factionalist tendency trying to capture Cosatu (e-tolls, etc), into focusing on the capitalist class as the principal enemy of South Africa's working class at the moment, as underlined by the earlier analysis in this report. We need to move Cosatu away from narrow oppositionism into confidently leading struggles around a living and a social wage, transformation of the workplace, and also working closely with the SACP on the transformation of the financial sector, as part of reclaiming worker influence over their funds and resources. Internally Cosatu needs to focus on confronting the cult of the personality through, amongst other ways, revitalising a campaign to service membership led by the affiliates' presidents.

The second task for the SACP is that of intensifying its work with and inside the trade union movement. Whilst in the past we had committed ourselves to doing this, we have not created the necessary internal structures to focus on this task. Perhaps, we need to revive the Trade Union Commission as a substructure of the CC, together with the establishment of a well-resourced trade union desk in the SACP.

Such a commission and desk should not only be reacting to problems in the trade union movement, or just only in Cosatu, but creatively work with the trade union movement as part of building what we have referred to as an independent, militant trade union movement but that is part of the Congress movement. ●

## NDP DISCUSSION DOCUMENT

# What are we to make of the NDP?

This SACP discussion document on the NDP analyses the detail, the content and the broad context of the wide-ranging strategy

**T**his document is intended to open up constructive discussion and debate on the National Development Plan (NDP) - in the first place within SACP ranks. However, we are also releasing this document publicly in the hope that it will contribute to placing the discussion on the NDP onto a more constructive base. It is our view that the manner in which the NDP is being presented, by avid supporters and by die-hard opponents alike, risks exactly the opposite of what the NDP was intended to achieve. In particular, we are deeply concerned that the NDP is being turned into a divisive political football.

The core theses advanced in this discussion document are exactly those that the Party has consistently articulated over the past year in regard to the NDP – namely, that the NDP is not carved in stone and that we must not allow those outside of the Alliance to expropriate the NDP’s basic vision for their own divisive and ideological objectives. These core theses are elaborated further in the document. However, this discussion document also aims to go well beyond the prevailing trends of simply embracing or rejecting the NDP.

We have taken the NDP seriously, and we have engaged in a close reading of its diverse proposals. It should be appreciated, however, that it is impossible in a relatively brief discussion document to do justice to all of its 484 pages. Moreover, while a textual analysis (and therefore an actual reading) of the NDP is important – in this intervention we also seek to consider a wider context, including the institutional set-up and processes involved in the compilation of the plan.

In approaching the NDP we should not begin, as some have done, with the intention of simply approving or rejecting it. Most of those who line up in this way have probably not read the 484-page NDP document. On the other hand, while a close reading of the NDP document is important, it will not be helpful to start with a narrow, line-by-line textual reading to smoke out evidence for the NDP being either “the very embodiment of the Freedom Charter” (according to at least one senior ANC leader) or alternatively the “DA in drag” (as Numsa and the DA, for different reasons of course, have argued). Rather, to begin with, let’s situate the NDP within our current conjuncture,

and within the context of the challenges and possibilities confronting any attempt at developing a 20-year national developmental plan.

Our current conjuncture is considerably different globally from that which prevailed in the mid-1990s, and one would expect a national development plan to grasp the new challenges and possibilities of this changed reality and to reflect upon the lessons of the past decade. For instance, while in the mid-1990s a neo-liberal triumphalism was all-pervasive, now the neo-liberal hegemony, if not dethroned, is at least considerably challenged globally. The persisting global economic crisis afflicting the dominant centres of capital, and the example of countries that never buckled to the Washington Consensus (China being the most obvious) are key issues to be considered. Even in China, however, the leadership of the CPC is now arguing for “a new growth path” to meet both the global challenges (slackening demand for Chinese manufactured goods in the recession hit developed economies) and domestic challenges (mounting inequality, environmental degradation, problems of corruption, a potential property market bubble, and growing social protests).

Locally, we are approaching 20 years of democracy, during which important gains have been achieved, particularly (but not only) on the front of embedding a non-racial constitutional democracy. However, these very gains are now threatened by our inability to make significant inroads into transforming the socio-economic legacy of the past – with persisting crisis levels of unemployment, poverty and inequality.

There is now a broad national consensus to the effect that there has been

progress in post-apartheid South Africa, but that there is a persisting and deep-seated triple crisis. This is a potentially important basis upon which to develop a relatively unifying 2030 national vision. And, indeed, the NDP captures this consensus fairly well. That, in itself, is to be welcomed (after all governments and ruling parties are often liable to be in denial about these crises, conversely opposition forces are liable to argue that nothing has changed).

However, where there is not broad agreement is around what is to be done. Schematically put:

- For the ANC, its alliance, and the ANC-led government, there is a broad consensus that we need now to move into a second more radical phase of the national democratic revolution. Key pillars of this second more radical phase include placing our economy on to a new labour-absorbing growth path through, amongst other things, a multi-year, state-led infrastructure programme, linked to re-industrialisation of our economy, including greater beneficiation of our natural resources. Critical to sustaining this second phase is the consolidation of a developmental state and the mobilisation of popular forces, particularly the working class and poor.

- For the DA, the big business lobby, and most of the commercial media, the emphasis is not on transforming our century-old growth path, so much as accelerating growth (“growing the cake”). There is scepticism about a state-led industrial programme, and generally the view is that the economy is best left to the “market”. Some allowance is made for state intervention in cases of “market failure” – but there is obliviousness to the fact that many

“market successes” are social and environmental disasters. Where the DA is in government itself, the emphasis is placed on efficiency (which is not unimportant) but the emphasis is not on systemic transformation. As far as social mobilisation is concerned, the DA in particular is seeking to mobilise “outsiders” (conceptualised as business, the suburbs, minorities, and the alienated unemployed) against the “insiders” – the “twin evils” of Big Government and Big Labour.

Where does the NDP stand in regard to these two fundamentally divergent positions? In the name of building a national consensus, a shared national road map, the NDP fudges them. This fudging occurs across at least four inter-connected dimensions:

- The manner in which our challenges are diagnosed;

- The National Planning Commission’s assumptions about (and approach to) building the broadest possible national consensus around a 2030 vision – in other words the processes that were followed in drawing up the plan;

- The Planning Commission’s institutionalisation and composition; and

- Its specific recommendations.

Let’s consider each of these in turn.

### **Diagnosing our challenges**

Cosatu has argued that the NPC’s “diagnostic analysis” was not a diagnosis so much as a description of our well-known symptoms. (Numsa, by the way, garbles this by arguing that the NDP has only “diagnosed symptoms” – but diagnosing symptoms in order to discover root causes is exactly what we should do). Cosatu might be considerably correct, but there are, nonetheless,

diagnostic assumptions (if not an actual thorough diagnosis) in the NDP, and these are made explicit on occasion. On page 25 of the NDP, referring to the planning commission’s earlier (June 2011) Diagnostic Report, we are told: “It identified a failure to implement policies and an absence of broad partnerships as the main reasons for slow progress...”

### **Failure to implement policies**

Implementation weaknesses may very well be a reason for the slowness in transforming South Africa. We all know of many examples in which sluggish implementation has been a major problem. But an over-emphasis on implementation starts to shut down the possibility of thinking critically about the policies themselves. Was the closing of teacher and nursing training colleges in the 1990s under the aegis of “right-sizing” the public sector a correct policy? And were these actions not partly responsible for the major challenges in the education and health sectors that the NDP is now seeking, correctly, to redress? Was the fragmentation of many national line departments, in accordance with neo-liberal “new public management” policy, not a factor in weakening the state’s implementation capacity, and the reason for the NDP now having to emphasise, again quite correctly, the need for building a “capable developmental state”? Were misguided policies aimed at privatising Metrorail, or Eskom not responsible for the disastrous tardiness in recapitalising these entities? And what about housing policy? Three million low-cost houses were built, but mainly in the same distant peri-urban locations thus perpetuating apartheid spatial realities

– a fact the NDP quite correctly alludes to, calling for a “revised approach to human settlement” (p.272), but without particularly engaging strongly with the mistaken policy and the paradigm that informed it. This list could be extended.

In short, the lack of implementation diagnosis shuts down the necessity of a rigorous, evidence-based assessment of our own post-1994 policies. Moreover, it fails to acknowledge that difficulties in implementation are often a sure sign of a poor policy (the reason why privatisation of Metrorail or Eskom never took off was not just because of working class opposition, but also very substantially because there was no private sector appetite for these socially critical but unprofitable utilities to begin with).

In the important chapter 13, “Building a capable and developmental state”, the NDP correctly notes that “There have been many individual initiatives [at civil service reform] but there is a tendency to jump from one quick fix or policy fad to the next” (p.408) without effectively evaluating the successes or failures of successive policies. This is an absolutely pertinent observation. But in gliding over an evaluation of post-1994 policies and plans is the NDP not vulnerable to the same error, proposing this or that new policy fix without evaluating existing or previous policies?

Similarly, the diagnosis that, apart from failure to implement policies, the other major supposed reason for slow transformation was the “absence of broad partnerships” fails to wonder whether it was, perhaps, anti-worker, anti-poor policies, or the authoritarian imposition of a policy (supposedly written in stone), like Gear, without ef-

fective consultation that frustrated the forging of broad partnerships in the first place.

### **Broad partnerships? Lessons in building a broad-based hegemony**

If we are now seeking to embark on a radical second phase of the NDR, what was the first phase? It was essentially the negotiated settlement, paving the way for democratic elections that established not just South Africa’s first non-racial parliament, but also an elected Constituent Assembly that entrenched a radical constitution and the foundations of a democratic dispensation. Is there anything we can learn now from how the liberation movement successfully drove this earlier process by building broad “partnerships”? We think there are important lessons.

Cde OR Tambo was probably the key strategist. In the late 1980s he appreciated that for a variety of positive and negative reasons a negotiations process was imminent in South Africa. He appreciated that it was imperative for the ANC to be the masters as much as possible of the process, rather than victims of it. In the first place, drawing lessons from the Zimbabwean Lancaster House settlement, he insisted that the substantive negotiations must happen on home soil, among our people, and not in a distant foreign capital. He then proceeded to use the metaphor of an “inverted pyramid”, as he called it. At the pointed base of the inverted pyramid should be the core of the ANC’s strategic approach to a negotiated settlement – namely one-person one-vote elections, with effective pre-conditions for fair and free elections in place. Those elections should establish not just a new democratic parliament,

but also a constituent assembly that would draw up a new constitution. This was the basic package at the strategic heart of the ANC's approach to negotiations, the pointed apex at the base from which to build upwards and outwards an inverted pyramid of broad support and hegemonic influence.

Having united ourselves as ANC, Cde Tambo argued, we needed to win over generally the mass democratic movement at home to this strategic perspective. With the general backing of our mass forces at home, we then needed to win over the front-line states, the OAU, and the UN General Assembly. Remarkably, within a matter of months, under the brilliant leadership of Cde Tambo, these objectives were broadly achieved, with the Harare Declaration being a critical moment in building African continental strategic consensus.

This was an outstanding example of how to build strategic hegemony - which then consolidated itself through the early 1990s:

- By uniting as much as possible the people's camp;
- By winning over the unreliable and wavering (winning over most of the Bantustan parties in the negotiations process, for instance);
- By transforming former enemy forces into considerably neutralised opponents on a constitutional democratic terrain of our own determining (the NP withered away in a matter of years after 1994, while white liberal anti-majoritarians, the fore-runners of today's DA, were forced out of their "qualified franchise for propertied blacks only" position on to the terrain of majority rule); and
- By isolating and then dealing decisively with a fragmented, anti-

constitutional residue (the AWBs, the Derby-Lewis, the Boeremags, Inkatha warlords, and so on).

This is what Mao described as uniting the people's camp, neutralising your opponents, and isolating your enemies.

There are at least two important points for the present to note about this approach to building strategic hegemony.

Note that at the apex of the inverted pyramid was a set of core ANC strategic principles. But the apex was not the entire 1969 Morogoro ANC strategy and tactics, or the Freedom Charter. Neither the front-line states nor the OAU were asked to adopt the Freedom Charter, clause by clause. For Cde Tambo's ANC it was not a question of abandoning the Freedom Charter, but through negotiations, elections and a new democratic constitution to establish a major breakthrough on the long road to fully achieving our Charterist vision.

In contrast to this strategic approach to negotiations, by way of building an ever wider strategic hegemony, the PAC, for instance, was completely flat-footed. In the months after the Harare Declaration, PAC president Zeph Mopheng was quoted in the Sowetan saying: "You cannot go to a negotiation table for your liberation. When you go to the negotiating table you must already have won your liberation." (20 November 1989). The PAC's long-standing inability to understand real politics as opposed to rhetorical politics is obvious in this empty sloganeering (why bother going to a negotiating table, if you have already won?). Early in 1990, Benny Alexander (aka Khoisan X), PAC secretary general, expressed the same kind of rejectionism: "there is no way

negotiation can be regarded as a panacea for all our social malaise. Therefore it is bound to fail.” (Indicator SA, vol.7,no.3). Here politics becomes the pursuit of a “panacea”, a forever-all-or-nothing sloganeering – a good excuse for doing nothing, and a sure guarantee of forever-never achieving anything.

There are family resemblances between these rejectionist, all-or-nothing positions and contemporary rejectionist stands (notably by Numsa) on the NDP, and we will touch on these in a moment. (However, to be fair, we need also to acknowledge that the current NDP and the ANC’s earlier negotiations package are very different animals.)

Cde Tambo’s negotiations strategy was a proactive response to the possibilities (but also threats) inherent in a new, emerging global balance of forces. With the Cold War coming to an end, anti-communist regional gendarmes (like apartheid South Africa) were no longer a strategic priority for imperialism. With the collapse of the former Soviet bloc in Eastern Europe, think tanks in Washington began to herald a new global “third wave of democratisation”. The royal road to democratisation was held to be through elite pacts – in which the “moderate” leadership from the two main antagonistic forces were insulated from the “hawks” and from their respective mass bases, finding each other in a “centrist”, low intensity democracy agreement.

By decisively intervening on to the terrain of a negotiated transition to democracy, but with a clear ANC-led strategy that involved building massive hegemonic support, Cde Tambo was avoiding the twin dangers of being utterly side-lined (like the PAC), or being sucked into an imperialist dominated

elite-pacting exercise. Our local liberals – Frederik Van Zyl Slabbert, Alistair Sparks, and a younger Helen Zille, among them, were heavily advocating this latter approach.

The negotiated transition, the 1994 democratic elections, and the 1996 Constitution marked a decisive series of related breakthroughs for the progressive camp in South Africa. At the time, the dominant imperialist discourse of a “third wave of democracy” was a challenge but also an opportunity to drive our own democratic agenda.

We are now in a different global conjuncture. Can we confidently say that the NDP has successfully exploited the possibilities of the new situation (the partial dethroning of neo-liberalism and the related deep economic crisis in the heartlands of developed capitalism – coupled with our own domestic triple crisis)? Unlike Cde Tambo’s skilful building of an inverted pyramid by starting from within and building upwards and outwards, the National Planning Commission, has tended to move in the opposite direction. Instead of building towards broad consensus from a clear ideological base, it has started with a fabricated, bland consensus that obscures radically different agendas and then sought to impose detailed recommendations from it. This has resulted, as it could only have resulted, in an extremely mixed and contradictory bag of tricks. Which is not to say that the resulting product (the 484-page NDP) is all bad, or that it must simply be tossed away, but it does mean that the progressive camp, the SACP, Cosatu and the ANC are presented with a complicated challenge: What are we to make of the NDP? How do we ensure that we don’t play directly into hostile

agendas and further divide ourselves?

### **The National Planning Commission's institutionalisation**

All of the above problems are also directly related to the institutional establishment and character of the National Planning Commission (NPC). Interestingly, Cde Trevor Manuel, Minister in the Presidency for the Planning Commission, touched upon, these challenges. Speaking to the journalist Ryland Fisher, Cde Manuel noted that:

“The commission [National Planning Commission] itself is an interesting construct. I’ll be bold enough to say that my initial thought was to have the commission structured more along the lines of the Indian Planning Commission which has about half a dozen ministers on it. It is chaired by the prime minister and often the president or the deputy president could chair it and I would do the spade work inside. I lost that battle, and it was not about wanting to be a prime minister. It was about wanting to follow a construct whose relationship to implementation would be understood.” (“Maverick interview: Trevor Manuel” - Daily Maverick, 4 March 2013).

There are two critical and related points being made somewhat covertly here:

1. The South African planning commission is not a state planning commission of the kind that exists in many countries; and

2. This creates challenges for implementation – what is the connection between the state apparatus and its many existing plans and planning procedures, and a “plan” that has not emerged organically out of what are (or at least should be) the extensive plan-

ning capacities and/or responsibilities within the state – ranging from local Integrated Development Planning (IDP), through Provincial Growth and Development Strategies (PGDS), to the New Growth Path, not to mention a host of sector specific plans, annual departmental Strategic Plans, etc.?

Unlike the Indian Planning Commission (or for that matter pretty much all other planning units or their equivalents around the world), the South African planning commission does not have a strong organic link into government and its diverse planning apparatuses and processes. Instead, we have a planning commission made up of part-time commissioners - academics, researchers, business-people and NGO personalities, chaired by a single senior Minister and serviced by a secretariat (basically a core of former Treasury officials). This is not to impugn the calibre of the commissioners (or the minister), many of who are experts in their respective fields. But the nature of the commission has inevitably impacted on the very uneven character of the NDP itself.

At the ANC’s 2009 national policy conference (preceding the 2009 elections) there was debate around the best institutional option for developing a national planning capacity (which had been resolved upon at the 2007 Polokwane conference). Eventually something approximating to the current part-time, semi-external National Planning Commission was accepted. The reasons advanced for this choice were basically threefold:

- A semi-external NPC of outside experts, it was argued, would transcend the silo-tendencies within competing national line departments and minis-

tries;

- The “plan” should be a society-wide plan and not just a government plan; and

- Related to the above, by drawing on academic experts and even non-ANC personalities, the resulting plan would hopefully be able to enjoy support from the widest range of South Africans – a “shared South African road-map”.

All of these concerns are not without merit – but was it remotely realistic to expect a part-time, semi-external national planning commission, composed of 26 commissioners with disparate skills and ideological inclinations, to develop in 18 months a 484-page, relatively detailed 20-year “plan” that would also enjoy universal support from the “entire nation” and be purpose-fit for implementation?

Given its part-time character the NPC ran into a series of process challenges. It unwisely set itself a symbolic date (11/11/2011) for the “delivery” of the “product”. Its work consisted of a series of sprawling two-day thematic consultative conferences involving anything up to two hundred invited participants at a time, some research, and a pseudo-democratic public consultation process using social media and other supposedly interactive means to canvass “public opinion” – a kind of “Tips for Trevor” exercise. With around six months to go before the launch date, the NPC realised it was nowhere near producing a coherent document and a number of consultants external to the relatively external NPC itself were hurriedly pulled in to draft chapters, under the supervision of the small NPC secretariat.

On the eve of the 11/11/11 launch the Cabinet was presented with a mas-

sive 430-page printed document, entitled “National Development Plan – Vision for 2030”. Confusingly, sometime later, without a clear explanation, a longer 484-page document was published entitled “National Development Plan 2030 – Our future – Make it work”. Although the two texts are largely similar, there are differences. The differences include the respective Forewords signed by Cde Manuel as Chairperson of the NPC. In the first Foreword Cde Manuel writes: “The National Planning Commission is not a government department. It consists of 26 people appointed by the President to advise on issues impacting on long-term development. This gives the commission the license to be honest, bold, cut through the silos of government and take on board the views of all South Africans. It also requires us to be humble, never pretending that we have a monopoly on wisdom. This is a proposed development plan, subject to public comment and criticism.”

This paragraph, underlining the advisory nature of the NPC, the need for humility on its completeness, and its provisional status open to comment and criticism, has disappeared from the Foreword in the undated, second (and now seemingly official) version of the Plan.

How many South Africans, how many experts, how many leading politicians and political commentators (avid supporters and non-supporters alike) have actually read either the 430 or the 484 page document? Were there not better ways of addressing the three-fold challenges of overcoming government silos and building broad support noted above?

For instance, while the externalisa-

tion of the NDP process sought to overcome the tendencies toward silo-mentality within government, was it not based on the myth of the “neutrality of experts”? Do we not have better models, both internationally and locally, for ensuring more effective planning, strategic discipline and coordinated discipline across the state and into broader society? The Presidential Infrastructure Coordinating Commission (although with a more limited scope – i.e. infrastructure planning and coordination) offers an interesting alternative model (to be elaborated upon briefly below).

But before doing that we should note a recent development (in late April) which once more highlighted the problematic nature of the relationship between the NPC and government. The NPC (it is not clear if it was a plenary sitting of the commission or something less) commissioned a study on South Africa’s nuclear energy plans as outlined in government’s IRP 2010 (Integrated Resource Plan). Without reverting back (even if out of courtesy) to the Department of Energy, or the appropriate ministerial cluster, still less cabinet – the NPC then splashed (across the front page of the Business Day) the results of this commissioned report which was essentially dismissive of the nuclear energy proposals in the IRP government plan. This completely blind-sided the DG for Energy the following day in a Portfolio Committee meeting in which her presentation noted the general support in the NDP for government’s nuclear energy proposals. In the following days the opposition parties were quick to jump on to this: “Your own National Planning Commission has rejected your approach”.

The NPC’s revised views on nuclear

energy requirements and date-lines might well be more accurate than those of government’s IRP 2010 – but we cannot have a free-floating NPC, with an apparent presidential endorsement and using the budget of the presidency, playing a lone-ranger game. While we need to encourage public engagement, including critical engagement with our plans and policies, we cannot have a free-floating Presidential National Planning Commission effectively playing a factionalist game.

The Presidential Infrastructure Coordinating Commission (PICC), for instance, is an interesting alternative example – although it is focused on infrastructure planning, and not planning in general, it offers a more organic model. Currently, the President chairs the PICC, to ensure strategic cohesion and a presidential over-ride in cases of inter-departmental or inter-sphere rivalries. Its members include a number of relevant cabinet ministers, all nine premiers, thereby cutting across narrow party political agendas, and the South African Local Government Association (Salga). It is currently coordinating, under the framework of 18 strategic integrated projects, more than 600 major planned projects – many already underway, while others are in the feasibility stage. The PICC is not seeking to abrogate the planning processes underway in different spheres of government, or in different line departments, but its objective is to ensure the strategic integration of key infrastructure projects, to weed out vanity projects, and to establish a long-range national infrastructure pipeline. A planned infrastructure pipeline is critical – so that we do not have the kind of roller-coaster of multiple mega projects crammed into a

short time-space (as with 2010 World Cup) only to be followed by a construction slump. This leaves us vulnerable to price manipulation and collusion. A longer-range, planned pipeline for major projects also helps the planning process for skills availability and training, and for ensuring the availability of key material inputs (cement, wood, bitumen, steel).

The PICC (like the NPC) is also premised on the understanding that while the construction-build programme has to be government driven, it requires the broadest mobilisation of South Africans and potential foreign investors. But this mobilisational buy-in is not based on the objective of getting the “entire nation” and potential foreign investors to sign off on a 484-page “vision/plan”, or on every one of the 600-plus infrastructure projects. Above all, it doesn’t start with seeking broad, feel-good, buy-in, but rather by unapologetically driving (as the democratically elected government) an infrastructure programme by using the full weight of the state apparatus. It is on this firm basis, with a relatively unified progressive strategic agenda, that engagement (and it is overwhelmingly positive engagement) takes place with the private sector, for instance.

Unfortunately, the NDP proceeds in the opposite direction, starting with a fudged win-win ideological “consensus” that in fact conceals two contrasting paradigms.

What are these two contradictory paradigms at play within the NDP? In many ways this takes us back to an old debate within the Alliance that occurred between 1993 and 1996 in the context of the ANC’s first major electoral platform – the 1994 Reconstruction

and Development Programme (RDP – 1994). The debate concerned the relationship between economic growth and transformational development.

The RDP was essentially premised upon a paradigm that, given the immediate impending post-apartheid challenges, a progressive economic growth path would have to be based on a developmental/transformational agenda. In other words, simply unleashing a return to growth would continue to lock South Africa into the prevailing century-old problematic growth trajectory that would reproduce, and possibly aggravate, the systemic legacy challenges of racialised inequality, poverty, chronic unemployment, unsustainable environmental degradation, and patterns of extreme spatial development and under-development. This broad RDP paradigm styled itself as growth through development. (It was sometimes, mistakenly, reduced to a more narrowly Keynesian “growth through redistribution” perspective, which – as we will see – opened it up to a neo-liberal counter-offensive).

The RDP document neatly captured its core approach to growth and development in the following way:

“Growth ... is commonly seen as the priority that must precede development. Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view, development is a deduction from growth. The RDP breaks decisively with this approach. If growth is defined as an increase in output, then it is of course a basic goal. However, where that growth occurs, how sustainable it is, how it is distributed, the degree to which it contributes to long-term productive capacity, and human resource development,

and what impact it has on the environment, are the crucial questions when considering reconstruction and development. The RDP integrates growth, development, reconstruction and redistribution into a unified programme.” (p.6)

Unfortunately, in the debates that happened in the mid-1990s an alternative paradigm (supported by a massive corporate and media campaign) gained ascendancy within the ANC and ANC-led government. It paid lip service to the RDP, but shifted the RDP’s core objectives into “redistributive”, top-down, delivery targets – for instance 3-million low cost houses. Having gutted the core foundation principle of the RDP, this alternative paradigm then boldly stated – “We agree with your ‘delivery’ targets, but how can you ‘redistribute’ without first growing the cake?” From there it was a quick step to moving from “growth through transformational development” to first growth (any kind of growth)...and then development.

The victory of the Gear-policy package (largely borrowed from the apartheid regime’s earlier Normative Economic Model) marked the hegemony of an essentially neo-liberal vision. It is a paradigm that succeeded for a time in promoting economic growth, but failed to transform (and in many cases exacerbated) the systemic legacy of the past (jobless growth, poverty and inequality)

In essence, the unevenness at play within the NDP relates to a fudging of these two very different “visions” or paradigms. Although much of what is recommended in the NDP does mark a shift away from the 1996 neo-liberal package, because the shift is never acknowledged and digested in a clear-cut

way, there is constant backsliding into the old paradigm.

For instance, on p.416 of the NDP we are told:

“Only by reducing poverty and inequality through broadening opportunity can the country achieve real unity. The country has much more to gain if a win-lose debate shifts to a win-win debate, focusing simultaneously on growing the cake and redistributing it.”

As Numsa has correctly argued, there is no difference between this statement of principle (with the possible exception of the word “simultaneously”) and the DA’s view “if we are to open up opportunities for all and create a prosperous, inclusive society, the pie needs to get bigger so there is more to share”.

What’s wrong with these seemingly self-evident truths? The assumption is that there is nothing systemically problematic about the semi-colonial growth path into which we remain locked. Simply grow more, let the richer become richer, and there will be more goodies to charitably re-distribute (or trickle-down). But the problem is that the growth path is actively reproducing the crises of unemployment, poverty, inequality, spatial distortions and irreversible environmental damage.

The big question is, of course, has this retrograde paradigm entirely overtaken an alternative progressive paradigm within the NDP? The answer, we believe, is no. There are many important and positive recommendations and perspectives developed within the NDP (some of which we will flag later). However, the influence of the ghost of the old neo-liberal model is most obvious (as we might expect) in Chapter 3 “Economy and employment”. This

chapter is the main target of Cosatu's draft critique of the NDP – a critique that is fundamentally well founded.

In summary, Cosatu notes that:

- On jobs, the NDP envisages creating mostly low-quality, precarious jobs outside the core productive sectors – relying mainly on SMMEs and service sector jobs. Cosatu further notes that SMMEs (in contrast to large enterprises) have actually shown net job losses over the past period in South Africa. This, according to Cosatu, makes the NDP's expectation of 9.9 million new jobs highly unrealistic.

- On worker rights – and related to the above – the NDP will erode worker rights through its emphasis on job creation in low-skill, low-paid work in the SMME and service sectors, and through proposed legislative measures to make dismissals easier.

- At the heart of these problems is the fact that the NDP is extremely weak on the critical dimension of placing the economy onto a new growth path – namely through re-industrialisation. The NDP envisages a shrinkage of the manufacturing sector from 12% of GDP in 2010 to 9.6% in 2030. Of the 11 million new jobs envisaged in the NDP, nearly two-thirds will come from services, domestic work and the informal sector.

These criticisms are entirely apposite. As the SACP, and in line with government's IPAP programme, we should nuance Cosatu's concerns around SMMEs and the service sector by adding that the quality and sustainability of job-creation in these sectors is critically dependent on whether they are actively linked into a growing industrial sector (as in China, for instance).

On the other hand, where the SMME and service sectors are largely dependent on footloose financial capital (as in Cyprus), or marginalised into township informality – they will tend to be vulnerable and low-paid. The majority of jobs in South Africa may well come from the SMME and service sector – but if they are to involve decent work and be sustainable then they need to be symbiotically linked into industrialisation, including agro-industry.

Apart from the weaknesses in the NDP's job creation approach, Cosatu's draft analysis of the NDP further (and correctly) points out that in regard to the other two big challenges of our society (inequality and poverty), the NDP is exceedingly unambitious.

- Although the NDP pays lip service to addressing inequality, its Gini coefficient target for 2030 is unacceptably modest. It aims to reduce the Gini coefficient from its 2009 figure of 0.70 to 0.60 by 2030. That would leave South Africa still as one of the most unequal societies in the world! (In fact, illustrating just how unambitious this NDP target is – by 2010 / 11, in less than two years, we had already got halfway to the NDP's 20-year, long-term Gini target! By 2010 / 11 the Gini coefficient was at 0,65.)

- The plan uses a very low poverty measure of R418 per person (in 2009 prices). It argues that in 2009, 39% of South Africans fell below this level and that by 2030 nobody will be below that level. Based on the NDP poverty level, the household monthly subsistence level would be around R2000-R2900 (at 2009 prices). However, the household subsistence and supplemented living levels are actually higher – the

minimum income for a family of five to afford basic necessities was around R3 500 per month in 2009.

So how should we position ourselves on the NDP given all of these weaknesses?

### **Total rejection?**

On the 20th March the National Union of Metalworkers of South Africa (Numsa) issued an extensive statement on the National Development Plan (NDP). Addressed to “the entire South African working class and its allies”, the statement was published on-line and also over two days in three full-page adverts in the Business Day. The Numsa statement calls upon the South African working class and its allies “to join us in rejecting the plan – the NDP...because it is not rooted in any efforts to root out the historic cause of our development [presumably “our under-development”?]...colonialism of a special type.” The ideological premise upon which Numsa bases its rejection of the NDP is that “the struggle to end national, gender and class oppression and exploitation is the essence of our National Democratic Revolution”. While as communists we will agree with these ultimate objectives, ending class exploitation (that is, the abolition of capitalism) is not “an essence” of the NDR, nor is it an objective of the Freedom Charter.

From this maximalist position, however, Numsa then declares: “anything short of this is a continuation of the same centuries old system of national, gender and class oppression and exploitation by other means!” We are back with all-or-nothing – anything short of the abolition of capitalism is to be rejected.

In arguing for a blanket rejection of the NDP, the Numsa intervention seeks to equate DA policy positions, the 1996 Gear macro-economic policy, and the NDP. It then contrasts this allegedly monolithic policy package (DA=Gear=NDP) with Cosatu resolutions. There are many problems with this approach – its all-or-nothing rhetoric, its readiness to accept the DA’s own claim that the plan has adopted “the DA’s vocabulary throughout” as proof, and the fact that Numsa doesn’t look at other key policies and their relationship to the NDP (or Cosatu policies). For instance, what about government’s New Growth Path, its Industrial Policy Action Plan, or the Presidential Infrastructure Coordinating Commission’s 18 Strategic Integrated Projects? What about the ANC’s policy resolutions from its 53<sup>rd</sup> National Conference on economic transformation? What about the recent National Youth Accord? We are not suggesting that Numsa should swallow whole, without critical reservation, any of these latter policies, resolutions or accords - but isn’t the art of politics about dividing one’s opponents and maximising the progressive camp on the basis of a principled programme? Numsa’s blanket rejection of the NDP and the manner of its rejection risk achieving exactly the opposite outcome.

### **NDP = DA?**

Ironically, both Numsa and the DA (but for different reasons, of course) claim that the NDP is essentially DA policy. We shouldn’t be surprised that the DA would make such a claim. It is part and parcel of its whole re-branding exercise in which it is also seeking to appropriate the ANC-led alliance’s liberation legacy,

positioning itself as the “authentic” heir and custodian of this tradition, in contrast to the current Alliance leadership which has supposedly betrayed this legacy. This DA fairy-tale can only be sustained, of course, through a very selective remembering and distortion of the recent past. But what about the attempt to claim ownership of the NDP?

We can understand why the DA would want to position itself in this way. But why would Numsa want to do exactly the same thing? A simple NDP = DA equation grossly exaggerates the consistency and coherence of the NDP (a key thesis of this intervention)...but it also exaggerates the internal coherence and unity of the DA and its policies. To take a current example – as we all know, one of the key snippets from within the NDP that the DA has held up in triumph is the recommendation of a youth wage subsidy. With the recent signing of the National Youth Accord, the DA has come out angrily rejecting the Accord for failing to endorse a youth wage subsidy. Yet one of the signatories to the Accord was the DA Youth! Instead of unifying the DA and dividing the progressive camp, shouldn't Numsa spend more time probing into these kinds of class contradictions inside of the DA?

But what are we to make of the DA's own copyright claims on the NDP? Some important policy positions in the DA's own policy package have been selectively borrowed and re-cycled from our own progressive policies – an indication of the ANC and its alliance's broad democratic hegemony within society. Other DA copyright claims on the NDP are grounded in problematic tendencies within the NDP itself (some of which Numsa has correctly high-

lighted). But vast stretches of the NDP (which the DA always fails to quote) are located in a fundamentally different perspective.

Let's take two examples: state-owned enterprises (SOEs) and human settlements and integrated urban development.

On State Owned Enterprises this is what the DA's “Plan for Growth and Jobs” has to say:

“The most significant weakness of the [SOE] state capitalist model... is that it fundamentally undermines liberty. By turning companies into organs of government, the model simultaneously concentrates power and corrupts it. Whereas in a liberal economy, privately-owned entities act as a check and balance on the power of the state, state capitalism instead channels all power to the centre.”

Without going into a long critique here – note how in this DA fable “privately-owned” entities are presented as if they were all family-owned corner shops and not also massive transnational oligopolies that not only “check and balance” but also literally usurp the powers of democratically elected governments. “Liberty” dethrones democracy. Note also how the assumption is that centralised state power is inherently corrupt, while monopoly capital is angelic.

Contrast this DA statement of principle with what the NDP has to say on State Owned Enterprises:

“SOE's are central to advancing national objectives through providing economic and social infrastructure... To live up to these expectations, SOEs will require clear public-interest mandates, which are consistently enforced.” (NDP, p.438)

The NDP then goes on to make a number of extremely useful recommendations on how to strengthen the SOE sector in South Africa. Here we are worlds apart from DA policy.

The gulf between the NDP and DA is even wider when it comes to human settlements and integrated urban development. As far as we can tell, in its national policy positions the DA has nothing to say about overcoming the terrible racialised legacy of our urban and rural settlement patterns and the continued reproduction of poverty and inequality as a result of the spatial displacement of the working class and poor. On the DA web-site under “Our policies” this is what we are told about housing: “Providing adequate shelter is first and foremost an individual responsibility...” So much for basic human solidarity.

Under “Public Transport” there are complaints about congestion and promises to improve public transport – but not a word is said about the core challenge for public transport in South Africa – namely the majority of public transport users in South Africa are located at great distance from places of work and amenities, but also they are overwhelmingly poor. Safe, reliable and affordable public transport cannot be achieved without a premium being placed on mixed-income, mixed-use urban development that challenges the freeway, 4X4, shopping mall, and suburban priorities of the DA’s core electoral constituency. By contrast, chapter 8 of the NDP deals eloquently and effectively with these challenges.

But if we should reject blanket rejectionism of the NDP, or a simplistic equation (NDP=DA), should we then instead go for blanket acceptance?

### **Blanket acceptance?**

We must be careful of not countering Numsa with an equally blanket rejection of the relevant points that their critique of the NDP raises. It is important to take policy documents seriously and in its relatively detailed engagement with the NDP, Numsa has sought to do just that (at least in regard to the economic chapters in the NDP). This is in welcome contrast to the anti-intellectual tendencies that often proliferate within our country, leading to the taking up of policy positions based on personalised, factional or narrow electoral calculations that have absolutely nothing to do with genuine policy debate and differences. There are zealous defenders of the NDP, for instance, amongst many in the political commentariat and also in the DA – whose only familiarity with the plan appears to be a few selected phrases and perhaps a half-dozen, motherhood and apple-pie, power-point slides, at best. In many other cases, “support for the NDP” is a barely disguised attempt to play one ANC minister against another.

The Numsa statement can, in part, be read as a response to the kind of position adopted in an earlier Business Day/BDLive intervention by the ANC Deputy Secretary General, Cde Jessie Duarte. Cde Duarte had accused Numsa of “sticking out like a sore thumb, against the grain of the entire nation.” Cde Duarte was correct to challenge Numsa’s blanket rejection of the NDP and her sense of exasperation is perhaps understandable. But in challenging Numsa it didn’t help to wildly overstate claims on the NDP’s behalf – that it has been “embraced by the ENTIRETY of society”, or that it has “crystallised ALL ANC policy directives...” (Even the

word “directives” has an unfortunate authoritarian ring to it).

Nor was it helpful for Cde Duarte to accuse Numsa of a “poor attempt to create further uncertainty in the local and international investor markets”. Unfortunately in our current reality “investor market sentiment” can’t be entirely ignored. (Of course, we are not dealing with a single “market sentiment” – the interests of the dominant global financial sector, for instance, are not the same as those of the local manufacturing sector.) Either way, we should never allow ourselves to use “market sentiment(s)” as a stick to bully one another into line, or to suppress Cdely debate. Even more problematic is the fact that Cde Duarte’s appeal to “investor markets” lays us open to the allegation that this is what the NDP is REALLY about – pleasing investors.

While Cde Duarte’s intervention was a brief expression of exasperation, and Numsa’s intervention is fairly extensive and somewhat analytical, both tend to place the NDP onto a plinth. The NDP is turned into something carved in stone, either to be admired in awe “by the entirety of society”, or pulled down like Saddam Hussein’s gigantic likeness in central Baghdad.

### **What did the ANC's 53rd Mangaung National Conference have to say about the NDP?**

Contrary to the monumentalising tendencies to be found amongst both zealous supporters and equally zealous opponents of the NDP, the ANC’s 53<sup>rd</sup> Mangaung National Conference resolutions actually present quite diverse perspectives on the NDP – ranging from full support and a call for its implementation; through resolutions that see it

as a broad vision, or useful basis for a still far from complete planning process; to concerns that that the NDP and government plans are not sufficiently and mutually aligned; to critiques of serious gaps in the NDP; down to a polite but radical rejection of at least one sectoral chapter.

For the disbelieving here is a quick inventory of virtually all references to the NDP in the ANC Conference resolutions:

More or less unqualified support:

“We must work towards the implementation of the recommendations of the 2030 National Development Plan as a long term vision...” (Resolution on Social Development)

“The National Development Plan... enjoys overwhelming support among the various sectors and communities in our country... The National Development Plan broadly resonates and is compatible

with the Action Plan to 2014: Towards the Realization of Schooling 2025. The Health related identified challenges as well as the recommended objectives, targets and actions correlate with those identified by the ANC and Government in amongst others the ten point plan and the NSDA. Therefore resolves that: Conference supports the implementation of the NDP and endorses its objectives and goals. Conference enjoins government departments to note any gaps that might have been identified by the NDP for purposes of policy and planning...” (Resolution on Health and Education)

Although this last resolution is listed under “unqualified support”, the highlighted “broadly resonates and is compatible with” clause suggests a degree of tension between the NDP’s

basic education recommendations and government policy.

To a more nuanced approach suggesting that the NDP is a useful basis, a broad vision within which on-going planning and consultation must still occur:

“we embraced Vision 2030 and the National Development Plan as a platform for united action by all South Africans...Having considered the National Development Plan [we] agreed that it forms an important basis for the development of a long term plan to build a national democratic society that is non-racial, non-sexist, democratic, united and prosperous and seeks to advance the National Democratic Revolution (NDR).” (*Conference Declaration*)

“The ANC must take the lead in mobilising and uniting all South Africans around a common vision of economic transformation that puts South Africa first. The National Development Plan is a living and dynamic document and articulates a vision which is broadly in line with our objective to create a national democratic society, and should be used as a common basis for this mobilisation. The ANC will continue to engage with the plan, conscious of the need to unite South Africans in action around a common vision and programme of change.” (*Resolution on Economic Transformation*)

The formulations in this paragraph from the economic transformation resolution emerged out of considerable debate. We should note in particular:

- The repeated use of the word “vision” to describe the NDP, which is viewed essentially as a broad vision rather than a plan of action;

- The NDP is seen as “a living and dynamic document” – it is not written

in stone. It is, precisely, not a monument;

- The NDP is said to be “broadly in line with our objective to create a national democratic society”. “Broadly” is not quite the same thing as asserting that it has “crystallised all ANC policy directives...”; and

- The resolution commits the ANC to “continue to engage with the plan” – that is, it resolves on a process of debate and dialogue with the recommendations in the NDP.

Perhaps even more importantly, the ANC’s economic transformation resolution goes on to affirm its continued support for government’s key economic plans:

“Within the NDP vision, critical instruments and policy initiatives will continue to drive government’s medium-term policy agenda. These include: The national infrastructure plan, which is an opportunity to change the structure of the economy, apartheid spatial distortions, support beneficiation and industrialisation and contribute to facilitating intra-African trade. As a flagship programme of the state, all departments and spheres of government must join in taking forward this programme. The New Growth Path is the economic strategy designed to shift the trajectory of economic development, including through identified drivers of job creation. The industrial policy action plan, which guides the reindustrialisation of the South African economy.”

Then there is the more critical view that there isn’t sufficient mutual alignment between different plans:

“There should be greater integration of planning across the spheres and public entities, with alignment between the NDP, PGDS (Provincial Growth and De-

velopment Strategies) and IDPs... Given the importance of the NDP and NGP, LED (Local Economic Development) should be strengthened.” (Resolution on Legislatures and Governance)

Note that in this resolution it is not a question of everything else having to be aligned with the NDP, but rather of mutual alignment.

And then a more or less polite rejection of at least one chapter:

“The NDP was adopted without the benefit of drawing from a White Paper on International Relations, which led to a limited perspective on international relations. The ANC, therefore, resolves that:

a. NDP’s content on international relations [be] strengthened. b. The ANC’s foreign policy objectives,

particularly on the renewal of Africa, should be reflected in the NDP...c. More emphasis be placed on the need to change the political economy of Africa that still reflects the legacy of colonialism and neo-colonisation, particularly with respect to mineral and natural resources of Africa.” (Resolution on International Relations)

Clearly, and contrary to an impression created by the media (and believed by some leading ANC Cdes), the ANC’s Mangaung Conference did not produce a unanimous and resounding endorsement of the NDP in all its detail. While one or two commissions might have called on government to march forward to the drumbeat of the NDP’s implementation ambitions, other commissions and the Declaration of Conference itself were more nuanced, at the very least.

These differences in emphasis from the ANC Conference do not so much reflect divisions within the ANC (these

exist no doubt) but rather the different merits and demerits of different sectoral chapters and different proposals within an often internally contradictory NDP itself.

### **So what’s good about the NDP?**

So far we have largely critiqued the NDP for its diagnostic weaknesses, the institutionalisation and manner of working of the NPC, and the fudging of key ideological debates (at a time when, nationally and internationally, the conjuncture is much more favourable for - but also more desperately demanding of - advancing a bolder, progressive agenda).

But is there anything positive about or within the NDP?

Long-range planning to achieve strategic discipline across the state and state entities

In the first place, we need to acknowledge that the setting up of an NPC was a partial victory for the SACP (and progressive forces). Developing a long-range planning capacity within the state was something that the SACP had argued for consistently over many years, and the 2007 ANC Polokwane resolution was very much motivated by the SACP.

Perhaps that was part of the problem – it was assumed in some quarters that because it was the Party advocating a state planning commission that we had in mind old-style, Soviet-era Gosplans “central planning” (still invoked by Numsa, by the way). Perhaps this is why a non-state planning commission was opted for? Let’s recall that Gosplans essentially sought to entirely replace the market-mechanism – including labour market wage bargaining. The endeavour was to reduce virtually

everything to a bureaucratically determined five-year plan, from the bureaucratic setting of wage rates (which of course then rendered the trade union movement relatively toothless) to the numbers of shoes to be produced (including colours, sizes and styles). We can debate the merits and (many) demerits of this approach to planning in a situation in which the capitalist market had at least been abolished. Clearly this kind of planning is neither desirable nor remotely feasible in our South African reality (although the rolling back of capitalist markets and of capitalist market power is).

The SACP has not been advocating for this kind of bureaucratised, top-down, micro-managed planning for South Africa.

Whatever the many shortcomings, the NPC and its NDP have at least put onto the map the imperative of national long-range planning. We have learned lessons from this experience and need to build upon them, as we propose below.

### **The centrality of a capable, developmental state**

The NDP generally takes forward the consolidation of an emerging Alliance consensus dating back to the early 2000s that has progressively rolled back the privatisation agenda embedded within Gear. The NDP clearly (if not always with complete consistency) underlines the leading role of the state in driving transformation. The NDP, quite correctly, also advances a democratic (and not authoritarian) version of the developmental state we are seeking to build.

Chapter 13 on “Building a capable and developmental state” contains

many important and progressive proposals – particularly on transforming the public service to be “immersed in the developmental agenda” while being protected from narrow, factionalist political interference. It also makes important proposals on professionalising the public service and on the governance structures of SOEs.

There are many other fundamentally positive areas of the NDP – all of which require further engagement and elaboration. Some of these fundamentally positive features include:

- Its support of National Health Insurance – although what kind of NHI it is supporting requires further interrogation.

- The argument for the demilitarisation of the police.

- Its support for the infrastructure build programme of the PICC – although its emphasis is more towards lowering the cost to doing business, and less on transformative infrastructural interventions.

- The excellent chapter 8 on transforming human settlements – which is considerably in advance of current collective government thinking and ANC resolutions; and

- The important chapter 14 on “Promoting Accountability and Fighting Corruption” – which is much more detailed and decisive than, for instance, the rather weak ANC Mangaung Conference resolution on fighting corruption.

None of the above positives should simply be rubber-stamped for approval without much more detailed constructive but critical engagement. There are numerous other areas of the NDP that are also a useful basis for on-going engagement.

**Basic proposals for a way forward**

The NDP is rapidly becoming a political football being used opportunistically by some elements within Cosatu and by the DA and other opposition parties. Some in Cosatu are seeking to use their total rejection of the NDP as a diversionary tactic in their internal federation battles, and in an attempt to drive a wedge between Cosatu and its Alliance partners and government. The DA, on the other hand, ironically is also trying to drive a wedge between Cosatu and the ANC-led government, and between “NDP-supporting” government ministers and the left in government. The SACP in this conjuncture has a critical role to play by refusing to monumentalise the NDP – by refusing either to demonise or canonise it.

Instead, we must present the NDP as a broad vision open to necessary criticism and engagement. It is not a plan, still less a fit-for-implementation plan. On the economic front (and in line with

the ANC’s economic transformation resolution from the Mangaung conference) we must insist that the plans for implementation are critically (but not exclusively) the NGP, IPAP2, and the PICC’s infrastructure build programme. None of these plans/programmes are, of course, above criticism, and all require continuous re-iteration in the light of on-going practice.

We cannot be satisfied with a simple textual engagement with the NDP and a textual comparison with other policies and programmes – we must also aggressively foreground the institutional lessons to be learned from the NPC experience.

The NPC should now be dissolved (having produced a 2030 vision) – and with the incoming 2014 administration a new, more organic State Planning capacity should be established. Lessons can be learnt in this regard from international experience, and also from the still emergent structure, composition and work of, for instance, the PICC. ●

## THE STATE

# Beyond the developmental state

The developmental state is an adaptable concept that can be either a stepping-stone or a barrier to progressive objectives, writes **Ben Fine**

**M**y topic is the developmental state or, more exactly, beyond the developmental state. But “beyond” in what sense? For those economies that have been dubbed developmental states in Latin America and, most prominently, East Asia the “beyond” has tarnished their record, at least relative to the economic performance that got them there. This is especially true of Japan that has stagnated over the past two decades. On the other hand, for those yet to attain the status or fruits of a Developmental State, which might include South Africa, the beyond is too far away to contemplate. Primarily, though, I will refer here to “beyond the developmental state” in terms of its strength and weaknesses analytically.

My own relationship with the developmental state goes back 25 years, to the mid-1980s. I was familiar with it as an economist in a casual way but a deeper attachment was inspired by exploring whether what I shall call the developmental state paradigm (DSP), could be used to understand the nature and potential of the South African economy, especially in responding to requests by the

ANC to assist in formulating policy for the post-apartheid period. My answer was *no*, with an alternative dedicated concept developed to characterise the South African economy as the minerals-energy complex, MEC. This notion critically departed from the DSP, and I will explain how and why later.

While my own relationship with DSP, like a bad marriage, has been a combination of love and hate, the developmental state in South Africa has been, at least initially, more like an end of the summer romance or even fling, in which past President Mbeki and his coterie desperately sought to revitalise appeal to the masses through promises of better times ahead. As we now know, though, this attempt at saving a marriage with the people failed miserably, not least as there was little faith that the erstwhile President would be able to hold together a marriage based on two different partners, neo-liberalism and the developmental state. On the other hand, the new President may be more accomplished at satisfying the competing if not incompatible demands of forging an alliance between neo-liberalism and the developmental state, even though these

have traditionally been seen as impossible bedfellows. Nor is this as fanciful as it might sound for South Korea has, in the wake of the crisis of 1997/98 and the most recent, been understood as a *neo-liberal* developmental state. This is so for broader reasons to which I will return.

What of the DSP itself? Whilst it can be traced back in all but name at least as far as the 18<sup>th</sup> Century and US protectionism, the 19<sup>th</sup> Century and German protectionism, through Japan and Latin American import substituting industrialisation, the DSP has been most prominent as a way both of explaining the success of East Asian NICs and vehemently and intellectually successfully opposing the neo-liberal Washington Consensus and its antipathy to the state that emerged so strongly and rapidly in the 1980s. But, although not to be underestimated in terms of its narratives of successful state intervention and refutation of neo-liberal dogma, this prominence and success was achieved at some cost or, more exactly, at the expense of unresolved tensions and limitations of the paradigm that went unnoticed at the time and which primarily continue to be overlooked.

First and foremost, the DSP has been pre-occupied with *successful, latecomer or catch up, industrialisation*, with each of these terms of some significance.

Second, then, the DSP has offered limited attention despite a universal framework of analysis, to which I will return, to failures. This is especially important for Africa for, with minor exceptions such as Botswana and Mauritius, the DSP has proceeded as if the Dark Continent does not exist.

Third, accepting that development does go through stages, the DSP has little to say about earlier and later stages.

How do we get from agrarian to industrial society so we can even begin latecomer catch up? And getting to the frontier is one thing, getting ahead of it is another as those you are catching can hardly be expected to stand still or, possibly, offer you a helping hand as opposed to kicking away the ladder.

Fourth, then, there is the neglect of other aspects of development apart from industry. What about the role of agriculture, health, education and welfare, democracy and labour (other than in provision of skills)? There are also other neglected areas or issues, such as macro-policy, the functioning of the financial system (other than in directing finance to industrialists), and the role of globalisation. To some extent, these absences (and I will also refer to technology again later) reflect, conscious or otherwise, an implicit and complicit acknowledgement of the weaknesses and limitations of the DSP in its mission to discredit the Washington Consensus from a progressive, interventionist stance. It would not help to raise questions of welfare, democracy and trade union rights, organisation and action (and the presumption, to some degree false, that these were minimal in the East Asian NICs and destroyed the developmental states of Latin America). And, despite globalisation, there is a presumption that all can become national developmental states as long as the right policies are adopted, whereas convergence of economies has been notably absent over the past three decades.

Fifth, this belief in the capacity for global capitalism to allow all nation-states to be developmental is a mirror image to the neo-liberal dogma that it is a *fait accompli* so long as everything is left to the market. In part, within the

DSP, this reflects two further weaknesses. One is that the DSP literature has primarily been divided between two separate schools, the economic and political schools. For the economic school, the focus is on those (economic) policies, often narrowly drawn and conceived, that are necessary for an economy to achieve development. Drawing primarily on the idea that markets do not work perfectly and, correspondingly, upon (imperfect market) economics as a discipline, the state is required to accrue, for example, the economies of scale and scope, to coordinate investments within and across sectors, to harness positive and eliminate negative externalities, and so on. For the economic school, then, it is a matter of identifying the appropriate policies, with the presumption that they will be implemented by a developmental state because they ought and/or need to be.

By contrast, and completely complementary, the political school with its own disciplinary origins predominantly from within political science (and certainly separate from economics), is remarkably aloof from consideration of the economy itself and the nature of the policies required to bring about development. Rather, the political school is concerned with the nature of the state itself and whether it has the potential in general, and the independence in particular, to adopt the necessary policies more or less irrespective of what these might be. Here emphasis is placed upon the necessity for the developmental state to be free of capture by particular interests, and so to be able to adopt developmental policies.

Taken together, the economic and political schools address what policies are to be adopted and what allows them

to be adopted. Successful cases of development in practice can be interpreted through this dual prism, and such is a major methodological thrust of both schools. For each has been highly inductive in practice, examining the role of economic policy in bringing about development and the nature of the states adopting such policies. This is not to suggest, however, that the developmental state literature has been without theory or analytical content. The economic school, for example, strongly emphasises the significance of market imperfections and the role of a developmental state in addressing, if not necessarily correcting them. In highlighting the departure from neo-liberalism, Alice Amsden famously declared that it was a matter of “getting relative prices wrong”, of not conforming to the dictates of the market.

Similarly, the political school has tried to identify empirically what characterises the nature of the states, and the societies containing them, in which development has proven possible. Posing this in terms of the independence of the state from economic or other interests has itself presumed an analytical approach in which society is structured along the lines of the state as opposed to the market, with the addition of civil society to fill out the remaining economic, political and ideological space. In this way, not only is the (developmental) state seen as potentially independent, the term favoured is autonomous, it is also perceived to evolve interests of its own that prevail over those of the market and civil society, especially where these conflict with developmentalism. This approach of the political school is admirably captured in the notion of “Bringing the State back in” as an agent of development in its own right, at times

autonomous from interests, at other times embedded with them as long as this allows it to be developmental.

Across both economic and political schools, then, there is a predilection to set up an opposition between state and market, which is the source of another analytical weakness. For the economic school, the state overrules the market and so is able to improve upon it. Class does not tend to appear at all for it is simply a matter of identifying the right policies and not whether they have sufficient support to be implemented, and on whose behalf or to whose benefit. For the political school, the state needs to stand aloof of the market, and the economic interests found within it. It is not that class or more general economic interests are absent but it is important that the state has the capacity to neutralise if not to override them. The result has been to downplay the role of class in the DSP, a skewed neglect rather than an absolute absence. The DSP has tended to focus on state-(industrial) capital relations at the expense of the way in which class relations, and more general economic, political and ideological relations are formed, expressed and evolve through the state and the market. So, class relations should, in contrast to the DSP, be taken as analytically prior to the state-market duality that is shared with the Washington Consensus, albeit on a considerably more favourable stance towards the state.

And, as mentioned, of overwhelming importance if so much taken to be granted as more or less to remain unstated, there is a total pre-occupation with the nation-state and its capacity to bring about development irrespective of the impact of international or global factors. This does not mean that the global

is absent, but that it is only incorporated as a positive (availability of catch-up technology, for example) or as a negative (competition from imports or imposition of wrong policies) influence in the policies to be adopted or the attainment of independence in policymaking.

On this basis, let me now turn to the rhythm of the DSP, its shifting profile and content over time. As already indicated, it was at its height from the mid-1980s for a decade, in opposition to the Washington Consensus and drawing upon a systemic, inductive understanding of what brings about successful latecomer, catch up industrialisation and pointing to the irreducible role of the state. From the mid-1990s, though, even before the Asian crisis of 1997/98, the DSP was going into decline the reason being that it was thought to be its own gravedigger, to coin a phrase, a victim of its own success. In South Korea, for example, having created large, powerful conglomerates, the chaebol, that dominated the economy, these could no longer be controlled let alone coordinated by the state. And development also brought strengthened demands for democracy, trade unions and higher wages and benefits. On top of this, both before and after the Asian crisis, some began to deny there had ever been a (developmental state) miracle, and the Washington Consensus gave way to the post Washington Consensus which is both more state-friendly, at least in principle if not so much in practice, and yet never mentions the DSP which, consequently, became squeezed on all sides.

Just for the record, the South African Government of National Unity came to power in 1994 just as the DSP was at its height, international solidarity could not have been stronger, internal forces

were well organised, the country was not beholden to the IMF or the World Bank and, in any case, the Washington Consensus was in disarray after two lost decades for development. South Africa seemed set to pioneer, and could have pioneered, a developmental strategy led by the state as a beacon for others as well as for itself. But the RDP gave way to GEAR and the Freedom Charter to neoliberalism, properly understood, and it has reigned supreme subsequently.

Over the past few years, though, the DSP has enjoyed something of a limited revival. With tongue in cheek, let me begin to explain why and how by stating two laws of economics, not of the economy. The first will be well known and is that monetarism flourishes whenever there is inflation. The second is that the DSP flourishes wherever there is development. And, of course, there has been development, especially across the BRIC, if not the BRICS. So, China in particular has been understood as a developmental state. But the DSP has changed to become a failed buzzword.

What do I mean? A buzzword in development is something that is used indiscriminately and incoherently across a wide range of applications. Today, the DSP is used whenever there is any piecemeal example of developmental success involving the state without necessarily referencing development itself as systemic transformation. It could be, for example, biological instruments produced in Singapore or the reconstruction of the Tema port in Ghana. This is what the DSP has become. So, anything good involving the state makes it developmental (and everything else can be carefully or casually forgotten).

This is why and how the DSP has become a buzz. But so much is develop-

ment discourse dominated by the World Bank that it now effectively decides what is, and what is not, a buzzword. Typically buzzwords are “poverty reduction, social protection, globalisation, participation, citizenship, empowerment, social capital, gender, sustainability, rights, NGOs, social movements, country ownership, transparency, accountability, corruption, governance, fragile states, and knowledge.” The state is notably absent, as of necessity is the DSP, since the World Bank remains staunchly opposed to interventionism on a systemic scale, and sees its role as supporting the neutrally conceived market as opposed to development itself other than through market means.

This explains why DSP can create a buzz in South Africa, with the added irony of its being a developmental state in the making. By the way, South Korea did not even know it was or had been a developmental state until it was told so by western economists and political scientists after which it trained its own economists, primarily in America, the so-called ATKE, and collapsed into crisis once their numbers reached a critical point. There may be another law here, of economists, the more you have and the more influential they are, the worse is the performance of the economy. Significantly, though, South Africa does the South Korean story backwards, claiming to be a developmental state in advance of achievement!

But, before returning to South Africa once more, I want to discuss China, as it is illustrative of many of the issues I am raising here, irrespective of the value of the DSP as a policy frame. The value of discussing China arises out of the example it provides (although hard to emulate – get a population of one billion or,

as has been pointed out for South Korea, get yourself invaded by Japan to destroy the landed aristocracy and then supported by US aid in the Cold War). And China is also significant simply because of its impact and diversity.

Let me offer here, a few simple assertions. First, Chinese economic development has been primarily based on rapidly expanding domestic markets. This has been accompanied by relatively rapid growth in labour productivity, contingent upon very high levels of investment and has given rise to increasing real wages and the emergence even of shortages for skilled labour.

Second, export growth has been of increasing importance more recently, with corresponding widening of China's trade surplus, but this has been more associated with lower levels of wages, for employment in sectors attached to foreign direct investment, particularly geared towards the processing trade. Whilst this has been large enough at least to account for China's total trade surplus, its contribution to value added is no more than 5% of Chinese GDP, more or less conforming to an enclave-type economy, typically found across multinational corporation activity across the world within export-processing zones, etc. But this should not be taken as typical of, nor predominant in, the Chinese economy and its success.

Third, the dependence of China upon banks for finance for industrial investment is staggering. It is proportionately roughly four times higher than for the United States, and at least double that of most other countries. This is, however, indicative of the limited extent of financialisation of the Chinese economy, since finance has derived primarily from state-owned banks that have been policy driv-

en. Of course, this does not guarantee developmental success in the absence of other conditions but these are precisely what have been present in China where, nonetheless, development is fraught by the tensions associated with sustaining international competitiveness and domestic economic and social stability.

Fourth, this is indicative of the much more extensive reliance of China upon policies that have totally broken from the Washington Consensus in general and those for transition economies in particular, where the outcomes by comparison with Eastern Europe are salient. Significantly, for a short period, China did succumb to Washington Consensus style policies in the mid-1990s but, as a matter of pragmatism in the wake of the crisis this induced, it immediately abandoned them for policies of Keynesian expansionism led by welfare provision, a renewal of the role of the state sector, and reversal of foreign sector liberalisation.

Fifth, in this light, it is hardly surprising that a very wide spectrum of opinion from across different positions regarding the sources of China's success and its responsibility, or not, for prompting, aggravating or ameliorating the current crisis, have some common positions on how it should proceed – by expanding domestic production to serve both higher wages and higher levels of social provision, and reducing the overall level of domestic investment as a proportion of GDP. Indeed, such postures are in line with those being adopted by China itself.

Nonetheless, sixth, myths do prevail concerning China and its role in the world economy. These tend to originate from an ethos of blame either incorrectly specifying factors or their causal roles

in response to problems that derive other than from China itself. These include the idea of a global savings glut, unreasonable trade surplus and competitiveness from too low an exchange rate, and China's export growth at the expense of its domestic consumption. In contrast, it should be emphasised that China's success or impact in these terms, properly interpreted, can only be of considerable benefit to the world economy (as well as its own) although the incidence of such benefits are uneven and possibly negative for some. Failure to realise these benefits is no fault of China and that they do not accrue for other, unrelated reasons, of which global and national financialisation elsewhere is clearly culpable, is no reason to displace blame onto China.

In short, the lessons to be learned from China for national developmentalism are, broadly and overgeneralising, in contemporary conditions, especially in the wake of the current crisis, that a corresponding positive role for the state depend upon: insulating the mobilisation and allocation of finance from financialisation in all of its forms; the promotion of secure domestic provision of goods for domestic consumption especially as far as the meeting of basic needs and poverty alleviation are concerned; and a strong commitment to state provision of social and economic infrastructure attached to a developmental welfare state, and targeted industrial (and other) strategies designed to expand employment and productivity in line with corresponding increases in wages.

This does, however, in light of previous remarks, need to be situated in relation to global factors. I want to address this in two ways – in relation to production, especially in relation to technology,

and in relation to finance both of which have been less prominent in the DSP than trade (getting prices wrong, and import substitution versus export promotion as elements of a developmental state).

As mentioned, the DSP has tended to neglect technology in terms of close examination of where it comes from and how it improves. The exception in this respect is the “flying geese” approach. This has two aspects. On the one hand are the dynamic linkages from one sector to another with potentially increasing degree of technical sophistication and value added as we move through the flock. On the other hand, “flying geese” serves to highlight the shifting international division of labour between, or across, national economies as those at lower levels of development and wages and skills take on the relocated manufacturing roles of those already upgrading or upgraded to higher stages of industrialisation. The classic case is Japan's investment strategy into the Asia-Pacific Rim in the last decades of the twentieth century although China currently presents a more complex picture as it both leads the geese of follower nations and competes with them through its vast reserves of labour. This and closer examination of historical experience in terms of, or increasingly at the expense of the metaphor adopted of flying geese, suggests questioning whether geese fly in a two-dimensional V-shaped pattern or formation alone, and might not other birds or creatures either join the flock and even challenge hierarchy within it. Otherwise is to suggest a limited form of technological determinism that strains both the evidence and the potential for policies that breach with, or progress beyond, confinement to latecomer catch-

up that preserves the existing order in the international division of labour, ones that have indeed been broken by the East Asian NICs in the past, with China possibly ready to repeat the exercise in its own fashion.

More specifically, as far as China might serve as an enabling factor in the promotion of developmental states elsewhere, its size and diversity give rise to a complex mix of complementary opportunities and sources of competition. Inevitably, these are variously spread across different countries, at different stages of development, across different sectors, technological capabilities and levels of value-added, and corresponding position within global value chains/networks. Across the literature more generally, the levels of uncertainty and unevenness involved is conducive to appeal to metaphor as China is variously understood as Engine, Conduit, or Steamroller as far as other economies are concerned, or is it a perpetrator of Flying Geese or of Sitting Ducks.

This all suggests that technological upgrading, a necessary aspect of the industrialisation putatively promoted by national developmental states, is no longer, even to the extent that it was, a linear step-by-step progression up the ladder of latecomer catch up. Industrial production is organised across global networks, through value chains that have mixed content and potential for spin-off, that do not necessarily neatly fit into uniform patterns. I could go into this in detail. But let me quote from one account of China's role:

As China has moved up the value chain in recent years, increasing its presence in electronic high-tech exports in particular, there have also been shifts in the pattern of produc-

tion in the other economies in the region. For instance, Japan and Korea have further increased their presence in the medium-tech automotive industry and Singapore has developed its biomedical sector. At the same time, the Philippines has increased its revealed comparative advantage in exports of electronic high-tech products, a large proportion of which are parts and components. However, our analysis of product displacement suggests that China's increasing export share has not reduced export growth for the other countries in the high-tech industries, although it has had a negative effect in the medium-tech and low-tech industries.

And, from another:

there is no doubt that China is displacing other Asian economies across a wide spectrum of markets. Not all of this displacement is symptomatic of competition. First, a significant portion of the final assembly of Asian-made products takes place in China.

As suggested, by reference to China, which is simultaneously at top and bottom, this is symptomatic of no neat fit across countries in terms of stages of industrial development, with corresponding implications for industrial policy not simply targeting a step up the rung. It is so much a ladder that has been kicked away by neo-liberalism, in the phrase so tellingly cited again and again by Ha-Joon Chang from the German protectionist, Friedrich List, as a whole sheaf of policies that are needed to negotiate an extraordinarily tricky and complex rock climb, with corresponding ties to the specificities of particular sectors and broader attention to developmental goals.

On the other hand, certainly compared to the post-war boom, when foreign direct investment was heavily concentrated in the hands of US multinational corporations, together with the UK as junior partner, there are now many different sources of FDI, including from within the South. This means that opportunities to deploy as well as to be exploited by FDI have expanded, alongside competition for it. But the conclusion to draw from the previous discussion of global production is that such simple prognoses as enhanced opportunity versus enhanced competition as such are inadequate as they do not adequately address the complexities and diversities of global production, nor the broader national contexts and policy interventions that might render them both successful and developmental.

Let me now turn to financialisation. In brief, financialisation has involved: the phenomenal expansion of financial assets relative to real activity (by three times over the last thirty years); the proliferation of types of assets, from derivatives through to futures markets with a corresponding explosion of acronyms; the absolute and relative expansion of speculative as opposed to or at the expense of real investment; a shift in the balance of productive to financial imperatives within the private sector whether financial or not; increasing inequality in income arising out of the weight of financial rewards; consumer-led booms based on credit; the penetration of finance into ever more areas of economic and social life such as pensions, education, health, and provision of economic and social infrastructure; the emergence of a neo-liberal culture of reliance upon markets and private capital and corresponding anti-statism despite the extent

to which the rewards to private finance have in part derived from state finance itself. Financialisation is also associated with the continued role of the US dollar as world money despite, at least in the current crisis, its deficits in trade, capital account, the fiscus, and consumer spending, and minimal rates of interest. I observe here, in passing and for future reference, that the policies adopted by the USA and some other developed countries have been exactly the opposite of those advised for, or imposed on developing countries experiencing similar crises in the past. As Ha-Joon Chang has been at the forefront of arguing in the context of historical paths to development, those that have traversed it insist, “Do not do as we *did*, do as we say” to which should be added the nostrum, “Do not do as we *do*, do as we say”.

However we define financialisation, its consequences have been: reductions in overall levels and efficacy of real investment as financial instruments and activities expand at its expense even if excessive investment does take place in particular sectors at particular times (as with the dotcom bubble of a decade ago); prioritising shareholder value, or financial worth, over other economic and social values; pushing of policies towards conservatism and commercialisation in all respects; extending influence of finance more broadly, both directly and indirectly, over economic and social policy; placing more aspects of economic and social life at the risk of volatility from financial instability and, conversely, placing the economy and social life at risk of crisis from triggers within particular markets (as with the food and energy crises that preceded the financial crisis). Whilst, then, financialisation is a single word, it is attached to a wide

variety of different forms and effects of finance with the USA and the UK to the fore. And, even if exposed in acute form by the crisis, its expansion over the last few decades has been at the expense of the real economy despite otherwise extraordinarily favourable “fundamentals” for capitalism, including huge advance in technologies, in reserves of labour, in decline and defeat of progressive movements, and the triumph of neo-liberalism. Over the last thirty years, capitalism has engineered a dream lottery ticket for itself. Yet, all it managed was low rates of growth compared to the post-war boom and, ultimately, a crisis of classic proportions.

This is the key to understanding the malaise of the South African economy and society, once wedded to an understanding of it as historically and currently dominated by the minerals-energy complex. What is this MEC? It is the specifically South African system of accumulation that has been centred on core sectors around, but more wide-ranging than, mining and energy, evolving with a character and dynamic of its own that has shifted over time. Its history and consequences can be traced back to the emergence of mining in the 1870s through to the present day. In the interwar and immediate post-war period, core MEC sectors drove the economy, furnishing a surplus for the protection and growth and, ultimately, incorporation of Afrikaner capital. State corporations in electricity, steel, transport and so on, represented an accommodation across the economic power of the mining conglomerates and the political power of the Afrikaners, an uneasy compromise of evolving fractions of classes and their interests forged through both state and market. The apartheid labour

systems were less an accommodation than a common bond across capitals and against labour. But the divisions between Afrikaner and mining capitals precluded a more general strategy of industrial diversification out of core MEC sectors, leading to a partial vacuum in intermediate and capital goods capability, a failure to accrue economies of scale and scope other than in core MEC sectors, and an inefficient consumer goods industry surviving by protection upon demand.

At the economic level, if temporarily accepting the notion, these characteristics offer the most obvious similarities with and differences from the developmental states of the East Asian economies (although their own experiences, and the reasons for them, should not be unduly homogenised). If South Africa has ever been a developmental state, it was so from the 1970s, given the close relationship between large-scale capital and the state. This was not a matter of state versus market, or even of state plus market, but of fractions of capital represented through both state and the market for the purposes of the most extreme forms of “labour market” oppression.

By the 1970s then, Afrikaner and mining-related capital had been sufficiently integrated for a common economic strategy to be adopted, as had always been the case for labour systems. But, with the collapse of the post-war boom and the Bretton Woods system based on gold at \$35 per ounce, and the sharp rise in oil and energy prices, a huge premium attached to both gold and energy. As a result, an industrial strategy for diversification was scarcely considered let alone adopted. Instead, the 1970s witnessed an extraordinary state-led expansion of gold and energy

production. Into the 1980s, the crisis of apartheid also precluded a state and/or private strategy for industrial promotion. But, whilst the core MEC industries remained central to the economy, capital controls meant that profits generated internally that were not illegally transferred abroad, see below, were confined to accumulation within the South African economy itself. This gave rise both to further conglomeration across the economy but, first and foremost, to the expansion of a huge and sophisticated financial system as cause and consequence of the internationally confined, but domestically spread, reach of the South African conglomerates with Anglo-American in the lead.

The MEC is the system of accumulation that was inherited by post-apartheid South Africa. And it has survived more or less intact over the post-apartheid period. This is not to say it has remained unchanged, quite the opposite, just as it has experienced significant change in the past. Unfortunately, those changes have, however, reflected the extent to which South Africa is the exact opposite of a development state and has been driven further away from being so. In particular, the South African economy over the post-apartheid period has been driven by what might be termed a backlog in financialisation and globalisation that was inherited from the apartheid period. These have dominated both the low pace of domestic accumulation and the form and composition taken by the restructuring of the domestic economy. Whilst the MEC core sectors have strengthened, the fastest growing sector in the economy over the last twenty years has been finance and related services, now taking as much as 20% of GDP, although 40% of the population benefit

from no financial services at all.

Now according to the efficient market hypothesis as far as those supporting financialisation are concerned, the role of financial markets is to provide for the efficient mobilisation and allocation of resources to investment. Has this been done by the South African financial system? Not at all, domestic levels of investment are running at half those generally acknowledged to be necessary for developmental state status. And where are all the resources going? Well, one answer has already been provided, they go into the financial sector itself. I exaggerate somewhat as, of course, some financial services are completely essential, like high security protection of the rewards and properties of the most unequal society in the world. But, essentially, far from adding 20% to GDP, financial services are *taking away* a quarter of GDP and cheekily suggesting that by doing so they *add* the equivalent to GDP. Across the world, as already mentioned, three times as many financial assets are now required to serve one unit of GDP than thirty years ago. If this were true of any other input, such as energy, steel, or whatever, we would be outraged. But finance gets away with it.

But the South African situation is even more serious and disturbing because this financialisation is not only associated, as elsewhere, with exaggerated rewards to those working within finance, and conducive to credit-based levels of consumption based on speculation in housing markets, it has been accompanied by unprecedented levels of capital flight, much of it totally illegal (and managed by large-scale corporations through transfer pricing – declaring value of exports from South Africa at a lower price than charged to import-

ing countries). Illegal capital flight was certainly extensive during the apartheid period but it has attained new and dramatic heights subsequently, with capital flight exceeding 20% of GDP in peak years. This is, first and foremost, why South Africa has moved away from being a developmental state whose preconditions depend upon the use of domestically generated resources for attaining developmental goals. Until this issue is addressed, South Africa has no chance of being a developmental state other than in the utopian minds of those who dream of policies without the resources to implement them.

Unfortunately, far from addressing this problem, the record of post-apartheid governments has been at best to turn a blind eye, and at worst to facilitate it, as illegal capital flight has increasingly been legalised with a programme of relaxation of exchange controls. Recent developments indicate that this is worsening. Government only a year ago announced its intention to grant an amnesty for illegal capital flight upon payment of a 10% penalty, as a step towards removing all exchange controls. This is akin to announcing an amnesty for illegal firearm possession as the first step to removing all restrictions on possession. Why would anyone make use of the amnesty let alone reduce their use and possession of firearms? The South African Reserve Bank and the Treasury have been little short of scandalous in their failure to report upon and, one must suspect, pursue illegal capital flight, let alone take into account what impact it has had upon the economy. As far as these two hypocritical guardians of sound finance and austerity are concerned, it is as if capital flight does not exist, or as if it is harmless and/or

unpreventable, like possession of marijuana in the UK, illegal, tolerated and benign.

But capital flight ought to be seen as what is known as a class A drug in the UK as far as the South African economy and its potential to become a developmental state are concerned. For the influence of dealing in this crack-cocaine extends far beyond the admittedly devastating and debilitating drainage of resources from the economy. As a component part of globalisation and financialisation, capital flight places the economy on the cusp of instability, and this has had to be accommodated, and has even driven, macroeconomic policy to its advantage. Interest rates have been held high in order that short-term capital inflows (a source of volatility) can compensate for long-term outflows. And the exchange rate has been held at a high level with the effect of making capital outflows worth more in foreign currency to those who benefit from them, whilst making it ever more difficult to sustain both the exchange rate and economic growth.

This is so for the restructuring of domestic industry which has not been driven by the need to fill in the hollowed out industrial structure inherited from apartheid, with its limited capacity to build upon the MEC core strengths and diversify through capital and intermediate to more competitive and higher quality consumption goods. Rather the conglomerate structure has been dismantled to create sectoral monopolies whose profitability depends upon high prices and not productivity increase, the very antithesis of much needed three-high economy – high investment, high productivity and high wages. By the same token, industrial policy has itself been token, with some exceptions that

tend to prove the rule, as with the auto industry. What has been notably absent is the commitment to secure long-term finance for investment in labour-intensive domestic production to meet domestic consumption of basic needs, thereby creating jobs, alleviating unemployment and addressing the backlog of provision and inequality inherited from apartheid. Again, with token if significant exceptions, inequality has strengthened post-apartheid.

Similar considerations apply in one way or another to each and every aspect of economic and social policy. They have been squeezed into the margins created by the triple whammy of MEC, financialisation, and globalisation. The one exception, of course, is BEE. There can be little doubt that a new elite has been created out of the form and content that restructuring and accumulation have taken in South Africa. Once again, from the perspective of the DSP, South Africa has moved away from its putative role as a developmental state, for BEE represents a fraction of capital that is almost entirely parasitical, adding nothing to the formulation let alone the implementation of developmental goals. Indeed, the impact of BEE has been much worse than this because it is conducive to an ethos, a skewed building of capacity and governance, a structure and hierarchy of institutions, indeed a politics and an ideology that is once more the antithesis to the creation of a democratic developmental state. Even if it were appropriate in the past to place faith in the emergence of a black national bourgeoisie as a source of developmentalism, that opportunity has long since passed in the current South African and global context. For it is one in which financial elites have both emerged and strengthened,

at considerable cost to the vast majority who have been required to adjust to their pernicious impact upon economic and social functioning.

To put it pithily, and symbolically, developmental states do not run out of electricity, especially a mere decade after benefitting from massive excess capacity. The reasons for the power cuts were various but primarily reflect a nationalised utility left in limbo as the state refused to finance investment and commit to public ownership by the people for the people, and the domestic conglomerates refused to fund privatisation in the rush to free their resources from the domestic economy and being more than content to enjoy state-subsidised pricing and state responsibility for handling social protests. Meanwhile, renewable energy, in which South Africa could take a pioneering role, stagnates as it offers little by way of quick-fix rewards to an aspiring black bourgeoisie that can cherry pick mining leases, corporate fronting and the like.

I paint a bleak picture but one that I hope is an appropriate assessment of current realities. Remarkably, the transition from apartheid in retrospect looks like the last throw of the dice of hopes for traditional third world revolution, associated as it was with a successful liberation movement, international solidarity, well-organised and politicised industrial trade unions and civic movements, and the Alliance of COSATU, SACP and ANC. What is striking is not so much the failure to make that revolution, even much by way of reform, but how rapidly its momentum was not only defeated but also dissipated. This speaks volumes for the power of neo-liberalism, overt and covert, vulgar and insidious. But all is by no means lost. Campaigns and organi-

sations for alternatives can re-emerge, renew, unite and prosper. Whether this can and will be done under the banner of the developmental state is another matter, contingent upon how best to unite for alternatives without unduly compromising both outcomes and forward momentum.

It is crucial to be mindful that the turn to the state in the wake of the crisis, to rescue the banks, to promote public-private partnerships, and so on, is no more than an explicit demand upon the state to be developmental for private capital in general and for private finance in particular. Taking a long view, it may well be that the developmental state can serve as a stepping stone for radical and progressive reform but, equally, it could prove a potential pitfall for more progressive policies. The decisive issue will be who defines the development state, and how. ●

*This article is based on the text of a talk given in May 2011 for Aporde, African Programme on Rethinking Development Economics, jointly hosted by Numsa. It draws and builds upon longstanding work on both the developmental state and the South African economy. Previous contributions include the following, with Fine et al (2013) offering more recent perspectives on the developmental state. Note also critical commentary on the National Development Plan and the New Growth Path, Fine (2012<sup>a</sup> and b). And some may wish to consult MERG (1994), a set of alternative economic policies put forward in 1993, and now available online.*

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## ECONOMY

# The evolution of ANC economic policy

**Ben Turok** examines the economic policies of the ANC since 1943 - as a liberation movement and in government

**T**he ANC has a long history of radical politics and action as a liberation movement against white domination. The achievements in transforming the political order are unique in the world. But the imperatives of achieving and maintaining state power in unfavourable circumstances imposed major constraints and policy shifts on realistic and achievable economic objectives. These shifts related above all in policies and programmes around growth-development choices.

This article traces the economic debates over a decade of ANC government. It examines the adjustments in economic policy and why they were made. The finding is that the ANC government has been rather cautious in the implementation of economic policies and has pursued orthodox economic policies. This has led to stalling in some key sectors of the economy.

### **The pre-transition period**

The document African Claims in South Africa, drafted by the African Claims Committee of the African National Congress, was adopted on 16 December 1943. The main focus was the granting

of full citizenship rights to the African people and the abolition of all discrimination based on race. However, there was also considerable emphasis on economic issues.

Among these was “the right to an equal share in all the material resources of the country”, in particular “the right to own, buy, hire or lease and occupy land, individually or collectively, both in rural and urban areas”.

In industry and labour, the demand was for equal opportunities to enter all occupations, equal pay for equal work, the removal of the colour bar in industry, the right of African workers to collective bargaining, etc.

In commerce, there were strong objections to “all practices that impede the obtaining of trading licences by Africans in urban and rural areas, and we equally condemn the confinement of African economic enterprise to segregated areas and localities.” It also demanded “freedom of trading.”

The succeeding years were spent in battle against race discrimination, until a proposal for a more positive expression of objectives was made in the shape of the Freedom Charter, adopted in Klip-

## CHRONOLOGY OF PRINCIPAL POLICY STATEMENTS

African Claims in South Africa, ANC, 16 December, 1943  
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Morogoro Conference. ANC Strategy and Tactics. May 1969  
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The New Growth Path 2011  
Diagnostic Overview, National Planning Commission 2011

town on 26 June 1955.

While the main sentiment in the Charter is that South Africa belongs to all its peoples, and for freedom from oppression, the economic clauses urge the sharing of the country's wealth and resources, through the transfer of ownership of the mineral wealth, the banks, and monopoly industry to the people as a whole; for industry and trade to be controlled in the interests of the well-being of the people; and for people to be free to trade and manufacture where they choose.

The Charter declared that restrictions on land ownership on a racial basis shall end, and the land be redivided amongst

those who worked it, and that all shall have the right to occupy land wherever they choose. Certain of these clauses proved to be controversial, especially the transfer to public ownership, which some interpreted as a move to socialism. However, after some public debate, Michael Harmel, writing in *New Age*, 17 November 1957 pointed out: "the immediate aim of the liberatory movement is not and cannot be the establishment of socialism... The Charter does not advocate the abolition of private enterprise, nor is it suggested that all industries be nationalised or that all trade be controlled by the state." It is important to note that no single class was to inherit

the wealth, but the people as a whole. Thereafter, the ANC and its allies adopted the Charter and it remains the basic policy vision to the present.

There was little room for further attention to economic issues, until the Morogoro Conference, 25 April-1 May 1968, which was meant to deal with the state of the struggle, but which also addressed broader policy issues. The main document was called *Strategy and Tactics of the African National Congress* and it became the reference point for policy for decades to come. Three paragraphs on economic issues require quotation in full.

“[I]t is inconceivable for liberation to have meaning without a return of the wealth of the land to the people as a whole. It is therefore a fundamental feature of our strategy that victory must embrace more than formal political democracy. To allow the existing economic forces to retain their interests intact is to feed the route of racial supremacy and does not represent even the shadow of liberation.

“Our drive towards national emancipation is therefore in a very real sense bound up with economic emancipation. We have suffered more than just national humiliation. Our people were deprived of their due in the country’s wealth; their skills have been suppressed and poverty and starvation have been their life experience. The correction of these centuries-old economic injustices lies at the very core of our national aspirations. We do not underestimate the complexities that will face a people’s government during the transformation period, nor the enormity of the problems of meeting the economic needs of the mass of the oppressed people. But one thing is certain – in our land, this cannot be ef-

fectively tackled unless the basic wealth and the basic resources are at the disposal of the people as a whole and are not manipulated by sections or individuals, be they White or Black.

“This perspective of a speedy progression from formal liberation to genuine and lasting emancipation is made more real by the existence in our country of a large and growing working class, whose class consciousness complements national consciousness.”

The essence of these statements is that the economic aspirations of the ANC did not derive from an ideological position, but from the historical circumstances of the deprivation of economic assets and opportunities, and the consolidation of economic power in the hands of the oppressor as an instrument of that oppression.

The document asks: “What is the main content of the struggle for liberation, and which is the main revolutionary force and who are its potential allies and supporters?” The answer was located in an analysis of the system as a unique social and economic structure with a “dominant nation embedded in the country by more than three centuries of presence. It was thus an alien body only in the historical sense” (This formulation was later reformed by the SACP as “colonialism of a special type” or “internal colonialism”) The “national character of the struggle must therefore dominate our approach.” However, “our nationalism must not be confused with chauvinism or narrow nationalism... It must not be confused with the classical drive by an elitist group among the oppressed people to gain ascendancy so that they can replace the oppressor in the exploitation of the mass.”

Subsequently, in the midst of efforts

to intensify armed incursion into South Africa, a document entitled “Situation in South Africa, Our Strategy and Tactics” but subsequently called *The Green Book* reflected the militancy of the day. Our concerns here are the economic dimensions of the document.

*The Green Book* noted a broadening of the front for liberation in South Africa itself, “drawing into active struggle all classes and social groups amongst the oppressed.” However, because of the “exploitative machinery of capitalism”, the working people would “go over to the offensive against the system itself for radical transformation of our country.”

The document notes that the US government was arguing for “a policy of consistent bourgeois democratic reforms” and that there was international pressure for a transition to include the abolition of racial discrimination and a “fairer distribution of the national wealth, including the emergence of an African bourgeoisie”. However, the document argued, all this was bound to fail due to the pressure of the masses for fundamental change. The middle classes were numerically weak, faced great pressure from the working masses, and could not, therefore, play a significant role. Indeed, the liberation movement should “ensure that we give no opportunity to the counter-revolution to train the people for a pro-imperialist solution.”

It was often argued, by Lerumo for instance, that the aims of the ANC have always been fundamentally revolutionary, even when couched in reformist terms. (A. Lerumo, *Fifty Fighting Years*, Inkululeko Publications, London 1971). This is because the structure of white power concentrated political, economic, judicial, and all forms of institutional power in the hands of a dominant op-

pressive minority. Whatever specific, limited demands for redress were made inevitably called into question that same power structure, which seemed unable to give at any point without opening the floodgates of fundamental change. At least that was how authority saw the equation.

“African Claims” was therefore a revolutionary statement, even though couched in internationally acceptable human rights terms. Similarly, in the Freedom Charter, even the seemingly radical economic clause was merely reflecting the worldwide tendency to public ownership, such as the nationalisation of basic industries in the Third World or various other forms in the liberal democracies of the North.

The statements from Morogoro and Kabwe were couched in more radical terms of anti-imperialism, of identifying with the forces of national liberation across the globe, and of seeking armed revolutionary means to take power. Nevertheless, liberal and reform-minded people across the globe, including in the heartland of capitalism, were able to identify with this cause because it was against the evil of apartheid. They were even able to accept that the ANC was leading an alliance with the South Africa Communist Party and the trade union movement because its objectives were seen as legitimate.

And so, there grew an understanding that transition in South Africa would indeed usher in fundamental change.

As the prospect of a negotiated settlement approached, the ANC began to work out a position for the coming negotiations. A comprehensive approach was adopted in the *Constitutional Guidelines*, a pamphlet drafted at ANC headquarters in Lusaka around 1989. “The immediate

aim is to create a just and democratic society that will sweep away the centuries-old legacy of colonial conquest and white domination. The removal of discriminatory laws and eradication of all vestiges of the illegitimate regime is, however, not enough; the structures and institutions of apartheid must be dismantled and replaced by democratic ones. Steps must be taken to ensure that apartheid ideas and practices are not permitted to appear in old forms or new.

“In addition, the effects of centuries of racial domination and inequality must be overcome by constitutional provisions for corrective action which guarantees a rapid and irreversible redistribution of wealth and opening up of facilities to all.”

The document therefore reinforces a focus on human rights, with the restructuring of institutions to remove racial discrimination. On the economy, the following objectives were set out: the entire economy must serve the interests and well-being of all sections of the population; the state shall have the right to define and limit the rights and obligations attaching to the ownership and use of productive capacity; the economy shall be a mixed one; property for personal use and consumption shall be constitutionally protected; a land reform programme shall include land reforms and affirmative action.

Informal discussions between the regime and the ANC that had begun around the time of the Kabwe Conference in 1985 set off some debate about future economic policy. Soon after the unbanning of the ANC in 1990 and the return of the leadership to the country, several workshops were held on economic policy in Harare from April to September 1990. This led to a discus-

sion document on economic policy that attempted to set a progressive agenda for the future government (ANC, Department of Economic Policy, Discussion Document, “Economic Policy”, about 1990).

The main theme was that policy should be driven by the principle of satisfying basic needs by growth through redistribution; that “redistribution acts as a spur of growth” through “programmes and policies that increase output – particularly of social infrastructure and basic consumer products...”. The “engine of growth” should be the growing satisfaction of the basic needs of the impoverished and deprived majority of our people.

At the same time, it noted that the manufacturing industry was geared to “producing consumer goods for the wealthy minority”, which demonstrated the need for a “fundamental restructuring” of the economy. “A massive injection of finance will be required to meet the basic needs in such areas as welfare, housing, health and education.” Hence, “the first priority of industrial planning would be to ensure that new productive capacity emerges to meet the new demands for basic needs in food, housing, welfare, etc., created by redistribution.” This would require “shifting more of the tax burden towards corporations and major changes in the allocations of expenditure items.”

However, the future government should “avoid running up large budget deficits and break from the practice of the present government of financing budget deficits by large loans. Appropriate economic stabilisation policies, including monetary and exchange rate policies, would have to be used in conjunction with fiscal policy to counteract

any tendency towards macro-economic imbalances.” These latter formulations came to be repeated in every subsequent document, including the RDP.

At this time, the ANC was assisted by the Macro Economic Research Group (MERG), a group of progressive British academic economists that ran a series of economic policy workshops in Johannesburg. MERG withdrew from the scene after serious differences developed with the ANC Department of Economic Policy. The basis for the disagreements can be seen in their book, *Making Democracy Work; A Framework for Macroeconomic Policy in South Africa* (Centre for Policy Studies, Witwatersrand University, 1993).

At the heart of the differences were disagreements about budget deficits and public sector debt. MERG stated that, in 1991, “the fiscal deficit... had been at moderate levels before 1991” but had since been rising. This had “caused the interest burden on the public debt to increase.” They argued that a World Bank document showed that a deficit of 6% of GDP was sustainable under conditions of moderate real growth. This led them to believe that, since “the South African debt to GDP ratios are relatively low... there is scope for maintaining higher levels of outstanding debt.” They argued for increased real government spending, suggesting that the “fiscal deficit will at first grow and then decline. The resulting increase in public sector debt will initially cause interest payments to increase as a proportion of public spending, but the deficit will be sustainable and will subsequently decline.”

On this optimistic assumption, they argued for a substantial increase in spending on social and physical infrastructure, rather than in low productiv-

ity employment in the public sector or consumption-oriented social welfare. They also complained that “monetary policy since 1989 had been too narrowly focused on inflation, resulting in a policy stance that has been excessively tight in the face of severe recession and falling employment.” According to MERG, fiscal policies should be judged by their effects on living standards, opportunities for black people, etc., and on a “sustainable flow of finance for state expenditure.” South Africa needed “a carefully constructed national development strategy”.

As negotiations for the democratic transition progressed, a national conference called Ready To Govern was convened to set out the policies to guide the new government. Given the sensitive stage of negotiations, it was a remarkably detailed programme. It called for “economic self-determination”, “overcoming the legacy of inequality”, “a sustainable economy” and asserted, once again, that “South Africa belongs to all who live in it”. Among the contentious issues was the very title of section D on Economic Policy. The draft presented to the economic commission referred to “a Growth Path” but delegates changed that to “A Growth and Development Path for a Democratic South Africa”. This reflected a complex discussion about the case for development as opposed to more conventional views about economic growth.

Nationalisation and privatisation was another highly contentious issue before the economic commission. All the top leaders of the ANC were present and Mandela himself intervened to say that nationalisation was seen to be problematic internationally and could cause difficulties. A small group was appointed

to come up with a formulation and their findings are worth quoting, since this has been referred to frequently in later years.

“The democratic state will therefore consider (1) increasing the public sector in strategic areas through, for example, nationalisation, purchasing a shareholding in companies, establishing new public corporations or joint ventures with the private sector; (2) reducing the public sector in certain areas in ways that will enhance efficiency, advance affirmative action and empower the historically disadvantaged, while ensuring the protection of both consumers and the rights and employment of workers.”

But the document also contained many other clauses of the utmost importance. These included eliminating poverty and extreme inequalities, democratising the economy, creating productive employment, redistribution programmes to meet basic needs, priority for basic services, restructuring the economy. This would be done by “a developmental state, in consultation with the organs of civil society”.

A clause on macro-economic desiderata was also inserted: “Emphasis will be placed on macro-economic balance, including price stability and balance of payments equilibrium.” And: “The democratic state will exercise fiscal discipline in order to avoid inflation.”

In a preparatory document for the 1992 conference, there are many other clauses dealing with industrial policy, rural development, and the like. The clause on industrial policy is most important, given subsequent formulations by the Department of Trade and Industry: “Industrial policy will aim, in the first instance, to meet basic needs and create jobs for the millions of our people

who are unemployed and living in poverty. In the process, it should maximise the multiplier effect by reducing import dependence.” The next sentence reads: “In the medium to long term, industrial policy should ensure that South Africa emerges as a significant exporter of manufactured goods.” (ANC, *Economic Policy Guidelines for a Democratic South Africa*, Back-up document for national Policy Guidelines Conference 28-31 May 1992)

However, because the contradictions between some of these policies were not set out, nor were priorities between them identified, the incoming government was able to choose their priorities without overtly violating the decisions taken at the conference.

After a long and inclusive process, the Reconstruction and Development Programme (RDP) was finally adopted at a special ANC National Reconstruction and Strategy Conference at Nasrec on 23 January 1994. Despite some resistance by a few influential leaders, it became the policy basis for the forthcoming ANC national election campaign and the principal policy directive for the new democratic government. Many of the proposals were the result of several years’ research and debate in the national sector groups that had been created by academics and specialist NGOs during the apartheid years. There was a substantial base of policy prescriptions in sectors like housing, education, etc.

Although the RDP emerged from extensive discussions, these had largely taken place within the broad democratic movement. Since the ANC expected to take over the government, efforts had to be made to win acceptance as well from other political parties, the press and the inherited public service. First indica-

tions were that all of these forces saw the RDP as a radical policy that would be unrealisable and cause great harm to the economy.

The RDP turned out to be a comprehensive and radical document, which remains the central policy reference point for the ANC and government and is also much admired around the world.

The RDP is “an integrated, coherent socio-economic policy framework” which seeks to mobilise a wide range of society to dismantle the structures of white domination in every field, and to use the resources of the country in “an all-round effort to harness the life experience, skills, energies and aspirations of the people”. We must not confine growth strategies to the first economy, while doing patchwork and piecemeal development in the latter, waiting for trickle down development.” “Growth – the measurable increase in the output of the modern industrial economy – is commonly seen as the priority that must precede development.... The RDP breaks decisively with this approach... The RDP integrates growth, development, reconstruction and redistribution into a unified programme.” It included the central objective “to improve the quality of life of all South Africans”, their empowerment and a commitment to “grassroots, bottom-up development which is owned and driven by communities and their representative organisations.”

It states that raising finance should not “cause excessive inflation or serious balance of payments problems”. “In the long run, the RDP will redirect government spending, rather than increasing it as a proportion of GDP.” The existing ratios of the deficit, borrowing and taxation to GNP were part of our macro-

economic problem. “In meeting the financing needs of the RDP and retaining macro-economic stability during its implementation, particular attention will be paid to these ratios.”

These clauses, inserted towards the end of the document, have played a salient part in the evolution of economic policy in subsequent years. Some leftist critics argue that many of the excellent provisions on building the economy in the preceding pages have been overwhelmed by the caution contained in those sentences.

Growth, Employment and Redistribution (Gear) was the most controversial policy document produced by the ANC in many decades. The minister of finance set up a team in 1996 that included some of South Africa’s leading economists, as well as Richard Ketley, an official seconded from the World Bank. The document did not go through the usual channels of ANC policy and was rushed through parliament with no consultation. This was to lead to the enormous resistance that has hardly diminished since.

In a document “Background Notes to MEC’s on The RDP, Gear and the Role of the State” (unsigned, 18 November 1996), the case for Gear was made as follows. “The RDP remains the basic document of government economic policy... and Gear does not replace the RDP... [I]t only deals with one of the five (RDP) programmes.... Macro-economic balance sets an objective of stability in key macro-economic variables such as growth, inflation, the balance of payments, government expenditure, savings, investment, interest rates and employment... The fundamental objective is to provide employment and a rising standard of living to the people.”

The document admits that “[i]n isolation, certain measures in Gear are similar to many neo-liberal packages...”. However, “to label it neo-liberal is wrong and may well have the unintended effect of conceding ground to neo-liberal forces.” The new international economic environment required a new response: “the state has now to play a different role... to establish a clear strategic and institutional framework and parameters within which market forces and flexible decision making processes provide for adaptability and efficiency.”

“Resource mobilisation cannot rely heavily on the state... Redistribution is best achieved by extension of affordable infrastructure, employment in value added jobs, price stability and the generation of new economic activity... To see government expenditure as a major impetus to employment creation is not sustainable... (the object) is to ‘crowd in’ private sector investment.”

Perhaps the crucial point relates to deficit reduction, which has a number of purposes: “It reduces the borrowing requirement to prevent a rapid escalation of debt, it facilitates reprioritisation... and reduces interest rates, which facilitates productive investment and lowers the cost of infrastructural expenditure.” Hence, “Gear focuses on fiscal policy first”. This was partly because debt stood at 58% of GDP, which was considered high by developing countries’ standards. More important, however, was the high level of interest over several decades. Fifteen per cent interest rates made payments the largest budget item and would cause indebtedness to double every five years, causing in turn a rapid escalation in interest payments.

Ultimately, this was the main driver of Gear. Clearly major adjustments in the

finances were required since the overall fiscal deficit was 7.9% in 1992/3, falling to 5.4% in 1995/6. The problem seems to have been that these adjustments became the focus of basic policy, displacing broader socioeconomic objectives.

Gear dealt with much more than macro-economic policy. The point of departure on the opening page is clear. “Sustained growth on a higher plane requires a transformation towards a competitive outward-oriented economy.” The goal was 6% growth per annum and job creation of 400,000 a year by 2000, concentrating capacity building on meeting the demands of international competitiveness.

Stabilisation was emphasised through faster fiscal deficit reduction, keeping the effective exchange rate competitive internationally, prevention of inflation, relaxation of exchange controls, and reduction of tariffs and so on. Such a programme, apart from a few exceptions, was in direct line with the Washington Consensus of the IMF and World Bank.

In sum, the key elements of Gear were a higher growth path, partly through foreign investment, higher domestic savings, industrial competitiveness, a tighter fiscal stance, moderation in wage increases, a major expansion of private investment and international competitiveness. All these basically neo-liberal policies were softened by a variety of proposals to expand social services, create employment and the rest, but this fell on deaf ears amongst the critics. Ultimately, Gear achieved the fiscal contractionary objectives but failed on the positive proposals to develop the real economy.

Gear created a political crisis within the movement and in the large supporting periphery. Cosatu and the Com-

unist Party were strongly opposed and many progressive activists and intellectuals became alienated from the ANC. With hindsight, the government could have got away with some of the main objectives, such as reducing the budget deficit or lowering inflation, but the package as a whole was more than critics could stomach. Furthermore, there seemed to be blatant hypocrisy in the proposals for austerity while advocating “a substantial acceleration in government investment spending”. In fact, investment spending was frozen, as Treasury Director General Lesetja Kgan-yago subsequently conceded in *New Agenda*. (21: 2006, p 19). The broad maintenance of levels of social services spending was not enough to placate the critics.

The deep disquiet about Gear was evident throughout the movement. The ANC National Policy Conference in September 1997 was seen as an opportunity to mend some fences by introducing progressive economic policies into the on-going debate. A draft discussion document entitled “ANC Perspectives on Governance and the State” has particular significance for this reason. Many of the issues raised continued to resonate in subsequent debates.

“The reality of the negotiated transition has left many facets of policy-making and implementation, as yet, unaltered... the democratisation of our country has gone from the top down... The new constitution [requires] co-operative government which has in fact led to more complicated legislative processes that have made popular participation more difficult.” “Most developing countries are faced with pressure to adopt deficit reduction strategies that cut back state expenditure on social welfare, edu-

cation, health etc. Such an environment is not user-friendly to the redistribution thrust of the RDP. It also serves to reinforce inequalities of the apartheid era... Our growth strategy needs to prioritise both deficit reduction strategies as well as redistribution strategies. It must not prioritise one at the expense of the other.”

The document made the following analysis of the conditions and questions facing the government in 1997.

Clearly however, delivery of ANC policies through the government has proven far slower and more uneven than expected. In some cases, too, government policy appears to diverge somewhat from positions held before the elections. Two main explanations emerge:

1. either the ANC expected too much of the state, or
2. the inherited state itself proved dysfunctional.

*All these questions point to the essential task of selecting strategic priorities for both state action and for the transformation of the state itself.* From our position as governing party in an incompletely transformed state, can we do everything demanded by our constituents and our own political past? If we cannot do everything at once, what should we undertake first?

Historically, the ANC embraced a vision of developmental state oriented towards working people and the poor. Growth and development are not identical concepts. Economic growth is an increase in the output of goods and services. Development is an improvement in the human condition, measured by improved living standards, literacy levels, life expectancy, etc. A concentration on growth as our main aim would lose sight of the ANC’s historic stress on non-

material factors contributing to a higher quality of life and community progress. The RDP base document contends that, in the concrete circumstances in South Africa, growth cannot occur without addressing inequalities, disparities and development backlogs. Simultaneously, addressing these problems on a sustainable basis will require economic growth.

Historically, the economic structure of South Africa concentrated wealth and power in the hands of a tiny, unrepresentative and rigid minority. The state must intervene to develop more broadly based ownership, for instance through support for small enterprise (including land reform) and co-operatives or community ownership; direct intervention through parastatals; and encouragement for more democratic management structures and tripartite negotiations on economic policy.

In sum, the Washington consensus and long-held ANC views on the role of the state differ in important respects. Above all, the Washington consensus generally argues for a minimal state. As before, it remains reluctant to see the state playing a major role in the real economy, in production. In contrast, the ANC has long argued for a strong state to drive reconstruction and development.

After three years in government, we need to review our approach to the core functions of the state. Since coming to power, we have faced both dysfunctional inherited state apparatus, and pressure from international forces and business to adopt an approach closer to the Washington consensus. Do we change our policies, or develop strategies to implement them based on a more rigorous definition of our capacity and priorities?

The RDP foresaw a radical shift in social services to meet the needs of the poor majority. While some equalisation of services has occurred, it has certainly proven slower and more disruptive than expected. Until we entered government, we probably did not appreciate the extent to which the inherited state was dysfunctional for achieving these goals. It seems obvious that the transformation of the state has not come as far as the RDP would have hoped. The stringent fiscal policy obviously makes dealing with these issues more difficult.

This profound document led to some important discussions and some fundamental resolutions three months later in Mafikeng.

The 50th National Conference of the ANC in December 1997 was an opportunity to reinforce previous economic policies and elaborate on them. The section on “Economic Transformation” in the Draft Resolutions stressed that the tradition of economic policy over the past four decades was in place and “we are not starting anew” and reaffirmed the basic framework document, the RDP. However, the conference had to be “mindful of trends in the global economy, within which South Africa is a small player” and “of the limitations in the availability of resources”.

The Conference also adopted a slightly new version of the traditional “Strategy and Tactics”. Several important new formulations were included, such as the following:

“[T]he creation of a new society will not eliminate the basic antagonism between capital and labour.... Our task as the ANC, the task of the National Democratic Revolution is to eliminate the basic causes of the national grievance..”  
“Over the past years in government,

we have learnt that we should not be blinded by form: the fact that blacks are, for the first time, occupying the highest political offices in the land; as distinct from content: the reality that colonial relations in some centres of power remain largely unchanged.”

This document was probably acceptable to many of the Left within the Alliance. Nevertheless, the battles around economic policy continued. Government persisted with budget austerity to bring down the interest payments on the domestic national debt, and the South African Revenue Service made heroic efforts to raise tax revenue through greater efficiency and broadening the tax base. The result was a year-on-year tax take which exceeded projections by around R15 billion per year, which resulted in an almost balanced budget by 2006. This enabled the government to set in motion the long delayed spending on infrastructure, allocating R370 billion for the following five years. The only snag was that the haemorrhage of professional and senior public servants over the lean years, due to budget cuts as well as affirmative action, meant that responsible and effective spending capabilities had been eroded. From then on, the cry was, repeatedly, “we don’t have capacity”.

At the same time, the government had made important contributions to the delivery of basic services such as water, electricity and sanitation, as well as housing. This enabled it to make substantial claims in the discussion document *Towards a Ten Year Review*, produced by the Policy Coordination and Advisory Services in the Presidency in 2003 that, although poverty levels remained acute, the “social wage” due to services made a substantial contribution to wellbeing.

(The term social wage is problematic since it mainly refers to services that are an entitlement under human rights law. It is quite distinct from a “wage” in the conventional sense.)

#### Summary of historical background

The ANC was founded by a group of reform-minded Africans, whose project nevertheless was revolutionary in its implications, namely the total overthrow of white ruling class power. After decades of reformist struggle, the ANC broke with this tradition and chose outright revolutionary means to establish a democratic order with objectives far beyond political democracy.

The worldwide victory of the capitalist system nipped this attempt in the bud, and forced a compromise with the powerful domestic ruling class, so that the transition was limited to moderate social reforms, despite black majority rule under the ANC.

Despite many achievements, the society remains highly polarised economically and “a better life for all” remains a vision. Despite vast riches and a concentration of skills at the top, South Africa remains a deeply fractured country

A careful reading of the ANC’s response to the SACP suggests that the ANC current view was that, like China, capitalist relations of production have to be allowed to continue for a relatively long period in order to develop further the basic means of production (and the extraction of surplus value and super profits), before the egalitarian and sharing vision of earlier decades comes into play. Cosatu and the SACP disagree and want an immediate curbing of the power of capitalist forces and a far greater redistribution of the country’s wealth.

The problem is that capitalism has a nasty habit of reasserting itself, and the

emerging black capitalist class shows no sign of identifying with the socio-economic vision of the Freedom Charter. Will it be a case of “freedom delayed is freedom denied”?

The final word on this debate comes from the ANC National Working Committee briefing of June 2006, in preparation for the bilateral meeting with the SACP. In part 2, the NDR is characterised as a process of liberation from the yoke of apartheid colonialism through the establishment of a democratic state to “resolve the historical national grievance”:

“[A]ccess to state power should be utilised to deracialise patterns of ownership and control of wealth; reconfigure the distribution of national resources in favour of the poor; and utilise the government budget, the economic power of state-owned enterprises and capital in the hands of the working people to change the structure of the economy... [P]roceeding from the understanding that most capital in our society is in private hands, the democratic movement should seek to mobilise private capital to expand investment, especially in productive and job-creating activity; and, in broad terms, relate to private capital in a dynamic unity and struggle, incentive and compulsion, in pursuit of the national interest.”

As the Alliance seemed on the brink of fracture, a flurry of bilateral and trilateral meetings took place to pour oil on the rough exchanges (“A Relationship That Has Stood The Test of Time, NWC Briefing June 2006). For the moment, peace seemed to prevail, although the sharp differences over the role of Jacob Zuma continued to create tensions. President Mbeki chose this moment to deliver a powerful nationally-televised

lecture before a large and eminent audience.

As if in response to harsh accusations of pursuing a neoliberal agenda, President Mbeki delivered a fierce attack on “get rich” elite values and on market fundamentalism, in the context of a world in danger of losing its way due to a moral crisis. “We must pose the question whether, even in the medium term, we are not ineluctably progressing towards the situation where the centre cannot hold... the phenomenon of social conflict everywhere in the world.”

He argued that South Africa is infected with some of these universal values of capitalism where the market destroys relations of kinship, neighbourhood, profession, and creed, and citizens become “atomistic and individualistic”, in the words of sociologist Karl Polanyi. In South Africa, where “the capitalist class, to whom everything has a cash value, has never considered moral incentives as very dependable... individual acquisition of material wealth, produced through the oppression and exploitation of the black majority, became the defining social value in the organisation of white society...”

“As we achieved our freedom in 1994, this had become the dominant social value, affecting the entire population.” He went on to castigate “the demons embedded in our society... get rich, get rich, get rich... and the most theatrical and striking public display of that wealth.”

Hence, he argued, “we must never allow that the market should be the principal determinant of the nature of our society”. We should firmly oppose “market fundamentalism... The construction of cohesive human society concerns much more than the attainment of high

economic growth rates, important as this objective is.”

We now turn to the present and two documents that are at the centre of debate. First there is the Diagnostic Overview of the National Planning Commission and there is the New Growth Path developed by the Department of Economic Development. Properly we should also include the Industrial Policy Action Plan of the Department of Trade and Industry, but this is perhaps too technical for this article.

### **Diagnostic overview**

The National Planning Commission has a mandate to take a “broad, cross-cutting independent and critical view’ of South Africa and produce a development plan for the next 20 years. The Diagnostic Overview is the first step on the road.

Having concluded that there is much to be done, the Overview identified the following challenges in order to improve the quality of education and create more jobs. These are seen as the primary objectives.

The main challenges identified are improving the performance of the public service, raising the standards of service delivery, reducing corruption, addressing spatial divisions and bridging social divisions. (p5)

The Overview examines many aspects of our system, but the focus remains on unemployment and poor education. (p7)

It provides stark data on poverty levels, with 53% of people living below the poverty line of R524 a month in 1995, improving to 48% in 2008. (p9) The contribution of wage income and remittances to household income fell over time, replaced by social grants. This indicates an important shift in the politi-

cal economy of the country. These stark figures do not capture the social wage, namely the contribution of the state top housing, support for transport, education etc.

The Overview also provides data on unemployment. Only 41% of the working age population is working, which is well below the level of similar countries. About two thirds of all unemployed are below the age of 35. Part of the reason for the rising unemployment is the entry of new categories of work seekers, mainly women and youth, after 1994.

The data does not also indicate the levels of income inequality, which is among the worst in the world. For instance wage inequality is very high a third of employed people earning under R1000 a month.

Other distortions in the economy are the high levels of concentration in ownership of enterprises and companies, and economic growth reflecting consumer spending rather than increased production of goods and services.

Although access to education is almost universal, the quality of education is poor despite public spending of R11 000 a year per learner. Yet there are many schools without toilets, electricity, desks and chalkboards. “Efforts to raise the quality of education for poor children have largely failed” (p14). In part this is due to the poor home background of learners. Teachers are relatively well paid by international standards, but absenteeism is substantial.

Further education and training colleges show poor throughput. While the universities show much weaker performance by black students than white students.

The Overview is highly critical of the public health sector that has “collapsed”

(p21)

Total deaths doubled in the ten years 1998-2008, there is high rate of infant deaths, huge numbers of HIV and tuberculosis infections, large numbers of fatalities from violence and road accidents.

Among the reasons offered was the reduction of training for health professional, poor perceptions of services offered at clinics. Yet public health spending is roughly equal to most other middle-income countries.

There is uneven performance in the public service partly due to instability of the administrative leadership, partly due to political interference, skills deficit, and erosion of accountability and authority structures.

Senior public servants report to an elected minister not to the head of the public service as in other countries. Hence changes in political personnel bring changes in major policy reviews and changes in public service managers. Some managers avoid taking responsibility.

There have been serious reductions in training of many professions including engineers, planners and artisans. (p23)

Corruption is defined as the misuse of an official position for personal gain. While the scale of corruption is difficult to ascertain, it is a major problem. Some 23% of state procurement expenditure amounting to roughly R30 billion a year is wasted through overpayment or corruption. (p25)

The economy continues to reflect the same dependence on natural resources as in the apartheid past. This means that we require attention to less energy intensive economic activity. However the document is not optimistic about the

production-oriented proposals in the New Growth Path. (p12)

There is a positive view on rural development focusing on incomes, employment, and enterprise development. Agriculture could provide substantial livelihoods for more people.

There are deep divisions which fuel mistrust in society sometimes fuelled by “the poor performance of some public institutions”. (p26)

There is a need to build trust among social partners, create a shared analysis, define a clear vision, and inspire leaders to take responsibility.

Successful countries have a “future orientation”. Decisions take a long view, prefer investment to consumption, have high savings rates, sound fiscal policy, high levels of fixed investment, policy certainty, and clear rules of engagement with the private sector. (p29)

“Over the next 20 years, the ethics, actions and choices of our leaders and citizens will determine whether we complete the transformation promised in 1994 or step back into a stagnant, divided, second-class country.” (p29)

The Overview proposes a major public conversation to debate these proposals.

The Overview also refers to an “Economy Diagnostic”. This technical report provided much of the data for the Overview but in my view the analysis was not adequately incorporated in the Overview. It also paid insufficient attention to the proposals in the New Growth Path.

The main difficulty with the Economy Diagnostic is that the recommendations suffer from a common disorder in economic studies, that of “too many hands” – on the one hand and on the other hand. These are called “trade-offs”

or choices in policy, but give insufficient guidance to government.

We shall only refer to a few issues in that report:

Economic weakness is due to: too few people work, too little investment, productivity is low.

Government failed to significantly alter the pattern of growth and development. The state has been poor at phasing and sequencing policy changes.

There has been an inability to implement decisions.

Real wages of public sector employees has grown substantially, but not those of low and semi-skilled workers. There is a large income gap between skilled and unskilled workers.

While the economy grew well from 2003 to 2008, it has not been sustained.

There has been a steady decline in mining, agriculture and fishing with large job reductions. Manufacturing is stagnant.

Price mark-ups are high in manufacturing.

Hourly manufacturing wage rates are many times higher than in other developing countries.

Labour laws are not unduly rigid.

There are many SMME's but few middle level firms or farms.

Mining exports have not grown despite being extremely mineral rich.

Social grants have assisted poverty reduction but have not reduced inequality.

Work seekers under 25 cannot get jobs and are thereby doomed for life. This is the biggest time bomb in our society.

### **The New Growth Path (NGP)**

The feel of the New Growth Path is very different to the Diagnostic Overview.

This document is much longer, comprehensive, and a deliberate effort to generate implementation. It is based on getting Cabinet to introduce major initiatives while also fostering consensus across all sectors of society, especially business, labour and civil society. It also strongly advocates the creation of a developmental state. (p42)

The goal of the NGP is "the creation of decent work, reducing inequality and defeating poverty". (p2) Restructuring the economy, including the ultimate changes in the structure of production and ownership, will achieve this.

First steps are: identifying where employment creation is possible, creating a policy package for this, enhancing social equity and competitiveness, mobilise domestic investment, promote social dialogue.

Despite reasonable economic growth between 1994 and 2008, deep inequalities and high levels of unemployment persisted. Many workers were poorly paid.

The share of wages in the national income dropped from 50% in 1994 to 45% in 2009. The share of profits climbed from 40% to 45%.

The NGP proposes that the solution to poverty and inequality is through growing jobs.

There was an upswing in the economy from 2002 to 2008 largely due to increased commodity prices. But this led to a consumption-led growth not underpinned by a strong production base. Growth was in retail business, financial sector, and telecommunications, and not in manufacturing, mining or agriculture.

The strong Rand was accompanied by lower interest rates which led to credit expansion and a consumption boom, es-

pecially by higher income people. Wages for lower paid workers fell.

All this exposed the dependence on the minerals value chain, the reliance of the state on commodity-based revenue, a persistent balance of trade deficit, all of which reflects a highly distorted economy that is unsustainable in the long run.

The NGP argues that it is possible to create 5 million jobs by 2020. One of the main job drivers must be more labour-absorbing activities, led by new policies from the state, but mainly dependent on the private sector.

In the short-run, the state can introduce various job creating schemes directly.

In the medium term, the state can support labour-absorbing activities in the agricultural value chain, light manufacturing, and services.

In the longer-run, the state must support knowledge and capital-intensive sectors.

In short, we need to “re-industrialise”. We must stop depending on raw material exports and finished goods imports.

A new path requires: more and better jobs, skills enhancement, small enterprise development, wage and productivity agreements, lowering income gaps, progressive taxation, more social wage, and better public services, especially for the poor. Also urgent are better education and health provision.

The main job drivers will be: public investment in infrastructure, training, knowledge and green focus, social capital development (non-profit organisations, co-ops etc.), rural development and regional integration.

This requires action on infrastructure, agricultural value chain, mining

value chain, (especially beneficiation), green economy, manufacturing, tourism and services.

New emphasis is needed to overcome historical spatial distortions, especially in cities and rural areas.

No single policy measure can achieve the new path; it requires a package of interventions. This must include macroeconomic strategies, microeconomic measures and stakeholder commitments (a pact on wages, prices and savings). All these are elaborated fully but cannot be elaborated upon here.

However we can stress the importance of low inflation and low interests rates, active industrial policy (IPAP2), active competition policy, education and skills development, small enterprise development, development trade policy including with the rest of Africa. BBEE gets substantial treatment with strong criticism of narrow BEE and proposed ownership by communities and workers, better procurement from local producers etc.

Very important is the section on labour policies which argue for a national productivity accord and a “broad development pact on wages, prices and executive bonuses, based on agreements” (p39). It proposes moderate wage settlements for workers earning between R3 000 and R20 000 a month.

There is much attention to the role of development finance institutions that have very substantial resources that could be mobilised for development.

“The growth path, while state-led, has to articulate well with market institutions.” (p42) This means improved state efficiency and responsiveness, including reducing the cost of doing business, better integration between national, provincial and local government,

giving direction to the parastatals, and DFI's.

Far more attention is needed to social dialogue and mobilisation, which needs support for community organisations and other fora.

This aspect has been given much consideration. It deals with stakeholder engagement (especially Nedlac), but sets out a process for the cabinet in some detail.

These are very different documents but there is considerable overlap.

Both indicate that the contents are very provisional and require national dialogue and consensus building. Perhaps Parliament can play a role in this.

Both documents contain factual material about our performance as a country since 1994 which are grounds for serious concern, despite the achievements listed. The failures in our public service, education and health systems feature strongly.

Major concerns arise out of the scale of unemployment now, and the shifts in employment due to fluctuations in the economy, some of which are not in our control. This must create scepticism about the projections for job growth in the next 10 or even 20 years. Clearly there will have to be major structural changes in the economy, but these are not set down clearly.

Both documents indicate that serious income inequality is increasing. Clearly the social wage and social grants are not reducing inequality even if they do perform useful support. At the same time the huge gains for the rich in profits and bonuses are noted as a concern. Hence, at a political level, inequality may be the most serious challenge facing us.

The Diagnostic Overview does not deal with solutions. However there is

a suggestion that improved education and skills formation are central to a better future.

The NPC focus is on economic solutions. It argues that the economy is stuck in the previous dependency on primary products, especially minerals. It argues for a shift to support for the productive sectors in the interests of job creation. However there is no simple answer and a complex policy package is set out.

Both documents hope for a national consensus but there is little evidence that this is in sight. A major effort will be required.

Both documents imply that far more policy direction and more decisive decision taking by the state is needed if we are to pull the country out of its present difficulties.

### **Conclusion**

What have we learnt from all these extensive debates? It seems that controversy reigns supreme.

At the African Fiscal Forum was held in Cape Town in 2011, hosted by the South African Treasury and the International Monetary Fund, Cde Nhlanhla Nene, Deputy Minister of Finance said, "African governments have to shift their policy stance from the expansionary approach of two years ago to one that allowed them to sustain debt. SA has adopted such a policy, involving rapid deficit reduction and spending restraint to bring down its debt servicing costs" in case there should further fiscal crisis. (Business Day (10 November 2011)

This proposal seems to contrast with the approach in many developed countries where "quantitative easing", namely printing huge amounts of money by Reserve Banks is used to cope with recession. It is also contrary to the repeat-

ed advice by Professor Joseph Stiglitz, who advocates government led spending as a way out of recession. ●

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## CORRUPTION

# 'Structured to be looted'<sup>1</sup>: The systemic underpinnings of corruption

Tackling the bane of corruption demands multiple efforts, including rethinking BEE and public administration policies and creating an egalitarian economy, writes **Jeremy Cronin**

**T**he challenges of corruption have escalated significantly in South Africa over the past decade, threatening democratic achievements, undermining the capacity of the state to advance socio-economic transformation, and eroding the solidarity culture that once underpinned the broad-based anti-apartheid struggle. But what, if any, are the systemic factors contributing to the entrenchment of the problem?

Often, although less often now, the challenge has been reduced to bad individual behaviour within the new post-1994 political elite, a few bad apples, of whom an example must be made. Certainly those involved in corruption need to be dealt with, regardless of their political affiliations or past struggle credentials. In fact, we should expect and demand a higher level of conduct from them, especially from those in public service.

But we are dealing with something more systemic than simply a “few bad apples”. In an attempt to find a more generalised explanation for corruption we sometimes encounter syndicalist left-wingers unwittingly echoing free market right-wingers in their exaggerated suspi-

cion of the state and its bureaucracy in general, regarding it as always-already, inherently corrupt. Power corrupts, we are frequently told. It is a message that is continuously amplified by an oligopolistic commercial media that likes to conceal its own very significant market and paradigm-setting power.

The idea that politicians and the state are, more or less by definition, corrupt is liable to undermine our determination to use state power (along with social activism) to deal decisively with corruption. It also helps to obscure the fact that where corruption occurs in the public sector there are, invariably, private sector corrupters.

Other explanations focusing on the new political elite border on racial stereotyping of the “you see what happens when *they* take over” variety. Corruption is blamed on some supposed generalised tendencies within post-independence, Third World liberation movements, or post-colonial African societies, for instance. This line of argument tends to exempt the deep complicity of the old elite in both past and present corruption.

**“The sins of incumbency”, “shaped**

**by historical deprivation” – socio-psychological pressure on the new political elite**

Two recent and thoughtful interventions by Njabulo Ndebele and Joel Netshitenzhe, respectively, focus on the new political elite in ways that help to take the discussion forward in a more constructive way. Writing in the *City Press* (“A meditation on corruption”, 22 January 2012), Ndebele argues that the “new elite”, since being installed in power in the post-1994 reality, has been tugged between competing imperatives – individual redress versus substantial social development, and redistribution versus systemic transformation. Although he doesn’t quite say this, Ndebele correctly implies that the competing logics of these very different imperatives were often blurred in language as if they were the same thing. “Transformation”, for instance, came in the course of the latter half of the 1990s to mean not the radical transformation of the embedded features of apartheid-colonialism, but individual promotion to ensure some racial representivity within essentially the same unchanged realities – the same boardrooms, the same private schools, the same wealthy suburbs, the same elite golf clubs.

Ndebele argues that the “new elite” was increasingly torn between its own “personal material needs...shaped by historical deprivation” on the one hand, and the “social commitment that once gave meaning to the struggle for liberation” on the other. In Ndebele’s view, “access to state wealth” meant that relatively quickly individual redress became individual entitlement and these values then trumped social transformation, side-lining it into little more than a “niggling ethical burden”.

Writing in *ANC Today* (“Competing identities of a national liberation movement and the challenges of incumbency”, 15 June 2012), Netshitenzhe follows a similar trajectory to explain corruption. He invokes concepts like the “sins of incumbency” and the problem of “growing social distance” between the new political elite and its mass base. Like Ndebele, he analyses the roots of corruption in the socio-psychological challenges confronting an emerging middle class without historical assets to support what are often large extended families, leading it to take on excessive debt. “Having dipped their toes in that lifestyle, but with no historical assets as are available to the white middle and upper strata, some then try to acquire the resources by hook or crook.”

Implicit, but insufficiently developed in these arguments, are two considerations. The first is that the “white world” to which the new political elite has often been encouraged to aspire is typically a highly exaggerated version of what the average, privileged nonetheless, white family once enjoyed under apartheid. Secondly, this newly promoted “elite”, without its own historical personal assets, continues to be located within an extraordinarily unequal society – characterised by islands of significant wealth in a sea of enduring mass poverty. Our untransformed social reality pitches the new elite into a political game of snakes and ladders. Here the snakes and the ladders are exaggeratedly long. If you land on the right square, by securing a regional chairpersonship in the ANC for instance, you might suddenly find yourself on a heady upward ascension. But if you lose your footing, you are liable to fall rapidly down a very long snake, back to zero and abject poverty – this is a real-

ity that can induce toxic outcomes and particularly in the party political space, since access to political office is often the only ladder available.

I believe that Ndebele and Netshitenzhe help us to understand the socio-psychological phenomenology of the new political elite. However, both tend to take exaggerated versions of the “average white life-style” for granted – as if all white South Africans were, or had been, wealthy capitalists. More significantly, neither sufficiently emphasises the connection between persisting high levels of inequality and the socio-psychological pressures on the new political elite. As a result, the anti-corruption remedies they offer tend to be limited to moral lamentation and pedagogy (requiring one more read of the ANC’s “Through the Eye of the Needle”).

### **But what about the old economic elite?**

A single-minded focus on the new political elite can obscure the manner in which the heady, insecure world of rags-to-riches, with the ever-present possibility of riches-to-rags, opens up significant possibilities for subjective strategic leverage over this new political elite (and therefore over the democratic state and the ANC ruling party) by those who happen to be historically well-resourced - the former and still incumbent economic elite. In the public discussion in SA about corruption there is often a failure to recognise that established capital did not stand idly by in the face of the impending new, post-1994 political reality. It continued to pursue the agenda of late-apartheid, namely to build a buffer black middle strata, the better to be able to entrench its own powers and privileges, linked to an historical growth

path dominated by the mineral-energy-finance complex. In the early 1990s negotiations period, for instance, it was no longer a question of preventing the ANC coming to power, but rather of ensuring that the ANC that came into power would be hegemonised by the “doves”, the “sensible moderates”, those who would distance themselves from the dangerous “radical populists” and their “volatile” mass base.

Hein Marais graphically describes the ideological effort that was put into wooing key elements of the ANC leadership in this early period. Amongst other things there was a “plethora of corporate scenario planning exercises unleashed after 1990” by major South African companies, including Nedcor, Old Mutual, Sanlam and the SA Chamber of Business:

*“Their language was that of melodrama, laden with populist flippancies and cartoon-like metaphors. Lavishly promoted (in the form of books, videos, multi-media presentations, newspaper supplements), their impact was ensured by a bewildering assortment of seminars, conferences, workshops, briefings, international ‘fact-finding’ trips and high-profile visits by carefully chosen foreign ‘experts’ – financed by business and foreign development agencies. ANC leaders were feted with private ‘orientation’ sessions and confabs at exclusive game resorts.” (Hein Marais, *South African limits to change, The political economy of transformation*, 1998, p.150)*

Much has been made in certain anti-ANC alliance quarters about the woeful consequences of “cadre deployment”. Indeed, inappropriate appointments based on family, political and business connections have often seriously compromised the effectiveness of the new state. But

neglected in this debate has been the systematic “cadre deployment” that leading circles of big capital (both domestic and international) implemented in the immediate pre- and post-1994 period. The two longest serving post-1994 Treasury directors general, for instance, were graduates of orientation stints at the Goldman Sachs “cadre school”.

The consequence of this ideological softening up and strategic placement of appropriate candidates in critical state locations was to be the adoption by the state in 1996 of an essentially neo-liberal macro-economic strategy, Gear. This strategy helped to return the economy to modest growth, it stabilised profits in the dominant sectors of the economy - but it also consolidated a problematic, jobless growth path excessively dependent on mineral exports and capital goods imports. It is a growth path that has characterised South Africa since the late 19th century. Alternative approaches proposed in the early 1990s and focusing on active industrial policy, infrastructure development, and more dynamic redistributive interventions were rejected. The consequences have been the reproduction and entrenchment of extraordinarily high levels of unemployment, racialised poverty and inequality. In short, the radical inequality that once characterised apartheid South Africa and that continues to be a key factor in the socio-psychological vulnerability of the new political elite has been reproduced, in part, by a strategic macro-economic compact between elements of this new elite and the incumbent economic elite.

**'Black Economic Empowerment' – fostering a 'patriotic bourgeoisie'**

However, there was another, related, and even more dramatic element to this

compact between elements of the new and old elites - the policy of so-called “black economic empowerment”. At the heart of BEE has been the sale (typically a highly leveraged sale) of share-holding stakes in existing corporations to politically connected black individuals and consortia. Jenny Cargill estimates that “far more capital has been invested in the shareholding to black groups than in other key areas of socio-economic transformation, such as low-income housing and land redistribution – at least R500 billion as against less than R150 billion on housing and land” (*Trick or Treat. Rethinking Black Economic Empowerment*, Jacana, 2010, p.xiii).

From the side of established big capital, cutting in politically well-connected black groups represented both an insurance policy and a commercial advantage over competitors, particularly in areas where the state exercised a strong regulatory role (mining, cell-phones, broadcasting and gambling). In many respects it also represented a re-run of how mining and banking corporates had once, but belatedly, accommodated themselves to the 1948 Afrikaner nationalist political victory. But BEE was particularly a strategy that was actively developed by a dominant tendency within the ANC and government (what the SACP has described as the “1996 class project”). For this revisionist tendency within the ANC and government, the creation of a new BEE elite was seen both as a means to self-enrichment and as an active counter-balance to the influence of the ANC’s left-wing partners and of the ANC’s own township and rural mass base.

The canonisation of BEE as a central programme of government brought into play a dangerous nexus between political office, personal enrichment, and

established capital. Insofar as the BEE strategy was never more than simply a tactical accommodation on the part of established capital and a personal accumulation strategy for elements of the new elite - then the longer-term economic and strategic claims made for it were misplaced. These claims failed to appreciate the significant differences between contemporary South Africa and two precedents that were often evoked in justification.

In the first place, the Asian Tiger and Chinese state-led, market-based growth trajectories were held up as examples of how the state, working closely with a new “patriotic bourgeoisie”, could drive growth and development. The critical difference is that by mid-20th century South Africa was already a relatively developed (if highly skewed) capitalist economy. The mining revolution of the late-19th century had, through the course of the 20th century, led to extensive industrialisation, a relatively sophisticated financial sector, widespread proletarianisation, an effective logistics backbone, and high levels of capital concentration, particularly in the mineral, finance and energy sectors. Under conditions of minority rule, an indigenous but entirely white capitalist class had emerged. It was this indigenous capitalist class working with the white-minority state that drove modernisation and industrialisation in South Africa, although in a highly skewed, racialised manner, of course. In short, the new post-1994 South African political elite was located within a relatively advanced capitalist economy. Aspiring black “patriotic capitalists” were in a very different situation to emerging South Korean or latterly Chinese private entrepreneurs. Yes, the potentially incestuous relation to state

power and (in the Chinese case especially) a ruling party are similarities, but China in 1978 (for instance) was a highly egalitarian and backward country. The unleashing of individual entrepreneurship supported by the state and party under the Deng reforms, spurred a remarkably industrious, innovative, modernising, although not exactly corruption-free, process. By contrast, and this has everything to do with structural realities in South Africa, BEE beneficiaries have tended to be compradorial in their activities; “tenderpreneurs” rather than entrepreneurs; highly leveraged, share-holding, paper capitalists in existing enterprises rather than innovative drivers of new development.

The second misplaced precedent that is often quoted to justify BEE is the example of how emerging Afrikaner capitalists in South Africa used the 1948 electoral victory of the Afrikaner National Party to advance Afrikaner economic interests. Afrikaner capitalists certainly worked hand-in-glove with the post-1948 apartheid state to leverage a much greater role for themselves, partially displacing some of the former exclusive dominance of their white English-speaking counterparts in sectors like mining, finance and retail. But the trajectory of emerging Afrikaner capitalists was different to the current BEE-aspirants in at least two significant respects. In the first place, it was premised on the unapologetic intensification of racial exploitation and expropriation of the Black majority, involving the removal of trade union rights, and the further expropriation of Indian traders and African small farmers, for instance. In the second place, the phase of primitive accumulation in the case of emergent Afrikaner capital preceded the 1948

electoral victory. Early Afrikaner capital accumulation was based on the mobilisation of agricultural capital (often through cooperatives) and, especially, on the ethnically mobilised savings of the *volk*.<sup>2</sup>

By contrast, as we have already noted, the post-1994 political elite did not have any significant pre-existing capital resources. An earlier phase of primitive accumulation had not occurred in their case, precisely because colonialism and apartheid had actively dispossessed the black majority, and then restricted future capital accumulation possibilities through a barrage of racial legislation and institutions. The post-1994 BEE policy of actively encouraging the formation of a new “patriotic bourgeoisie” could only be based, then, on using state power for a different kind of accumulation - leveraging “donations” out of established capital, and extracting rents bureaucratically. As a result, the new “patriotic bourgeoisie” has tended to be compradorial and parasitic in character - a far cry from the envisaged entrepreneurial, productive stratum that was supposed to have emerged.

### **The corruption of the solidarity ideal**

The ANC’s draft “Economic Transformation” document presented to the June 2012 National Policy Conference has very little to say about BEE. What it does say by way of a question for discussion betrays some bewilderment: “BEE is an important strategy for de-racialising South African Capital, why is it unpopular and how can it be improved?” (*ANC National Policy Conference 2012, Umrabulo Special Edition, Section 3, p86*). The manner in which the ANC document poses its question is instructive and lies behind the confusion. After all, capital

doesn’t have a skin pigmentation (a “race”). So de-racialising capital doesn’t make sense. What is meant, of course, but is being fudged in the formulation, is that BEE is about de-racialising the class of capitalists.

Now nowhere in the pre-1990 programmatic documents of the ANC, such as the Freedom Charter, will you find any reference to a strategic objective of “de-racialising the class of capitalists”, still less to the nonsensical objective of “de-racialising capital”. What you will find, and quite correctly so, is a commitment to removing all racially discriminatory barriers to the right to trade, or to enter any profession. However, these anti-discriminatory commitments to individual rights are always subordinated to a commitment to collective solidarity principles designed not to de-racialise the apartheid system, or the capitalist boardroom, but to transform a racially oppressive system *systemically*. Hence the Freedom Charter’s clarion call for the “wealth to be shared” among all South Africans.

Of course, if it could be shown that the deliberate de-racialisation of the capitalist class (and the diversion of some R500-billion to achieve this) has had, or was likely to have a significant transformative impact, then interventions of this kind, whether they are to be found in the Freedom Charter or not, should certainly be entertained. But, as I have tried to show above, there are structural reasons why a supposed new black “patriotic bourgeoisie” was never going to spearhead serious transformation. For all of these reasons, the BEE strategy was deeply intertwined with the deliberate corrosion of the core principle of solidarity. “I didn’t struggle to be poor”, one BEE beneficiary, located

at the time in the ANC's presidency, notoriously once said. The capitalist boardroom is more likely to transform the black BEE beneficiary than the beneficiary the boardroom. Rather than contributing to de-racialising the South African economy, BEE has in effect been complicit in perpetuating racialised economic inequality and poverty. And this lies at the systemic heart of the corruption challenges we are now confronting.

But the story would not be complete without a brief consideration of how the restructuring of the state post-1994 – ironically often in the name of “good governance” and of increasing transparency and probity – has further contributed to the problem.

### **The new public management restructuring of the state**

In 1994 the state apparatus that the ANC-led government inherited and sought to transform was thoroughly distorted by its internal colonial features. On the one hand, there was a relatively well-functioning, hierarchical state bureaucracy that had serviced a white minority welfarist system. In the latter years of apartheid, as its own crisis developed, hegemony within the white-minority state increasingly shifted towards the military and security apparatus, with a major increase in security budgets and personnel. International arms, oil and financial sanctions directed against the apartheid regime in its last decades also encouraged the development of an extensive shadow-state. An array of dirty-tricks front organisations and sanctions-busting networks were spawned, involving secret accounts, spies, mercenaries, lumpen-capitalists, and criminal syndicates. After 1994 many of these networks mutated into nominally legiti-

mate businesses, consultancies and private security operations, and many succeeded in infiltrating the new state and partnering in so-called BEE deals with some of the new political cadre.

On the other hand, what was also inherited in 1994 was an extensive, ethnically fragmented set of subordinate state apparatuses - former Bantustan, African township, “Coloured” and “Indian” bureaucracies. In 1994 the new state inherited almost 650,000 former Bantustan employees (Ivor Chipkin, “Beyond the popular discourse: Capacity constraints in the public sector, *Public Affairs Research Institute, Short Essay 1*, May 2011). While there were dedicated professionals among them, the dominant ethos in the Bantustan bureaucracies was one of patronage and rent seeking. Again this legacy continues to leave a powerful and perverse imprint on the present state – provinces that incorporated former Bantustan bureaucracies are typically those with the most serious administrative and corruption challenges.

### **'How the entrepreneurial spirit is transforming the public sector'**

After 1994 and under the prevailing neo-liberal hegemony, the ANC-led government set about transforming the state – but this agenda was often informed by the same hard-sell from both external and internal quarters that characterised the related macro-economic wooing of key ANC personnel in government. As with macro-economic policy, perhaps even more so, the ANC-led movement and its leading cadre had paid little attention to public administration or to a vision of a future state administration. The focus had been on smashing the apartheid state. One of the few exceptions among ANC exiles was Patrick

Fitzgerald, who founded the influential Graduate School of Public and Development Management at Wits University in the early 1990s and served in senior administrative posts in the Gauteng and national governments. The paradigm for public sector reform, actively promoted by Fitzgerald, Geraldine Fraser-Moleketi, the first ANC Minister of Public Administration, and others, was essentially the neo-liberal aligned “new public management” approach. It was based on the assumption that the problem with the apartheid state was that it was “bureaucratic”, hierarchical, and based on rule-governed, routine compliance. The proposal was to replace “public administration” with “public management”. Ivor Chipkin and Barbara Lipietz have briefly traced the process through which this paradigm became hegemonic within the ANC and post-1994 government’s approach to public sector transformation. They note that Osborne and Gaebler’s book, *Reinventing Government: How the entrepreneurial spirit is transforming the public sector became a key reference*. “It [the book] suggested that the state could continue to play a meaningful role in the economy and society provided it moved away from the ‘bureaucratic model’ to apply a range of ‘techniques’, including management practices, developed in the business world.” (Chipkin & Lipietz, 2012, p.12).

The approach included replacing a public sector ethics of service to citizens with a managerialist ethics of “delivery” to “clients/customers”; substituting professional leadership of the public sector with generic corporate managers; and replacing professional and vocational incentives in the public sector with monetary incentives. Even on its own terms, the approach called for a

high level of public sector capacity that was not available in South Africa.

Above all, and this is what has been particularly problematic in the South African case, these measures were linked to a significant fragmentation of the state apparatus. The fragmentation has sometimes been based on a distinction made between “policy”, “regulatory” and “operational” functions. The Department of Transport (DoT), for instance, after 1994 styled itself as a “policy” department. Regulatory and operational functions previously housed within line departments like the DoT were spun out and established as separate entities (for instance, the Cross-Border Road Traffic Agency, the Road Traffic Management Corporation, the South African Maritime Safety Agency, or the SA National Roads Agency Limited). These agencies each have their own “corporate” structure, “business model”, “vision and mission statement”, a board with a Chairperson, a CEO, a CFO, and an expensive head-office. They are expected to be self-funding. Those with a significant asset base (like SANRAL) are able to raise funds on the financial markets. Others, like SAMSA, have significant tariff revenue streams. In these cases the entities have grown into powerful corporations in their own right with a policy and operational capacity that far outmatches the policy and oversight capacity of the line department to which they are nominally answerable.

Mandate expansion and the danger of country priorities being set by corporate (albeit nominally “public” corporate) priorities are very real. The dangers are compounded by the role of the boards that are typically populated with aspirant and actual BEE beneficiaries. Other entities, like CBRTA and the RTMC have

battled to develop a “sustainable business case”, but they also, nonetheless, have all the trappings of corporations – boards, CEOs, CFOs, and have been targeted for rent-seeking activity.

The distinction between public policy and public operational responsibilities is also highly problematic in other ways. With the loss of senior professional staff – such as road engineers from the DoT in the case of SANRAL – the supposed line department responsible for policy and oversight of its entities also loses policy capacity in these areas. The result is that the independent entity does not just have greater operational capacity, but greater policy capacity than its line department. The line department then, typically, has to outsource policy-making to private sector consultants.

**"Global maritime ambitions" –the case of SAMSA**

Established in 1998 in terms of the South African Maritime Safety Authority Act, SAMSA is in theory answerable to the Minister of Transport. As the name suggests, SAMSA's core focus is (or should be) maritime safety and marine environment protection. This involves, amongst other things, enforcing technical and operational standards for all shipping operations in South African waters; promoting responsible operations in terms of seaworthiness, safety and pollution prevention; and managing the national capability to respond to marine pollution incidents and other maritime emergencies (see [www.samsa.org.za/about](http://www.samsa.org.za/about)). However, in its website these core functions are overshadowed by SAMSA's self-declared status as "custodians and stewards of maritime policy" (note, not just of "maritime SAFETY policy") and its "VISION" statement, which positions SAMSA as "The Authority championing South Africa's global maritime ambitions". These overweening ambitions are not mere rhetorical flourishes on a website. Over recent years SAMSA has used its substantial tariff income to organise and host high profile maritime industry conferences focused on lobbying for a range of policies to promote aspirant BEE business interests in the shipping sector, and brazenly seeking to undermine the draft DoT-led, maritime green paper policy process.

**'Love me tender, love me true'  
– the tenderised state**

The private sector managerial principle of “maximising share-holder value” applied to the public sector has seen outsourcing occur across a wide front. It is not just national or provincial line departments or municipalities that have been encouraged to “outsource non-core business”; it has also been applied to individual institutions like hospitals. Professionals (educators, health professionals, engineers) in the state apparatus, those that have remained, have increasingly been reduced to compilers and adjudicators of “tenders” with all of the attendant moral hazard.

The proliferation of corruption in and around the state tendering process has recently led to calls from some within the ANC-led alliance for the outright “banning of tenders”. While understandable, the call is somewhat misguided, since some of the corruption occurs through the bypassing of any tendering process whatsoever. At the ANC national executive committee’s July 2012 *lekgotla* the question of state tendering received some focused attention. It was agreed that, while certainly there will be the need for the state to procure many services and resources externally, these should be subjected to transparent tendering. It was further agreed that, where possible, there should be a greater degree of centralised procurement to cut out the proliferation of intermediaries and to achieve economies of scale, enabling the state to move from being a price-taker to a price-maker in procurements. The ANC *lekgotla* also supported government’s recent decision to establish standardised reference pricing for commonly procured services and resources.

Tightening up on tendering is absolutely critical because state procurement through deliberately manipulated tendering processes has become a major area for rent seeking and corruption. A recent document of the Presidential Infrastructure Coordinating Commission lists no fewer than 16 different ways in which infrastructure-related tenders have been corruptly gamed – including through bribes and kickbacks; undisclosed conflicts of interest; collusive bidding (for example bid rotation and market division by major engineering firms); unbalanced bidding (inside information supplied to one bidder); rigged specifications tailor-made for a preferred bidder; phantom service providers; product substitution, etc.

However, any attempt to tighten up on state procurement processes will be strongly challenged by the fragmentation of the state, the attendant proliferation of many centres for rent-seeking activity, and the many vested, unequal and undemocratic power relations that the new public management approach has consolidated. The re-structuring of the post-1994 state has exposed the state even further to the influence of big business and the attention of tenderpreneurial go-betweens, while insulating it from ordinary citizens. The discourse of the market misapplied to the public service transforms the public in general from collective and hopefully active citizens with rights into supposed individual “customers” and “clients”. In the market, notionally at least, if you don’t like what you’re getting, you go next door to a competitor. While in principle many functions should belong inherently to the public sector, this is even more the case in a country with high levels of poverty, where the majority cannot af-

ford private health-care, or private security, or bank-financed housing, or a private car. They cannot transfer their “custom” to a competitor. They rely on public health-care, on publicly funded police services, on publicly subsidised housing and on subsidised public transport – and therefore on the solidarity of redistributed surplus.

Moreover, not only are the majority locked into dependence on public service, but it is a public service that is inclined to look upwards, rather than outwards. The monetarising of performance evaluation against top-down established “delivery targets” further undermines popular influence and diminishes the impact of popular oversight and activism. Yet the mobilisation of popular activism and vigilance is absolutely critical if we are to begin to win the battle against corruption.

### **In summary**

In summary, we have a toxic mix of:

- The subjective and objective vulnerabilities of a new political elite, in the context of an extremely unequal society;
- The strategic agenda of established capital (to protect its own interests by accommodating a buffer stratum with political connections);
- The canonisation of BEE as official state policy and the deliberate fostering of a supposedly “patriotic bourgeoisie” (whose objective situation, quite apart from any subjective leanings to probity or venality, was always liable to lead to compradorial and parasitic behaviour); and
- Fragmented, unjoined-up governance structures ushered in under the auspices of the new public management approach and inevitably creating

a fertile milieu for a wide range of rent-seeking behaviour to proliferate at public expense.

To address the scourge of corruption in South Africa we require, therefore, a combination of interventions. If vigorously applied, some can have an immediate impact, including tough anti-corruption measures that use the full might of the state to uncover and crack-down on wrong-doers; popular campaigns that encourage whistle-blowing and that mobilise community-based organisations and social movements to play an active role in undercutting corruption; the strengthening of the declaration of interests regulations applying to public representatives and senior public servants; the outlawing of public servants from being involved in private businesses; and the tightening up of state procurement processes. However, we need simultaneously to address the more systemic underlying factors behind the scourge of corruption – by placing our

economy on to a different, more egalitarian developmental path; and by critically and thoroughly reviewing BEE and public administration policies. ●

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### Endnotes

- 1 Remark by a senior public sector manager.
- 2 The classic study on the development of Afrikaner capitalism is Dan O'Meara's *Volks-kapitalisme. Class, capital and ideology in the development of Afrikaner Nationalism, 1934-1948*, Ravan Press, Johannesburg, 1983



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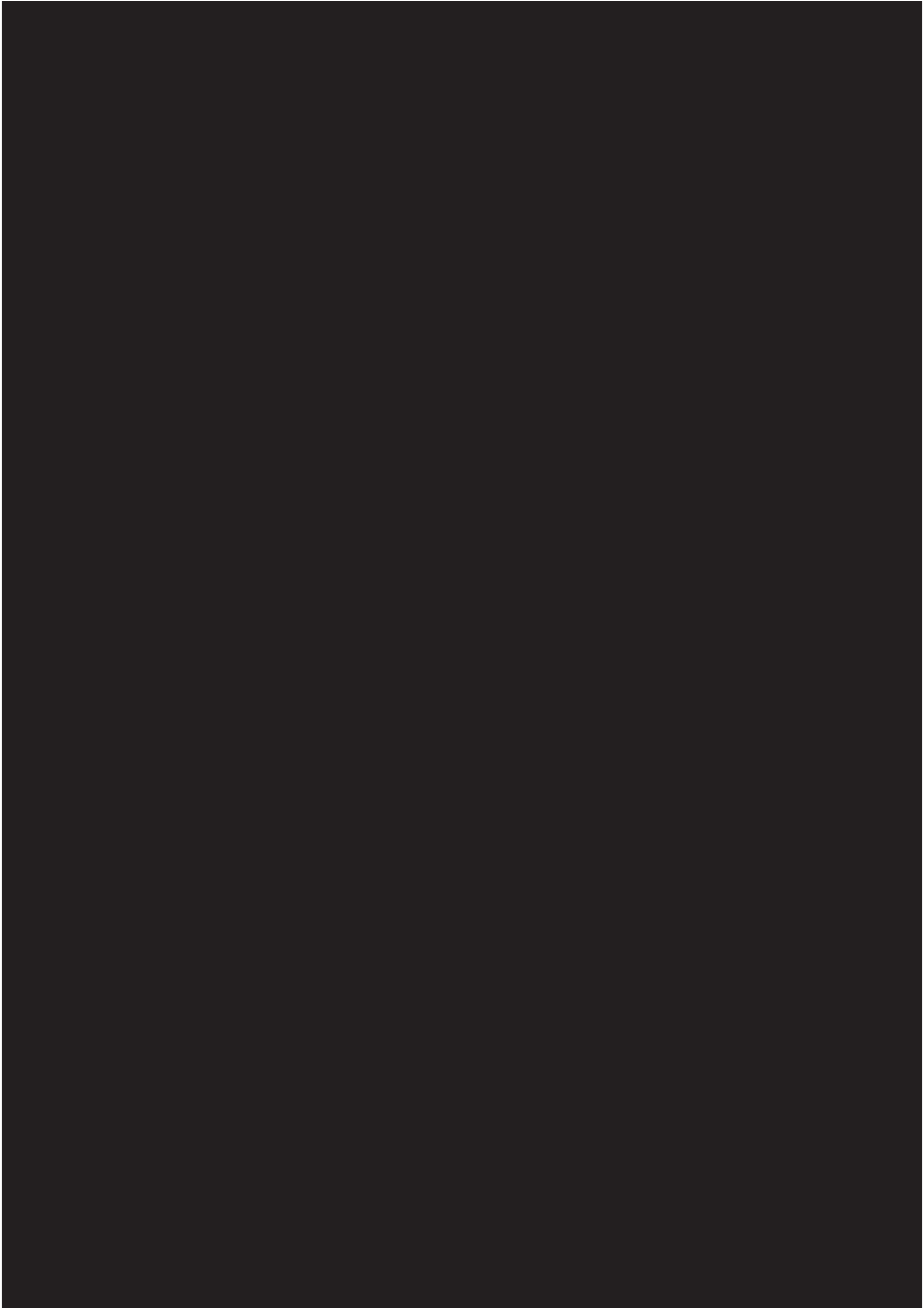
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