

South Africa: the political economy of growth and democracy

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“A society divided between a large impoverished mass and a small favored elite results either in oligarchy (dictatorial rule of the small upper stratum) or in tyranny (popular-based dictatorship)”¹.

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By the terms of conventional wisdom the prognosis for democracy in South Africa is decidedly unfavorable. If extremes of wealth and poverty create infertile soil for democracy to take root, as is commonly asserted, then over eighty years of white rule would seem to have bequeathed to South Africa a particularly inhospitable environment to sustain a democratic order. Its poverty profile may well reflect the most extreme combination of affluence and impoverishment of any country in the contemporary world; and one that is especially politically explosive because it coincides with a racial, and thus highly visible, divide. White wealth and black poverty in South Africa produces a Gini coefficient (the standard measure of income inequality) that is the highest of any of the 57 countries in the world for which data are available.² Sixty percent of all black South Africans (80% of those living in homelands) have incomes below the minimal living level, according to a study by the Carnegie Commission³. The basic contour of South Africa's poverty profile - the huge gap between white wealth and black poverty - was somewhat eroded during the 1970s, but has been reinforced in the past decade. A stagnant economy for much of the last ten years -

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¹ Seymour Martin Lipset, *Political Man* (New York: Doubleday & Co., 1959), p. 50.

² This result is for 1978. More recent calculations by the IMF suggest that a degree of greater equality was achieved in the early part of the 1980s. Yet the country's Gini coefficient remained higher than any of the developed Western economies, and only the Latin American cases that suffer highly uneven income distribution came close to the South African coefficient. See International Monetary Fund, *Economic Policies for a New South Africa*, Occasional Paper #91 (Washington DC, January 1992), p. 4.

³ The Carnegie calculation was done on data from 1980. A study using more recent data reports that in 1989 40% of South Africa's total population lived below the minimal living level. This however underestimates the overall and black poverty level because the data upon which these calculations were based excluded the four nominally independent homelands. See, Francis Wilson and Mamphela Ramphee, *Uprooting Poverty: The South African Challenge: Report for the Second Carnegie Inquiry into Poverty and Development in Southern Africa* (New York: Norton, 1989); and, IMF, *Economic Policies for a New South Africa*, p. 5.

resulting in large part from a combination of domestic political upheaval and internationally imposed sanctions - has produced a decline in personal income, and soaring rates of black unemployment.

The prognosis for economic growth in a country with a poverty profile like South Africa's is no better than for democracy. Majority impoverishment breeds an atmosphere of populism that is hostile to the adoption of growth producing economic policies. Where mass poverty breeds desperation the time horizon of the majority is not compatible with economic policies which would sustain growth over the long-run. When the poor are politically mobilized pressures are created for economic policies geared to immediate consumption and expenditure rather than investment and production. The populist politician sustains his hold on power by distributing society's material resources in the short run while bankrupting it in the long run. The history of post-colonial sub-Saharan Africa is a textbook portrait of this form of political-economy.

Despite the apparent inhospitable nature of South Africa's socio-economic environment for either democracy or growth, the thesis of this paper is that in fact there is much in the country's contemporary situation that can provide a foundation for both. While the obstacles are substantial, in comparative terms South Africa ought to be seen as offering perhaps the best chance for success of the current cases of transition. Relative to the countries of Eastern Europe, the former Soviet Union, and the states of tropical Africa, South Africa can be seen as possessing the most substantial social base for democracy and economic base for growth.

South Africa's "advantages," which I will turn to presently, can certainly be undermined by the political consequences of its poverty profile, discussed above, but that is not inevitable. I will argue that the key to sustained democracy and growth in the face of inevitable populism will be found in the arena of "governance." A post-apartheid governing elite will need to manage populist pressures so as to simultaneously build legitimacy for democratic institutions and protect investment, production, and thus growth generating economic activities. This will be the challenge of governance in South Africa once the demise of white rule is complete. The ability of a new government to meet the challenge will be decisively affected by the institutional arrangements that emerge out of negotiations. The matter is not reduced to whether or not these institutions meet a democratic standard. Some "democratic" institutional arrangements will facilitate meeting the challenge of governance while others may not. The latter, while formally democratic may, because they

do not meet the challenge of governance, contribute over the medium-term to democracy's demise.

South Africa possesses two important social assets for the establishment of a democracy: the acceptance of South Africa as a single political community by the dominant political forces in society; and the existence of a vibrant civil society. The first means that it is unlikely to experience in the post-apartheid era the type of corrosive politics of ethnicity or "tribalism" which is today witnessed in the former Yugoslavia, certain of the Republics of the former Soviet Union, and in most of the post-colonial states of sub-Saharan Africa. The second is important for two reasons - it provides a social base for maintaining electoral competition, the essence of representative democracy, and it contains a mechanism for ameliorating the populist pressures which otherwise will threaten both the legitimacy of a new democratic order and the prospects for implementing growth generating economic policies.

Political cleavage and political community

It is becoming commonplace to describe South Africa as a "deeply divided" society⁴; one in which intra-African ethnic cleavages require special constitutional arrangements to prevent a new democratic order from being destroyed by the centrifugal and violent forces of communalism. Not just the white ruling party, which for over a decade has proclaimed South Africa to be without a genuine majority because it is a country of cultural minorities, promotes this view, but respected academics at home and abroad, as well.⁵ Constitutional engineering - consociational schemes embodying minority vetoes over government policy, federalism or regionalism with a strong devolution of power, electoral systems which allow small party parliamentary representation and force coalition governments - is said to be necessary to avoid a situation in which fears of "domination" will splinter South Africa, probably violently, along the lines of its ethno-cultural pluralism.

⁴ Introduced by Arend Lijphart in his study of consociationalism in the Netherlands, the concept "deeply divided" society refers to systems comprised of essentially self-contained (unintegrated) cultural/ethnic or religious communities. Lijphart has subsequently applied the concept to South Africa in characterizing the cultural pluralism of the country's black population. Lijphart uses the terms 'deeply divided', 'segmented', and 'plural' society interchangeably. Several South African analysts, especially Hermann Gilomee, have adopted Lijphart's usage in their discussions of appropriate constitutional solutions for dealing their country's problems. See Arend Lijphart, *The Politics of Accommodation: Pluralism and Democracy in the Netherlands* (Berkeley: University of California Press, 1968); and, by the same author, *Power Sharing in South Africa* (Berkeley: Institute of International Studies, 1985).

⁵ See, especially, Donald L. Horowitz, *A Democratic South Africa?* (Berkeley: University of California Press, 1991); and Arend Lijphart, *Power-Sharing in South Africa*.

Although the image of South Africa as a society "deeply divided" along lines of intra-African cultural pluralism increasingly goes unquestioned, there is actually little or no direct evidence to support this picture of the country's political cleavages. The few attitude surveys that make an effort to tap the relationship between culture and politics in South Africa indicate a rejection by black South Africans of ethnicity as a basis for *political* membership and identity⁶. For example, in one study of high school students in Soweto, respondents were asked what name they would prefer to describe "their people." Not a single one of the randomly selected students interviewed offered an ethnic label (64% preferred the term "African" and an additional 13% "Blacks").⁷ Nearly 90% of the sample said that black South Africans should "form one nation irrespective of tribal origin" and nearly 70% answered "no" when asked "Should tribal identity be preserved."⁸ Similar results were obtained in a recent nation-wide study of black trade union shop stewards, a group of over 20,000 factory-floor worker activists. In interviews conducted during 1991 it was found that 86% identified themselves mainly as South Africans, and only 5% as mainly members of an ethnic group⁹.

More significant, in respect to black politics there is, with one exception, not a single political, or even quasi-political, organization with any real following that defines its membership, mobilizes its followers, or shapes its demands, in ethnic terms.¹⁰ In other words, the existential landscape of South African black politics is simply not contoured by ethnic cleavage. Political organization and mobilization, the things that count in the world of competition and conflict, do not reflect a terrain scarred by multiple and deep politico-cultural fissures, as both Pretoria and various liberal academics would have us believe. The one exception is, of course, the Inkatha Freedom Party of Chief Mangosuthu Buthelezi and the KwaZulu government. But is the existence of Inkatha, and of the political reaction to it among black South Africans, evidence of the fracturing of African political allegiance along ethnic lines? I think not. First, there is the question of the extent of Inkatha's following.

⁶ See, for example, Lynette Dreyer, *The Modern African Elite of South Africa*, (London: MacMillan Press, 1989), pp. 101-107.

⁷ Melville Leonard Edelstein, *What Do Young Africans Think* (Johannesburg: South African Institute of Race Relations, 1972), pp. 95 and 107.

⁸ *Ibid.*, p. 108.

⁹ Siphosile Mlambo and Mark Orkin, eds., *Beyond the Factory Floor: A survey of COSATU shop-stewards* (Johannesburg, Ravan Press, 1992), p. 70.

Various white right-wing groups, such as the *Afrikaner Weerstandsbeweging* (AWB), define themselves in ethnic terms, and until recently so did the ruling National Party. But those who are concerned with constitutional engineering to prevent ethnic conflict are usually focused primarily on the politics of the black community.

¹⁰ The survey was conducted by MarkData and published by the Human Sciences Research Council. See story in *The Star*, "Mandela, FW lead head and shoulders," April 19, 1992, 12.

Virtually every survey of political allegiance in the last two years places Inkatha support at considerably less than ten percent of African adults countrywide. A survey involving interviews with urban, rural, and homeland residents, carried out in September-October 1991, found that only 3% of the African population would vote for either Inkatha or its leader Chief Buthelezi (67% said they would vote for ANC).¹¹ More recently, an interview survey conducted in May 1992, in all major urban centers (including Durban), revealed again that only 3% of adult urban Africans would vote for Inkatha.¹² Even more striking, 71% of the randomly selected sample indicated that they rejected Inkatha "completely and on principle." The implication of these surveys is that Zulu-speaking South Africans living outside of Natal and even those within Natal's urban areas reject Inkatha and its ethnically chauvinist appeals. This is consistent with various estimates that Inkatha support is relegated largely to rural Natal, i.e., the area that falls under the sway of the KwaZulu patronage machine and police force. For example, a random sample survey conducted in 1985 in Durban's largely Zulu-speaking townships found support for Inkatha and Buthelezi among only 4.8% of the population (in contrast to 54.2% for Mandela).¹³

The reaction of the non-Zulu African population to Inkatha's blatantly chauvinist rhetoric also indicates the weakness of tendencies toward ethnic fragmentation in contemporary South Africa. Have other Africans reacted to this use of Zulu nationalism by seeking political protection in their own ethnicity? On the contrary, there is simply no evidence that Inkatha's efforts at ethnic mobilization have produced a counter-Zulu ethnic mobilization, fracturing the African population into new political organizations that make exclusivist ethnic appeals to Xhosa, Tswana, Venda, Pedi, Sotho, and the like. Rather the multi- or, as it prefers, non-ethnic ANC has held its dominant position among the African population. In the 1992 survey which found only 3% urban African support for Inkatha, the ANC received the support of 70% (only 3% rejected it "completely and on principle"). In sum neither the level of support for Inkatha among Zulus, nor the political reaction by other ethnic groups to the mobilization of Zulu chauvinism, suggests that politics in a "new" South Africa will be defined along lines of intra-African ethnic cleavage.

¹¹ The survey, conducted by the Markinor polling company, utilized a random sample of 1,300 adult black persons in the Pretoria-Witwatersrand-Vereeniging area, Durban, Cape Town, East London and Port Elizabeth. The results are reported in *Southern African Report*, Raymond Louw, ed., Vol. 10, N.º 37 (September 18, 1992), p. 6.

¹² See Fatima Meer, *Resistance in the Townships* (Durban: Madiba, 1989), p. 262. A 1985 survey of black political allegiances in metropolitan areas across South Africa, conducted by Mark Orkin, found that support for Buthelezi and Inkatha among Zulu-speakers in urban Natal stood at 34 percent and dropped to 11 percent among Zulus living in the PWV urban areas. See Mark Orkin, *The Struggle and the Future: What black South Africans Really Think* (Johannesburg: Ravan Press, 1986), p. 40.

¹³ Donald Horowitz, *A Democratic South Africa?*, p. 41.

Proponents of the thesis that South Africa is a deeply divided society are not deterred by the lack of evident political cleavage along ethnic lines. For, their arguments are based primarily on a projection onto South Africa of the political experience of Africa's other post-colonial states. They assume that once the "glue" of white supremacy has been removed, the black population will fragment politically along ethnic/tribal lines, as occurred in places like Nigeria and Uganda. Thus according to David Horowitz: "Politics all over Africa... has a strong ethnic component... what is true of Zimbabwe, Nigeria, Zambia, Kenya, and Mauritania is also likely to be true of South Africa."¹⁴ "Eliminate white domination, and intra-African differences will be particularly important."¹⁵ In the same vein, Arend Lijphart asserts that "there is no doubt" that black South Africa is "an ethnically plural society on a par with most of the black states in Africa." While "these ethnic cleavages are currently muted by the feelings of black solidarity in opposition to white minority rule," Lijphart continues, "they are bound to reassert themselves in a situation of universal suffrage and free electoral competition."¹⁶ Such simple and unexamined projections onto South Africa of political life elsewhere in sub-Saharan Africa fail to take into account the radically different experience of South Africa in the 19th and 20th centuries; an experience which makes analogies with other countries in Africa dangerously misleading.

In the South, the 19th century was characterized by a continuing series of wars of dispossession. These resulted not only in a loss of sovereignty for the traditional African political communities of the South African interior, but also in the wholesale displacement of communities from their indigenous habitats, and in extensive land alienation. The traditional social systems were left with inadequate land to support their populations. This had dire consequences for the functioning and solidarity of traditionally defined political communities. The material basis for kinship and village solidarity, upon which traditional African social systems are built, lay in the system of "usufruct" land tenure. By virtue of membership in a kin group a person's access to communally "owned" farming land was assured. The alienation of most African land by the end of the 19th century vitiated this kinship-based guarantee, and thus fundamentally undermined the traditional system of land tenure and with it the entire traditional socio-political system. In much of Africa to the North of South Africa, colonial imposition while involving a loss of sovereignty left the

¹⁴ Ibid., p. 85.

¹⁵ Lijphart, *Power Sharing in South Africa*, pp. 19-20.

¹⁶ This presumes, of course, that the transition produces a democratic and workable constitution.

traditional systems otherwise intact. These, with their core system of communal land tenure, the centrality of kinship organization, and the overriding identification with village communities continued to function, providing valued resources to their members throughout the colonial and into the post-colonial eras. The very different historical experience of South Africa compared to its neighbors to the North, and the resultant difference in their contemporary social organization, does not support an expectation of similarity in respect to the nature of political identification in each.

In the 20th century the differences between South Africa and other territories in sub-Saharan Africa were reinforced. Africans in South Africa were, beginning in the last decades of the 19th century, drawn and forced into a process of proletarianization and urbanization. African society, in a very significant proportion, became part of a modern industrial order. The same can not be said for the rest of Africa, whose societies emerged out of colonialism as still essentially peasant. Some thirty years after the era of independence, South Africa remains the only significantly industrialized country in sub-Saharan Africa. There is no reasonable basis to assume that the tribal politics of Africa's peasant societies provides a benchmark for expectations about the future shape of politics in industrial South Africa.

Finally, the apartheid experience of the last forty years can be expected to shape the way ethnicity is politicized in South Africa. Simply put, by trying to use traditional identities and ethnicity as a means to divide and thus better control South Africa's black majority, the white minority state has delegitimized traditional ethnicity as a basis for political organization and mobilization. With the exception of the "homeland" collaborationist elite, politically aware black South Africans have, for four decades, reacted to Pretoria's separate development designs by explicitly and fervently rejecting politicized ethnicity. This is reflected today in the total absence of ethnically organized political groups, save those that are tied to homeland governments. Those who expect South African politics to fragment along traditional ethnic lines, once the demise of white political supremacy is complete, ignore or dismiss, without the slightest rationale or evidence, the impact of nearly forty years of intense political socialization in which a South African political identity has been held up as appropriate and juxtaposed to an illegitimate, and reactionary, ethnicity.

The projection of an image of impending ethnic strife on the South African political landscape is not merely analytically misleading but potentially consequential for shaping the future of South Africa, as well. For, those who propound the "African ethnicity thesis" nearly always combine it with proposals for constitutional engineering to avoid the

centrifugal political forces and intense conflict that is associated with ethnic-communal politics. The particulars of these proposals differ, but they all have one element in common - they seek to avoid fears of domination, perceived as the engine of ethnic strife, by creating structures that will ensure ethnic groups, as groups, a share of political representation, power, and public resources. Such efforts may well serve a useful purpose under conditions of ethnic fragmentation and strife, but they are counter-productive in situations like South Africa's, which do not exhibit the ethnicization of political competition. For, by structuring the political game in a way that provides significant resources to political groups organized along ethnic lines, they have the effect of promoting ethnic "entrepreneurs," and providing incentives for ethnic organization and mobilization. The constitutional schemes to prevent ethnic strife in South Africa, if adopted, are thus likely to bring into being exactly the politicized ethnicity that their proponents supposedly wish to avoid. In sum, the constitutional proposals put forward by those who claim South Africa is a society deeply divided by ethnic cleavages should be viewed as a threat to a stable and democratic future.

Civil society and democracy in South Africa

It is generally accepted that sustained democracy requires something that is termed 'civil society.' At its simplest, what is involved here is the notion that more is required for a functioning representative democracy than the holding of regular elections for the selection of office holders. These are necessary elements, but they contribute little to the substance of democracy unless the organization of political interests takes place independently from the state - that is, outside the control of officialdom. For if governing groups can use their power to form, shape, and control the organization of political interests in society they destroy the popular sovereignty that the election of officials is supposed to bring into being. It follows, then, that democracy requires a realm of "social space" in which people can act autonomously from the state in their efforts to coalesce, aggregate, organize, and push their perceived political agendas. This realm of autonomy or immunity from state control is what is meant by the term "civil society."

State officials everywhere have an interest in using the awesome power that their offices provide - coercive, material, symbolic, and informational - to shape the organization of political interest in a manner that will maintain their own incumbency. In other words, state officials are inherently in conflict with civil society - their natural proclivity is to vitiate the

realm of autonomous political action. Hence only when there exist politically oriented social organizations that are consciously jealous of their autonomy from the state, and which possess the resources to protect that autonomy, will a political system possess a civil society. Only then will the realm of political autonomy from the state, so necessary for a functioning representative democracy, be protected from the omnivorous proclivities of officialdom.

An extraordinary thing about contemporary South Africa is that it is one of the few countries currently undergoing transition away from authoritarianism that actually possesses a vibrant civil society. That civil society was born in the fight against apartheid which marked the decade of the eighties. The continuous political struggles of the period were driven forward by a concurrent process of social change whose hallmark was organizational effervescence within the black community. The period witnessed a veritable explosion in associational life. It gave birth to new organizations of every variety - community, youth, women's, labor, student, political - which by mid-decade honeycombed the social fabric of all but the smallest and most remote of the country's black townships. The new associations, the most politically significant of which are the trade unions and township civic associations, articulated a sense of mounting grievance, mobilized collective actions against established authority (rallies, demonstrations, strikes, boycotts), and offered a new basis for governance within the urban township communities. By 1984 the array of new community-based grassroots organizations had become constituent elements in a full scale insurrection against white political supremacy. Ultimately, the political pressure which these new associations were able to bring to bear, in combination with the international economic sanctions which their actions stimulated, forced the state to agree to negotiate an end to white minority rule.

A variety of factors suggest that the associations which played such a central role in the political upheavals of the 1980s will emerge out of the period of political transition as the core of a new South African civil society.¹⁷ From the vantage point of the emergence of civil society, the most significant thing about these new associations is that they were born both in opposition to the state and independently of the African National Congress. Although by 1985 virtually all of the grass-roots community-based organizations were closely aligned with the ANC-led political struggle against white supremacy, they were

¹⁷ For an overview of the work of IDASA, see the organization's journal *Democracy in Action*.

formed independently of the ANC, and developed outside of the ANC's formal political and bureaucratic apparatus.

The formative experience of South Africa's new organs of civil society, in particular the trade unions and civic associations, has been key to their ability to maintain an independent organizational existence. Their leadership cadre derived its strength and legitimacy from the factory floor and the community grass roots; not from the apparatus of a political movement. The roles that grass-roots organizations and their leaders played in the struggle for liberation was not only important but also self-directed. And, a decade-long intense political struggle has bequeathed to the unions and civics, as well as to student, women's, youth, and other community-based groups a deep multi-layered leadership cadre, operating at national, regional, local (township), and even neighborhood levels. The leadership is also drawn from the full range of layers of social stratification. The new civil society in South Africa is not the preserve of a thin stratum of middle-class intelligentsia, as appears to be the case for much of Eastern Europe, the former USSR, and tropical Africa.

The breadth and depth of the black leadership cadre has had two significant consequences. In the period 1986 to 1990 it undermined the efforts of the state to eliminate the organizations of an incipient civil society. Leadership ability and experience had spread so widely and deeply within the black community that obliterating a narrow elite stratum was no longer sufficient for defeating the state's political opponents. In the period after 1990, when the now legalized ANC with its already extensive exile apparatus returned from abroad, it was virtually impossible for it to absorb the entire local leadership cadre that had arisen during the 1980s. Ironically, the considerable difficulty experienced by the ANC in integrating local leadership into its exile dominated organization, while it may have temporarily weakened the liberation forces, strengthened the chances for democracy by facilitating the autonomy of an incipient civil society. In sum, the community-based organizational efforts had grown too large for them to be either easily repressed by the state or absorbed by the dominant political movement.

Although the particular historical circumstances which contributed to the emergence of grass-roots associations and to the maintenance of their organizational integrity and independence are the key elements in the creation of an incipient South African civil society, there are several features of the South African situation that will likely help sustain it. A supportive mass media is one. The decade of the 1980s witnessed the birth of a vibrant "alternative," and at the same time professional, press. By giving extensive coverage to developments at the grassroots in the black community, newspapers like the *Weekly Mail*

and the *New Nation* have made both the existence and the autonomy of community-based associations part of the public consciousness. While politically sympathetic to the ANC, the "alternative press" are not party papers, and their reporting has been very sensitive to threats to the independence of community-based organizations. In that way they have served to generate and sustain an environment that encourages the continued autonomy of civil society.

The prospects for maintaining a realm of civil society are also enhanced in South Africa by the existence of an array of supportive influential individuals and institutions. Most significant in the latter category are the Institute for a Democratic Alternative in South Africa (IDASA), founded in 1986, and the Institute for Multi-Party Democracy, established in 1991. Both organizations seek to foster a political culture supportive of democracy through a vigorous program of public education and research. At their numerous conferences, symposia, workshops, and other fora of public education, the exploration of the civil society phenomenon and its importance for democracy is a prominent theme.¹⁸ South Africa's extensive academic and quasi-academic community has also been an important resource in building and strengthening the organizational capability of grassroots associations. In the past decade-and-a-half "progressive" intellectuals and academics have provided staffing, technical assistance, and general ideological support for community-based organizations. In the early 1980s they were deeply involved in the new independent trade union movement. More recently, an infrastructure of private but non-profit policy and development firms focusing on urban issues has emerged. As civics move from resistance to reconstruction, organizations like the Centre for Policy Studies, PLANACT, and CORPLAN will be available to supply technical assistance in the areas of town planning, housing construction, and local-level negotiations.

Another element strengthening organizations of civil society in South Africa is their access to funding, much of it from foreign sources. In the current era, genuine community-based grass-roots organizations are looked upon with considerable favor by philanthropic foundations, labor unions, governments in the industrialized countries, and international agencies. The level of resource transfers from these sources to South Africa will increase dramatically when and if there is a democratic political settlement. At that point donor agencies will seek ways to dispense resources in a politically neutral manner. The formal

¹⁸ See article in the official ANC journal, "The Role of the ANC branch," *Mayibuye: Journal of the African National Congress*, 2:6, July 1991, pp. 20-21.

non-partisan stance of community organizations like civics will thus place them in an excellent strategic position to be the recipients of major new resource flows.

External support from individuals and groups, both foreign and domestic, help strengthen community-based organizations, but the most important factor sustaining South Africa's civil society is of a different type. The organizations of civil society, especially the trade unions and the civics, possess important political resources that the national political organizations lack. The political movements may have broad popular support, but they are lacking in grass-roots organization.¹⁹ That is precisely what the civics and unions have, and it can be used both to sustain their autonomy from the state and to influence its policies. In the future, when (if) electoral politics takes hold, the behavior of voters will likely be mediated through these new organizations of civil society. Political parties will vie for the support and endorsement of the local grass roots associations. Attending to the issues raised by them will constitute the surest route to electoral success. As long as they remain autonomous from the ruling political party, as they have so far in South Africa, they will provide the social base for the maintenance of electoral competition.

Prospects for economic growth

Students of South Africa, their vision dominated by ten years of economic stagnation, an eroding stock of fixed capital, an unemployment rate that could hit 50% by century's end, persistent annual inflation of 15%, on top of apartheid's legacy of poverty and inequality, have been overtaken by pessimism about South Africa's growth prospects after the transition from white rule. But, while the country's economic problems are real, observers of South Africa might find in a comparative perspective a helpful antidote for their gloom. In the countries of Eastern Europe and the former Soviet Union virtually every institution of modern market production and exchange must be created from scratch, and, to be successful, probably all at once - property rights, financial institutions, a credit system, capital markets, physical infrastructure, taxation instruments, a private savings system, a convertible currency, and basic cultural orientations like a work ethic and the willingness to take initiative. In this light the obstacles to South Africa's economic growth appear minor, the prospects for success, if not bright, at least reasonable. Unlike its counterparts in the former communist world, South Africa possesses a fully functioning market-based industrial economy, albeit one that is currently strained and requiring major structural

¹⁹ See Duma Gqubule, "ANC economist spells out future," *The Star*, February 19, 1992, p. 17.

adjustments. But the point is that for South Africa the challenge is making adjustments, not as in the former communist countries creating in just a few years what in other society's took centuries.

In addition to the full array of market institutions, and corresponding state mechanisms for fiscal and monetary policy, South Africa will be able to draw on a number of distinctive assets in pursuit of post-apartheid economic growth. These include: 1) a major share of the world's reserves in nearly all important industrial minerals, 2) a highly developed and modern transportation and communications infrastructure; 3) a significant pool of scientific, engineering, and professional manpower; 4) a very favorable credit situation, the ironic result of international financial sanctions which after 1985 forced the payoff of medium-term foreign debt while blocking access to new credit; and, 5) in the medium-term, a natural and increasingly sizeable market for its manufactured goods in the Southern African region.

One of the more positive aspects of the South African situation as far as growth potential is concerned is the economic pragmatism that has been displayed by the leadership of the political movement likely to dominate after the first post-apartheid election. The ANC has been repeatedly and heatedly criticized by the South African business community and media for its supposed commitment to the "outdated" notions of nationalization and socialism. Indeed, the ANC has been unable to completely cut its tethers to these notions annunciated in the 1955 Freedom Charter - in the contemporary context they are powerful symbolic codewords for much of its popular constituency, meaning a commitment to social justice and economic redistribution. Yet in its economic policy discussions - in numerous workshops, conferences, publications, speeches and interviews - the organization has for the past two years revealed considerable flexibility and realism in respect to economic models and future policy.

Central to the ANC leadership's emergent economic vision is the notion that improvement in the living conditions of the black majority (termed redistribution in the South African debate) can only occur through economic growth.²⁰ With growth viewed as the foundation for redistribution a set of related premises have also been accepted: that jumpstarting the growth engine will require attracting foreign capital and mobilizing domestic saving, which in turn requires accepting that businesses must be permitted a competitive return on their investments; that the private sector will play a major role; and, that the rights of private

²⁰ See *Head to Head: The Coming Economic Battle Among Japan, Europe, and America* (New York: William Morrow, 1992), pp. 31-33.

property must be respected if a positive investment climate is to be maintained. Nationalization has been relegated to the status of simply one among many potential instruments for job creation and controlling the allocation of economic surplus. But the real trend in ANC economic discussions is toward industrial policy and "co-determination," the kind of social pact that has characterized relations between business, labor, and the state in Germany and through which trade-offs between wages, productivity, and social welfare spending are agreed upon.

Some elements of the South African business community and much of the liberal media have greeted the ANC's refusal to reject nationalization completely and on principle, as well as its preference for a strong economic role for the state, with howls of horror, as if its economic vision was hatched in the old Gosplan buildings. But the ANC is modeling the future not on the old communist command economies but rather on what Lester Thurow calls the "communitarian capitalism" of Germany and Japan, in which the state plays a significant "guide-role" in the economy.²¹ Ironically, while the ANC looks for guidance to the robust capitalist economies of the 1980s, the South African government, business, and media insists that the only rational way to go is pure *laissez-faire*, an approach practiced only imperfectly by the declining capitalism of Britain and the United States.

The real threat to South Africa's prospects for economic growth lies not in the economic, but the political arena. It is the combination of poverty, inequality, and political mobilization, noted at the outset of this paper that mounts the biggest challenge to South Africa's future. As a leading ANC economist noted, "The resources that will be released [through a "post-apartheid dividend"] will hardly be enough to redress poverty on the scale necessary to overcome the crisis [black deprivation]."²² As a consequence, will the first post-apartheid government, presumably one in which black South Africans predominate, be able to resist the political pressure to seek immediate redistribution through policies of job creation, social spending, protectionism, and confiscatory taxation, while ignoring inflation, waste, and inefficiency? If it can not, it is certain that the flow of foreign and domestic investment required for growth will not materialize. Some short-run and marginal improvement in black living conditions might be obtained, but in the longer term continued economic decline and fewer resources for poverty reduction would result.

²¹ Ibid.

²² Ironically, the transitional problems of Eastern Europe and the former Soviet Union, where both democracy and economic growth are less likely than in South Africa, may pull so much of the world's available financial assistance that the considerably smaller sum required in South Africa will not be available.

The populist challenge extends beyond the arena of economic rationality and growth. It will also pose a threat to political stability and to the sustainability of a democratic order. For unless the first post-apartheid government can deliver on at least some black expectations, it is unlikely that the current ANC leadership, with its commitment to economic rationality and a market oriented and open economy, will be able to survive an attack "from the left." Both within the organization and outside it there exist potential challengers who are far more attracted to an economic perspective which emphasizes autarkic "self-reliance" policies, and which has much less tolerance for the rights of private property and the acceptance of the "realities" of the market. Even if the ANC leadership could hold off its populist challengers, the threat to democracy would probably be devastating. For among South Africa's majority the legitimacy of a new democratic order will have to be earned. A new constitutional order must demonstrate that it can respond effectively to the crisis of poverty and inequality, or it is likely to be swept aside by the political force of a populism driven by fierce social anger.

South Africa's post-apartheid political-economy - shaped by a combination of the country's severe poverty profile and high levels of expectation and politicization - defines certain clear parameters of action for the first post-apartheid government. It must, at one and the same time, adopt policies that aggressively address at least some of the material expectations of the black majority, while not allowing those policies to undermine the fundamental investment orientation of economic policy. There is, I believe, room for these contradictory imperatives to be effectively dealt with, although it will not be easy.

In the last decade-and-half black deprivation has taken on specific political shape in three areas in particular: housing, education, and wages. Grievances in each area gave powerful impetus to the anti-apartheid struggle during the 1980s, and each gave rise to forms of organized resistance which today are core components of South Africa's fledgling civil society. Inadequate township housing provided the context for the development of the civic movement, demands for the elimination of Bantu Education produced a student movement, and apartheid's low wage system was the foundation for the trade union movement. Housing, education, and wage demands could in a post-apartheid context once again be the basis of anti-state mobilization. They could also, however, provide the basis for a post-apartheid government to consolidate a new democratic order and dampen the populist threat to economic growth.

Massive programs of urban housing development, school construction, teacher training, and adult literacy, combined with a "social pact" between labor and business, entered into through a "co-determination" process, offer the best hope for combining short term improvements for the black population with labor discipline, wage restraint, and increased productivity. The emphasis in housing and school construction should be on user-built projects, in which community organizations would play a crucial role. The cost of building materials would have to be covered largely by foreign donors, although a special national real estate levy on existing residential and commercial property could be an additional source of funds.²³ The depressed South African construction industry can produce much of what is needed in the way of building materials, and donated technical skills in architecture, design, and building trades can be mobilized from the white sector of society. With unemployment in the urban townships at over 40%, it becomes feasible for labor costs to be donated by community members themselves. And most important of all, the strong civic association movement provides the organizational resources, on the ground, to mobilize and direct the local residents in the building of their own homes and schools.

The political benefits of such community-built housing schemes are multiple. Housing is not only a high priority for the black community, but it is the kind of benefit that provides tangible evidence that some measure of relief is being delivered to the previously deprived. While not everyone can obtain a new house simultaneously, massive ongoing construction activities will provide credibility to the promise of one in the near future. User-built houses and community constructed schools also create the opportunity to impart valuable skills in the construction and building trades to previously unskilled residents of urban townships. The demand for building materials will rejuvenate a depressed construction industry. The mobilization of white professionals to assist black communities in reconstruction can play a supportive role in the all important task of racial reconciliation. A national adult literacy campaign can provide a role for student organizations akin to the role of civics in the area of housing. It is a low cost means of mobilizing thousands of young political activists in the task of social reconstruction. And, like the housing schemes, can provide dramatic and visible evidence that a new government is delivering.

The most immediate focus of populist pressure will likely be in the arena of labor relations. The organized sector of the working class holds a strategic position in the economy, has a history of militancy, and a demonstrated capacity to disrupt the production process on a

²³ See Harold Wilensky, *The 'New Corporatism', Centralization, and the Welfare State* (Sage: The Contemporary Political Sociology Series, 1976), p. 23.

large scale. The best hope for avoiding frequent strike actions and keeping wages and productivity in balance is the creation of institutions that draw both labor and management together to bargain over the major interrelated issues of modern political economy. In such arrangements of "co-determination," the state participates as arbiter, and as guarantor of agreements reached. Interest groups organized nationally interact under government auspices to strike "peak bargains" that involve social, fiscal, monetary, and incomes policy. Those industrial countries that practice this form of "democratic corporatism" have the best records in respect to combining economic growth with social welfare.²⁴ South Africa already possesses the key national "peak associations" necessary for instituting co-determination, in the form of large labor federations, especially COSATU, and the several national business chambers in mining, industry, and commerce. The leadership of COSATU is already thinking in these terms as witnessed by its support of a National Economic Forum, to set economic policy after apartheid.²⁵ The nearly successful negotiations between COSATU and the South African Employers' Co-ordinating Council on Labour Affairs that preceded the August 1992 general strike is another indication that South African business and labor are inching toward the type of worker-management arrangement that has proved so economically rational in Germany and Scandinavia.

Although South Africa possesses the grass-roots organizations that will permit a new government to aggressively address the "crisis of deprivation," the form of government that emerges out of negotiations may well not be equal to the task. For, the kind of effort required will demand a strong and coherent central state, one that can take decisions, mobilize resources, galvanize and direct energies toward nationally coherent tasks. Students of successful democratic corporatism and co-determination in Europe emphasize that one core requirement is a centralized government.²⁶ Assuming that a democratic constitution emerges out of negotiations, will it embody an institutional arrangement capable of governance of this type? This is far from clear. Pretoria, the Democratic Party, as well as a number of liberal academics, have been pushing a variety of arrangements all of which have one thing in common. They encourage weakness at the national center - either through a radical devolution of power to peripheral units (federalism/regionalism), or through

²⁴ The National Economic Forum was formed in August 1992, with employer, labor, and government representation.

²⁵ See Wilensky, *The 'New Corporatism' ...*, pp. 21-23.

²⁶ In a book on constitutional engineering for a future South Africa, Donald Horowitz makes not a single reference to the problem of redistribution, and therefore never addresses the form of democratic constitution that can best deal with it. See, *A Democratic South Africa?* (Berkeley: University of California Press, 1992).

legislative and/or executive immobilism (vetoes, collective executives, proportional representation and multi-party coalition cabinets).

For the liberal academics, these preferences stem from misguided notions about the implications of South Africa's cultural pluralism. Misjudging the nature of political differences, the liberals focus exclusively on the need to avoid what they assume is imminent ethnic strife, and in the process design constitutional solutions which completely ignore the tasks of redistribution and governance.²⁷ Fearing the consequences for white living standards of majority-rule, Pretoria and the National Party seek to bequeath to South Africa a central government too weak to intervene socially and economically. In either case, state weakness will spell the inability to deliver some measure of relief to the black population in the short term. The likely consequence will be to politically undermine the most rationale and pragmatic portion of the ANC leadership, and, more significantly, to discredit the democratic alternative for South Africa. A form of democracy that lacks the potential for effective governance, relevant to South African conditions, will be unable to develop the legitimacy necessary to sustain itself. It will likely be swamped by the highly mobilized and politicized masses whose expectations it has dashed.

Analogies figure prominently in discussions on South Africa's future. The South African government as well as many liberal academics frequently make reference to the experience of Nigeria, Uganda, and other sub-Saharan African countries as "models" which need to be avoided in engineering a South African constitution. They might be better served, however, by looking at the German experience during the inter-war years. The Weimar Republic was created with one of the most democratic constitutions of its day. It lasted less than five years. The particular institutional arrangements of Weimar democracy - a dual executive, proportional representation, multi-party coalition cabinets - produced a weak central state. The Republic's government was consequently incapable of decisive action in dealing with the socioeconomic crisis that gripped Germany in the years following World War I. The result was to discredit democracy in the eyes of the German people, and to pave the way for National Socialist dictatorship.

²⁷ See Robert M. Price, *The Apartheid State in Crisis: Political Transformation in South Africa, 1975-1990* (New York: Oxford University Press, 1991), p. 286-290. In September of 1992, the National Party unveiled its plan for a strongly federal South Africa, in which the central government's role would be circumscribed to essentially defense and foreign affairs. See, Peter Fabricius, "A federal route to compromise," *The Star (International Weekly)*, September 10-16, 1992, p. 11.