

# ANC's rise and the decline of social democracy

After the African National Congress (ANC)'s unbanning – and the formal ending of hostilities in 1990 – a new period of social policy-making followed. This period saw the rise of the ANC being accompanied by a decline in social democratic ideas, writes **Robert van Niekerk**.

The Convention for a Democratic South Africa (Codesa) was the forum for negotiations between all parties seeking a new dispensation. The National Party (NP) and ANC were the chief protagonists during the negotiations, which took place between 1991 and 1993.

The negotiations created the conditions for a dialogue over the values and principles which should underpin social and economic policies, and by extension social rights, in a post-apartheid South Africa. The extension of rights was a given.

But the principles and values that would inform the new policies were subject to extensive debate.

The period between 1990 and 1993, before the democratic elections, consisted of contestation over the values and principles that should inform the post-apartheid state.

The principles underpinning the social policies of the new NP were 'residualist' (the state should be the last resort for meeting social needs after the private sector, the family and charity) and 'neo-liberal' in character. A neo-liberal approach meant individuals would have to

secure their health and welfare by relying on the market. The NP promoted the introduction of market-based principles into public health and welfare services, as well as the privatisation of services. This thinking was reflected in the apartheid ministry of health's National Policy for Health Act 116 of 1990.

The ANC with its allies, the Congress of South African Trade Unions (Cosatu) and organisations from the anti-apartheid civil society movement developed a set of alternative social policy proposals based on the Freedom Charter.

The proposals contained the most authoritative statement on its post-election economic and social policies. These consisted of the right to state-provided health, welfare and education with an economic strategy of re-distribution with growth. This was written up into the RDP 'base document'.

## VISION FOR POST-APARTHEID SA

In 1994, a few months before the first democratic elections, the ANC issued the Reconstruction and Development Programme (RDP) as a 'base document'. The

RDP's introduction established the orientation and intentions of a post-apartheid government led by the ANC, as follows: 'No political democracy can survive and flourish if the mass of our people remain in poverty, without land, without tangible prospects for a better life.

Attacking poverty and deprivation must therefore be the first priority of a democratic government'.

The document argues that development does not proceed from economic growth, but that the former is integral to the latter: 'Growth... is commonly seen as the priority that must precede development. Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view development is a deduction from growth. The RDP breaks decisively with this approach... [Where] growth occurs, how sustainable it is, how it is distributed, the degree to which it contributes to building long-term productive capacity and human resource development, and what impact it has on the environment, are the crucial questions when considering reconstruction and development.'

The RDP located an interventionist role for the government in the economy. It stated that: 'The democratic government must play a leading and enabling role in guiding the economy and the market towards reconstruction and development... with a dynamic balance between government intervention, the private sector and the participation of civil society.'

It further argued for a strong role for public sector investment, including nationalisation as an option to achieve an expanded public sector.

The ANC argued: 'There must be a significant role for public sector investment to complement the role of the private sector and community participation in stimulating reconstruction and development.'

The primary question in this regard is not the legal form that government involvement in economic activity might take at any point, but whether such actions must strengthen the ability of the economy to respond to the massive inequalities in the country, relieve the material hardship of the majority of the people, and stimulate economic growth and competitiveness...

In restructuring the public sector to carry out national goals, the balance of evidence will guide the decision for or against various economic policy measures. The democratic government must therefore consider: increasing the public sector in strategic areas through, for example, nationalisation, purchasing a shareholding in companies, establishing new public corporations or joint ventures with the private sector...

With health-care policy, the RDP advocated that the priority was to combine all role-players into the national health service, based on the 'complete transformation' of the delivery system; and that it should have a primary health-care approach.

The mechanism to achieve the transformation in health care and welfare was based on a fiscally redistributive framework. This meant a shift in the budget allocation from curative hospital services towards primary health care. It would be achieved through re-allocating staff and budgets to district health care.

With income maintenance and social welfare, the RDP argued that the problems of welfare inherited from the apartheid era could not be resolved through limited reforms of the current social welfare system. The aim was to: transform the existing social welfare policies, programmes and delivery systems so as to ensure basic welfare rights are provided to all South Africans, prioritising those who have been historically disadvantaged.

The objective was to establish a comprehensive, non-racial, unitary and democratic welfare system to facilitate local economic development through circulation of social grants in local impoverished communities.

The economic and social policy proposals in the RDP 'base document' suggested a neo-Keynesian strategy of development, where the state intervenes to ensure economic growth, and that citizens' social needs are met. The RDP social policy proposals were based on an ethic of social justice and acknowledgment of constitutionally guaranteed social rights. They were compatible with a social democratic welfare state. And they reflected continuity in thinking from the 1940s through to the 1950s on the need for an interventionist state that prioritised social policy and established economic mechanisms to implement them.

Nelson Mandela represented this opinion to the International Press Institute in February 1994, two months before the first democratic elections: 'We are convinced that

left to their own devices, the South African business community will not rise to the challenges that face us. The objective of our policies is to create employment as our highest priority. While the democratic state will maintain and develop the market, we envisage occasions when it will be necessary for it to intervene where growth and development require such intervention'.

### RDP AGENDA COMPROMISED

This agenda was compromised by an emerging fiscal and organisational containment in the ANC as it contemplated the delivery expectations it would face when it came into government. The RDP agenda was also compromised by the form of accommodation made with organised business, to preserve a market-based economy underpinned largely by free economic principles.

Parsons writes that in the 1980s organised business realised that apartheid had become unsustainable and, with the legitimisation of black trade unionism following the Wiehahn recommendations in 1979, business would bear the costs of politicised trade unionism unless 'meaningful political reform' was pursued.

This spurred a number of interventions by organised business in the economic and social policy debates. The 1992 Nedcor/Old Mutual scenario 'South Africa: Prospects for a Successful Transition', prepared by key business leaders and associated consultants working in social sectors such as education, was influential in facilitating the gradual convergence between the economic and social policy positions in the early 1990s of the ANC on the one hand, and the private sector on the other.

The National Economic Forum, the precursor to the post-1994 peak-level social dialogue institution, the National Economic

Development and Labour Council (Nedlac) was established in 1992. According to Van der Westhuizen it consolidated the emerging convergence between the apartheid-era government, organised labour, business (including the Chamber of Mines and the Chamber of Business) and the opposition movements, including the ANC, on the economic fundamentals of the post-apartheid transition: a market-based reform of the apartheid political economy. This was to have significant implications for social policy.

### THE RISE OF FISCAL CONSERVATISM

The emergence of a fiscally conservative approach to economic policy in the ANC was apparent by the end of 1993. Padayachee writes that the Transitional Executive Council, a joint governing authority of the NP and ANC established to oversee the transition to democracy in 1994, concluded a loan agreement with the International Monetary Fund (IMF) for US\$850 million in November 1993.

Adler and Webster argued that this loan agreement was evidence that the ANC had abandoned a redistributive 'left-Keynesian' project. They cite the terms of the loan, which included a commitment to contain government expenditure, cap the debt to gross domestic product (GDP) ratio in subsequent years, and not to raise taxes.

After the 1994 democratic elections, disagreements emerged. These were between a fiscally cautious ANC, now head of a multiparty Government of National Unity (GNU), and its more radical alliance partners, Cosatu, the South African Communist Party (SACP) and civil society groups. The disagreements were over which strategy would be the best to rectify the poor economic conditions inherited from the apartheid era. The new GNU led

by Nelson Mandela was concerned about government's ability to implement the RDP. The ANC decided to revise its pre-election economic policy.

According to Michie and Padayachee the economic conditions in which the Mandela administration revised its macro-economic policy included four areas relevant to social policy:

1. There was a decline in GDP in relation to population growth.
2. Labour absorption in the formal economy declined to less than 40% in 1994; and net job creation was wholly inadequate to meet demand.
3. There were acute disparities in wages and income levels. Whites received 59% of income share despite making up only 13% of the population. Africans received 30% of the income share even though they made up 76% of the population.
4. The outgoing NP government had presided over a total national debt to GDP of 53% in 1994.

This macro-economic context of declining growth, wage and income inequalities, rising and high levels of poverty was set against the government's priority objective to meet the basic needs of the majority disadvantaged by apartheid. The gradual distancing of the ANC-led GNU from the pre-election macro-economic policies advocated by Cosatu, the SACP and civil society groups became evident in the emergence of a creeping fiscal conservatism in government pronouncements and policy statements.

This was reflected in President Nelson Mandela's State of the Nation address to the Houses of Parliament in 1994. He committed the government to 'existing programmes of fiscal rehabilitation'; to containing 'real general government consumption'; and to 'manage the budget deficit' so that it was constantly reduced.

This creeping fiscal conservatism gradually hardened in the government's 'White Paper for Reconstruction and Development (RDP) - Discussion Document', which was released in September 1994. Proposals for nationalisation and state intervention in the economy found in the original RDP 'base document' were either dropped or moderated.

Whilst retaining the broad principles of the original RDP 'base document', the White Paper introduced a new language of fiscal austerity. It reflected the influence of ideas from the World Bank using phrases such as 'affordability', 'cost containment'; and mechanisms such as privatisation ('sale of state assets') and 'user charges' as key objectives of government economic policy.

The White Paper limited expenditure on the RDP to 'savings' from government departments which would be placed in an RDP fund. Blumenfeld states that the actual RDP funds assigned from such 'savings' by the White Paper were a mere 2% portion of the total government budget in 1994/95. Even with the doubling in expenditure in subsequent years, the RDP budget formed a small part of total government expenditure. In the 1994/95 budget, R2,5-billion was allocated to the RDP fund.

This amount increased to R5-billion in 1995/96 and progressively increased to R10-billion in 1997/98, and R12,5-billion thereafter.

Institutionally, an RDP ministry run by the minister without portfolio was established in the presidency. Its task was to implement the RDP provisions through influencing government departments' budgets and funding special Presidential Lead Projects in health, school feeding, rural water provision and infrastructure development.

The RDP ministry experienced a number of management failures and, after slow delivery was

incorporated into the office of the deputy president under Thabo Mbeki in 1996. Alan Hirsch argues convincingly that the RDP office was not able to implement its mandate because its functions overlapped with that of the Department of Finance (DoF). It was also viewed as imposing on the line functions of other government departments. Its failures notwithstanding, the incorporation of the RDP ministry can be seen as the decline of a redistributive social democratic agenda and the consolidation of an economically conservative neo-liberal development path.

Jay Naidoo, the RDP minister felt this shift at the time: 'I gradually began to realise that a change in our political culture was taking place'.

### GOING WITH GEAR

After the RDP ministry closed in 1996, re-drafting new economic policy began in earnest under the auspices of Thabo Mbeki with Trevor Manuel as minister of finance. Government unveiled its new economic strategy in 1996 called the Growth, Employment and Redistribution (Gear) strategy.

The Gear strategy prefaced its macro-economic policy proposals with a continued commitment to the goals of the original RDP and the longer-term objectives of a competitive fast-growing economy, which creates sufficient jobs for all work seekers; a redistribution of income and opportunities in favour of the poor; a society in which sound health, education and other services are available to all; and an environment in which homes are secure and places of work are productive.

The strategy to achieve these goals was twofold:

1. Maintain internal fiscal restraint to rapidly eliminate the government deficit while, simultaneously, restructure and re-prioritise the existing national budget to meet social needs.

2. Implement economic reforms to facilitate a globally competitive export-led growth path that would grow the economy by 6% and create 400,000 jobs annually. The specific commitments regarding fiscal restraint included the reduction of the fiscal deficit to 3% of GDP by the year 2000. This entailed a significant reduction in government social expenditure. The Financial and Fiscal Commission made the point, for example, that Gear achieved only a 3% growth in GDP in 1996 and that there would therefore be slower growth in revenue and fewer resources for government spending.

During the time that the Gear strategy was introduced a series of labour laws were promulgated. Nyman writes that more categories of workers became eligible for unemployment insurance and lower paid workers, such as domestic workers, were included in unemployment schemes. These far reaching labour reforms revealed the range of inclusionary imperatives influencing government policy in the 1990s. They were influenced by the labour movement, which was against an orthodox neo-liberal agenda.

The fiscal arrangements originally negotiated at Codesa between 1990 and 1993 gave provincial governments control of social spending without ring-fencing funding for health or welfare. At the same time policy development and coordination was reserved for national government. The new post-election ANC government emphasised fiscal containment in its policy pronouncements after it assumed office.

The departure from the re-distributive and fiscally expansive policies advocated in the pre-election RDP 'base document' was reflected in the new fiscally austere economic policy framework, Gear. It privileged economic stability and growth as a precondition of social development in the post-apartheid era. This shift represented a departure from the principles enunciated in the ANC's pre-election manifesto.

The policies set out in the manifesto explicitly pledged equitable redistribution through social policies. These policies were seen not only as forms of consumption, but also a means of social investment. They emphasised social rights to health, welfare and education – policies compatible with a social democratic welfare state.

The effects of the neo-liberal agenda were felt in various modified forms until the 2007 Strategy and Tactics document in which the ANC referred to social democracy by name. The document asserted: 'The ANC therefore seeks to build democracy with social content. Informed by our own concrete conditions and experiences, this will, in some respects, reflect elements of the best traditions of social democracy, which includes a system which places the needs of the poor and social issues such as health care, education, and a social safety net at the top of the national agenda; intense role of the state in economic life; pursuit of full employment; quest for equality; strong partnership with the trade union movement; and promotion of international solidarity,' as cited in Potgieter-Gqubule.

The ANC's decisive Polokwane conference in 2007 adopted this document, heralding a new inclusive, universalist policy agenda but one which remains unrealised – partly due to neo-liberal orthodoxy having been embedded in government institutions, and the resilience of capital in maintaining a laissez-faire form of capitalism.

### BACK TO BASICS?

The lessons from the history of thinking within the ANC on alternative state forms is that an interventionist state is required to ensure that the social rights of citizenship are not subordinated to economic imperatives but rather inform economic arrangements.

The abandonment of Luthuli's vision of a social democratic welfare state begs a response after almost 20 years of post-apartheid democracy. Such a response seems to be emerging in the current debate on the need for a National Health Insurance (NHI) system, championed by the national department of health. The plan reconnects with the ANC's 'strategy of equality' in that it seeks to create a national health service that is universally available to all citizens regardless of class, race and colour; one that is based on cross-class social solidarity. The NHI would not be based on an insurance model; it will be predominately tax funded. The values and principles underpinning the NHI proposal – universalism and social solidarity – are those of the classic social democratic welfare state.

The gradual diminishing of fiscal containment as a primary imperative guiding government social policy is noteworthy. It means a greater range of policy possibilities and opportunities can be explored to establish a comprehensive system of social security. Whether these possibilities are best codified in the historical ideal of a social democratic welfare state is subject to contestation.

The battle of ideas looms large in the ANC. **LB**

*Robert van Niekerk is the director of the Institute of Social and Economic Research (ISER), Rhodes University in Grahamstown.*

*This article is adapted from 'A Lula Moment for South Africa' and is published with permission from the Chris Hani Institute.*

# Social democracy and the ANC:

## Back to the future?

The African National Congress (ANC) has historically supported ideas of social democracy as some of the ways to bring development to the country. **Robert van Niekerk** traces ideas of social democracy in the party's history as it is important to review what has influenced ANC thinking in the last 20 years of democracy.

**S**ocial democratic ideas and ideals have been articulated in the ANC policy frameworks since the 1940s. They included:

- State provision of universal and socially inclusive education; health, housing and welfare benefits to all citizens as a right of citizenship.
- Full employment as the state's goal.
- A social compact between labour, capital and government based on the maintenance of a welfare state and resolving industrial conflicts consensually.

These ideas stretch back to the ANC of Dr AB Xuma in the 1940s (in Africans' Claims), to Albert Luthuli in the 1950s/1960s (in The Freedom Charter), and to the pre-election 1990s (the Reconstruction and Development Programme's (RDP) 'base-document'). However, this social

democratic trajectory was severely undermined by the neo-liberal ideology that pervaded many ANC economic policies in the post-1994 election period.

### SOCIAL DEMOCRATIC IDEAS

Between 1912 and 1952 the ANC attempted to secure citizen rights using non-violent strategies.

At the time the ANC did not have a mass popular base. But it did have support among the educated élite. The ANC was the most articulate advocate of the African middle classes' political aspirations at the time. Its language and strategy was of moderation and reform – appealing through constitutional routes such as petitions and deputations.

According to Gish when AB Xuma was voted president general in 1940, he brought with him the