

# Viva uncertainty!

Have strategic choices of Cosatu – and the institutions for dialogue – contributed towards the reinforcement of existing power relations, which fostered the shift to the right in macroeconomic policy in the first place? **Adam Habib** explores this and provides some interesting options for Cosatu and other organs of civil society.

The most notable assessment of the first ten years of democracy was the president's State of the Nation address in February 2004, which reviewed the government's performance. It was a magnificent speech in particular because the president resisted a natural inclination to electioneer. Instead, statesperson-like, he delivered a presidential rather than a party leader's speech.

What raised eyebrows, however, was the president's claim that he did not see the need for any policy shifts. The failure of poverty alleviation and development, and

the inadequacy of service delivery, was in his view, a result of poor implementation rather than policy failures.

The president is not alone in this view. It is essentially the message of government as a whole and is reflected in the ten year Presidential review which also reviews the first decade of South Africa's democracy. The review emphasises the delivery record of government in relation to housing, water, electricity, land distribution and the creation of new jobs. The review also maintains that if these social provisions are taken into account, then poverty rates have declined significantly in our society. However, it also admits that unemployment has gone up in this period, a result of new entrants to the labour market exceeding the number of new jobs created. And it recognises that delivery has been most significant in arenas where the state has retained predominant control.

But the overall message is that government has delivered as best as was possible. Its performance was phenomenal given the adverse conditions in the global economy. The tight fiscal reign was part of a far-sighted strategic manoeuvre to stabilise finances so that increased spending on social expenditure could be realised when this had been achieved. The first ten years, the review maintained, was a good start to transforming South Africa in the interests of all of its citizens.

Is this a fair assessment? The ANC government has without doubt passed a significant amount of progressive legislation and, coupled with the country's rights based constitution, one must admit that today South Africa is a far better place than it has ever been. But is apartheid an appropriate yardstick by which to judge South Africa's progress. After all was not apartheid described as a crime against humanity? How can it then be described as a reference point for South Africa's democratic transformation? Are not the aspirations of

the liberation movement, encapsulated in the Freedom Charter, the Azanian Manifesto, and the Ten Point program, or the comparative experience of other African countries in their first decade of decolonisation, more legitimate reference points to assess South Africa's political and socioeconomic progress? Adebayo Olukoshi, the general secretary of CODESRIA, the premier social science body on the continent, made this point explicitly at the Africa Institute conference in March 2004, suggesting that in terms of economic growth and the realisation of human indicators, South Africa's performance lagged far behind that of its neighbours at the end of the first ten years of their founding democratic elections.

When these references are used as a political compass, then what is noteworthy is the conservative character of government's macroeconomic programme, which is located at the heart of its policy ensemble. The Growth Employment and Redistribution Strategy (Gear), has, as has been argued elsewhere, not only had negative consequences for poor and marginalised people in South Africa, but it has also compromised the outcomes of the raft of other progressive legislation. Government is correct to note that it has built 1,6-million houses, supplied water to 9-million people, sanitation to 6,4-million, and created 2-million jobs. However, what it has neglected to tell the citizens is that as much as people have been connected to water, so have millions of people been cut off from water. This too has been the case for electricity, telephones and jobs. As much as jobs have been created, so too have millions of people been thrown onto the unemployment lines.

The 2003-2004 edition of the State of the Nation concluded that the combination of progressive policy in some arenas and a conservative macroeconomic policy on the



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other has led to the deracialisation of the apex of South Africa's class structure. Black professionals and entrepreneurs have particularly benefited, but poor and marginalised people are really struggling. President Mbeki has often spoken of two nations and two economies and the need to transcend this dichotomy. But my conclusion is that the policies of his government will not lead to this. Instead it will lead to the deracialisation of the first nation, while leaving the second exactly where it currently is: marginalised, poor and overwhelmingly black.

This is borne out by the figures. The United Nations Development Program (UNDP) reports in a recently released study that the country's poverty rate has reached a staggering 48%. The presidency contested this conclusion in a harshly worded response. But most independent commentators were not surprised by the UNDP's conclusion. After all, the Taylor Commission for the Department of Social Welfare estimated the country's poverty rate at a staggering 45% to 55%. It suggested that 10% of African people are malnourished, and 25% of African children are born stunted. Most independent studies suggest that while the inequality level between white and black has been decreasing, the gap is widening within the

African population and the country as a whole.

These statistics are horrifying. If they had occurred in any country of the industrialised world, a state of economic emergency would have already been declared and governments would have fallen. In South Africa, however, not only has this not happened, but it is has been difficult to get public institutions to recognise the enormity of the problem. Note, for instance, the fact that the South African Reserve Bank has only the reduction of inflation as its explicit mandate. No mention is made of unemployment. Yet its counterpart in the United States, the Federal Reserve, has employment creation as its explicit aim stipulated within its charter even though the unemployment level in that country stands in the region of a mere 5%.

So why did government adopt such a conservative macroeconomic stance? There are two broad explanations - provided by the left and right. For the left, they are believed to have sold out. For the right, they are believed to have finally seen sense.

Advocates of these explanations fail to recognise that individuals, parties and movements are constrained in their choices by their institutional locations and the balance of power. The preferred explanation is that the balance of power in the global

and national arenas was unfavourable to poor and marginalised citizens, and as a result it made sense for state elites to make the choices they did. According to this view Mbeki and other state elites confronted two diametrically opposed sets of interests with contrary policy choices. The first, foreign investors and the domestic business community, advocated neo-liberal economic policies - privatisation, deregulation, financial and trade liberalisation, and low budget deficits. Their leverage: investment. The second, the broader citizenry demanded poverty alleviation, service delivery, and transformation. Their leverage: the vote. The latter, however, was compromised given the racial structure of party formation and the lack of a viable opposition. In this context, foreign investment served as a more real leverage with the result that Mbeki was prompted to make concessions to the investor community. This of course reflected itself in the adoption of Gear.

The point to note is that power configurations lay behind the state's adoption of Gear. Moreover, the shift to neo-liberal economics should not have been surprising. After all, indications were there that this was going to happen at least since the early 1990s. Nationalisation, a cornerstone of ANC economic thinking since

the mid-1950s, was abandoned within the first year of the organisation's return from exile. Terminology like 'growth through redistribution', which associated the ANC with a demand-led economic strategy, and suggestions of controls on investors (both foreign and domestic) disappeared in the organisation's policy discourse by 1993.

So where do we stand today? Some, both academics and political activists, have argued that government's economic stance has begun to change in the last three to five years. They point to a rise in social expenditure since 1999, and the increasingly progressive noises the president has been making in the last year. Some also note the role of South Africa in establishing the Group of 20, which was so instrumental in preventing an iniquitous settlement being imposed on the developing world at Cancun. Still others point to the president's speeches, which speak about the necessity of linking with social movements outside of the formal multinational forums. And, they contrast this with Minister Erwin's statement after the Seattle protests which was laced with disdain for activists outside of formal political structures. These voices collectively suggest that something new is afoot, even if it is unstated.

So is there change? The left in the ANC definitely believe so. They suggest that the government is reappraising its position. (This was the message of ANC member of parliament Rob Davies at an IDASA panel discussion in Cape Town in March where he presented the shift in economic thinking on the part of government, as a rational process in which economic technocrats learnt the lessons from past implementation experiences). It recognises that its gamble did not pay off. Therefore there has been a significant shift in the last budget in spending priorities in favour of infrastructure investment, a public works programme and increased social expenditure.

Others are more cynical. They suggest that 2004 was an election year, and that state elites have always made progressive noises just before an election. There is some truth in this of course but is it a fair reading of the situation? Is it not too cynical an interpretation of developments?

My own view is somewhere in between

the romantic optimism of the ANC left and the almost resigned pessimism of both liberal and more left-leaning commentators. I believe government is in reappraisal mode, and there is ample evidence for it. The most recent of this is of course President Mbeki's inaugural address to South Africa's third democratic parliament in which he acknowledged that not enough was done for South Africa's marginalised in our first decade of democracy. As a result he laid out a comprehensive set of policies and targets that would facilitate service delivery and address the poverty that so many of South Africa's people are mired in.

But he did more. He announced plans that herald a far more state interventionist strategy to regulate the formal economy, and condition its evolution in a direction that would lead to higher levels of employment. Much, however, can be read into what was not said. The president remained silent on the rigid fiscal policy, on the commitment on financial and trade liberalisation, on the narrow focus of our monetary authorities on inflation, and even on privatisation. As a result he signalled a contradiction in the state's policy ensemble. Social expenditure will rise, as it has for a number of years, mainly to deal with the devastating consequences of poverty and inequality in what President Mbeki refers to as the Second Economy. But much of the economic policy choices of post-1996 South Africa will remain.

Moreover, it is important to note that the entire analogy of two economies is itself misleading for it assumes the existence of a Chinese wall between the two - the one having nothing to do with the other. This then enables state elites to suggest that the formal economy is doing well and should be left untouched for it is modern, efficient, and internationally competitive. The Second Economy is seen to be deficient, and requires both policy reform and social assistance for its inhabitants. But what if, to stick with the analogy, the policy reforms and interventions of the First Economy are what creates the poverty of the second? Apartheid of course established two economies, one white and privileged, the other black and disadvantaged. The ANC had as its explicit mandate the transcendence of this racial economic divide. Instead,

however, the economic and social policies it pursued in the first decade of its rule began the process of deracialising the first economy, while simultaneously increasing the size and aggravating the problems of the second.

How can it change? An answer to this question can be arrived at by reflecting on why democracies are seen as the best political system to achieve a human centred development programme. The essence of democracy is political uncertainty, and it takes two distinct forms, institutional and substantive. Institutional uncertainty - the uncertainty about the rules of the game - implies the vulnerability of the democratic system to anti-democratic forces. Substantive uncertainty - the uncertainty of the outcomes of the game - is about the perceptions of ruling political elites in a democratic system on whether they will be returned to office. The former - institutional uncertainty - is bad for democracy for it raises the prospect of the return to authoritarianism in the Third Wave of democracies. The latter - substantive uncertainty - is good for democracy for it keeps politicians on their toes, and makes them responsive to their citizenry.

There has been much investigation into and reflection on institutional uncertainty. But there is surprisingly little work on substantive uncertainty. The lack of scholarly reflection on substantive uncertainty has significant political costs. Indeed, the weakness of many of the contemporary democracies lies precisely in this arena. Despite the presence of institutional mechanisms that are intended to promote substantive uncertainty - legislative elections, separation of powers, civil liberties, opposition political parties, independent press - this goal still eludes many of the Third Wave of democracies.

Part of the reason for this is the shift in power from the legislature to the executive across the globe in the last two decades. Part of it emanates from the inclination of democratisers and democratisation scholars to not rock the boat in societies undergoing democratic transitions. Fearful of the very real danger of a reversion to authoritarianism, these actors have focused on procedural aspects of democratisation and made significant political and

institutional concessions to the state and economic elites of the authoritarian order. And part of it is a result of the honeymoon phenomenon where citizens are reluctant to vote against liberation parties who were responsible for coordinating the popular rebellions that brought down authoritarian regimes.

These factors, coupled with the economic transformations of the last two decades, fundamentally transformed the political and socioeconomic foundations of developing nations. In essence, they transformed the relations of power between different constituents within these societies. The economic transformations enhanced the leverage of the foreign investors by providing them with many different locations for their investment. The leverage of citizens - the vote - was relatively weakened as a result of the political institutional concessions made by democratisers, and the weakening of the legislatures vis-à-vis the executives. This state of affairs prompted governments in the Third Wave of democracies to make policy concessions to foreign investors and domestic capital, even when it went against the interests of their very own citizenry. The result has been the rise of neo-liberal economics, the increasing impoverishment of the majority of the citizenry of the developing nations, and the rise of what some have termed delegative or illiberal democracies.

South Africa is perhaps the best example of this and the reason is the lack of substantive uncertainty in the political system, largely as a result of some of the international developments discussed above, and peculiar contextual factors, such as the racialised (and or ethnic) character of South Africa's principal opposition parties - the Democratic Alliance (DA), Inkatha Freedom Party (IFP) and the New National Party (NNP) - who continue to fish in the shallow electoral pool of minority communities. These factors ensure that the ANC is not seriously threatened at the polls, eroding thereby the implicit accountability relationship within democratic systems between state elites and their citizenry. The result: economic concessions to the investment community and the imposition of a neo-liberal economic paradigm. The outcome: increasing unemployment and economic inequality

making it almost impossible for government to adequately deal with the legacy of poverty bequeathed by apartheid.

The solution is the reintroduction of uncertainty into the political system. This will allow the vote to be enhanced and re-establish accountability by political elites to the citizens. It won't resolve the problem. But it would complicate President Mbeki's life. Given that he can no longer take his position and ANC rule for granted, he will inevitably be compelled to take the interests and wishes of voters as seriously as he does more privileged stakeholders in society. Every time he is thus confronted with competing interests between the business community and the broader citizenry, he will be forced to make concessions both ways.

This conception of South Africa's strategic imperatives goes against the grain of the dominant thinking among progressives. Indeed, the reigning left-wing orthodoxy is that it is important for progressive forces to coalesce against counter-revolutionaries because South Africa is at a very delicate stage in its democratic transition. It is this rationale that serves as the justification of the continued alliance of the ANC, Cosatu and SACP. There is perhaps no more eloquent articulation of this than by the deputy general-secretary of the South African Communist Party (SACP), Jeremy Cronin, in two separate interviews: the first being the now notorious one with Irish academic Helena Sheehan for which he was wrapped over the knuckles by the ANC leadership, and the second with Adam Habib and Imraan Valodia very soon after the ANC received its overwhelming electoral mandate in the 2004 elections.

In the former interview, Cronin explicitly states: 'What people don't realise is that breaking the alliance means splitting all three organisations. You are talking of 2-million Cosatu members, more than 80% of whom are ANC members. For this reason it is imperative to remain within the alliance, not only to ensure that the ANC is not handed over to the neo-liberals, but also because it is increasingly becoming possible to win political victories as the shine of the Washington consensus policies begins to erode'. This optimism carries through to the more recent interview, where once again Cronin highlights the political possibilities

that arise as a result of the contemporary crisis of the global economy. He concludes 'The strategic priority of the day in South Africa is to have a significant political majority capable of spearheading fundamental transformation' which he maintains has the greatest likelihood of being realised through the ANC.

But has the track record of this strategic engagement been positive? Is the predictability facilitated by the strategic choices of Cosatu, the SACP and other progressives not the cause of the reinforcement of existing power relations, which fostered the shift to the right in macroeconomic policy in the first place? Is it then sensible for progressive activists and movements to continue to advocate for a strategic perspective that leads to systemic outcomes that undermine their own political and socioeconomic programme? Is not substantive uncertainty, which enhances citizens' leverage over state elites more sensible if one's goal is a more human-centred development programme?

What could facilitate uncertainty? Some maintain that it need only involve electoral reform and the emergence of social movements while others suggest that it would require the former coupled with the break-up of the tripartite alliance and the abandonment of corporatist institutions. What is important is that it is immaterial for advocates of uncertainty to agree with a particular social movement or political party. What is important for them is the presence of these movements and parties to create uncertainty and facilitate the accountability of state elites.

That is the strategic task confronting South African society. As long as the realisation of uncertainty is postponed, so long will the goals of development, poverty alleviation and egalitarianism elude South Africa's democratic transition.

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*This is an edited version of a paper presented by Habib at the Cosatu tenth anniversary conference. Habib is executive director of the Democracy and Governance Program at the Human Science Research Council (HSRC), and a research professor in the School of Development Studies (SODS) and Centre for Civil Society (CCS) at the University of KwaZulu-Natal.*