

**South Africa's Growth, Employment and Redistribution  
Strategy in the Context of Structural Adjustment Programmes  
in the South.**

Thesis submitted in partial fulfilment of the requirements for the degree of  
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By

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## **ABSTRACT**

This study is a contribution to the ongoing debate concerning the future of South Africa's macro-economic policy known as the Growth, Employment and Redistribution (GEAR) strategy. The study attempts to draw parallels between the GEAR macro-economic policy framework and structural adjustment programmes in the South. By making use of this comparison, the study argues that the outcome of the GEAR will be no different from structural adjustment programmes in that it will fail to reduce poverty and cause government to meet the basic needs of the people. These conclusions are drawn from the fact that the GEAR policy is premised on the faith that the market is capable of redistributing income and wealth, and providing people with their basic needs.

**TO**

My family, teachers and friends

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## INTRODUCTION

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Throughout the highly illustrious history of the African National Congress (ANC), debates about the vision of a post-apartheid economy policy have always assumed a serious character. The first step towards the formulation of this new vision was taken by the ANC in 1955 when the Freedom Charter (hereafter the Charter) was produced. In its comprehensiveness, the Charter expressed the desire of the liberation movement to construct a new society based on alternative sets of policies and a different constitutionalism. Thus, throughout the liberation struggle, and in the 1980s especially, the ANC continued to mobilise its supporters behind the aims of the Charter.

Essentially, the objectives of the Charter entailed the transformation of the entire social, political and economic order within South Africa. Its preamble declared a common citizenship between blacks and whites and also that governance had to be based on the 'will of the people' (ANC, 1985: 1). The Charter also enunciated equal rights, the protection of human rights, equality before the law and peace. On socio-economic transformation, the Charter proposed a 'minimum wage' for workers, land redistribution, access for all to education and health, including the provision of houses. The main economic demand was for the redistribution of wealth from monopolies to the people. Thus, it was proposed that the banks, mines and the wines industry were to be nationalised and trade controlled by the government to 'assist the well-being of the people' (ANC, 1985: 2). Finally, the Charter argued that these steps were necessitated by the fact that the structure of the South African apartheid economy had negatively affected the living standards of other races and blacks in particular.

The ANC's Freedom Charter received support from other anti-apartheid movements such as the South African Communist Party (SACP), the South African Congress of Trade Unions (SACTU), the Coloured People's Congress,

Congress of Democrats (COD) and the South African Indian Congress (SAIC). As allies of the ANC, these organisations had also collaborated in formulating the Charter. The Charter was also warmly received by Nelson Mandela (1956), who praised it as a 'revolutionary document' which served as a 'beacon to the Congress Movement and an inspiration to the people of South Africa'. SACTU's Billy Nair also argued that the Charter accommodated the interests of workers, even though it accommodated equally the demands of other classes and was not a blueprint for socialism (Suttner and Cronin: 1986). In 1986, the Charter was endorsed even by the United Democratic Front (UDF) – a broad alliance of anti-apartheid formations which spearheaded defiance and mass protests in the 1980s - and by the Congress of South African Trade Unions (COSATU).

Thus, more than thirty years later, leaders of the ANC continued to espouse redistribution and shaped popular struggles towards that goal. At the height of the resistance in the 1980s, Joe Slovo (1986: 21), maintained that the main grievances behind the liberation struggle concerned the redistribution of wealth. Hence, he argued that:

“ The main thrust and content of the immediate struggle continues to revolve around the Freedom Charter which provides for a minimum platform of a non-racial, united democratic South Africa based on the rule of the majority ”.

At the start of the ANC's negotiations with the National Party (NP) government in 1990, Thabo Mbeki, now President of the Republic of South Africa and the liberation movement – the ANC - reiterated these demands by arguing that:

“ The new government would have to have sufficient economic strength to address the question of the quality of life, and something has to be done about the control and distribution of wealth. Nationalisation is an important element in this ”.  
(Van Niekerk, 1990)

Furthermore, the labour movement has assisted the ANC since the 1980s in detailing its economic policies along clearly defined ideological lines. This was

accomplished through the establishment of research units which looked into various aspects of the South African economy such as the recession of the 1980s, industrial policy, the impact of sanctions and service delivery (Padayachee, 1998). COSATU also organised a conference in 1991 which adopted a Workers' Charter which listed the basic socio-economic demands of workers such as a living wage, the right to social services and job security (Pillay, 1991). An alliance forum was then formed to ensure that the demands that were listed informed the development of ANC economic policy. Finally, the labour movement used its power in the 1990s to have its role institutionalised (Baskin, 1996) in order to help maintain the balance of forces in favour of the ANC's developmentalist vision.

ANC economic policies also provoked controversies. Between 1985 and 1994, ANC economic policies attracted an unprecedented level of interest from South African academics (Fine, 1994). There were, on the one hand, the progressive academic economists who through their association with the labour movement, in particular, supported the alternative developmentalist vision of the ANC (Padayachee, 1998). On the other hand, a different category of academics, the prophets of neo-liberalism, opposed the Charter by advocating a 'business friendly' economic policy.

Nattrass (1994) criticised ANC economic policy for being vague and insufficient in details. She further contended that a major crisis which had afflicted the South African economy since 1989 was the drying up of private investment (Nattrass, 1992: 1995). What the government needed to do, she argued, was to stipulate predictable policies which would stabilise the macro-economic environment and thereby encourage investor confidence. In effect, Nattrass advocated the well known structural adjustment policies of the international financial institutions (IFIs). The alternative view, on the other hand, argued that the crisis had its origins in the internal circumstances of the country; that is, the forty year long exclusion of blacks from the economy (Saul and Gelb, 1981). This view held that

only the state could be entrusted with the responsibility of redistribution and development.

## **HOW A DEVELOPMENTALIST VISION WAS LOST.**

It was in the context of these debates in the run-up to the 1994 elections that the ANC formulated the Reconstruction and Development Programme (RDP). Like the Charter, the RDP was a product of consultation between the ANC and its alliance partners, the SACP and COSATU, including the South African National Civic Organisations (SANCO). Moreover, the basic character of the consultation was that it was broadly a bottom-up popular approach which received endorsements in People's Forums which the ANC convened throughout the country during its 1994 election campaign.

Apart from stating its objectives such as meeting basic needs, democratisation, the development of South Africa's human resources, and the monitoring of reconstruction and development (Heymans, 1995), the RDP linked growth with reconstruction and development (ANC, 1994: 6). Such a link was based on the premise that the state would invest in the building of infrastructure and provide access to services such as health, water, education, transport and electricity. Thus, for purposes of reconstruction and development, the state was accorded a leading role (Wolpe: 1995) whilst growth induced by markets was to take place through encouraging exports mainly.

To fulfil the expectations about delivery, the ANC introduced steps for implementing the RDP after its overwhelming victory in the 1994 elections. Specific programmes such as the Presidential Lead Projects were announced and a special fund to finance the RDP was introduced. Since 1994, the measures taken by the ANC have culminated in a vast improvement in the living conditions of the poor.

The ANC government expanded service delivery by supplying clean water to 1.3 million people; in terms of health, apart from the upgrading of over 500 clinics since 1994 (South Africa. Government's Report to the Nation, 1998), the government provided pregnant women and children with free medical care. This was consistent with the demands of the Charter which proposed, *inter alia*, a 'preventive health scheme' that was run by the state. The government also put into effect the idea of free and compulsory schooling by initiating a primary feeding scheme which reached 4.9 million children; the attempt to 'eliminate slums' saw 1.2 million houses being built; and for the purposes of bringing 'security and comfort' in rural areas mainly, over 400 000 households were electrified. In addition, the National Public Works Programme which involved 1 000 projects also created approximately 42 000 jobs per annum (Goldin and Heymans, 1999). Thus, through the implementation of the RDP and in accordance with the terms of the Charter, the ANC secured the intervention of the state to bring about reconstruction and development.

Two years after 1994, however, the government unveiled the macro-economic policy known as Growth, Employment and Redistribution (GEAR). The objectives of GEAR differed fundamentally from those of the RDP. GEAR aimed at creating a 'competitive fast-growing economy' (South Africa. Department of Finance, 1996). It argued that the South African economy was growing at an unsustainable rate of 3 percent per annum and that this therefore doomed hopes for job creation. As an alternative, GEAR proposed a growth rate of 6 percent which it projected would create 400 000 new jobs per annum. It was then proposed that these objectives would be achieved through the promotion of non-gold exports, the expansion of private investment, liberalisation and the introduction of a flexible labour market. In short, GEAR advocated a market-oriented economy in contrast to both the Freedom Charter and the RDP. Moreover, the strategy limited the role of the state to the creation of a 'stable environment' for the market only. Thus, Edward Osborne (1997), argued that the hallmarks of GEAR are tight monetary and fiscal policies, the liberalisation of the

economy and privatisation. Asghar Adelzadeh (1996) characterised GEAR as an adoption of neo-liberalism by the ANC government.

The adoption of the GEAR policy thus provoked a heated debate within the tripartite alliance which has continued unabated over the past three years. COSATU and the SACP argued that as a homegrown version of the infamous IFIs structural adjustment programmes, GEAR was bound to circumscribe the role of the state in the economy and therefore, render it irrelevant in addressing the issues of skewed income distribution and a better life for the majority of South Africans (**The Shopsteward**, 1997: 6.4). Another concern was the fact that unlike the RDP, GEAR was a product which was co-designed by international financial institutions. Thus, an important element was neglected by its architects – the objective of restructuring the economy. Furthermore, it was argued that since GEAR was a product aimed at macro-economic restructuring, the cause of delivery was subsequently abandoned. In the final analysis, GEAR was perceived by both COSATU and the SACP to differ from the RDP not only in terms of goals, but most obviously in policy outcomes. COSATU and the SACP criticised GEAR for its parochial focus on growth without development. They pointed out that GEAR failed to protect existing jobs and create new ones and therefore concluded that the policy would be unable to address the problem of increasing poverty (SANGOCO, 1998).

The prediction that GEAR would lead to unemployment is probably best demonstrated in figures of the South African Reserve Bank (SARB, 1998: June, No.208) and the Central Statistical Services (CSS, 1998: December). In the formal non-agricultural sector, for example, 130 000 workers lost their jobs at the end of 1997 and the public sector retrenched 30 000 workers. Throughout 1997, in addition, there were quarterly declines in employment in all sectors of the South African economy. Moreover, according to the Human Sciences Research Council (1999) the situation is not likely to improve since employment opportunities are growing in the professional and managerial sectors only. The

plight of the unemployed was meanwhile highlighted in October 1998 when the government urgently convened the Job Summit (Horton, Tregenna and Ngqungwana, 1998).

In spite of these developments and the criticism against GEAR, the Finance Director-General, Maria Ramos, continued to defend the government's conservative macro-economic policy. She argued that GEAR was aimed at implementing the RDP (Ramos, 1997). This defence did not sit well with the broad ANC constituency. Alec Erwin (1998) and Andrew Feinstein (1996) have also defended GEAR by arguing that it was necessitated by economic changes internationally. The fact of globalisation, in particular, meaning the integration of national economies into a single global economy, was seen to have pre-empted an alternative macro-economic policy.

### **OBJECT OF THE THESIS.**

The objectives of this thesis are fairly limited. It merely seeks to make a contribution to the ongoing debate on the fecundity of South Africa's Growth, Employment and Redistribution (GEAR) policy framework. In doing this, the thesis will not introduce any new material, but will seek a rigorous re-interpretation of the existing literature. To this extent therefore, this study will be largely based on secondary material.

The argument of the thesis is that since GEAR is essentially a structural adjustment programme, albeit one that is home-grown, it will increasingly fail to reduce poverty and will also constrain the delivery of basic needs by the government.

## **STRUCTURE OF THE THESIS.**

This thesis is divided into five chapters.

*Chapter one:* This chapter is essentially a theoretical overview of the debates on the state and markets. It attempts to confront the main arguments of market fundamentalism. The chapter argues that the idea of a minimalist state has been discredited by the developments of the past two years. Hence it makes a case for development to be led by the state.

*Chapter two:* This chapter traces the evolution of a developmental vision in the ANC from the Freedom Charter in 1955 to the Reconstruction and Development Programme (RDP) in 1994. It attempts to demonstrate the consistency in ANC economic policy from 1955 to 1994.

*Chapter three:* This chapter focuses on the shift from the RDP to GEAR. It argues that, since 1994, there have been changes in the balance of forces within the ANC. Hence the adoption of a neo-liberal macro-economic policy.

*Chapter four:* This chapter attempts to draw parallels between GEAR and structural adjustment programmes. It argues that, the difference in names notwithstanding, the macro-economic policy inputs of the policies are broadly identical, and therefore argues that GEAR's results will be no different to the economic catastrophe that has been attributed to structural adjustment programmes in sub-Saharan Africa over the last decade and a half.

*Chapter five:* This is the concluding chapter of the thesis. It summarises the arguments of the study.

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## CHAPTER ONE

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### THE CASE FOR DEVELOPMENTALISM

“ The wealth of a nation is its people. And the purpose of development is to create an enabling environment for people to enjoy long, healthy and creative lives. This simple but powerful truth is too often forgotten in the pursuit of material and financial wealth”.

- Human Development Report, 1999.

### INTRODUCTION

The beginning of the 1980s left an indelible imprint on the history and the study of international political economy. The period could perhaps also be regarded as having been one of the most controversial yet. The state, once seen as the provider of basic necessities and security, suddenly gave way to a supposedly omniscient new agent, the market. Since the end of the cold war, the market was held up as an efficient agent for growth and the redistribution of wealth and income. Even developing countries were fed with the gospel that the market is an objective natural occurrence.

This chapter attempts to confront this view of the market. We refer to this uncritical view of the market as market fundamentalism. The chapter argues that the dominance of the market is only a recent development of the last decade of the twentieth century. Furthermore, when markets dominate, even if for a brief period, they court disaster. Thus, the chapter makes a case for development to be led by the state.

## MARKET FUNDAMENTALISM

Since the end of the cold war in the 1980s, a consensus – known as the “Washington Consensus” or neo-liberalism – which deemed the role of the state in the economy to be archaic and evil, emerged in the United States (US). According to the Nobel Prize - winning economist of the US, Milton Friedman (1982), an expanded role of the state produced a ‘Frankenstein’ which threatened the freedom of individuals. Thus, it was argued that economic growth became stunted in circumstances where power was centralised in the state (Pereira, Maraval and Przewoski, 1993). Friedman argued therefore that the role of the state in a capitalist economy was to only establish and enforce the ‘rules of the game’.

In contradistinction, the market was held up as an efficient mechanism for producing growth and redistributing wealth and income. Adam Smith (1776), who is regarded as the father of classical economists, argued as early as the eighteenth century that growth was brought about by the division of labour. This then encouraged specialisation by workers and the allocation of certain productive duties to specific industries. The division of labour enhanced the skills of workers and caused time to be saved. Smith also argued that the division of labour was limited by the size of the market only. Free trade therefore had to be encouraged in order to expand the market and assist the division of labour. Finally, Smith contended that regardless of their self-interests, individuals redistributed income and wealth through an ‘invisible hand’:

“ As every individual, therefore, endeavours as much as he can to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its

produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intentions. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of society more effectively than when he really intends to promote it. I have never known much good done by those who affected to trade for the public. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it ". (Smith, 1776: 423).

Two hundred years later, F. A. Hayek (1976) reiterated the same views. He also emphasised the assumption that the market is an objective and natural occurrence which benefited human beings by guiding their actions:

" The order (of the market) serves our ends not merely, as all orders does, by guiding us in our actions and by bringing about a certain correspondence between the expectations of the different persons, but also, in a sense which we must now make more precise, by increasing the prospects or chances of every one of a greater command over the various goods (i.e commodities and services) than we are able to secure in any other way ". (Hayek, 1976: 107).

These assumptions about the inherent efficiency and the objectivity of the market, are what we refer to as market fundamentalism. Fundamentalism is used to imply the deep-seated but uncritical conviction that there is no alternative to the market.

The argument for the efficiency of the market runs counter to the logic of the market itself. Marx (quoted in Turner (1978)) argued that the capitalist system was beset by a crisis of 'over-production'. This, he explained, was the result of the logic of the market itself; namely the accumulation of profit:

" The capitalist's immediate object in selling, is to turn his commodity or rather his commodity capital, back into money capital, and thereby realise his profit. Consumption – revenue – is by no means the guiding motive in this process,

although it is for the person who only sells commodities in order to transform them into means of subsistence. But this is not capitalist production, in which revenue appears as the result and not as the determining process. Everyone sells first of all in order to sell, that is to say, in order to transform commodities into money”. (Marx in Turner, 1978: 446)

Capitalist producers thus find it impossible to limit production to supply only those consumers who have the capacity to pay. For Polanyi (1944) such crises are the result of the market being a ‘self-regulating system’ which subordinates everything to itself:

“ The market pattern, on the other hand, being related to a peculiar motive of its own, the motive of truck or barter, is capable of creating a specific institution, namely, the market. Ultimately, that is why the control of the economic system by the market is of overwhelming consequence to the whole organisation of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organised in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society.” (Polanyi, 1944: 57).

Besides, because the market is ‘self-regulating’, it can only engender ‘unequal development’ instead of reversing it. Samir Amin (1976) demonstrates this case through an analysis of relations between the ‘centre’ – the industrialised nations - and the ‘periphery’ – the less industrialised nations of the South such as Latin America and Africa. In this relationship, the former, by virtue of its development, appropriates to itself activities which require highly skilled labour and technological research and innovation. The latter then becomes reduced to an exporter of raw materials. Inside the periphery, this distinction is reproduced through the unequal distribution of income.

Secondly, the assumption that the market is natural is demonstrated as false by Marx (1938). He argued that proletarianisation was not the product of some natural phenomenon, but rather of state intervention. This happened in the fifteenth century after peasants were forcefully dispossessed of their lands by the commercial bourgeoisie. Throngs of peasants were thus thrown into the streets and some became 'vagabonds'. Then the state enacted legislation which made it a punishable offence to be found without work. Marx (1938: 738) therefore wrote that:

“ . . . the historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeoisie historians. But, on the other hand, these new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire ”.

The social construction of the market for the selling of 'labour-power' was however only the beginning. The market for goods was established through long distance trade (Polanyi, 1944) at the insistence of the commercial bourgeoisie.

Still, the market never became a predominant feature of pre-capitalist societies (Rubin, 1979). From the twelfth to the fifteenth century, for instance, a 'regional economy' applied. In this mode of production, peasants produced mainly for their own consumption. The residue was then paid to landlords as rent and the rest sold on market days. In the towns too, where trade and commerce was blooming, craftsmen formed guilds to protect their products.

The regional economy declined and was replaced by mercantilism from the sixteenth to the seventeenth century. Mercantilism emerged when long-distance trade developed between Western Europe and the East. A formidable state was then required to protect and monopolise trading routes. An alliance therefore

between the state and merchants came to be developed. Mercantilist writers too, advocated state intervention throughout this period. Thus, Rubin (1979: 36) observes that:

“ These were not armchair scholars. . . dedicated to the discussion of abstract theoretical problems. . . they were concerned . . . as practical men who sought to influence the course of economic life by enlisting the active assistance of the state ”.

After the beginning of the Industrial Revolution in Britain at the end of the eighteenth century and about the same time that Smith wrote his *Wealth of Nations* in 1776, attempts were made in England to introduce a *laissez faire* government (Hobsbawm, 1969). Classical economists and the emerging industrial capitalists aimed at reversing the mercantilist policies of intervention and social policies. They demanded a smaller government and the reform of the monetary system in order to give the central bank a monopoly over monetary policy. The period of *laissez-faire* government was however very brief. It was ended by the 1929 Great Depression and the stock market crash. After this, state intervention was increased. In the United States, especially, the welfare state was introduced as a response to the crisis (Galbraith, 1987: 210). Under the welfare state, a Social Security Act was promulgated which provided compensation for unemployment and a compulsory pension plan for the aged.

Further, the British economist, John Maynard Keynes (1936), provided the intellectual underpinnings of state intervention by arguing for the regulation of the market to guarantee ‘full employment’. He criticised classical economists for subjecting employment to the laws of supply and demand, in other words the market. He argued, in contrast, that competition, the costs of production, user costs and the imperfection of the markets all determined the prospects of either increasing or decreasing employment. To be sure, the levels of employment declined when the profits of capitalist producers came under threat, whether through changes in the production structure or declining levels of productivity.

Keynes therefore proposed an alternative in order to ensure 'full employment'. He argued that 'full employment' could be achieved by raising the demand for labour. For this purpose, wages needed to be increased in order to stimulate consumption. Furthermore, Keynes proposed that as employment increased, the government would need to invest in the building of infrastructure and to regulate private investments. Thus, Keynes (1936: 320) asserted that:

“ In conditions of *laissez faire* the avoidance of wide fluctuations in employment, may, therefore, prove impossible without a far-reaching change in the psychology of investment markets such as there is no reason to expect. I conclude that the duty of ordering the current volume of investment cannot safely be left in private hands”.

After the end of the Second World War, government intervention was not abandoned. In fact, a compromise was reached for state intervention to exist alongside the promotion of free trade. This compromise was reflected in the objectives of the World Bank (also known as the International Bank of Reconstruction and Development) and the International Monetary Fund (IMF). The two institutions were formed in 1944 by the victors of the war. The function of the IMF was to help stabilise exchange rates and that of the World Bank was to help fund the reconstruction of war-torn economies (Bello, 1998). Thus, Brett (1985: 63 – 4) argues that:

“ This happy result was the outcome of an immensely complex balancing act managed principally by the USA, and involving a series of compromises in which it used its economic strength to provide short-term inducements to the weaker countries to co-operate, in exchange for a long-term commitment to liberalisation into the structure of the institutions themselves. Thus, the post-war period can be seen as one involving the practice of protectionism and managed trade while establishing mechanisms required to sustain a long-term transition to one based on free trade ”.

This context then gave rise to the emergence of 'late industrialisers' in the 1950s, namely, Germany and Japan. Both of these two countries relied for their rapid growth strategies on what Brenner (1998: 64 – 92) called a 'high degree of state

control over the economy'. In Japan, for instance, the state controlled credit facilities, provided investment funds for targeted industries and shielded capital markets from foreign penetration. The strategies established Japan as one of the leading economies and a successful innovator in terms of technology. Brenner (1998: 76) then concluded that:

“ Only by virtue of its economic institutions and the intervention of the state was the Japanese economy able to exploit the extraordinary opportunities offered by the world, and particularly US demand, throughout the length of the post-war boom ”.

## **THE RISE OF NEO-LIBERALISM**

Towards the end of the 1970s, a group of orthodox economists, the monetarists, gained ascendancy in the debates about macro-economic policy. It appears that the background was provided by the recession of most of the European economies. The monetarists advanced the theory that the crisis was caused by the increased quantities of money following expanded levels of government spending during the post-war period (Friedman, 1953; Friedman and Friedman, 1980). They then campaigned for (a) a reform of the monetary and banking system to quell interference in the money supply and (b) a reform of fiscal policy by governments. Following some profound changes in production in the 1980s and the restructuring of capital, another group of orthodox economists, the neo-classicals, argued for the liberalisation of trade. They argued that the integration of national economies which was implied by the changes (see UNDP, 1999) necessitated the liberalisation of trade in order to expand markets (Wolf, 1997). Thus, began the rise of neo-liberalism.

Neo-liberalism was propelled by the role which the IMF and the World Bank assumed in the 1980s. The role of the IMF and of the World Bank, especially, marked the 'assault on state-assisted capitalism' according to Walden Bello (1998: 218). This objective was achieved through the imposition of structural

adjustment programmes which entailed the privatisation of state assets, liberalisation of trade, devaluation of currencies and constraints on wages. Furthermore, with the General Agreement of Tariffs and Trade (GATT), the WTO's predecessor, the IMF and the World Bank made governments accountable to international agencies regarding trade liberalisation, and exchange rate stability. Thus, Cox (1992: 27) argues that these institutions marked an important turning point in the history of the world economy. They introduced the:

“ . . . subordination of domestic economies to the perceived exigencies of a global economy. States willy nilly became more effectively accountable to a *ne'buleuse* personified as the global economy; and they were constrained to mystify this external accountability in the eyes and ears of their own publics through the new vocabulary of globalisation, interdependence, and competitiveness ”.

For developing countries, the changes in the world economy and the predominance of neo-liberalism impacted therefore on the context of development (Stallings, 1995). The collapse of the Soviet Union in 1989 was also of historic importance in these developments. For with that collapse, an alternative source of support for developing countries was lost. In the advanced capitalist countries too, the dominance of neo-liberalism forced a rethink of development. Some, like Sweden, embarked on a 'social democratic' experiment – hoping to tread a course between market fundamentalism and socialism.

The predominance of neo-liberalism in the 1980s was indeed a revolution. Even erstwhile communists were converted to believe in the market. In addition, a challenge to market fundamentalism was seen as a demonstration of clinging to old-fashioned ideas which were no longer relevant. Market fundamentalism was taken for granted so much so that it was argued that we had come to the 'end of history' (Fukuyama, 1992).

Meanwhile, neo-liberal theorists argued that the changes in the world economy brought about 'mutual benefits' for all the actors involved (Keohane and Nye, 1989; 1998). It was argued that globalisation, firstly, reduced the use of force in international politics and, secondly, it reduced the costs for cross-border transactions and facilitated the acquisition of information. Regarding the formulation of policy by governments, Keohane *et al* insisted that globalisation did not limit the scope of policy making by governments. They argued that governments were only limited by the need to remain credible.

Critics pointed out however that as neo-liberalism aimed at 'rolling back the state', the vulnerable groupings of society have become exposed to a number of risks such as Hiv/Aids, violence against women and children especially, and crime (UNDP, 1999; Strange, 1996). The infrastructural needs of communities, such as transport, communications and water drains have also suffered, including the protection of the environment. Low income groups have also been exposed to markets and the participation of people in decision making processes has been steadily eroded (Vilas, 1997).

Richard Higgott (1999) also points to a contradiction in neo-liberalism. He argues that states assist neo-liberal demands by enforcing wage restraints, reallocating taxation from conglomerates, conferring property rights and establishing authoritative legal and political structures. Furthermore, Gregory Albo (1997) criticised the 'social democratic' approach by arguing that it represents nothing else but an 'alternate route converging in neo-liberalism'. He points out that the social democratic economic policy is premised on an acceptance of the internationalisation of production, but hopes to overcome its negative consequences by, firstly, reforming the labour market and improving trade flows and competitiveness. The foregoing attempts are made to increase productivity and output. Secondly, social democratic economic policy proposes the development of new products which can be released into the market as quickly

as possible so as to take advantage of the shifts in terms of profit between countries. Albo (1997: 18) argued however that:

“ Shaped trade advantage to improve external competitiveness in the hope that trade growth will overcome internal obstacles to high employment is no substitute for national and local employment policies to constrain the capitalist market”.

Meanwhile, neo-liberalism was dealt a blow by the Southeast Asian crisis of 1997. Here the collapse of the stock markets in one country, namely Taiwan, precipitated a ‘domino effect’ which quickly engulfed the whole region. The crisis spread also to other economies and affected mainly the so-called emerging markets. Significant amounts of wealth was lost and the repercussions acutely affected the social sectors. The crisis was another manifestation that unbridled market forces are capable of generating a severe crisis.

Importantly too, the recognition that unbridled market forces generate crises came also from none other than the former architects of neo-liberalism. James Wolfensohn and Joseph Stiglitz (1999), the former the president of the World Bank and the latter its chief economist, argued for a ‘comprehensive approach’ in development in the aftermath of the Asian financial crisis:

“ The old approach of an exclusive focus on growth as the elixir of all the world’s problems is thus too circumscribed. Such a trickle down approach ignores the substantial social gains from growth directed towards the poor. In other words, the quality of economic development – not just its existence – can be important ”.

The statement is therefore indicative of a growing consensus which questions the basic conviction of neo-liberalism. Ben Fine (1999) illustrates this development with the argument that :

“ From anti-market, through market conforming, to market-friendly, the state is now seen more positively if cautiously so. The analytical

agenda is shifting from one based on a simple dichotomy between market and state as good and bad, respectively”.

These arguments point to the direction of bringing the state back in, meaning, the idea of a minimalist state has indeed been discredited.

### **A CASE FOR DEVELOPMENTALISM.**

Developmentalism symbolises a concern for the people. It involves the reduction of poverty, meeting the basic needs of the people and at the same time granting them their freedom (Streak, 1997). Developmentalism is only possible under a developmental state, that is a state which establishes and pursues clear social goals.

Adrian Leftwich (1994: 378 - 381) highlights, amongst others, the following characteristics of a developmental state:

- a) *relative autonomy*: the bureaucracy of a developmental state and the institutions of the state become insulated from the pressures of special interest groups.
- b) *purposeful political domination by elites*: powerful and determined elites shape and monitor the objectives of the state.

Hence, he argues that in a developmental state:

“... the form and distribution of power, and the manner of its use in and through the state, are critical for development ” (Leftwich, 1994: 377).

Such a state establishes for itself certain social and economic goals which it meets by encouraging amongst other things co-operation with the private sector. There are, of course, also some negative features of a developmental state such

as its role in weakening the institutions of civil society and their repression. The importance of a developmental state nonetheless, argues Leftwich (1994: 382), is that it establishes the 'primacy of politics and the state in development'.

The argument about the importance of politics in development is also being made by Boris Kagarlitsky (1999). He argues that the purpose of gaining control over the reins of the state is to change power relations:

“ For the left, the whole point of conquering power must be to change the rules of the game, and at the same time to destroy the present complex of relations between national governments and international financial and political institutions”.  
(Kagarlitsky, 1999: 298).

Kagarlitsky underlines this argument by pointing out that ' . . . the question of the state has always been above all a question of power. . . ' It follows therefore that a developmental state entails the reversal of the tendencies to assist neo-liberalism on the one hand and a concern for its constituency on the other.

That this is possible even in the context of globalisation was effectively demonstrated by the governments of East Asian countries, the newly industrialised countries (NICs), namely, Singapore, South Korea and Taiwan. These countries surprised advanced capitalist countries by rapidly industrialising their economies. This helped to eradicate poverty and improved the living standards of poor people (Kim, 1995). According to Robert Wade (1990), these results were achieved through the expanded role of the state. The state controlled credit, which helped it direct investment subordinate financial capital to its development goals; the state also promoted specific industries and protected the domestic economy from foreign competition<sup>1</sup>. Thus Wade (1990: 342) argues that;

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<sup>1</sup> Initially, the role of the state in industrialising Asia was disputed by neo-liberal thinkers; see for example, Simpson, E. (1994) **The Developing World: An introduction**. Longman Scientific and Technical. Essex.

“Government resources and influences have prompted investments to be undertaken which would not have been undertaken in strictly FM (free market) or SFM (simulated free market) conditions, thereby generating production and investment outcomes different from what would have happened if government had not intervened in this way.”

## CONCLUSION

The purpose of this chapter was to confront market fundamentalism. It did so through an analysis of the key assumptions behind the ideology of neo-liberalism. The predominance of neo-liberalism in the 1980s forced many governments in the South, including some writers on the left, to change their views about the involvement of the state in the economy. With the symbolic collapse of the Soviet Union in 1989, the triumph of neo-liberalism was even celebrated as the beginning of the end of history. The implications were that history would henceforth be written as only the history of the market.

But many of the assumptions about the market were accepted rather uncritically. In particular, it was accepted without any serious questioning that the market produces and redistributes goods and services efficiently. Further, the market was held up as a natural phenomenon which functions in the same way as the laws of gravity.

Contrary to these assumptions, this chapter asserts that the market produces uneven development. In addition, market forces have never dominated societies for any length of time. When they did dominate, even if for a short period, they

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An interesting and useful review of these views is in Kiely, R. (1998) ‘Neo-liberalism Revisited? A Critical Account of World Bank Concepts of Good Governance and Market Friendly Intervention’. In **Capital and Class**, 64, Spring.

produced a crisis. The implications of this argument for developing countries is that development has to be led by the state. In this context, leaders of the developing countries are urged to consider development not only as an economic exercise but a real practice of people – oriented governance. After-all, this is what used to be in the creed of most national liberation movements, including South Africa's main liberation movement and governing party, the African National Congress (ANC).

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## CHAPTER TWO

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### FROM THE FREEDOM CHARTER TO THE RDP.

“ We must by liberating ourselves, make our own history. Such a process by its nature imposes on the activist the necessity to plan and therefore requires the ability to measure cause and effect; the necessity to strike in the correct direction and hence the requirement to distinguish between essence and phenomenon; the necessity to move millions of people as one to actual victory and consequently the development of the skill of combining the necessary and the possible”.

- Thabo Mbeki (1999) **Africa, The Time Has Come**. Tafelberg.

### INTRODUCTION

The following chapter deals with the conceptualisation of a developmental vision by South Africa's governing liberation movement, the African National Congress (ANC). It focuses on the origins of that vision from the Freedom Charter in 1955 to 1994 when the Reconstruction and Development Programme (RDP) was adopted as official government policy. The chapter argues that from 1955 to 1994 the ANC maintained the consistency of its vision by articulating state-led development. This is all the more remarkable in the light of the fact that ANC economic policy came under intense pressure and criticism in the 1980s.

### THE ORIGINS OF THE FREEDOM CHARTER

Within the ANC, a developmental vision for a post-apartheid South Africa has its origins in the Freedom Charter of 1955. In 1953, Professor Z. K Matthews, President of the ANC in the Cape Province, urged the ANC to convene a mass

gathering of all races. He called this a 'Congress of the People' whose objective was to draw up the Freedom Charter. A national conference of the ANC which was held in Queenstown, during the same year, approved the idea. In 1954, the National Action Council (NAC) was formed to make preparations for the Congress of the People. The NAC consisted of five representatives from each of the sponsoring organisations, namely, the South African Indian Congress, the South African Coloured People's Organisation, and the South African Congress of Democrats. Representatives from the South African Council of Trade Unions (SACTU) were included after the trade union movement was formed in 1955. Additional invitations were sent to other organisations to join the NAC, including the Liberal Party (Karis *et al*, 1977).

Before the Congress of the People took place, hundreds of volunteers were recruited and despatched to collect grievances and demands from factories, mine compounds, in the streets and from houses. Major rallies were also organised. During the campaign for the Freedom Charter, ANC branches and the NAC were overwhelmed by the demands that were collected for inclusion in the Charter (Lodge, 1983). According to Suttner and Cronin (1986), the popular demands were submitted mostly by women and workers. Workers demanded the right to form trade unions and the right to a '40 hour' working week. Through their organisation, the Federation of South African Women (FEDSAW), women submitted demands for maternity leave, equality, an end to poverty, houses and free and compulsory education for children. Land was also a popular demand including the lowering of the rent and the provision of recreation facilities.

Finally, the Congress of the People was held for two days from 25<sup>th</sup> – 26<sup>th</sup> June 1955. It attracted 3 000 delegates (Lodge, 1983). Representatives for whites, Indians, and coloureds were also present. The discussion of the demands during the Congress of the People took a democratic form. According to Lodge, a written statement for each of the collected demands (these were summaries by

the NAC) was read out, after which comments or a discussion was permitted. This was followed by the approval of the demands by a show of hands.

The approved demands which were then formulated into a document called the Freedom Charter called for a complete transformation of the political, economic and social order in South Africa. In its preamble, the Charter declared a common citizenship for both blacks and whites. It argued that democratisation had to be based on the 'will of the people' (ANC, 1985: 1):

“ We, the people of South Africa, declare for all our country and the world to know that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of all the people”.

The Charter then asserted that 'the people shall govern'. It conferred equal rights to all national groups, equality for all before the law and undertook that a new government would uphold and protect human rights. Regarding socio-economic matters, the Charter promised a 'forty-hour working week' and a minimum wage for workers. Land was to be redistributed to help end poverty in rural areas especially. Furthermore, a 'preventive health scheme' run by the state was proposed and free medical care for women and children. Compulsory, free education was also promised, as well as houses, transport, roads, lighting and recreation facilities. The main economic demand of the Charter called for the redistribution of wealth and income. The Charter proposed that such an objective could be met through nationalisation and the intervention of the state in trade:

“An ANC government shall restore the wealth of our country, the heritage of all South Africans, to the people as a whole. The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole. All other industry and trade shall be controlled to assist the well-being of the people”. (ANC, 1985: 2)

After the Charter was adopted, Nelson Mandela (1956), praised it as a 'revolutionary document' which served as a 'beacon to the Congress Movement and an inspiration to the people of South Africa'. SACTU's Billy Nair, also welcomed the document and argued that it represented the interests of workers (cited in Suttner and Cronin, 1986) even though it also accommodated other classes. Besides, it was recognised that the Charter was not a blueprint for socialism (ANC: 1985).

Africanists within the ANC stirred a controversy when they accused the ANC of being influenced by communists according to Karis *et al.* Leaders of the Liberal Party who were also of the same view resigned from the NAC in January 1955. Nonetheless, the ANC approved and adopted the Charter at a special conference at the end of 1955. Again at the Morogoro Conference in Tanzania in 1969, the ANC analysed the Charter and its objectives. The Charter was then declared a common programme of all the sections of the South African society. The ANC (1985: 6) also argued that the Charter provided an alternative to apartheid:

“ The Charter was not the statement of this or that section of the population. It was a declaration of all the people of South Africa. It was a simple, honest, unpretentious document reflecting the desires and ideas of millions of common people. Therein lay the power of its revolutionary message. And always it should be borne in mind that both in its wording and intent the Charter projected the view not of present day South Africa but that of the country as it should and will be after the victory of the revolution ”.

In the late 1970s and into the 1980s the Charter became the major instrument of mobilisation and the basic framework of the ANC's vision of post-apartheid South Africa. Through the United Democratic Front (UDF) – an umbrella body for a large number of anti-apartheid organisations in the 1980s – the ANC hegemonised the vision of the Charter<sup>2</sup> (see Marx, 1992: 114 - 146). Leaders of the UDF committed themselves to pursue the aims of the Charter from the

launch of the organisation in 1983. In 1987, the UDF formally adopted the Charter and so did the Congress of South African Trade Unions (COSATU), South Africa's largest trade union federation, which also became an ally of the ANC. COSATU argued that the Charter consisted of the '... minimum demands which lays the basis for a non-exploitative society' (Work In Progress, 1987: 11). Lastly, the Charter was also well received by national student organisations such as the Congress of South African Students (COSAS) and the Azanian Students Congress (AZASCO).

### **THE POST – APARTHEID SOUTH AFRICA (PASA) DEBATES**

Outside of the ANC in the 1960s – 70s, there was a notable absence of contributions by South African economists appraising the Charter. To be sure, ANC economic policy was rarely mentioned in the literature. However, the changing balance of forces internationally in the mid–1980s engendered new interest in the ANC and its policies. This gave rise to what has become known as the post-apartheid South Africa (PASA) debates<sup>3</sup>. The debates reflected varied concerns differing along ideological lines about the outlook of a future economic policy for South Africa. From about 1985, the media ran coverages which exposed the views of prominent ANC leaders to the public. South African businessmen also made trips to Lusaka to meet with ANC leaders. Di Paice (1990) argued that business sought to persuade the ANC to accept that redistribution could happen without nationalisation and that, as in the former Soviet Union, central planning was bound to fail. Business was aware that the old edifice was crumbling.

These views also found strong resonance within the academic literature. Terence Moll (1988) argued that government intervention in the economy was unsustainable as it exacerbated macro-economic instability. He denounced government intervention as a sign of populism. Moll's conclusions were based on

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<sup>2</sup> The ANC was still banned at the time whilst the UDF operated legally within the country.

an examination of the development initiatives of Latin American countries. These countries revealed similar patterns to South Africa concerning the distribution of wealth, and the economic structure. In addition, Latin American economies faced macro-instability after the Second World War. The governments of the countries which were affected adopted policies which increased their intervention in the economy. The policies entailed restrictions on the import of luxury goods, induced governments to favour the local manufacturing sector and the small scale agricultural sector; controls were also placed on the productive structure of the economy and the government directed investments.

After a brief period which promised both redistribution and growth, macro-instability returned. Then Latin American governments requested assistance from the IMF and adopted anti-labour policies. Moll's conclusion therefore was that a new South African government could learn from Latin America. He argued that the alternative for the government was to institute a selective land reform programme, implement selective taxation and negotiate a wage restraint with workers for the short-term.

Furthermore, the views against redistribution gained a different emphasis in the light of the recession in the 1980s. Nicoli Natrass (1992) argued that the economic crisis was the result of investments having dried up. She viewed the challenge which faced a new government as the need to encourage the return of 'investor confidence' (Natrass, 1992; 1995). For that she suggested that the government needed to stabilise the macro-economy by persuading organised labour to accept wage restraints, restructure company tax and liberalise the economy. In addition, Natrass argued that in South Africa, demand-led growth faced the constraints of a shortage of skilled labour and foreign exchange earnings. In effect, Natrass advocated the well known structural adjustment policies of the International Monetary Fund (IMF) and the World Bank.

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<sup>3</sup> I am grateful to Dr. Ajulu for the reference to these debates.

Thus, throughout the negotiation process, there were consistent and determined efforts to crowd out the ANC's Charter and its developmentalist approach. Moreover, in the aftermath of the collapse of the socialist camp and the end of the Cold War, liberal academics viewed discussions on economic policy as having been finally settled in favour of neo-liberalism. Hence, Robert Schrire (1992: 1) argued:

“ There is, however, no longer a genuine ‘economic debate’. With the demise of Marxist states such as the Soviet Union and East Germany, there is today a growing and near – universal acceptance of the broad parameters for economic growth and the elimination of poverty. Effective markets, appropriate educational systems, public policies which encourage entrepreneurship and individual incentives, and relatively limited but effective government are now considered essential elements of an efficient economy ”.

Notwithstanding the intensity of these attacks by liberal academics and business on the Charter, ANC leaders consistently supported its aims. In addition, the struggles of the 1980s were seen to have been influenced by the vision of the Charter. Hence, the late Joe Slovo (1986) argued:

“ The main thrust and content of the immediate struggle continues to revolve around the Freedom Charter which provides for a minimum platform of a non-racial, united democratic South Africa based on the rule of the majority “.

At the start of the negotiations between the ANC and the National Party (NP) government in 1990, Thabo Mbeki, now president of both the ANC and the Republic of South Africa, had also reiterated the ANC's support for the Charter. He stated that:

“ The new government would have to have sufficient economic strength to address the question of the quality of life, and something has to be done about the control and the distribution of wealth. Nationalisation is an important element in this ”.  
(Van Niekerk, 1990)

Further, left leaning academics were also optimistic. They endorsed the policies of redistribution such as nationalisation, and argued that in these policies worker biased components of democratisation needed to be ensured (Davies: 1988). Above all, Robert Davies asserted that the structure of monopolies in the South African economy made nationalisation by a new government possible. Since 1945, power had been centralised in a few conglomerates which also developed subsidiaries locally.

Finally, left wing academics also had a different view of the origins of the recession in the 1980s. Saul and Gelb (1981) saw the crisis as a reflection of the failures of an economic system which excluded blacks. In other words racial capitalism. They cited as reasons for this failure, the job colour bar, the restriction of the movement of blacks through pass laws, and a segregated consumer market. The converse argument then was that there was a need to fundamentally restructure the economy according to Peter Moll (1991: 79):

“ What is of real interest is not how much the government can distribute in one fell swoop but whether the economy itself can be restructured in favour of the poor ”.

### **ANC, COSATU, SACP IN THE PASA DEBATES**

The formation of the Congress of South African Trade Unions (COSATU) in 1985, and its adoption of the Charter in 1987 as part of the tripartite alliance, heralded a new dimension in the PASA debates. COSATU reinforced the SACP's concerns with regard to these debates. As business and liberal academics expected a negotiated economic policy with the ANC, the labour movement intended that its alliance with the ANC should help bring socio-economic transformation. It was theorised by the leaders of both the SACP and COSATU that workers had much to gain from the national liberation struggle. In its 1989 programme, the *Path to Power*, the SACP argued that;

“ Oppressed by the special colonial form of bourgeois domination in South Africa and super-exploited, black workers stand to gain the most from the immediate abolition of national oppression. It is also black workers whose longer-term interests are for the complete and final eradication of all forms of oppression and exploitation in in our country ”.

Both the SACP and COSATU favoured a ‘mixed economy which they argued laid the basis for ‘a future socialist South Africa. This point was eloquently put by Enoch Godongwana (1993: 86), then Acting General–Secretary of the National Union of Metal Workers of South Africa (NUMSA):

“ In Sweden, the Social Democratic Party or social democratic theory had some legitimacy in society as a whole, whereas we are still struggling within our liberation movements to assert a clear class theory. This imposes on us the need to look at various forms of transition. We must begin, while we assert a leading role in various areas of society, to build certain alternatives within the capitalist framework which will tend to undermine the capitalist logic. In doing that, we cannot leave out the question of the state. As a class, the amount of public ownership and control by the state for the benefit of all of us is critical. Even if we are talking about the reconstruction programme, as we are doing in COSATU, you cannot simply rely on market forces to carry it forward. You will still need some form of state intervention and the question of nationalisation becomes critical in that debate ”.

Thus, workers were persuaded to accept that within the national liberation struggle the bridge-heads towards socialism could be built. As Joe Slovo (1988) put it:

“ If the working class emerges as the dominant social force in a truly democratic post-apartheid state, the possibility is clearly opened up of a peaceful progression towards socialism ”.

Further, the ANC was affirmed as the leader of the national liberation struggle:

“ The national liberation offensive is led by the African National Congress in revolutionary alliance with the vanguard worker’s party – the South African Communist Party – and the South African Congress of Trade Unions. It is a national liberation struggle that combines many mass democratic contingents – the youth, women, students, civic and others – and the trade union movement ”.

Thus, it was thought that the labour movement would exert an influence on ANC economic policy and also receive a degree of favour (Gall, 1997). COSATU proposed therefore the establishment of research units which were to empower its members and those of the ANC. With the assistance of left wing academics, the initial research units that were established examined mostly the impact of sanctions and the delivery of social services (Padayachee, 1998). In the mid-1980s, however, the scope of the research units was extended in order to examine industrial policy. The Economic Trends (ET) was established in 1986 with Stephen Gelb as its Co-ordinator. It aimed at developing an understanding of the nature of the economic crisis which beset South Africa in the 1980s. After Stephen Gelb resigned as the co-ordinator of ET, the Industrial Strategy Project was set up in 1990.

Furthermore, COSATU organised a conference in 1991 wherein a Worker’s Charter was adopted. According to Devan Pillay (1991), workers listed demands such as a living wage, job security and free education. An alliance forum was formed to inform ANC economic policy. More broadly, the labour movement used its power to institutionalise its role in the post-apartheid period (Baskin, 1996) to help maintain the balance of forces in favour of the ANC.

The ANC also established its own research unit, Economic Research on South Africa (EROSA) in 1989 to recommend specific policies. Then the Department of Economic Planning (DEP) was formed in 1990. With the help of the DEP, the Macro-economic Research Group (MERG), was formed in 1991. The MERG aimed at developing a ‘macro-economic policy framework’ for South Africa

(Padayachee,1998). Its work culminated in the writing of the book known as *Making Democracy Work: A Framework for Macro-economic Policy in South Africa*. A hallmark of the book was that it supported a developmental perspective by offering 'Post-Keynesian' theoretical arguments (Padayachee, 1998).

Finally, as alliance partners, the ANC, COSATU and SACP affirmed the independence of each of these three organisations. They agreed however to criticise one another in open and frank debates. As the then President, Nelson Mandela, put it:

“ It is in the nature of an alliance that its partners will not agree on all matters that fall within the broad vision that binds them. What is important is the readiness to discuss disagreements when they arise and the shared commitment to find solutions ”.  
(Mayibuye, 1997).

After 1990, therefore, the ANC, SACP and COSATU co-operated in the matter of formulating policies. All three organisations participated in the formulation of the ANC's *Recommendations on Post-apartheid Economic Policy* (1990), and the subsequent document, *Ready To Govern* (1992). The developmental perspectives that were enunciated in both documents did not differ from the Freedom Charter. Both argued for a developmental approach that was founded on the reality of South African conditions. The *Recommendations on Post-apartheid Economic Policy* document, for instance, stated its objectives thus:

“ The South African economy is in fundamental crisis. This arises out of the distortions of the apartheid system, problems in the sphere of domestic production and reproduction and the changing and destabilising international environment. It has not been able to meet the needs of the great mass of the country's people. Neither are current state and capital strategies likely to alleviate poverty and mass deprivation... To achieve these goals, a non-racial and democratic state would follow an economic strategy that aims to achieve economic growth through a process of increasing equality in the distribution of incomes, wealth and economic power ”.

Further, the document argued in favour of a developmental state:

“ Within the context of a mixed economy, the democratic non–racial state would assume the leading role in the reconstruction of the economy in order to facilitate the realisation of its developmental objectives”.

The document proposed that reconstruction would be financed through domestic savings. It also proposed an increase in taxation for companies, the regulation of capital markets and the retention of exchange controls. In addition, it stated that foreign investment would be directed for purposes of employment creation. Further, it envisaged the development of a new industrial strategy which would be capable of meeting the basic needs of the people.

The *Ready To Govern* document too, declared that its aims were to eliminate poverty, promote democratisation, encourage redistribution of income and initiate growth and development. Towards these objectives, the document proposed the establishment of community-based financial institutions, committed the ANC to the implementation of the recommendations of the International Labour Organisation (ILO) regarding the labour market, promised the redistribution of resources to rural areas and the use of tariffs to protect domestic producers, including jobs. Finally, it argued that:

“ The democratic state will have ultimate responsibility – in co-operation with the trade union movement, business and other organs of civil society – for co-ordinating, planning and guiding the development of the economy towards sustainable economic growth patterns ”. (ANC, 1992: 12).

As we can see, ANC economic policy was remarkably consistent from 1955 into the 1990s. It was against this background that the Reconstruction and Development Programme (RDP) was born. At the instigation of the National Union of Mineworkers (NUM), an affiliate of COSATU, the tripartite alliance

debated a 'Reconstruction Accord' in 1993. The Accord was redrafted and submitted to the ANC's 1994 Conference on Reconstruction and Strategy for discussion. The final product was the RDP which the conference adopted as the ANC's manifesto for the first democratic general elections in 1994. The RDP was preceded at the conference by a number of workshops which included another ally of the ANC, the South African National Civic Organisations (SANCO). The participation of the civic organisations in the formulation of the RDP strengthened the perspective for 'people-driven development'. SANCO (The African Communist, 1994: 26) argued that:

“ People-driven development is more than communities simply agreeing to projects. It means they must take an active part in determining the very nature of the project, in designing it, and even in organising the construction work ”.

Thus, SANCO saw the recommendations for the establishment of local housing associations, village water committees and the Community Land Trust as concrete steps towards the realisation of people-driven development.

Furthermore, the bottom-up character of the RDP was shown during the election campaign when the ANC hosted People's Forums countrywide. During the forums, people discussed and endorsed the RDP. Thus, Steward (1997: 5) argued that the process of formulating the RDP 'occurred largely without the participation of the top leadership, who were involved in negotiations, election preparations and the like'.

Chris Heymans (1995) identified the main objectives of the RDP as follows:

- democratisation,
- meeting basic needs,
- the development of human and economic resources, and
- the management and monitoring of reconstruction and development.

The objectives of the RDP were identical to those of the Charter. In other words, the RDP became a logical conclusion of the Charter. This achievement came as a result of the balance of forces being maintained in favour of a developmental state.

The RDP argued that the system of apartheid denied blacks access to basic services such as health, transport, electricity, education, water and housing. It also argued that the National Party regime undemocratically restructured the economy and introduced privatisation. Restructuring led then to a structural crisis and rising poverty and unemployment (ANC, 1994: 75 – 78). To reverse the circumstances, the RDP then accorded the state a 'leading and enabling role' (Wolpe, 1995). In particular, the RDP envisaged that the state would lead reconstruction and development by building the infrastructure. This then provided the link between growth, development and reconstruction (ANC, 1994: 6);

“ The RDP integrates growth, reconstruction and development. The key to this link is an infrastructural programme that will provide access to modern and effective services like electricity, water, telecommunications, transport, health, education and training for all our people ”.

Furthermore, the RDP argued that growth was going to be achieved through the promotion of exports.

In analysing the RDP, Bill Freund (1994: 36) argued that its proposals for economic restructuring were aimed at realistic and possible reconstruction and development. Thus, he stated:

“ Coverage here is broad, thorough and insightful. Analysis flows from an integrated sense of SA (South Africa's) developmental crisis – a 'growth path' that has lost way – and out of an awareness that a new road will depend on the achievement of social and economic goals. There is a realistic balance between private opportunity and state regulation as the means through which change can and must occur. It is in line

with international trends and does not place unrealistic hopes on an all-benevolent state ”.

Other critics suggested that even though the RDP was laudable, it was short on specific details. In addition, Wolpe warned that the bureaucracy of the state was still unchanged and there was also the issue of the contestation of policies by other classes. Phillip Dexter (1995: 57) argued that the RDP was weak on the mechanisms of its implementation that it was considered to mean different things to different people. He therefore remarked that;

“... every newspaper, journal, magazine, TV programme and radio slot that has anything to do with current affairs mentions the RDP. Some of them do it daily. Most major companies and the nine new provinces have their own RDPs and RDP staff. it has got so bad that American Swiss have their own RDP, the ‘Reduced Diamond Price’. In Cape Town beggars no longer ask for R1 for half a loaf of bread; they now want R1 towards the RDP. All of this demonstrates one thing, even if in a banal way, the RDP is different things to different people ”.

In addition, Hein Marais (1994) reminded the left about the context within which the RDP was produced and was to be implemented such as the fact that the ANC had already signed an IMF Letter of Intent which committed the liberation movement to policies of macro-economic balance, the presence of the property clause in the constitution to prevent expropriation of land for redistribution and the conciliatory attitude of the leaders of the ANC towards its former enemies.

From the perspective of the *African Communist* (1994: 1), a defence of the RDP was therefore seen as necessary. It argued that the RDP was a real achievement which in the light of its developmental character, the other classes sought to sabotage:

“ Our class opponents have failed to defeat us. They have now been forced back into working within our Reconstruction and Development Programme. But they are doing so with their own agenda – to dilute, to subvert and generally to frustrate our attempts to empower the majority of South Africans ”.

Finally, to implement the RDP appropriate structures at the national, provincial and local levels were established (Steward, 1997). At the national level an RDP Office was set up to initiate, manage and co-ordinate RDP projects with line departments. It was also to ensure the participation of civil society. A special RDP Fund was also introduced and Jay Naidoo, the former General Secretary of COSATU who was appointed as Minister without Portfolio to run the RDP Office. The National Institute of Economic Policy (NIEP) was commissioned to project the costs of the RDP<sup>4</sup>. In its report NIEP argued for a more comprehensive and integrated approach to financing the RDP (*Business Mail*, 1: 3, June 3 – 9, 1994). Its report stated that:

“ The RDP is not just a wish list of programmes to overcome the legacy of centuries of apartheid oppression. It is essentially a framework for setting in motion a sustainable and dynamic process of development based on reconstruction, redistribution and restructuring the economy. Therefore the quantification of the RDP cannot be based on the costing of a list of programmes which has to be added to the national accounts ”.

NIEP proposed that the sources of funding for the RDP needed to come from enhanced tax collection, private sector contributions, and contributions by the parastatals. It also estimated that the RDP would cost the government R135 billion. Towards this, the government received international financial assistance mainly from the European Union.

## **CONCLUSION**

The focus of this chapter was the origin of a developmental vision in the ANC from the Freedom Charter in 1955 to the RDP in 1994. The chapter argued that there was consistency in ANC economic policy from 1955 into 1990s. Consistency was maintained in the 1980s amidst intensified attacks by the forces of neo-liberalism.

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<sup>4</sup> NIEP was formerly known as MERG.

Perhaps, the two greatest assets which helped the ANC to maintain consistency in its economic policy in the 1980s were the mass support which it cultivated for the Freedom Charter and the role which both the SACP and COSATU played. The combination of these two factors was indeed responsible for the coherence and the consistency of the liberation movement through what was perhaps the single most critical period in the history of the liberation struggle. The decisive breakthrough in the struggle against apartheid came for the ANC at a time when a profound shift in terms of the balance of forces occurred internationally. Inside the country, liberal academics and business sought to capitalise on these shifts. They attempted to pressure the ANC to accept market fundamentalism by pointing to the changes internationally.

The ANC chose instead to stay committed to the Freedom Charter. Hence, the RDP was adopted as a policy framework for the government of the ANC. In all respects, the RDP was a mirror of the Freedom Charter. It was formulated not by technocrats or the so-called 'experts' but by the people and their organisations, which overwhelmingly voted the ANC into government in the 1994 elections. Further, as with the Charter, the starting point of the RDP was not the market or capital, but the poor. It is these two points which made the RDP so popular. In addition, the RDP received support from left-wing critics, although they were also critical of some of its short-comings. Above all, the adoption of the RDP gave the full promise that reconstruction and development was to begin at last. How these expectations were disappointed is the subject of the next chapter.

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## CHAPTER THREE

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### THE SHIFT FROM RDP TO GEAR

“ I dreamed of a dream that defeated my imaginations. Yes I dreamed. I dreamed of South Africa being led to freedom by comrade Madiba, the first African President of democratic South Africa. There was jubilation and ululations from the rainbow nation as he carried the candle stick of leadership and brought unity to different racial groups in our country. There was hope and life in the face of South Africa. However, the westerly winds soon blew out the candle stick in his hands and the darkness of confusion set in”

- Mike Mashabela, **Umsebenzi**. March, 1998

### INTRODUCTION

The previous chapter dealt with the ANC economic policy vision from the Charter to the RDP. It demonstrated consistency in economic policy throughout the struggle until the first democratic elections in 1994. This chapter looks at the changes in economic policy from 1994 to 1996. In short, the shift from the RDP to GEAR. The chapter argues that these changes were caused by shifts in the balance of forces within the ANC. The first section of the chapter highlights developments since the adoption of the RDP. The second section looks at the macro-economic policy that was published by the ANC government and how it created tensions between the ANC and its alliance partners, the SACP and COSATU.

## THE DEMISE OF THE RDP

In the first democratic elections in 1994, the ANC popularised the RDP as its election manifesto. It proclaimed that through the RDP, it would create 'A Better Life For All'<sup>5</sup>. Before the elections the ANC was made aware of the fearsome backlog which the National Party regime had left behind. Thus, housing had a backlog of 1,3 million (ANC, 1994). Education and job creation were all highlighted by the ANC as priorities for the new government. Moreover, studies had shown that South Africa had one of the most unequal distributions of income and wealth in the world (see Wilson and Ramphele, 1989).

After the elections, which the ANC won with an overwhelming majority, the ANC government announced twenty two Presidential Lead Projects. The projects prioritised the East Rand townships which had been ravaged by violence during the years which preceded the first democratic elections and consisted, amongst other things, of the upgrading of taxi routes, the repairing of water and sewage systems, rebuilding of schools, the building of houses, the tarring of roads and the construction of community health care centres (Reconstruct, 1999). Meanwhile, Derek Keys, who was then the Minister of Finance, argued that the budget was '... the primary source of finance of the reconstruction and development. . .' (*The Weekly Mail & Guardian*, June 24 – 30, 1994).

Four months into the government of national unity (GNU), the ANC released the RDP *White Paper*<sup>6</sup>. The RDP *White Paper* proposed to 'establish a policy-making methodology and implementation strategy' for the RDP (RSA: 1994). Further, the RDP *White Paper* adopted the RDP base document as a 'policy framework' for the GNU. In contrast to the RDP base document, however, the RDP *White Paper* outlined its objectives as to ensure fiscal discipline and also to 'redefine' the role of the government and the public sector. It argued that the

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<sup>5</sup> This was the slogan the ANC used in the 1994 elections.

<sup>6</sup> The government of national unity (GNU) consisted of the ANC, NP and Inkatha. It reflected the compromises which the ANC had to make during the negotiations for transition.

government had to reduce consumption expenditure since 60 percent of the same was for wages and restructure the public sector. Moreover, the RDP *White Paper* changed the emphasis of the RDP base document from 'development with growth' to 'growth *and* development', meaning growth was expected to trickle down. In the light of these propositions, Ben Fine (1995) criticised the RDP *White Paper* arguing that the

“... RDP was being diminished both in its content and in the means to implement it”.

But the most significant development after the publication of the RDP *White Paper* was perhaps the closure of the RDP Office in March 1996. The government argued that the closure was necessitated by the fact that key Ministries succeeded in integrating reconstruction and development into their own programmes and policies (South Africa Yearbook: 1997). It was then asserted that the role of the RDP Fund would be to channel international financial aid for RDP projects. The move to close the RDP Office was seen by commentators as an indication that the government had abandoned the RDP.

In 1995, and as if to demonstrate that the RDP had not been abandoned, the government published yet another policy framework for municipalities, the *Urban Development Strategy of the Government of National Unity* (Ministry in the Office of the President: 1995). The document argued that its aim was to assist reconstruction and development. It proposed, however, a framework for the transformation of South African cities and towns into 'globally competitive national economies by 2020'.

Meanwhile, the financing of the RDP posed a serious challenge to the government. At the ANC's forty-ninth conference, former President Nelson Mandela, hinted to delegates that:

“ Our socio-economic problems are compounded by the

fact of the serious economic crisis, and that the funds to accelerate reconstruction and ensure economic growth are concentrated in a few white hands “.

Subsequently, discussions within the ANC aimed to provide solutions to this challenge. A discussion document entitled *The State and Social Transformation* (1997) argued that the ANC inherited an almost bankrupt government from the NP. The document claimed that the NP regime used the budget to prolong its hold on power and thus caused the state to accumulate a huge debt. In the light of the debt and the interest that had to be paid on it, the document then argued that:

“ . . . it is important to note that costs will continue to increase and accelerate as a percentage of the GDP unless the deficit is brought down to sustainable levels ”.  
(ANC, 1997: 42)

Because government expenditure had to be limited in view of the debt, the document then identified the private sector as another important source for additional funds. For this purpose, the document proposed that the ANC should encourage a good relationship between labour and capital ‘ in the interest of social stability, economic progress, reconstruction and development’. Furthermore, it argued that:

“ . . . the democratic state has to attend to the genuine concerns of all other social and national groups, it also has to attend to the concerns of private capital if it has to ensure industrial stability, sustainable economic growth and secure a political democracy. It has to try to balance different and at times conflicting interests whilst addressing the needs of the people over a wide variety of spheres ”.

The document was quickly responded to by Nzimande and Cronin (1997) who criticised it for introducing a ‘balancing act’. In addition, the SACP (1996), warned against the view of economic restructuring which advocated the subordination of workers to the interests of capital. This was also in response to the *Growth For*

*All Strategy* of the South African Foundation (SAF) – an association of the top companies in South Africa<sup>7</sup>. According to Nattrass (1999), SAF argued for consistency in economic policy, the role of markets in economic growth, fiscal discipline, promotion of investor confidence, and the need for the government to act decisively and harshly in implementing its economic policy.

The SAF strategy differed significantly from labour's *Social Equity and Job Creation* (1996). In the latter document, the starting point of the labour movement was that the;

“ RDP calls for a programme to satisfy the basic needs of all South Africans. It calls for the development of our people. It calls for worker's rights, and the building of the economy. These central pillars of reconstruction in the RDP should be given concrete expression ”.

In other words, the labour movement placed at the forefront of economic restructuring the eradication of poverty. It proposed a demand-led economy in which the government was to provide jobs through infrastructural projects, a redistributive fiscal policy which would help to fund a national health scheme, the breaking of monopolies and the promotion of social equity.

A full discussion of all these perspectives was however superceded by developments in the economy. In May 1996 the rand crashed by 20 percent against the U.S dollar. According to the *Financial Mail*, the consumer price index rose by 6.3 percent and banks increased their prime lending rates to over 13 percent. The collapse of the rand was interpreted by economists as an indication that investors were unhappy about the macro-economic environment within South Africa. Against this background, the SACP (The African Communist, 1996) cautioned that the rand was being 'used as an opportunity to make all kinds of ideological pronouncements'.

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<sup>7</sup> For a critique of this strategy see Adelzadeh, A. , Moolla, Z and Pillay, V. (1996) Growth for Some, Poverty for the Rest. **Mayibuye**. April.

Notwithstanding the warning, the government in panic unveiled the macro-economic policy known as Growth, Employment and Redistribution (GEAR) in June 1996. In addition, GEAR was declared 'non-negotiable' by Trevor Manuel, the ANC's Minister of Finance. The strategy aimed at creating a 'competitive fast-growing economy' which would provide 400 000 jobs per annum (Department of Finance: 1996). It argued that the growth rate of the South African economy of 3 percent per annum since the ANC became government, was not sustainable. The strategy proposed that its target for job creation would be met through the promotion and the acceleration of non-gold exports, an increase in private investments, the restructuring of the public sector, and 'greater labour market flexibility'. In addition, GEAR proposed to attract business confidence by limiting the fiscal deficit to 3 percent of the gross domestic product (GDP) by the year 2000. Taxes were also targeted to remain at 25 percent of the GDP (Budget Watch: 1996).

However, GEAR's growth projections and its target for the reduction of the fiscal deficit were described as arbitrary by Asghar Adelzadeh (1996), of the National Institute of Economic Policy. He also pointed out that the World Bank thought that a deficit of 12 percent was still sustainable and argued that the country had not experienced uncontrollable inflation in the last thirty years. Moreover, Adelzadeh criticised the strategy for raising the exports : GDP ratio to 25 percent saying that this was higher than in the OECD and East Asian countries. Finally, he argued that the growth targets of the strategy depended on the moderation of wages and the stimulation of private investment. Therefore, Adelzadeh concluded that:

“ . . . the proposed framework and policy scenarios represented an adoption of the essential tenets and policy recommendations of the neo-liberal framework advocated by the IMF in its structural adjustment programmes ”.

Furthermore, unlike the RDP, GEAR did not originate either from the ANC alliance or public discussions. Its architects were seventeen 'experts', some of

whom were gathered from historically white universities including the international financial institutions, the South African Reserve Bank and the Development Bank of Southern Africa. Hence, Patrick Bond (1996: 23) argues that the models that the authors used in formulating GEAR, are those of the institutions mentioned above.

Business and its mouth-piece, the *Financial Mail* (14/03/97), welcomed these shifts in ANC economic policy as indications of 'consistency with IMF recommendations'. COSATU and the SACP, on the other hand, castigated the GEAR macro-economic policy as a 'watering down of the RDP' and stated that it was 'anti-developmental' (*Mail & Guardian*, June 20 – 26: 1997; COSATU: 1998a). This then provoked a vigorous debate within the alliance which has continued unabated over the past three years. The central thrust of the criticism is that as the GEAR policy is essentially a home-grown version of the infamous IFI's structural adjustment programmes, it was bound to circumscribe the role of the state in the economy, and therefore render itself irrelevant in readdressing the skewed income distribution and a better life for the majority of South Africans. John Gomomo, the former President of COSATU, argued that:

“ As labour we remain opposed to the basic thrust of the GEAR strategy. We reject its approach to fiscal and monetary policies which continue to see major cuts in government spending on social security and basic infrastructure as well as continued rising interest rates. The effects of these policies are to choke the much needed economic growth and employment creation. It will also perpetuate the gap in wealth and incomes between the rich and the poor ”. (*The Shopsteward*, 1997; 6.3)

Of concern too was the fact that unlike the RDP, GEAR was designed without the participation of the alliance members and the public. Thus, Willie Madisha (*The Star*, 23 August 1999), COSATU's new President, reiterated that:

“ As workers, we will not keep quiet on policies that severely disadvantage our members and have not been properly debated with us as COSATU ”.

Furthermore, COSATU and the SACP argued that since GEAR was essentially a product aimed at macro-economic restructuring, the cause of service delivery was subsequently lost. In the final analysis, GEAR is perceived to differ from the RDP not only in terms of its aims or objectives, but most obviously in policy outcomes. COSATU and the SACP criticised GEAR for its parochial focus on growth without development. They pointed out that GEAR failed to protect existing jobs and create new ones (*The Shopsteward*, 1998: 7.1), and concluded that GEAR was unable to address the problem of increasing poverty. Similar conclusions were reached by the South African Non-governmental Coalition (SANGOCO) after conducting nation-wide public hearings on poverty in 1998.

Finally, COSATU (1998b) reiterated the role of the state by arguing that:

“ The state should act as a key economic agent. The state is a bigger employer, consumer and investor in the economy. Through fiscal and monetary policies and composition of its budget, an interventionist state is necessary to achieve our goals of economic development – in other words, to overcome poverty and redistribute power, wealth, income and economic opportunity from a small minority to the majority of the citizens ”.

In order to force a reversal of GEAR, the labour movement therefore resolved to campaign for a moratorium on retrenchments, job creation, a living wage, and the promotion of reconstruction and development by the state (1998c).

Edward Osborn (1997) also argued that the integration of the South African economy with the world economy – which GEAR advocated – was going to be detrimental to the economy as a whole. He argued that integration would destroy the competitiveness of local industry and introduce capital intensity into the labour market and thereby undermine job creation. Mafa Sejanamane (1998) pointed out that GEAR was ‘anti-democratic’ and that the strategy ‘acted as a major demobilising factor in post-election South Africa’.

The advocates of the GEAR strategy, on the other hand, insisted that the strategy would work. The Finance Director-General, Maria Ramos; in particular, argued that a year after its implementation the GEAR policy had reaped some positive benefits at the macro-economic level (*Mail & Guardian*, June 27- July 3, 1997). She claimed that portfolio investment, foreign direct investment, the performance of the manufacturing sector, including the prospects for job creation had improved. Ramos indicated, however, that inflation was still high. Thus, she argued that: “ We haven’t fully dealt with inflation properly. It is still significant. And down the line it will be much tougher to make the necessary adjustments; it’s a very short-term trade-off”.

Moreover, Ramos (1997) defended GEAR by arguing that the strategy would not undermine delivery in terms of the RDP. She argued, instead, that GEAR created an environment which was conducive to growth in order for the government to implement the RDP:

“ The RDP spells out the government’s social agenda. Gear creates an enabling environment and describes the aggregate level of government spending that would be consistent with maintaining macro-economic balance ”.

Other proponents of GEAR (Goldin and Heymans, 1999) have argued that the strategy was aimed at ensuring the cost effectiveness of government departments when delivering services, discipline and a willingness on the part of consumers to pay for the services which the government renders. Goldin and Heymans (1999: 112) also described GEAR as:

“ . . . a medium-term strategy to achieve specific targets of economic development, investment and growth, fiscal constraint, enhanced exports and trade employment creation ”.

Regardless of the criticism, the ANC government implemented the strategy. Since 1996, the Minister of Finance, Trevor Manuel, has already presented three

budgets within its framework. In the 1999/2000 budget, a 5 percent tax cut in company tax to boost investments and job creation by the private sector was announced, the government also announced that its target was a deficit of 3.5 percent of the GDP for the year 2000 (Centre for Policy Studies, 1999). A Medium Term Expenditure Framework (MTEF) was also announced. The Africa Confidential (1999) termed this 'a budget for believers'. Trevor Manuel tried to please both business and labour. SADEP (1999) also questioned the increases which were announced for social expenditure and argued that because of the roll-over of R9 billion from the 1996/7 budget, and the request for further funding by most departments, and in consideration of the inflation rate of 7.6 percent, real spending was reduced by R3.3 billion.

Lastly, the 1999/2000 budget was seen to have attempted to balance fiscal discipline with incentives to investment and delivery according to the Centre for Policy Studies. COSATU criticised it for cutting back on infrastructural development in rural areas, enforcing a wage restraint, advocating reduction in the public service and further integrating South Africa's economy into the global economy.

## **THE ANC'S U-TURN**

The adoption of the GEAR policy by the ANC government was indeed a radical departure from the vision of a developmental state contained in the RDP. GEAR limited the role of the state in the economy and gave prominence to markets instead. In addition, and given that reconstruction and development had been led by the state since 1994, the ANC's sudden about-turn in 1996 seems rather peculiar. Before GEAR was unveiled, the government showed an admirable capacity and determination to deliver on its election promises in line with the Freedom Charter and the RDP. It introduced, for instance, a nutritional programme for school children which reached 7 548 schools by August 1996 (President N. Mandela, 1997). The government also spent R84.4 million to

rebuild schools. Over 700 000 people in rural areas especially were supplied with clean water. Free medical care for pregnant women and children was announced and a massive electrification programme for rural areas.

In addition, the government expanded services by upgrading more than 500 clinics (South Africa. Government's Report to the Nation, 1998) and provided 42 000 jobs per annum through its National Public Works Programme (Goldin and Heymans, 1999).

These achievements contradict the assumed redistributive proclivities and the benignity of the market. Hence, the abandonment of the RDP has raised curious questions about the ANC in the post-1994 period. Gavin Lewis (1999), for instance, argued that before the general elections, the ANC was armed with 'some sort of Soviet five-year plan'. As government, it was forced to adopt pragmatism. Bond and Mayekiso (1996: 33) also argues that the changes in ANC economic policy after 1994 were expected since '. . . movement leadership drawn from the petty bourgeoisie is notoriously and eternally unreliable'. The problem with this view, however, is that it ossifies the liberation movements. It is thus unhelpful in explaining the changes as it fails to analyse the responses of various social forces within a liberation movement to their changing milieu.

Then there is the view that the ANC '. . . has discovered the needs of government' (Steward and Liebenberg, 1997: xv). President Thabo Mbeki seems to agree with this argument for he argues that:

" A Minister gets exposed to certain information and opinions, and says, on this matter we must move in this direction, and he is formulating policy. What should happen, theoretically, is that the Finance Minister then comes back to the ANC and says, it is quite clear from what I know that we did not have a policy on this matter. I propose that we should have this or we do not have sufficient information, we had a wrong policy, I suggest we should have this new policy ". (The Shopsteward, 1996: 5.5)

Again, the problem with this argument is that it does not give any indications about the quality of any policy except to point out that the terrain of policy-making has changed. Hence, we can conclude that changes in ANC economic policy are essentially the result of shifts in the balance of forces within the liberation movement itself. Nowhere was this made more clear than at the ANC's 50<sup>th</sup> National Conference in Mafikeng. According to Tom Lodge (1998), some delegates who voiced opposition to GEAR before the Conference saw the Conference as an opportunity to campaign for GEAR to be reversed. However, the resolutions on economic transformation which affirmed GEAR were passed unanimously and after only fifteen minutes of discussion. Thus even though there were delegates who were opposed to GEAR, the government's macro-economic policy was not seriously challenged at the ANC's national conference. In the light of the unanimous adoption of the resolutions, GEAR was instead adopted officially as the ANC's macro-economic framework.

## **CONCLUSION**

This chapter dealt with changes in economic policy after the adoption of the RDP as the ANC's election manifesto in 1994. The GEAR macro-economic framework which the government adopted in 1996 is, in all respects, neo-liberal. The GEAR policy replaced the RDP's vision of a developmental state with market fundamentalism.

Yet, since 1994, the fulfilment of election promises by the ANC was only made possible by the state. The ANC government rebuilt schools, introduced nutritional programmes in an attempt to provide relief for the poor, and extended essential services such as electricity and clean water to them. Changes in the balance of forces within the ANC, however, influenced the changes in ANC economic policy. Hence, the adoption of GEAR in 1996.

However, the adoption of GEAR caused tensions between the ANC and COSATU and the SACP. Basically, both the SACP and COSATU argued that GEAR would fail to reduce poverty and redistribute wealth and income. Further, GEAR was identified as a home-grown structural adjustment programme. Hence, the next chapter assesses GEAR through a comparison with structural adjustment programmes.

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## CHAPTER FOUR

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### **A HOME-GROWN STRUCTURAL ADJUSTMENT PROGRAMME: CAN GEAR DELIVER?**

#### **INTRODUCTION**

This chapter focuses on parallels between GEAR and structural adjustment programmes (SAPs). It argues that given the disastrous record of SAPs in sub-Saharan Africa, the impact of GEAR on economic performance is unlikely to be different. The chapter is divided into three sections. The first section explains the origins of structural adjustment programmes and their theoretical underpinnings, the second looks at the implementation GEAR and the last section makes an assessment of its performance.

#### **THE ORIGINS OF STRUCTURAL ADJUSTMENT PROGRAMMES**

At independence in the 1960s, African economies showed promising signs of growth. In most African countries GDP (Gross Domestic Product) growth averaged 5.7 percent (African Development Bank, 1995). In addition, African economies were geared mostly to commodity production. Agriculture contributed the largest share to the GDP.

In the 1970s, however, the price of oil increased tremendously. As result, the terms of trade between African developing countries and the advanced capitalist countries in Europe deteriorated rapidly. For instance, the terms of trade in sub-Saharan Africa dropped by 23 percent in 1986 (The World Bank and UNDP, 1989). Further, the increased price of exports and negative real interest rates in international markets, aggravated the plight of African economies. This resulted

in falling per capita incomes and African governments found it increasingly difficult to provide welfare and other basic necessities. The response of many governments to the crisis was to increase consumption expenditure and the role of the state in the economy (The World Bank and UNDP, 1989).

The declining growth of the African economies, however, did not abate. Instead it worsened. Moreover, economic stagnation was compounded by the eruption of a debt crisis. Since its eruption, external debt has never showed any signs of abating. In 1993, it increased by \$18 billion to \$269 billion in 1994 (African Bank, 1995). The debt service ratio further aggravated the crisis in African economies because it permanently increased the indebtedness of African countries (George, 1988).

To the causes of the crisis we must of course add corruption, authoritarianism and gross mismanagement by African leaders (see Onimode, 1992). But as we can see, the crisis emanated mainly from external factors, in particular the worsening terms of trade and international interest rates. The International Monetary Fund (IMF), the World Bank and neo-liberal economists argued that the domestic economic policies of African countries were responsible for the debt crisis. As Gavin Williams (1994: 215) put it:

“ The problems of international debt are the necessary consequence of the dominant strategies of industrialisation and development in Latin America and Africa in the post-war period, strategies which were emulated – indeed epitomised – by the policies of the Gierek regime in Poland in the 1970s ”.

Also, both the IMF and the World Bank assumed that the economic crisis in African countries reflected only short-term financial difficulties (George, 1996; Vaggi, 1993). Hence, the two international financial institutions simply rescheduled loans to African governments. It was however only when the indebted countries defaulted on debt payments that structural adjustment packages were introduced.

According to the African Development Bank, the packages contained two main elements. The first was to 'get prices right' so as to reflect demand and second, the intervention of the state in the economy was assailed through a set of propositions aimed at reforming the public sector and the liberalisation of the economy.

Helleiner (1992: 49) describes structural adjustment programmes as a 'collection of supply side policy reforms'. This is in the light of the fact that, first, the IMF imposes on an indebted country which requires a loan, specific stabilisation measures such as the reduction of its deficits in the balance of payments by devaluing the local currency, reducing the fiscal deficit by limiting government expenditure, increasing prices for public services and food, and restraining wages. After these stabilisation measures have been implemented, structural reforms (adjustments) are then undertaken. These consist of the liberalisation of trade to expand the role of markets, privatisation and far reaching institutional reforms which are aimed at creating an efficient and a leaner administration of the state. The implementation of trade liberalisation and exchange rate policies is pursued by the IMF and the World Bank with greater depth (Lensink, 1996: 96). Furthermore, only after the indebted countries have committed themselves to these measures do they receive financial assistance from the international financial institutions.

## **THE DELIVERY RECORD OF SAPS**

Even though the debate over the delivery record of structural adjustment programmes has not yet been concluded (African Development Bank, 1995: 218), a large number of studies indicate that the programmes are a social and economic disaster. In particular, the provision of services such as health, water, education and housing suffer the most under structural adjustment programmes. In addition, in all the countries that have adopted the programmes, unemployment has increased considerably (African Development Bank: 1995).

Moreover, Michel Chossudovsky (1997) argues that the policies have impoverished millions of people and ruined the economies of most developing countries. This is reflected in the spread of famine, a developing health crisis caused by a breakdown in the health care system because of insufficient funds and the closure of schools. He also pointed out that the devaluation of local currencies is followed by an increase in the prices of staple foods and public services. What is more, structural adjustment programmes reduce the capacity of even the middle class to pay for health and educational services as governments transform their institutions to become cost effective. As a result, maternal mortality has risen among this group, their school going children no longer go to school since they cannot afford escalating fees.

The macro-economic results of structural adjustment programmes are reflected in the following tables:

Table1.

Analysis of the Contributions of Africa's Main Sectors to GDP Growth, 1990 - 1994

Sector	1990	1991	1992	1993	1994
Agriculture	0.5	1.2	0.1	0.4	0.8
Manufacturing	0.9	0.2	- 0.2	- 0.0	0.0
Industry	2.0	1.2	- 0.1	- 0.4	0.1
Services	1.2	0.4	1.2	0.6	1.0

Source: African Development Bank (1995) African Development Report, 1995.

In relation to macro-economic indicators too, African economies have not fared any better under structural adjustment programmes. Table 1.1 illustrates this fact:

Table 1.1

African Economic Indices, 1980 - 1994

Economic indicators	1980 – 85	1986 – 93	1990 – 94
Average growth rate of GDP	1.8	2.5	1.9
Average growth rate of per capita GDP	- 1.1	- 0.5	- 1.1
Average growth of investment	16.3	15.6	15.3
Savings	14.9	13.8	12.7
Average growth of exports	0.4	3.0	0.6
Average rate of inflation	18.8	21.7	27.2

Source: African Development Bank (1995) African Development Report, 1995.

In short, structural adjustment programmes have failed to engender sustained growth as was promised by the IMF and the World Bank let alone deliver sustainable development. They have also failed to cure macro-economic imbalances which neo-liberal economists claim are the source of economic stagnation. Meanwhile, external debt has continued to accelerate and African economies have slipped further and further behind other developing countries in terms of economic development. This is despite the fact that the World Bank (1994: 61) applauded African governments for having ‘moved a long way toward good trade policies’ since their adoption of structural adjustment programmes in the 1980s.

## **GEAR AS A STRUCTURAL ADJUSTMENT PROGRAMME**

The South African government's GEAR strategy, shares some important characteristics with structural adjustment programmes. Liberalisation, privatisation and wage constraints have all become part of the new language and state policy. In short, the government has committed itself to giving a prominent role to markets to spearhead reconstruction and development.

The liberalisation of the economy is proceeding faster than the World Trade Organisation (WTO) recommended (Michie and Padayachee, 1997). The WTO expected South Africa to lower its tariffs over a period of 12 years for its motor and textile industry. The government, however, committed itself to lowering the tariffs over 8 years. In addition, the government concluded a free-trade agreement with the European Union (EU) which, if implemented, will further lower South Africa's tariffs (COSATU, 1999a).

Another decision which the government took in order to implement GEAR, is to speed up the process of privatisation. The Minister of Public Enterprises, Jeff Radebe, announced in September 1999 that by 2004 the programme of privatisation would be completed (*Sunday Independent*, September 26).

“ Whether this takes the form of the outright sale of an asset, its partial sale, or the bringing on board of a strategic equity partner, I want the process, as we have detailed it to be completed within this framework”.

Before the announcement, the government had already sold 20 percent of the South African Airways to Swissair for R1. 4 billion, 20 percent of the Airports Company was sold to Italy's Aero di Roma for R819 million, Protea Hotels were awarded a management contract to manage Aventura holiday resorts for a period of five years. The government also intends completing the sale of 500 000ha of its forests in October 1999. Restructuring plans for Telkom, Eskom and

Spoornet were also announced. The Finance Director–General, Maria Ramos argued that the intention was to reduce government debt and finance infrastructure.

Tito Mboweni, the new governor of the Reserve Bank, also reaffirmed the commitment to fight inflation as the governor of the Reserve Bank and expressly lent his support to the further removal of exchange controls. Mboweni insisted in particular that:

“ The liberalisation and international integration of financial services make it imperative for South Africa to bring domestic inflation in step with that of the rest of the world and to maintain sound and efficient financial institutions and markets. If these goals are not achieved, the economy could be subject to sudden reversals in international capital flows, exchange rate instability and volatile interest rates. The thrust of monetary policy in these circumstances should therefore be to establish and maintain financial stability, i.e. stability of prices, financial institutions and financial markets ”.

Further, the Medium Term Expenditure Framework (MTEF) which the government published in March 1998 also indicated the government’s intentions to withdraw from the economy. The MTEF expected expenditure to drop by 29 percent in 2000 – 1 (*Sunday Independent*, 22/03/99). The government also intends to reduce the public service by one third. Allocations to provinces are to fall by 13.2 percent in 2000 – 1. Government policy framework has also given latitude to municipalities to initiate their own restructuring in order to mobilise private funding (see South Africa. Ministry in the Office of the President, 1995). This was exemplified mostly by the decision of the Johannesburg Transitional Metropolitan Council to implement its Igoli 2000 Plan, which envisages the privatisation of certain assets belonging to the municipality.

The most controversial step which the government took to enforce the implementation of its GEAR policy was its stance against the public sector unions concerning wages. Negotiations between the unions and the government on

wage increases started in January 1999. From the start, the government offered wage increases within a fixed budget of R2.75 billion. According to COSATU (1999b), this reflected lower budgeting for wage increases from R3.37 billion in 1998. For next year, the government expects that this will be cut by a further R2.5 million. In the wage negotiations for 1999, the unions demanded an inflation linked, across-the-board increase of between 10 and 15 percent. The government offered an increase of 5 percent. After four months of deadlocked negotiation the unions decided on a national strike by twelve public sector unions. They also revised their demand from 10 to 8 percent.

The government still offered only a 6.3 percent wage increase (7 percent for teachers). When further negotiations failed to resolve the dispute, the Minister of Public Services and Administration, Geraldine Fraser-Moleketi, announced that the government would unilaterally implement its offer (*Sunday Times*, August 15, 1999). She then called on the unions to negotiate a new wage policy for the year 2000. The Minister's announcement clearly indicated growing authoritarianism of the ANC government – a development reflected in the way in which GEAR was adopted. It is not surprising, therefore, that Vusi Nhlapo, President of the National Education Health and Allied Workers Union, viewed the announcement of the Minister as 'a declaration of war'. In contrast the decision of the government was commended as a 'watershed moment' by the media (*Sunday Times*, 15/08/99).

Finally, that the South African economy has fully integrated in the world economy was demonstrated by Alec Erwin, the Minister of Trade and Industry, when he addressed farmers. Erwin told the farming community that:

“ We have to accept that in South Africa all economic activities now are global activities. There's no part of our economy that is, or will be able to escape from the changes taking place in the global economy ”.  
(*Business Day*, 11 October, 1999).

To measure GEAR's success, its proponents look at developments on the macro-economic level. It is argued, for instance, that inflation has now been reduced to an all time low of 3.2 percent after thirty years (*Business Report*, 3 October, 1999). The IMF has also forecast an economic expansion of 3.5 percent in 2000 (*Sunday Times*, 26/09/99). Gold and foreign reserves have been boosted by R1.6 billion (*Business Day*, 03/ 09/99) and car sales have picked up. Furthermore, in September, Trevor Manuel, the Finance Minister, announced that provinces were running at a combined surplus of R1.1 billion (*Sowetan*, 15/09/99)<sup>8</sup>.

These macro-economic results are, however, contradicted by the speed of delivery. This has been noted mostly with respect to housing. In the RDP, the ANC promised to build 1 million houses within five years. The delivery of houses has fallen short by 60 percent (*Sunday Independent*, 27/09/99). The Eastern Cape, which ranks as the poorest province with the Northern Province, has built only 56 842 units, compared to Gauteng, South Africa's richest province, which built 159 528 houses before the June 2<sup>nd</sup> elections. In addition, most of the completed houses are so small that they have been described as 'toilets' in the veld. The Minister of Housing, Sankie Mthembi-Mahanyele (*Mail & Guardian*, March 13 – 19, 1998), cited inadequate funding as the reason for failure to reach the target. The Homeless Peoples' Federation (HPF: 1997) argues that the slow pace of the delivery of houses is hampered by the reliance of the government on the private sector to build the houses. Moreover, it has emerged that private sector contractors defraud the state of large sums of money when they are contracted to build the houses.

Finally, privatisation and liberalisation have led to massive job losses. Some factories in the textile industry in particular have had to close as a result. Ebrahim

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<sup>8</sup> But see Albert van Zyl of Idasa (*Sowetan*, 15/09/99) who argued that the surplus was achieved at the expense of capital expenditure in contravention of the promise in the Gear strategy to increase capital expenditure.

Patel, the Assistant General Secretary of the South African Clothing and Textile Workers Union (SACTWU), argues that:

“ By being five years ahead of our obligations we have sacrificed tens of thousands of jobs “. (Patel, 1999).

Indeed, GEAR’s most marked failure is with respect to job creation – the Achilles heel of the ANC government. Against the promise of 400 000 jobs per annum, job losses on a massive scale have become the usual pattern in the South African economy. The following table demonstrates quarterly declines in employment in the major sectors of the South African economy:

Table 1.2

Employment by sector, 1996 - 1999

Sector	1996	1997	1998	1999
	2 <sup>nd</sup> – 4 <sup>th</sup> qt.	1 <sup>st</sup> – 4 <sup>th</sup> qt.	1 <sup>st</sup> – 4 <sup>th</sup> qt.	1 <sup>st</sup> qt.
Manufacturing	1 433 649 – 1 430 426	1 416 344 – 1 355 362	1 353 173 - 1 342 064	1 334 436
Construction	325 926 – 312 051	314 706 - 301 371	297 016 - 255 220	248 813
Commerce	755 575 – 775 577	756 957 - 784 186	785 312 - 834 290	853 341
Mining	562 529 – 558 578	556 779 - 524 244	434 148 - 402 397	402 759
Other (Transnet,	2 165 002 –	2 156 984 -	2 068 069 -	1 668 632

Telkom, finance, laundries and dry- cleaners etc.)	2 158 946	2 194 360	2 063 834
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Source: Central Statistical Services Bulletin of Statistics, 1996, 1997, 1998, 1999.

These consistent and steep declines in employment were described as a 'bloodbath' by the SACP.

Improvements in this scenario are unlikely, given that the sectors that are affected most are those which require low and non-transferable skills. Alarm has also been raised by a forecast by the Human Sciences Research Council (HSRC: 1999) which predicted an increase of 45 000 jobs before 2003. Most of these jobs are predicted in the professional and managerial categories. In addition, mining was forecast to lose 45 000 jobs over the same period and the public sector 74 000. So, in overall terms there is no employment creation but rather jobless growth.

Trevor Manuel, reacted with frustration to the news of more job losses. He remarked:

“ How on earth are we going to create employment?  
What growth levels do we need, and what will be the  
elements of the package that we create?”  
(Leadership: 1999).

Also in recognition of the crisis, the government urgently convened a Job Summit which highlighted the plight of the unemployed (Horton, Tregenna and Ngqungwana, 1998: 20). The summit also helped to open up the debate about the macro-economic policy and resulted in agreements being reached on projects and programmes with promises of concrete job creation effects.

Agreement was also reached on concentration on those industries that are affected by tariffs reforms to prevent job losses, programmes to improve the delivery of houses, a social plan which aims to prevent job losses and employment decline and the investigation of the prescription of assets and the restructuring of the public pension fund to reduce the government's debt (Declaration of the Presidential Job Summit, 1998).

The GEAR strategy, is also failing at the macro-economic level. Aldezadeh (1999) argues that since 1996, the real growth rate has been steadily declining and was at 0,3% at the end of 1998. The GDP also fell to 2.6%. Investments, which were the goal of the strategy, have not improved and have plunged instead to 68% since 1996. Moreover, government debt is not declining but rising. Yet the government is still, in the pursuit of cost-effectiveness, intending to scale down the provision of electricity to rural households in the light of the restructuring of ESKOM (Reconstruct, 1999). Water projects were downscaled in 1998 and this included the number of staff (Reconstruct, 1998)

### **IS THERE AN ALTERNATIVE?**

Alec Erwin (1998:58) insisted that the GEAR strategy was necessitated by the changes in the international economic environment. He argued that the South African government could not ignore those changes:

“ It would not only be naïve to ignore the realities of current international capital and commodity markets, it would be irresponsible and reckless.”

Erwin added that:

“However, this recognition is not in order to surrender all policy autonomy to these realities, but to seek to shape the outcome of events within the reality of constraining factors and thereby maximise our relative autonomy”.

Andrew Feinstein (1996), too, argues that GEAR was a 'pragmatic' response to the dominance of trade and investment capital.

This perspective does not explain why this alternative was chosen instead of others which did not compromise the full autonomy of the state such as those that were practised in East Asia. In other words, to paraphrase Leo Panitch (cited in Albo, 1997), the argument does give a clear analysis of the reasons why it was necessary for the ANC to accommodate neo-liberalism to the extent that it did. For it is implicit in Erwin's argument that there is a recognition that a defence of GEAR makes for unsound economic action. The argument demonstrates that GEAR is, in the light of the conditions in South Africa, not an appropriate economic policy. If this is the case, the defence cannot be raised at all unless it is to indicate an acceptance of the essential principles and tenets of neo-liberalism. Furthermore, Patrick Bond (1999) pointed out that GEAR has instead increased the vulnerability of the South African economy to globalisation. Thus, he makes a case for South African socialists to forge alliances with civil society to resist the neo-liberal agenda of global financial capital.

John Smithin (1996) has also argued that the trade-off between employment creation and inflation which is advocated in neo-liberal economic policies such as GEAR, carry longer term consequences for the poor.

“ The economic slowdowns and the recessions required to reduce inflation to a low level seem to be much deeper and long-lasting, particularly in terms of unemployment, than could be reasonably be described by the expression 'short-term'. (Smithin,1996: 69).

South Africa has experienced two financial crises since 1994. Unemployment and job losses have increased substantially. The folly of opening the economy further was also demonstrated by the job losses and the closure of some mines which followed the decision by the British government to auction its gold reserves. In South African conditions, policies such as GEAR can therefore never

be able to protect the poor against the vagaries of the market. In fact, GEAR can only lead to famine once poverty is exacerbated.

The response of ANC leaders to the criticism of the GEAR policy has implied however that there is no alternative. For example, after Winnie Madikizela-Mandela, President of the ANC's Women League, criticised GEAR in a press statement, the ANC said the 'statements were not new' and were a 'healthy ingredient of our democracy and contributes to the enhancement of a culture of debate' (*Business Day*, 10/09/99). President Thabo Mbeki also told delegates at the tenth SACP Congress that those who were criticising Gear were engaging in 'fake revolutionary posturing'. He added that:

“ If I may speak frankly, in reality some within the movement who think they know, only know what we have been fed by those who are opposed to our movement and to the fundamental transformation of our society”<sup>9</sup>.

It is argued in this thesis that an alternative to GEAR is, in fact, possible and necessary. All that is required to realise it is political will and courage. Participation by the people of South Africa needs to be included as a key principle. This will reduce the role of technocrats who are removed from the experiences of the people in the real economy. Economists have demonstrated that, within a globalised world economy, it is also possible to regulate the movement of capital and direct it towards employment creation. The state can in this way be provided with the revenue to fund its redistribution efforts. A range of other possibilities also needs to be investigated with respect to the breaking of monopolies in the media, the trading and the commercial sectors. Finally, tariffs could also be used to increase demand and thereby encourage new products (Aldezadeh, 1996).

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<sup>9</sup> Statement of the President of the ANC, Thabo Mbeki at the tenth Congress of the South African Communist Party, 10<sup>th</sup> July 1998, Johannesburg.

## **CONCLUSION**

The chapter attempted to draw parallels between GEAR and structural adjustment programmes. The chapter also attempted to demonstrate that in Africa structural adjustment programmes failed to bring about development. By making this comparison, the chapter argued that as GEAR is a home-grown structural adjustment programme, its results will be no different in South Africa. The performance of GEAR since 1996, is in accordance with this assertion. Since, the government liberalised the economy and introduced privatisation in line with the GEAR policy framework, massive job losses have occurred in almost all sectors of the South African economy. In addition, GEAR is failing to achieve some of its macro-economic targets in terms of growth, exports and investments. Hence, an alternative to GEAR is necessary.

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## CONCLUSION

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The aim of this thesis was to make a contribution to the debate concerning the future of South Africa's Growth, Employment And Redistribution (GEAR) strategy. By situating the debate on GEAR, within the context of the debates on the state and the market, the thesis argued that the South African government's macro-economic framework will fail to alleviate poverty and bring about reconstruction and development. The GEAR strategy is premised on the conviction that markets have the capacity to redistribute income and wealth and to expand services to the poor.

In chapter one, the thesis confronted this faith in the market by arguing that the market increases uneven development. Further, the chapter argued that the market has never dominated society for any lengthy period. When it did so, a social and an economic crisis developed. One of the first crises which the market generated was in 1929. This prompted the governments of developed countries to increase state intervention in their economies. In the aftermath of the crisis, a new intellectual tradition which justified state intervention emerged.

In the 1980s, however, neo-liberalism predominated. This ideology spearheaded market fundamentalism. In turn market fundamentalism was responsible for much of the reversal of the gains that were made by the state in terms of welfare, redistribution and the meeting of basic needs. However, another severe crisis in the closing years of the 1990s occurred. This discredited market fundamentalism once again. Against this background the chapter argued for a developmental state.

Chapter two focused on the origin of the vision of a developmental state in South Africa's liberation movement, the ANC. Throughout the liberation struggle the

ANC maintained consistency in its vision. The developmental vision thus became the ANC's election manifesto in the first democratic elections in 1994. Thus, the chapter identified links between three strands of development in macro-economic policy formulation, namely, the origins of the Freedom Charter, the PASA debates in the 1980s and the emergence of the RDP in 1994 which advocated 'a leading and enabling role of the state'.

After the ANC came to power in 1994 it showed a commitment to implementation of the RDP. This was in line with the Freedom Charter. The ANC government expanded services as was called for by the Charter by supplying clean water to 1.3 million people. Comfort and security was brought to rural households when the government electrified 400 000 households. The government also encouraged free and compulsory schooling by providing 4.9 million children with a free primary school feeding scheme; it also expanded access to health by building over 500 clinics and introducing free medical care for pregnant women and children under six years. Finally, the government provided 421 000 telephone connections. Thus, bringing comfort and security in the rural areas. In addition, through its infrastructural programmes, the government created 250 000 jobs and trained 100 000 people. Hence, for the first few years since 1994, South Africa had an active state which led development.

Chapter three is about the departure from this vision of the RDP. The departure came in the form of the Growth, Employment and Redistribution (GEAR) strategy. GEAR aimed at creating a competitive and fast growing economy. It proposed to achieve this aim by liberalising the economy, introducing privatisation, reforming the labour market in order for it to be flexible, and reducing the size of the public sector. By proposing these measures, GEAR aimed at giving prominence to markets. This development indicated that the government indeed abandoned the RDP. The chapter argued therefore that the changes in economic policy were brought about by shifts in the balance of forces within the ANC.

The GEAR strategy will however fail to deliver. This was the subject of chapter four. The chapter attempted to draw parallels between GEAR and structural adjustment programmes in Africa. It indicated that under neo-liberal economic policies, social services such as health and education, always suffer. Moreover, the policies are the major cause of job losses. Since the adoption of GEAR in 1996, employment in almost all the sectors of the South African economy declined quarterly. And in the light of further liberalisation and the increased movement towards privatisation and the reduction of the public service, employment creation will remain the Achilles heel of the ANC government.

The argument of the thesis therefore is that the government's macro-economic policy, will fail to alleviate poverty and bring about reconstruction and development.

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