

GEAR AND NEO-LIBERALISM

PART II

V

During the whole period when GEAR has been challenged "from the left", the assertion was made that GEAR sought to replace the RDP.

I am certain that there is no rational presentation that can be made to prove this assertion. Alternatively there is no credible argument that can be presented which shows that in the policies and programmes Government actually implemented, once GEAR was adopted it abandoned the pursuit of the RDP objectives.

The 1996 GEAR document as approved by the Cabinet said:

*"A strategy for rebuilding and restructuring the economy is set out in this document, in keeping with the goals set in the Reconstruction and Development Programme. In the context of this integrated economic strategy, we can successfully confront the related challenges of meeting basic needs, developing human resources, increasing participation in the democratic institutions of civil society and **implementing the RDP in all its facets.**"*

In May 2001, Alec Erwin, then Minister of Trade and Industry, said:

"The need to create employment and a better life for our people is the central objective of the economic policy of this government. The Reconstruction and Development Program (RDP) remains the basic policy framework to achieve this objective. The Growth, Employment and Redistribution (GEAR) program is the associated macroeconomic strategy used. At the beginning of this year the President announced an Action Plan to Accelerate Growth. This action plan marked an increased emphasis on macroeconomic reform to further increase investment..."

Further, in an article headed "No Contradictions between RDP and GEAR", published in *ANC Today* Vol. 6 No. 31, 11-17 August, 2006, then Finance Minister, Trevor Manuel, wrote:

"The 5th National Conference of the African National Congress held in Mafikeng in December 1997 adopted a definitive resolution on economic policy. This resolution included a clause that read: "Conference reaffirms that our macroeconomic framework policies must be directed to advancing the RDP [Reconstruction and Development Programme]. We are not pursuing macro balances for their own sake, but to create the conditions for sustainable growth, development and reconstruction. The strategy for Growth, Employment and Redistribution (GEAR) is aimed at giving effect to the realisation of the RDP through the maintenance of macro balances and elaborates a set of mutually reinforcing policy instruments."

"This important clause settled an exceedingly important debate in the ranks of the ANC. The Growth, Employment and Redistribution strategy (GEAR) could not displace the RDP, but its correct implementation could effect the realisation of the RDP. In recent weeks, it has once again become fashionable to attempt to suggest that the adoption of GEAR was an endeavour to bury and replace the RDP. If cartoonists are unaware of the facts, they might be forgiven. The same cannot hold true for the leadership of the ANC or its Alliance partners."

The National Treasury Annual Financial Statements for the year ended 31 March 2013 included a Report on the RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND.

National Treasury said:

*"In 2013, government adopted the National Development Plan (NDP), a development vision to put the economy on a new growth strategy. The NDP sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality by 2033. **The NDP will build on the successes of the Reconstruction and Development Programme (RDP)**, which was adopted by South Africa at the dawn of democracy to address the basic needs of the people to create an equal society. The RDP objectives included providing all citizens with water, electricity, sanitation, jobs, housing, education, social protection, quality healthcare, clean environment, public transport as well as adequate nutrition."*

Thus though the RDP Fund was retained, the RDP Ministry which controlled this Fund was closed down in March 1996. The reason for this was that some of the Ministries were not carrying out the critical work of fundamentally restructuring their budgets to reflect the changed nature of the South African State and society.

These were essentially maintaining the apartheid structure of their budgets, and therefore their disbursements. They used the much smaller allocations from the RDP Fund, rather than the much larger resources in their budgets, to show some progress in terms of addressing the RDP objectives.

All the immediate preceding statements place the RDP at the centre of all major Government economic interventions since 1994.

Some questions arise from this, these being:

(xii) were all these statements wrong, and if so, in what way were they wrong; and,

(xiii) if they were not wrong, does this mean that the RDP itself was a neo-liberal vision, which would inevitably result in a "*self-imposed structural adjustment*"?

VI

There is no doubt that our economy faces very serious challenges which must be resolved with the necessary urgency. These include the issues of poverty, unemployment, low growth rates and inequality.

It would therefore obviously be correct to say though important gains have been made since 1994, nevertheless we are still confronted by very many and very serious socio-economic challenges.

All of us must therefore strive to answer the question – what is to be done?

This requires a very sober-minded critical analysis. Similarly it demands realistic proposals fundamentally to achieve the objectives contained in the RDP. It is within this context that we should assess and understand the objectives contained in the National Development Plan.

It is very obvious that instead of responding properly to the two interrelated tasks we have mentioned, some in our country have decided to blame everything on allegedly neo-liberal economic policies – **using the label neo-liberal as a swearword rather than as an outcome of serious analysis!**

On August 30, 2015 *City Press* published an article by Mondli Makhanya entitled "SA's economic outlook: Bad news and really bad news".

Among others the article says:

"Stellenbosch University's economic management dean, Stan du Plessis, who painted a bleak picture of the country's immediate prospects, said a big question that had to be answered was why private corporations were not investing in business expansion. While low demand and the absence of skilled labour had been cited as some of the reasons in recent years, the deterioration of the political climate had emerged as the key reason corporations were not investing in growth.

"Quoting research done by the university's Bureau for Economic Research, the rate of businesses citing the political climate as an excuse had gone from about 20% in 2005 to 75% in 2013, and currently stood at just under 70%.

"While they had no specifics about the meaning of "political climate", policy incoherence came up as a major issue for businesses' decision makers."

More recently, on September 17, 2015, the *fin24* website carried an article entitled "SA firms hoard cash in indictment of economy." Among other things the article said:

"Corporates in Africa's most industrialised economy are so negative about future growth prospects that they're sitting with record amounts of cash in the bank, according to Stanlib Asset Management, South Africa's third-largest manager of domestic mutual funds.

"Investment by businesses has stagnated as confidence languishes near its lowest in almost four years and President Jacob Zuma's administration struggles to reignite an economy expanding at the slowest pace since the 2009 recession...

"There aren't many compelling reasons to be retooling plants or spending money on machinery or buildings.

"A 50% depreciation in the currency against the dollar since 2011 has made imports more expensive, while an electricity shortage, persistent strikes and the risk of slowing demand from China and sluggish economies in Europe have depressed some of the benefits to exports from the weakening rand, contributing to a contraction in the \$366bn economy in the second quarter.

"Companies had R689.4bn on deposit in South African banks at the end of June, compared with R671.5b in November, according to data compiled by Stanlib from South African Reserve Bank (Sarb) data..."

"The blueprint, created by former Finance Minister Trevor Manuel, (the National Development Plan), sets out how the country can boost growth to 5% by 2019 and create 6 million jobs."

"Companies are instead looking abroad. Truworths this week announced it started [talks to buy Office Retail Group](#), a UK fashion footwear chain.

"That would add to a list of overseas takeovers by South African companies, including this year's [\\$1.2bn acquisition of British fashion retailer New Look](#) by Brait SE and The Foschini Group's [purchase of UK clothing chain Phase Eight](#). Woolworths [bought Australian chain David Jones](#) for about \$2bn last year..."

"You can, through policy, influence how corporates deploy their money, but unfortunately that's not happening," Lings said. "This is purely business concerned about current economic conditions in the country and making actual choices not to spend more money."

In simple words, Mr du Plessis and *fin24* are saying that the private sector, which, by far, owns the largest volume of investible capital in our country, is not investing in the economy. And the incontrovertible reality is that there can be no economic growth and development without investment!

The private sector risk aversion mentioned in the two articles we have cited, which is based on persistent pessimism about the future of our country, is not new but has been a persistent factor impacting adversely on our economy since 1994.

What has happened as indicated by the figures cited by Mr du Plessis is that over the years the level of this pessimism has grown quite significantly.

Instead of repeatedly throwing around **the neo-liberal swearword**, perhaps a serious assessment should be made about the impact of this private sector "*investment strike*" during the years of the implementation of the RDP and GEAR policies.

This assessment might even help to answer what is obviously somewhat of a conundrum – that what are supposedly neo-liberal policies have evidently resulted in generating a private sector investment strike!

In this regard we must also pay some attention to the view taken in both the RDP and GEAR relating to the forces which would drive the reconstruction and development these programmes visualised.

Among other things the RDP said:

"The RDP will foster a new and constructive relationship between the people, their organisations in civil society, key constituencies such as the trade unions and organised business, the democratic government, and the workings of the market..."

"The democratic government, the trade union movement, business associations and the relevant organisations of civil society must cooperate in formulating economic policy...We aim to achieve a dynamic balance between government intervention, the private sector and the participation of civil society...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."

"We must finance the RDP in ways that preserve macro-economic balances, especially in terms of avoiding undue inflation and balance-of-payments difficulties. This requires a strategic approach that combines public and private sector funding, taking into account the sequence and timing of funding sources and programmes."

For its part GEAR said:

"It is Government's conviction that we have to mobilise all our energy in a new burst of economic activity. This will need to break current constraints and catapult the economy to the higher levels of growth, development and employment needed to provide a better life for all South Africans. We are confident that our social partners will join us in the combined efforts needed to achieve this goal."

It went on to say that one of the elements of its Medium Term Strategy is "a social agreement to facilitate wage and price moderation, underpin accelerated investment and employment and enhance public service delivery...In the longer term, a broad social agreement might address a wider range of issues related to economic restructuring, income distribution and social policies."

It also aspired towards a National Social Agreement and said:

"A strong tradition of collective bargaining characterises the South African industrial and social environment. Sectoral and regional agreements are likely to contribute to structuring future growth and development. There is an important role also for a broad national agreement, to create an environment for rapid growth, a brisk investment trend and accelerated delivery of public services based on equity and universal access. The challenge facing the government and its social partners is to ensure that a national agreement underpins rapid growth, job creation, and development...(We) invite Government's social partners to join in the building of a competitive fast-growing economy."

On September 16, 2015, *Business Report*, a supplement to *The Star* and other papers, carried a full page report on the Government's 7th Annual Industrial Policy subtitled *"Economic Sectors, Employment & Infrastructure Development Cluster Ipap 2015/16 – 2017/18."*

The report carries comments made by Minister of Trade and Industry, Mr Rob Davies, in which once again, he calls for a government-business-labour compact to confront our country's challenges, saying:

"To achieve coherent, coordinated, sustainable reindustrialisation, we must act, and act together."

"Absolutely vital to this goal is to develop deep and principled forms of cooperation between government, state-owned companies (SOCs), the private sector and labour."

"The goal must be to work together in an integrated, solution-based manner that accommodates and reconciles different and competing interests to the greatest possible extent."

"We must put grandstanding behind us in the quest for pragmatic, workable compromises, trade-offs and hard-fought agreements that can progressively nurture long-term trust between all the key stakeholders."

"This is the nitty-gritty of grown-up, democratic nation-building."

A *Business Report* article in the same edition on *"Targeting actions for industrial development"* says Minister Davies pointed to:

'The need to decisively change the nature and tone of the conversation between government, business and labour to ensure that all three parties identify areas in which they can actively work together to secure and

strengthen their joint efforts, factoring in the tough realities of extremely difficult global and domestic economic conditions.'

It would seem that five questions arise from all this:

(xiv) was it reasonable for the RDP and GEAR (and the current Government) to count on a focused social compact, *government-business-labour-community*, to join forces to achieve the objectives they set;

(xv) has this compact materialised;

(xvi) if it has not, as seems to be the case, and combined with the reported private sector 'investment strike', would these two factors not have had a negative impact on the achievement of the goals of the RDP and GEAR;

(xvii) what policy responses are required to respond to these challenges and hopefully address our major socio-economic historic tasks of achieving high and sustained rates of economic growth and development and the eradication of poverty, underdevelopment, unemployment and inequality; and,

(xviii) will this necessitate a review of the proposition that it will be a voluntary compact between Government, business and labour which will enable us to achieve the fundamental socio-economic transformation our country needs?

VII

It is obvious that the historical situation in South Africa, including the imperative contained in our Constitution to create a non-racial, non-sexist and prosperous society of shared wealth and, in this regard, the related corollary to ensure the proper functioning of our democracy, demands the implementation of policies and programmes which will accelerate the process towards the required fundamental social transformation.

Some questions arise in this regard.

(xix) Might it be that one of the strategic errors in the GEAR document was that it was based on the assumption that all economic actors in our country, including capital, would respond to its macro-economic reforms in the same way as these actors would respond in any "normal" capitalist society?

(xx) Among others, GEAR visualised "a brisk expansion in private sector capital formation, an acceleration in public sector investment, an improvement in the employment intensity of investment and output growth, an increase in...service delivery, making intensive use of labour based techniques, a restructured public sector to increase the efficiency of both capital expenditure and service delivery, and enhanced human resource development." Was it logical for GEAR to make these projections and assert that by 2000 South Africa would achieve a 6% annual economic growth rate and job creation of 400 000 per annum, which targets were not realised?

(xxi) Is it not possible that the ANC leadership made the serious mistake of failing to understand that "colonialism of a special type" also meant that this would also be informed by "capitalism of a special type"?

(xxii) Was it not necessary when GEAR was adopted that this ANC leadership should have understood that the democratic Government would have to intervene in nationally particular ways to impact on the functioning of the capitalist system as it expressed itself in our country, understanding the setting of the functioning of this capitalism within the context of "colonialism of a special type"?

(xxiii) Does it not remain one of the strategic challenges that faces any democratically elected Government that, with the experience of two decades of democracy, it must draw the correct lessons from, and, while not being ideologically and politically anti-capitalist, act on the basis of the proven reality that operating within a capitalist system, we have not made sufficient progress towards eradication our inherited inequalities, and therefore the reduction of unemployment and poverty levels?

(xxiv) Did the political power, on one hand, and capital, on the other, in our country, do enough, or anything at all, for instance to draw the necessary lessons from such historical experiences as the cooperation between democratic political power and private capital in West Germany as they worked together to facilitate the unification of West and East Germany after the end of the Cold War?

(xxv) In the end, did the fault lie with the claimed "neo-liberal socio-economic approach" that after just over two decades of democratic rule South Africa has not achieved the fundamental socio-economic

transformation it desperately needs, to eradicate the legacy of colonial and apartheid racism, or does the problem and explanation not rest in something else that is more historic, fundamental, and strategic?

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