

roundtable
THE HELEN SUZMAN FOUNDATION
SERIES

Electoral
Economics
in the eye of a
global storm

NATIONAL BALLOT 2009

NATIONAL 2009

*Makho, your vote is vital to the party you choose.
Etsa le vote le bohlokoa ho khetha sephoyimang.
Yona le vote le bohlokoa ho khetha sephoyimang.
Etsa le vote le bohlokoa ho khetha sephoyimang.
Yona le vote le bohlokoa ho khetha sephoyimang.*

*Please tick mark large on party list or ballot.
Oka lesame la gogo go rekota le phoyimang le kgamagane.
Oka vha le lesame la phoyimang le kgamagane.
Yona le vote le bohlokoa ho khetha sephoyimang.
Etsa le vote le bohlokoa ho khetha sephoyimang.*

MOVEMENT DEMOCRATIC PARTY	 MDP	
NATIONAL DEMOCRATIC CONVENTION	 NADECO	
NEW VISION PARTY	 NVP	
PAN AFRICANIST CONGRESS OF AZANIA	 PAC	
PAN AFRICANIST MOVEMENT	 PAM	
SOUTH AFRICAN DEMOCRATIC CONGRESS	 SADECO	
UNITED CHRISTIAN DEMOCRATIC PARTY	 UCDP	
UNITED DEMOCRATIC MOVEMENT	 UDM	
UNITED INDEPENDENT FRONT	 UIF	
VRYHEIDSFRONT PLUS	 VF Plus	
WOMEN FORWARD	 WF	
A PARTY	 A PARTY	
AFRICAN CHRISTIAN DEMOCRATIC PARTY	 ACDP	
AFRICAN NATIONAL CONGRESS	 ANC	
AFRICAN PEOPLE'S CONVENTION	 APC	
AL JAMA-AH	 AL JAMA-AH	
ALLIANCE OF FREE DEMOCRATS	 AFD	
AZANIAN PEOPLE'S ORGANISATION	 AZAPO	
CHRISTIAN DEMOCRATIC ALLIANCE	 CDA	
CONGRESS OF THE PEOPLE	 COPE	
DEMOCRATIC ALLIANCE/ DEMOKRATIESE ALLIANSIE	 DA	
GREAT KONGRESS OF SOUTH AFRICA	 GKSA	
INDEPENDENT DEMOCRATS	 ID	
INKATHA FREEDOM PARTY	 IFP	
KEEP IT STRAIGHT AND SIMPLE	KISS	
MINORITY FRONT	MF	

Roundtable

The Helen Suzman Foundation

The Helen Suzman Foundation seeks to promote constitutional liberal democracy and human rights. As an active member of South African civil society, The Helen Suzman Foundation contributes to debates on contemporary events and institutional challenges that form part of efforts to consolidate democracy.

The sole objective of The Helen Suzman Foundation Trust is to conduct public benefit activities in a non-profit manner by:

- Carrying out and commissioning research into political, social and economic affairs in South Africa and elsewhere in order to provide information and to stimulate debate on issues relevant to the future of democracy in South Africa.
- Publishing a journal, Focus, as a vehicle for information and comment on issues relevant to the future of democracy in South Africa;
- The arrangement of and attendance at roundtables and conferences on matters related to politics and governance in or of relevance to South Africa;
- Advocating measures designed to promote the ideals of liberal constitutional democracy in South Africa, including the improvement of race relations and the combating of any discrimination on the grounds of race, gender, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language or birth.
- Forging relations with other actors in civil society that seek to protect liberal constitutional democracy and human rights.

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HELEN SUZMAN FOUNDATION

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This *Quarterly Roundtable Series* monograph is published by The Helen Suzman Foundation. **ISSN 1996-1770**

Board of Trustees: Hylton Appelbaum, Wendy Appelbaum, Doug Band, Colin Eglin, Rachel Jafta, Patricia de Lille, Temba Nolutshungu, Siphon Seepe, Mary Slack, Richard Steyn, David Unterhalter, Gary Ralfe, Jane Evans and Modise Phekonyane **Director and Editor-in-Chief:** Raenette Taljaard

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Cover Picture: Specimen Ballot Paper courtesy of the IEC

Design & Layout: Alison Parkinson **Media Photography:** Mark Wessels **Printers:** Colorpress (Pty) Ltd

Cartoons: The Helen Suzman Foundation is grateful to Zapiro for allowing us to reprint so many of his cartoons.

The Helen Suzman Foundation is grateful to the **The Weekender, Business Day, Mail & Guardian** and **Business Report** for allowing us to reprint their articles.

Funders: The Helen Suzman Foundation is grateful to the Open Society Foundation for South Africa for their support.

Profiles



Jeremy Cronin

Jeremy Cronin is an ANC MP, and has served as chairperson of the transport portfolio committee in the National Assembly since 1999. He is also an ANC national executive committee member, and deputy general secretary of the SACP.

Cronin was a co-convenor for the Reconstruction and Development Programme Drafting Committee as well as a negotiator in the CODESA Multi-Party negotiations.

A former political prisoner, Cronin has post-graduate degrees from UCT and the University of Paris, Sorbonne. His publications include several award-winning collections of poetry.



Phillip Dexter

Phillip Dexter is the Head of Communications for the Congress of the People (COPE) and director of and consultant to number of companies and organisations.

Phillip completed his Bachelor of Arts at UCT in 1992 and his Masters of Philosophy at UCT in 1998. Phillip has a wide range of skills and expertise, from general managerial, financial management, research and analysis, to administration. More particularly he has concentrated on change management and strategic leadership. His period working in organisations of a political nature (he served as the General Secretary of NEHAWU, on the ANC NEC and as Provincial Secretary, as a Central Committee and Politburo member and as the National Treasurer of the SACP) has given him a unique insight to policies and debates on a broad range of socio-economic nature. His wide experience ensures unique networks that stretch into government, business, labour and broader civil society.



Lance Greyling

Lance Greyling is a Member of the National Parliament for the Independent Democrats. He is the Chief Whip of the parliamentary caucus as well as the National Policy Convenor. His major areas of interests are environment, rural development, energy and African affairs. Before assuming public office Lance Greyling was the Regional Programme Manager for GLOBE Southern Africa, where he was in charge of capacitating Members of Parliament in the Southern African region on environmental and sustainable development issues. Before working for GLOBE he undertook a year and half expedition on public transport around Africa, visiting twenty one countries in the process.

Lance Greyling is also presently enrolled on a part-time Masters programme on sustainable energy through the sustainability institute housed at the University of Stellenbosch. He has an honours degree in African Studies which he obtained from the University of Cape Town. He is also a lifelong fellow of the Emerging Leaders Programme hosted by Duke University and the UCT Graduate School of Business. He sits on the board of My Life, an organisation aimed at empowering youth who are currently living on the streets. He also sits on the board of the Bulungula Incubator, an NGO concerned with rural development.



Bantu Holomisa

Major General (Retired) H Bantubonke (Bantu) Holomisa co-founded the UDM in 1997 and currently serves as its President. Previously, he was the Commander of the Transkei Defence Force and Head of the Transkei government up to the first national elections in South Africa in 1994.

Between 1988 and 1989, the government led by Mr Holomisa un-banned approximately 33 organisations that were banned by his predecessors and his government worked closely with the liberation movements. As a result, Transkei had a smooth transition prior to the South African national elections of 1994. Mr Holomisa also led Transkei delegation to CODESA negotiations.

In 1996, he was expelled from the ANC after testifying to the TRC about Transkei activities concerning Transkei issues. He has served as the Deputy Minister of Environment and Tourism of South Africa in the Government of National Unity (elected in 1994).

Since 1989, he has addressed forums around the world, including the UN Security Council; the Confederation of British Industry; the Carnegie Endowment, USA; the Council on Foreign Relations, USA; CSIS, USA; African-American Institute (AAI), and many other international conventions and meetings all over the world. In 2000, he attended a Democratic Convention in Los Angeles, USA. Since then, he has addressed various international forums. The IEC requested Mr Holomisa to act as a monitor in the June 2007 elections in East Timor.

Profiles



Kobus Marais

Kobus obtained his MBA from Stellenbosch and also studied at the Cape Wine Academy and completed a Master Mentorship Course with the Department of Agriculture.

He started his career in corporate banking and went on to work in the wine industry in 1989 in various capacities. He then formed his own consultancy, BEFCOM which specialised in business and marketing strategy, international trade and Black Economic Empowerment.

In 2006, Kobus worked for the VinPro BEE Advisory Service, representing about 5 000 wine producers in promoting Black Economic Development at farm level.

He has been involved in politics in the Western Cape for many years, first serving as councillor and mayor in Rawsonville from 1995 to 2000 and then again as a DA councillor from 2000 to 2006, where he was nominated as the Mayoral Candidate for the 2006 Election. He has also held several other positions in the Western Cape Provincial structures, including Breede Valley Local Management Committee Chairperson, Breede River Valley Constituency Chairperson, Western Region Treasurer, Member of the Western Cape Provincial Executive Committee and Western Cape Provincial Treasurer.

He was elected to Parliament in 2006 where he serves as the DA's spokesperson on Finance. He also sits on the Trade and Industry Portfolio Committee, and is a member of the DA Economic Policy Committee. He is the DA spokesperson on disability and is very involved in the community, particularly with disability-related organisations. He is the President of DISSA (Disability Sports South Africa).



Narend Singh

Mr Narend Singh was born in Umkomaas on the South Coast of KZN to a pioneering business family and started work as early as 1969.

He has been involved in a number of social, sporting and civic organizations.

Mr Singh was a member of parliament from 1989 – 1994 and in 1994 joined the IFP. He was on the senate until 1996 and also a Whip.

In March 1996 Mr Singh was recalled by KZN and served as an MEC in various portfolios including agriculture, housing, environmental affairs, education, sports, arts and culture and tourism. He then resigned.

In August 2007 Mr Singh was asked to go to Cape Town to the National Assembly and served there as spokesman in finance and also served on the agricultural committee.

Mr Singh is currently the Treasurer of the IFP in KZN and a member of the IFP NEC.



Raenette Taljaard

Raenette Taljaard is the director of the Helen Suzman Foundation. Taljaard, a former DA MP, served as Shadow Minister of Finance from 2002 and was a member of the Portfolio Committee on Finance. She also served on numerous other parliamentary committees, including the Standing Committee on Public Accounts during the arms deal investigation

Taljaard lectures part-time locally and abroad on the regulation of private military and security companies.

Taljaard is a Yale World Fellow, a Fellow of the Emerging Leaders Programme of the Centre for Leadership and Public Values (UCT's Graduate School of Business and Duke University), a Young Global Leader of the World Economic Forum, and an ALI Fellow of the Aspen Institute.

Taljaard holds a BA in Law, RAU (University of Johannesburg), a BA (Hons) in Political Science, cum laude, RAU (University of Johannesburg), an MA in Political Science, cum laude, RAU (University of Johannesburg) and an Msc in Public Administration and Public Policy, cum laude, London School of Economics and Political Science.

Taljaard publishes widely.



HELEN SUZMAN FOUNDATION

*Electoral Economics
in the eye of a
global storm*



OPEN SOCIETY FOUNDATION
FOR SOUTH AFRICA



Introduction

South Africa's economic policy landscape has experienced one global financial crisis before. It emanated from Asia in the early 1990s, uncomfortably coinciding with our country's transition to democracy at a time when a new administration had to win the hearts and minds, and confidence, of the global economy and international investors. The response to this crisis, the fiscal austerity of the Growth, Employment and Redistribution Strategy (GEAR) adopted by the South African government in 1996, was, and remains, a controversial policy response. It caused significant strain within the tripartite alliance, despite there clearly being very little domestic policy room amid a deepening crisis that engulfed all emerging markets and confronted a new government with no economic-policy track record with immediate and complex questions.

As we approach our fourth democratic election on 22 April 2009, our economic-policy landscape is being buffeted by the worst storms unleashed by a global financial and economic crisis born of the United States sub-prime-mortgage debacle, and its contagion effect across the globe, infecting developing and developed countries alike. The deeper structural imbalances in the global economy are being starkly highlighted by these events, raising difficult questions for emerging-market countries in crafting responses to the crisis.

Our response has again coincided with a period of transition to a new administration – a talent we seem to have developed, or which Murphy's infamous laws have developed on our behalf without a hint of irony. Clear questions have emerged about policy continuity and discontinuity, and an apparent nervousness about the contours a new role for the South African state in the economy may take.

Interestingly, the global economic crisis has blown away former orthodoxies and placed significant question marks over the balance between the roles of the public and private sectors in fostering growth in an economy, with many developed nations aggressively growing the role of their state sector and some states nationalising their entire banking systems as the crisis grew in force and fury.

Against this backdrop, South Africa's largest political parties tabled a set of ideas in their respective election manifestos that – to varying degrees – actually grapple with some of the structural flaws in our domestic economy and, to a lesser or larger extent, seek to respond to



the impact the global financial crisis may have on our country, and explore what domestic policy responses would be possible amid a global storm.

Though elections often degenerate into mere popularity contests between personalities, the Helen Suzman Foundation took an active decision to attempt to keep the focus on the battle of ideas – particularly the battle of ideas on economic-policy questions. This was in recognition of the disproportional importance these questions have due to persistent inequality in our society, but also because of the consequences of the global financial crisis and its impact on the global economy and our own country's growth projections beyond the April poll.

What emerged from the Quarterly Roundtable Series panel discussion was refreshingly close to an ideology-free engagement, which sought to encourage the creation of an economic indaba or series of discussions after the election. The idea, prompted by the effect the crisis is having on our country, responds to the need for us to think strategically for the longer-term future about our country's feasible growth path, and the types of expenditure we need in terms of capital and human-capital formation and infrastructural development to ensure that we now lay a stronger foundation for faster economic growth when the global economy rebounds.

It seems clear that, much as they have competing ideas on many areas of policy – in both substance and detail, our country's political parties appear to understand that the global crisis will not leave us unscathed, and that we need to think together as a nation how best to protect our social fabric after the ballots have all been counted, the new President sworn in, and the new Parliament been seated to start passing budgets under the auspices of a new administration with new budgetary powers.

The Helen Suzman Foundation hopes that a new government will host a number of such discussions about the economic decisions we will be taking – prior, during and after implementation – as we embark on the next chapter of our economic policy journey under conditions of ongoing turmoil and the underpinning geo-political shifts in pursuit of a more multi-polar world. Given that core criticisms of the GEAR strategy at the Polokwane Conference revolved around consultation, it will be the litmus test for the new administration to craft an inclusive policy process to the global crisis and our own domestic-growth strategies.

Introduction


 A close-up portrait of Raenette Taijaard, a woman with dark, wavy hair, looking thoughtfully to her right. Her hands are clasped in front of her. The background is a blurred banner with text including 'FOUNDATION', 'PROMO', 'STITUTIONAL', and 'RIGHTS'.

Chairperson

I would like to express our appreciation to *The Weekender* newspaper, which has come on board with the Helen Suzman Foundation for this event.

We are going to interrogate closely the various parties' economic-policy proposals in a time of global financial meltdown and a very fundamental meltdown in the real economy. The International Monetary Fund (IMF) is predicting, no longer a 0,5% growth rate, but an actual depression, and a contracting global economy. There's a very interesting series in the *Financial Times* called *'The Future of Capitalism'*. The piece that kicked off the series was written by Martin Wolf, who has also written a very interesting book about the structural imbalances in the global economy, *Fixing Global Finance*. In it he alludes to some of the consequences for emerging markets:

"The impact of the crisis will be particularly hard on emerging countries: the number of people in extreme poverty will rise, the size of the new middle class will fall and governments of some indebted emerging countries will surely default. Confidence in local and global elites, in the market and

even in the possibility of material progress will weaken, with potentially devastating social and political consequences. Helping emerging economies through a crisis for which most have no responsibility whatsoever is a necessity."

So we are in a contextual environment where deep levels of crisis of confidence are emerging, not only in economies, but also in leadership's ability really to deal with these challenges. So the various economic-policy proposals of the political parties represented here are being launched into very hostile international waters.

That is the context in which we decided to ask these political parties to take us through how they see the global economic crisis, and their responses and their ideas with respect to what they've expressed in their election manifestos. But we have also asked them to look more substantively at how they see the consequences of what is occurring for the future trajectory of economic growth, industrialisation and, indeed, the construction of a green economy in South Africa, and how they see the country's responses, and the responses in the ideas

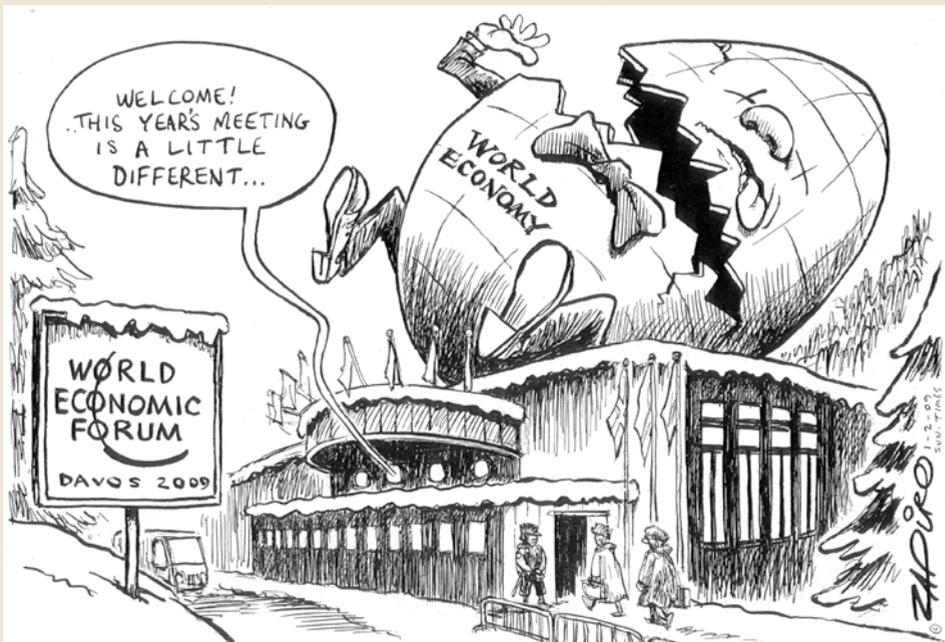


they are marketing to the electorate, to the social and political challenges emerging as a consequence of the global financial crisis. Because I think we are seeing a very fundamental challenge to paradigms; not only to capitalism, not only to socialism. A very robust discourse is emerging that is really going to require pragmatism and creative ideas to get us out of this deep crisis.

We're also having this discussion in the context of the run-up to a G20 meeting, which will be as much about shifting geopolitics as it will be about the actual balance of forces with respect to global financial regulation and its changes. So there could not possibly be a more challenging, yet

interesting global context in which to have a local electoral economics discussion.

I'd like to welcome Bantu Holomisa, leader of the United Democratic Movement (UDM); Narend Singh, the Finance Spokesperson in Parliament of the Inkatha Freedom Party (IFP); Phillip Dexter, who is the Economic Spokesperson of the Congress of the People (COPE), and fills a number of other roles; Jeremy Cronin from the South African Communist Party (SACP) and African National Congress (ANC); Kobus Marais from the Democratic Alliance (DA); and Lance Greyling from the Independent Democrats (ID).



Raenette Taljaard



Lance Greyling

Lance Greyling

The ID is extremely concerned about the global economic crisis and the potentially negative effects it will have on South Africa's economic development prospects. This crisis is occurring at a stage in our development history where our country is still battling with persistently high levels of unemployment and roughly half of our population is still living in poverty. The ID has economic and social policies that speak to all these short- and long-term challenges.

While South Africa has recently enjoyed a long period of growth, the ID believes that this growth has in fact not been particularly impressive, given that many other emerging economies have been able to grow at a far more rapid rate during this period. This period has also been characterised by high commodity prices, on which South Africa was not able to capitalise fully because of infrastructural constraints. We therefore believe that in this next period of low global growth, the government must focus on fixing the infrastructural and human-resource constraints in our economy, so that we will be able to maximise our growth

opportunities when the cycle turns again. We must also ensure that we confront the structural issues of our economy, such as its highly monopolistic nature, so that future growth can be more equitable and deliver benefits to all South Africans.

It is with these objectives in mind that the ID proposes a massive up-scaling of our public-infrastructure programme. We need to repair and build new roads, invest in new sewerage plants, build an efficient transport system and, probably most importantly, bring on line new energy-generation technologies. In doing this, however, we must ensure that we reduce the current import intensity of this programme, and aim to build local industries up and stimulate local job creation in providing for these needs. One sector where this can be employed is renewable energy, where the ID believes that we have the potential to become a world leader. This will not only reduce our currently high carbon footprint, but with the right industrial policy, will also create hundreds of thousands of jobs. These will be in a diverse range of industries across the value chain, such as steel and glass



“The minimum-income grant, for instance, if it is given to all poor South Africans who currently do not receive any assistance from the state, will amount to roughly R10 billion a year.”

include the provision of basic services, roads and technical support for small-scale farmers. Ultimately we have to create sustainable livelihoods and create local markets where small-scale farmers can sell their produce.

The ID believes that South Africa is entering the next stage in our development path, where the economic downturn will require expanded government expenditure to make up for the drop in private-sector investment and reduced consumer demand. The deficit will therefore inevitably increase during this period, although we would not advocate it going beyond the 3,9% currently projected. The obvious question that can therefore be asked is: how can we afford to pay for all our election promises? This is an extremely valid question, and all political parties should in fact be forced to cost their promises so as to ensure that they do not present an unrealistic wish list. We have done that costing exercise and have found that our key interventions will certainly not be unaffordable. The minimum-income grant, for instance, if it is given to all poor South Africans who currently do not receive any assistance from the state, will amount to roughly R10 billion a year. Half of this money, however, can be financed by simply taxing alcohol at the same rate as we tax cigarettes. Currently alcohol companies are paying far less in tax than the actual economic cost it exacts on our society. Our proposal for a wage subsidy would amount to about R3,75 billion per year, but it could also come in below that if the subsidy is not utilised by all beneficiaries.

We also propose that each poor learner should be entitled to an education grant, half of which can be used to pay for school fees, and the other half to pay for expenses such as uniforms, text books and transport.

For ease of implementation and costing, we have based the assessment of which children should receive such a grant on an assumption that those children who are currently receiving the child-support grant should therefore also be entitled to a child-education grant. This of course only applies to those children who are older than six. Currently there are 4,7 million children receiving the child support grant between the ages of six and 14. As we would want to expand this to children under 18, a further 1 million children can be added to the figure. The grant itself would be a yearly amount of R1 000, paid at the beginning of the school year; therefore the cost to the fiscus would be R5,7 billion. As stated before, however, the actual cost would be lower, because currently no-fee schools are receiving extra subsidies from the government to cover poor learners. No-fee schools should therefore not receive the subsidy, or the subsidies that they currently receive should be reduced and then supplemented by the child-education grant. Schools that are currently accepting learners from poor households and are forced to exempt them from school fees will now receive some assistance through the child education grant.

Our manifesto also talks about where we would cut government expenditure. In particular, we would cut funding to the arms industry and the nuclear industry. Over the past five years, the pebble-bed modular reactor has received some R8 billion in funding, and government is proposing spending another R12 billion on this vanity project, whose economic viability is heavily disputed. The same is true of the arms manufacturer Denel, which has received over R5 billion of tax-payers' money, despite posting continuous losses and creating very few jobs in the process.

It should therefore be clear that our manifesto proposals represent a comprehensive approach to addressing the major problems confronting our society. There are more than 100 solutions in our manifesto, but if only our top ten were implemented, it would go a long way towards putting our country on a sound and sustainable footing to develop equitably over the next few decades.



Gen Bantu Holomisa

When we analyse the global economic situation, we must steer a careful path. We must avoid, on the one hand, reckless complacency, but on the other hand we need to avoid alarmist paranoia. I therefore do not say it lightly when I describe what is happening to the global economy as a crisis. We cannot afford – if you don’t mind the pun – to think for one moment that this crisis is not coming to our shores. It is true that our banking and financial sector has been mostly insulated from the direct fall-out of the bad-credit tsunami that engulfed American banks and their international subsidiaries. But that does not protect us from the indirect impact of the turmoil. The global economy

“The extent to which we survive these storms will depend on two things: how well our ship has been built and maintained, and how well our ship is captained. *So how does our ship measure up?*”

is suddenly an unstable ocean plagued by massive, unpredictable storms. The South African economy is a very small ship in this context.

The extent to which we survive these storms will depend on two things: how well our ship has been built and maintained, and how well our ship is captained. *So how does our ship measure up?* It has strength; our economy is diversified, we are rich in natural resources, we have a certain level of international goodwill that persists 15 years after the first democratic elections. We have good diplomatic relations with every nation on earth and no current conflicts. However, we have a number of weaknesses. We have a balance-of-trade deficit. Our economy is extremely dependent on exports. At the same time, we are incredibly dependent upon dollar-priced imports of vital commodities, not least oil and food. One of our economy’s strengths is also a weakness: tourism plays an economic role and is now in decline. We have a significant shortage of skills; our unemployment rate is estimated between 25% and 30%; we have an electricity grid that teeters on the



brink of breakdown. We also suffer from water scarcity, a basic resource required for agriculture and social economic development. We also have millions of people who continue to exist outside or on the margins of the formal economy. Economists agree that the South African economy is now in the first phase of recession. That answers broadly the question of what state our economy is in.

The other question is: where there is uncertainty, how will our ship be captained? The person who is widely expected to take over the reigns of the executive in seven weeks' time is not considered an economic specialist. In itself, Jacob Zuma's lack of economic credentials is not a concern. What is worrying is the people that seem likely to play an influential role in economic leadership in government. While it is disputed by the ruling party, there seems a growing sense that Trevor Manuel's star is on the wane. It isn't a question of if, but rather when he leaves. Even during the remainder of his tenure, we cannot fool ourselves into thinking that other players will not influence matters. Can we trust the likes of Nzimande and Mantashe to provide sound economic leadership?

Of course, some will say it is easy for us just to criticise the ruling party. So where does the UDM manifesto stand on these questions?

“People are still suspicious on a number of issues; like how South Africa's wealth is distributed – why does it seem to be being bestowed only on certain individuals, who have credentials related to one political party?”

Firstly, we must be honest with ourselves. Since 1994, there doesn't seem to have been a consensus on what kind of macroeconomic policy we should have, which would be sensitive to our imbalances and backlogs. You will also notice if you travel around that in the so-called black areas, the townships and rural areas, the infrastructure is still far behind being upgraded to be on par with the developed South Africa. Therefore, because there's never been sufficient consensus, the UDM manifesto has proposed that perhaps we need an economic indaba, similar to CODESA, because we don't seem to be getting the true state of what exactly is happening. People are still suspicious on a number of issues; like how South Africa's wealth is distributed – why does it seem to be being bestowed only on certain individuals, who have credentials related to one political party? As the UDM, we believe that





Bantu Holomisa

“When we ask: “Why don’t you subsidise the textile industry and farmers here?”, we are told that our policies are leaning to the left.”

specifically we should be geared towards addressing the global and local economic realities, and therefore we argue from the basis of a simple slogan: *“Government must do more.”* The UDM argues that now, more than ever, government must take the lead in stimulating the economy. We have no choice, because the 43-plus million population that have never participated in the economic mainstream are still locked outside. In fact, for the past decade we have been queuing to get jobs from a white population of a mere 5 million, and maybe a handful of big companies provided jobs. Therefore the state has to invest more in small entrepreneurs. The graduates loitering the streets are still energetic, and we can, as a state, invest more in those people by supporting small businesses.

But, yes, South Africa is a global player. We must not be careless, as I’ve said, but

we need to make sure that we look after the interests of the people who we say must vote for us. Government points to the World Trade Organisation (WTO), yet the architects of the WTO are doling out trillions of US dollars to subsidise the farmers in France and the United States, to subsidise industries in China and India and Brazil. When we ask: “Why don’t you subsidise the textile industry and farmers here?”, we are told that our policies are leaning to the left. Are we going to say the United States is leftist, now that it has intervened in rescuing its banks? Are you going to tell me that the Afrikaners who helped their poor people during the time they took over from the British government were leftists? Are you going to tell me that the French government is leftist when it doles out trillions of US dollars to subsidise its farmers? No. This hypocrisy has to come to an end.



Kobus Marais

This is a time of almost unprecedented international financial uncertainty. The way that we, as the DA, see a future is in the government and the private sector working together in partnership, to grow an economy ripe with opportunities for all South Africans, most especially for the millions of unemployed and the first-time entrants into the job market who have been denied access and life-changing opportunities. In our vision, every South African has, and must have, an opportunity to move forward to a more prosperous future, and in so doing, not only improve their own lives and the lives of their families, but that of the nation as a whole. The failure of the sub-prime mortgage industry and the resulting collapse of banks and insurance companies in Europe and the United States has strangled credit lines and led to an international economic crisis on a scale unseen since the Great Depression. Demand has dried up, and South Africa's major trading partners in the United States, the European Union and Japan are in recession. India and China, whose appetite for our commodities is vital to our economy, are also facing slowing

“South African policy-makers have two responsibilities: not only do they need to respond to the immediate problems caused by the credit crisis, they also have to improve the productivity of our workforce.”

growth. Around the world, stock markets have collapsed, large financial institutions have gone under or been bought out, and in the United States and Europe governments had to come up with rescue packages to bail out their financial systems. Hopefully this is not going to be a permanent thing, but temporary intervention measures.

Clearly South Africa is not immune. We are already experiencing large-scale job losses, the national prices of our commodities have fallen, and key high-employment industries in the mining, manufacturing and retail sectors are experiencing dramatic slowdowns. South African policy-makers have two responsibilities: not only do they



need to respond to the immediate problems caused by the credit crisis, they also have to improve the productivity of our workforce and facilitate further investment in the productive capacity of our economy. This is the only way that our economy can provide more opportunities for jobs to millions of South Africans who are sidelined by poverty and unemployment, and ensure South Africa's future prosperity in that way.

The DA's economic policy allows for a virtuous cycle of skills development, infrastructure and technological investment, improved productivity, and increased employment. Wage subsidies, the simplification of labour and tax regulations, and the elimination of the skills-development levy will cut the cost of doing business and encourage employers to hire first-time workers and improve their productivity through on-the-job training. In partnership with private-sector contractors, the extended public-works programme will be used as a mechanism for skills development and will be focused specifically on those on the sideline of our economy, while our opportunity vouchers would allow for young matriculants to pursue self-employment opportunities or further study.

“It is very important that government bring in certain regulations to set an environment where the private sector must employ as many people as possible, and must obviously stimulate economic growth.”

It is very important to realise that the economy always moves in cycles, and obviously we must also prepare our workforce for the expected upturn in the economy. It's also important to look at the economic cake – and obviously we know that we have to grow the cake, so that there are more opportunities for more people. A DA government will facilitate, not direct, economic activity, and would see that our fiscal and monetary policy acts not so as to control economic activity, but to attract labour-creating investments through price stability, a comparative tax regime, and appropriate government expenditure. It is very important that government bring in certain regulations to set an environment where the private sector must employ as

Kobus Marris



many people as possible, and must obviously stimulate economic growth. Not only would we draw more people into our economy through comprehensive broad-based economic empowerment, we would also facilitate integration into the international trading economy through more integrated trade and industrial policies; increased tax revenues through the broadening of the tax base; and high domestic saving rates, which would provide government with the resources to invest in infrastructure, technology and innovation and, in so doing, improve productivity capacity.

A DA government would be clean and efficient. We recognise that stability encourages jobs and investment, and therefore we have put policies, rules and institutions in place that foster stability. We will increase the capacity for competition through, among others measures, a competition commission and consumer protector to ensure fair competition and that the rights of individuals are protected. We would put in place specific measures to improve the capacity and delivery of public service and ensure a more transparent public tendering process. We would also give more resources and responsibility to key oversight bodies such as Parliament and the

Auditor-General to ensure that public money is spent wisely, efficiently and economically.

In stark contrast, the governing party is increasingly propagating a shift towards a more state-centric interventionist model, in which the government has a strong controlling hand in many, if not most, areas of the economy. The immediate effect of such a move is to raise our international risk profile and dramatically increase the cost that we need to pay for capital from extremely risk-averse investors. The long-term effects of a state-led model can be seen in the failed economies of Africa and Eastern Europe, and in many other countries. Already the failures of Eskom, South African Airways and other public enterprises are suppressing service delivery and providing clear evidence that South Africa's government does not have the capacity for further involvement in the economy. Empowering more people to get involved in our economy will lead to higher incomes, investments, savings and tax revenues. This, in turn, will provide us with more resources, to make sure that those left remaining on the sidelines of our economy are assisted with every possible opportunity to take charge of their own lives, and provide for South Africa's future economic prosperity.





Singh

Narend

Narend Singh

Having listened to my three colleagues here, from three different political parties, there's no doubt in my mind that there's common purpose and a shared vision in what they're saying. We believe, as the IFP, that what is left for us is to implement these policies, and this is where we can say that current government has failed. Sometimes the media and economists enter into a debate as to the future of South African economic policies, and whether we should be centre, left or right. We believe these are just ideological positions and what we need is pragmatic policies that will ensure that millions of South Africans can benefit, from our political emancipation in 1994, to economic emancipation now.

The meltdown of global markets has left the world in crisis, with some of the most prosperous countries in recession. The developing and emerging economies have also been harshly affected, even though we were not directly involved with the dealings which led to this untenable situation. However, such is the nature of globalisation. To say that South Africa is

removed from these troubles would be very naïve and uninformed. Movements in global markets, the volatility of the rand against the currencies of our major trading partners, and the increase and then sharp decline in the prices of commodities we export are just some examples of how connected the global environment is, and the affect that it has on the people of South Africa.

An interesting feature of the economic turmoil is the development of relationships and the interactions between governments and the private sector in trying to overcome this crisis. These relationships are very important and, here in South Africa, government, the private sector and labour must interact honestly and closely with each other to ensure that we do overcome this crisis with the least amount of damage. The failure to create the jobs needed to meet the demands of our growing population, as well as the failure to eradicate poverty and to make real inroads into rural development, are very worrying for us, and, we believe, a huge obstacle to our development and prosperity. The current economic slowdown will exacerbate these problems and make



“It is unjust that globalisation only benefits a select few, while its harsh effects are felt by all, and are particularly severe on the poorest members of our society.”

it even more difficult for the poor to escape from their lives of poverty.

We in the IFP believe that a strong focus on micro-economic policies and the removal of impediments to job creation in the labour market are vital if we are to overcome these problems and attract the investment needed to take us into a higher growth level. We also need to harness the entrepreneurial spirit of our people and make it easier for them to start and operate their own businesses. While we believe the commitment to increase spending on infrastructure is necessary for our development, it is rather important that this spending is focused on our long-term needs and not just, as we see now, on the 2010 World Cup. This event is important and will provide a major boost to our economy, and must thus be well supported, but we must look beyond 2010 when considering the infrastructural needs of our country.

We must make sure that our policies are geared towards efficiently utilising the opportunities of globalisation and the equitable distribution of its benefits, while at the same time ensuring that we limit its negative effects. It is unjust that globalisation only benefits a select few, while its harsh effects are felt by all, and are particularly severe on the poorest members of our society. Our management of economic issues and the measurement of their success must therefore not be based solely on quantitative aspects, but also on the impact they have on improving the quality of life of all South Africans.

Many people are predicting that we are yet to feel the full impact of this crisis and that the situation will get worse before it starts to improve. The crisis is already affecting South Africans harshly, and considering that many people are still living in debilitating poverty and struggle to survive during periods of economic normality, the situation is fast becoming desperate. If the situation does deteriorate, then our poorer citizens will be plunged even deeper into despair, while the numbers of the vulnerable will dramatically increase – and we’ve seen that in the motor industry and the mining sector. It is understandable that countries around the globe are under increasing pressure from their own citizens to prioritise their needs.



However, some of the proposals from a few of the economic giants have a very nationalistic feel about them, the most obvious of these being the 'Buy American' clause contained in the proposed United States bail-out package. French President Nicholas Sarkozy also suggested that state aid for French car makers should depend on a pledge to keep jobs in France. These unusual times do require unusual measures, but in the long term protectionism is not viable. The pursuit of protectionist economic policies will be harmful to the global economy and to the further development of countries in the developing world. They will also reverse many of our gains, we believe; countries must therefore consider the implications of their actions on the rest of the world. In the same vein, we in South Africa must also not retreat behind protectionist policies.

The formulation of economic policies that will address the needs and improve the lives of all South Africans is a very challenging task, especially when you consider the great disparities that still exist within our borders. Policies must address the diverging needs of both the affluent and the poor members of our society, as well as move towards closing the enormous gap between these two worlds. The attainment of these two objectives will be so much more difficult in the current depressed economic climate. The IFP believes that in the long term our economy needs to grow at around 8% per annum. We do understand that growth alone will not solve all our problems, but it will give policy makers the tools to grapple more effectively with our wide range of socio-economic problems.

In proposing economic policies, we must be realistic and consider the global economy as well as South Africa's unique characteristics. We must also be aware that we are competing with countries from around the world, and if we do not implement the right policies as well as remove impediments for growth, such as inflexible labour laws and inadequate infrastructure, then we will get left behind by the emerging giants the General referred to, such as India and China. South Africa has enjoyed a phase of sustained growth, but not nearly enough jobs were created during this time to meet



Narend Singh

the demands of our growing population, and drastically improve the lives of many of our people. The IFP believes that this is one of the greatest failures of government. Without accelerated economic growth in the long term, we will not overcome these challenges.

So what do we propose as interventions? Dramatically improve our skills base; promote the SMME sector and change our labour laws to make it easier for small business to create new jobs; expand the role of development-finance institutions and not let them be funders of just the rich – because that is exactly what is happening in certain parts of our province where rich people, wives of MECs, and officials are benefiting. Small business needs more capital, and easier access to capital. We need to improve our infrastructure – roads, ports, power supplies – and invest in its maintenance; we don't want another Eskom crisis on our hands. We need to commit to an industrial policy that promotes beneficiation and manufactured exports, and also focus on sectors with higher job potential. I was talking to an ordinary gentleman yesterday from a rural area, and he said: "You know, we are sending so much raw material out of our country, and when it comes back we have to pay so much more for it. Why don't we believe in beneficiation?" What we need to do is to ensure that we have pragmatic policies, and government needs to allow business to exist in our country and create jobs, while it also supports infrastructure development and a safety net for the poor.

Jeremy Cronin

I think we're underrating the extent of the global crisis and its impact on our country, and what we require is what Bantu Holomisa called an "economic indaba". I think he thinks of it as a one- or two- or three-day affair. What we need is a patriotic national discussion that debates, differs, but really tries to come to grips patriotically, as South Africans, with the challenges that we are facing. So I'm going to try not to talk in a pre-poll mode, although obviously we're in that, but really to think as a South African, and agree with much of I've heard, although obviously not everything, because I think that's what we've got to do.

I think that the first dimension of the discussion is: what is the nature of the global crisis? Unless we unpack that properly we might be living in a bit of a fool's paradise; we might imagine that it's a crisis that, like all crises, will go away in a year or two's time. So the best that we can do is mark time, polish a few knobs and get ready for the next commodity boom. I think that would be a grave mistake, and it would be a misreading of the situation.

"Basically we have a global economy shaped around United States consumption – and consumption in Europe and other places – and production in China, and to some extent India, Brazil and so forth. "

Back last year, it was said that we were dealing with a global financial crisis. I'm proud to say that some of us said this is an economic crisis, not a financial crisis. The trip wire was the sub-prime mortgage problem, but that is one of a number of landmines all waiting to go off in an unsustainable global world economy. And United States consumption was one dimension of that non-sustainability. Another is the trade imbalance: the United States is sitting on a trillion-dollar trade deficit, something that we are not allowed to have in the name of macroeconomic balances and so on – and thank God we don't have, although we do have a trade imbalance.



Basically we have a global economy shaped around United States consumption – and consumption in Europe and other places – and production in China, and to some extent India, Brazil and so forth. Someone once said the much predicted and proclaimed death of the United States blue-collar working class is exaggerated. It still exists; it's in China and it speaks Mandarin. Obviously that's an exaggeration, but it tells us something: that, first and foremost, the global economic system is based on production in low-wage economies in the South, including, obviously, the oil producers in the Middle East, in particular, and on consumption in the geo-political North.

There are unsustainable levels of imbalance in that reality, and what then set the crisis off was the attempt to keep it going through sub-prime loans and a variety of so-called unwise lendings of one kind or another. But they weren't unwise; they had a complete in-depth logic. They were an attempt to keep that global system going, this much heralded globalisation of expanded horizons of continuing growth and so forth. To keep it going, the Federal Reserve and the financial sector in the United States had to embark on sub-prime loans, on slicing and dicing and all the weird and wonderful things that have now ballooned and popped. That's the first dimension of the crisis.

The second is that what we have in the United States is a slipping global hegemon. Since 1973 its levels of productivity and profitability have been slipping, and it's been outpaced by other centres of production. But it's maintained its dominance through a dollarised world economy, and that's now also a systemic problem in the global system.

The third big systemic issue – even if it's not so apparent, it's interacting with the current crisis – is obviously the tipping point that we are now reaching, or have reached, in terms of climate change and the destruction of the planet. It's no good dreaming of a crisis that is perhaps as bad as the one that happened in the early 1930s, but that we'll return to growth and profitability, and imagining that we can get back onto the same rail tracks and survive. We can have nice debates about socialism and capitalism and so on, but none

“But then again, there are in our own economy and reality deep systemic problems, and we [have to] use this challenge that we're now facing collectively to work out what it is that we've got to do together collectively, communists and business people, COPE and ANC, and whatever.”

of those things are going to be relevant if we ruin the atmosphere, and poison the lakes and rivers.

So we have an all-round crisis with deep systemic features. It wasn't just the greed on Wall Street, although there was plenty of that. It wasn't bad decisions made by the Federal Reserve in the United States, although there were plenty of those. Those things had a logic, and the logic was linked to precisely this unsustainable pattern of global growth, which can't go on. So what do we do now, here in South Africa, facing that? One needs to say a lot more about it, but clearly, unless we begin to analyse that crisis and the one that is now enveloping us, we might live in a fool's paradise. We might, for instance, imagine that what we have to do is a bit of skills training, which we certainly need to do; get our infrastructure – our rail lines between the Mpumalanga coal fields and Richards Bay – improved, which we certainly need to do; and then wait for the next commodity boom to come around and we'll be back in business.

Surely we need also to ask ourselves what has happened? We've been through a commodity boom; we're a big commodity exporter. There's been growth, 3% and then up to 5%, and now it's washed out. That's better than nothing, obviously, and some important things have been achieved. But then again, there are in our own economy and reality deep systemic problems, and we [have to] use this challenge that we're now facing collectively to work out what it is that we've got to do together collectively,

Jeremy Cronin

communists and business people, COPE and ANC, and whatever. That's the discussion that we've got to have.

So what do we have to do? I agree with Trevor Manuel who says that we wasted the boom because we've not used that growth to address the systemic problems in our economy and our society. What are they? I think Narend, and also Bantu Holomisa, mentioned them. We've got an excessively primary-commodity, export-oriented economy, which goes back a 100 years. We've got an excessively luxury- and capital-goods import-dependent economy. Therefore we have a massive macroeconomic vulnerability; in the good times and in the bad times we have a massive current-account problem. In other words, there's a huge imbalance between what we're exporting and earning by way of foreign currency and what we import.

Specifically, we need to focus on transforming the productive economy in South Africa. I think that there have been some successes on macroeconomic policy; we've introduced a degree of stability, but we've mistaken price stability for macroeconomic stability. We need macroeconomic stability, we need strong and effective financial management of our public resources. But at the same time, we

really do need to look at making sure that our macroeconomic policies support the transformation that's required of our real economy. And our real economy needs to move away from its excessive dependence on primary-commodity exports. We need to look at our local and regional markets. We need to focus a great deal more on light manufacturing, for instance, the low end of services and agriculture, sectors that have a capacity to employ high numbers of people, particularly small farms. Those are important priorities, which I'm hearing from a number of the other political parties as well. We need to make sure that we have policies and a macroeconomic environment that support that emphasis. Very high levels of interest rates, for instance, don't support that. We might need high interest rates to guard against inflation, and inflation is a challenge. We can't just ignore it, but we can't [fight it] at the expense of crippling the ability of a variety of sectors that are much more labour intensive than the energy-intensive and capital-intensive giants that dominate our economy – the mineral-energy complex in particular, and also, increasingly, the agro-processing complex.

I agree with those, including the DA, believe it or not, who say that we need to be much tougher on competition policy and on getting rid of this collusion that exists among the





Jeremy Cronin

big private-sector players – the mining houses, the Sasols and so forth. They're crippling our economy. Sasol is charging downstream plastic producers 40% more than they're charging on the foreign market for PVCs, which are the basic component of plastics. We've really got to get tough on these characters and we need competition regulation to do that.

Protectionism is difficult in the global economy in which we live. If you're in the United States you can implement it. You can call it all kinds of things, but that's what it is. If you're in France you can implement it. As a small open economy it's difficult, but there is space within the WTO agreements for us to apply more effective protection. But without even doing that, we need to introduce a whole lot of other protective and defensive measures. For instance, there's a 60% discrepancy between what China is saying it's exporting to South Africa and what we are recording through Customs & Excise as being imported from China. And that means that the big clothing retail people are basically lying about what they're importing and the sources of their imports. We need to get much tougher and introduce other regulatory measures in order to protect clothing and textiles and other sectors. SARS has got a good name for being effective in collecting our taxes, but the

Customs & Excise side has been peculiarly weak and we really need to sharpen up on that.

There are a thousand other things that one wants to talk about, but perhaps the other critical thing is that the state is going to have to play a really important role in transforming the productive economy. It can't do it on its own, but left to itself the market is just going to continue as usual. So we need an effective state, and therefore what we are beginning to do in response to the crisis in South Africa is interesting, and quite different from what they are doing in the United States and so on. First of all, we can't afford to do that, we don't have the billions and billions to throw at the problem. What we are doing is saying that the state is not a lender of last resort, it's a producer of last resort. And perhaps – because I'm a socialist – not just of last resort, but an active producer of things. It needs also to guide and invest in the productive economy effectively, which we are seeing. And it's not accidental that, apart from agriculture, which did well in the last quarter of last year thanks to good rains, the only other sector that grew in our economy was construction. And that was because of a state-led, but not state-restrictive, massive infrastructure-construction programme, which we are committed, obviously, to continuing.



Phillip Dexter

I'd thought Jeremy would start out with this wonderful quote:

"Owners of capital will stimulate the working class to buy more and more expensive goods, houses and technology, pushing them to take more and more expensive credits until debt becomes unbearable. The unpaid debt will lead to the bankruptcy of banks which will have to be nationalised and the State will have to take the road which will eventually lead to communism." (Karl Marx 1867)

I think the sentiment is one that anybody on the left would agree with, and I must say it's a little hard for anybody who's a socialist not to be saying "I told you so" at this point. But I didn't come here to say that tonight. I think that we've got to have a debate, but if we're going to have a superficial debate that talks about whether this is the end of the world as we know it, etc – people have been doing that for 300 or 400 years. We can't have that kind of debate; we have to be really honest about the fact that despite the crisis, despite all the things that happened to us, despite all the problems that we face,

this is really what the capitalist system is about. It does this, and it does it over and over again, and nobody's really provided an answer to date as to how to deal with that. I think that that's the starting point. Nobody really knows what to do, whether they have read Karl Marx or been to the Lenin school, or whether they think privatisation is the answer. I think the problem is much more profound.

But to say that doesn't mean that there aren't things that can mitigate some of the problems that we are confronted with as a planet and as a country. I think that's one of the most interesting things because, you know, over the past 300 or 400 years the capitalist system seems to have been able to pick itself up, dust itself off and carry on again, and reinvent the same cycle of exploitation, over-production, etc, etc, and that to me seems to be the most fundamental issue. Even though I consider myself a socialist, I think that if we're really honest, we've got to have a proper debate about the nature of the crisis. I'm not sure that the notion of an indaba is what we need; it's much more of a dialogue, a national dialogue as a country. Part of the



“Let’s be frank: we’ve wasted the 15 years since 1994, in which we were supposed to deal with the structural problems of our economy. As one of those who was part of that process, I take my share of the responsibility.”

problem with that is you can’t have it on the basis of people providing populist and essentially authoritarian rhetoric in the place of real debate.

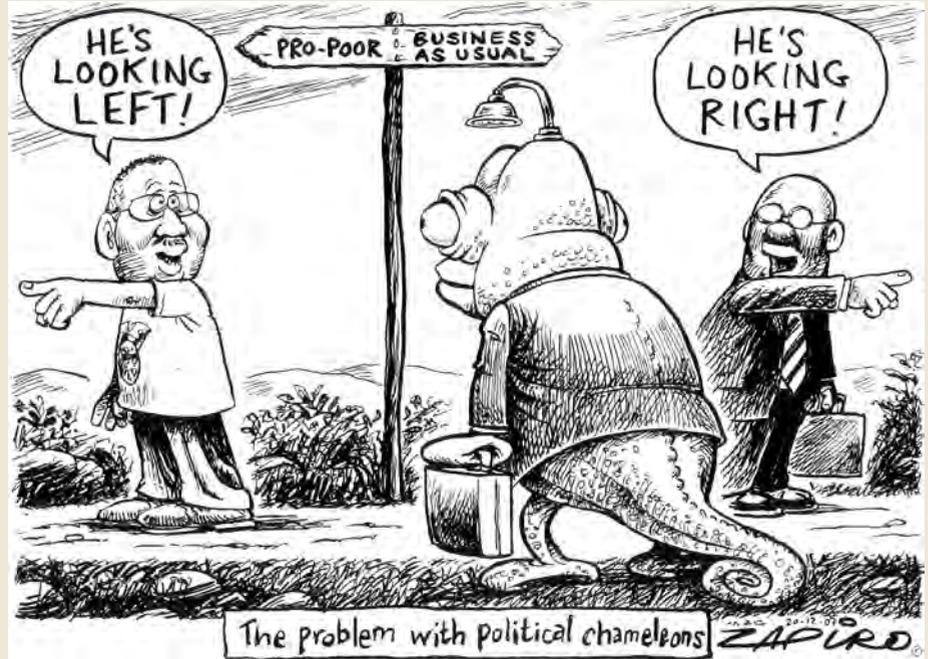
Let’s be frank: we’ve wasted the 15 years since 1994, in which we were supposed to deal with the structural problems of our economy. As one of those who was part of that process, I take my share of the responsibility. I don’t want to say that it’s the ANC’s fault or anybody else’s fault.

What can we do in the short term? That is the first important thing we have to address. There are a number of things. If we look at the nature of the crisis, and the fact that as South Africa we’ve been somewhat shielded from it, it’s quite clear that one of the reasons we were shielded is that some of the protectionist policies and conservative

macroeconomic policies that were adopted ensured that we were not affected by the worst excesses of the system. It’s an irony that we are now talking about changing those when the crisis is upon us.

We suffer from a kind of schizophrenia as a country. I buy that the crisis is going to affect us a country and we haven’t seen the worst of it. But [for centuries] the majority of South Africans have been experiencing a global financial and economic crisis; it’s nothing new. Go to the Eastern Cape, go to Limpopo, go to any rural area, go to Khayelitsha. If those people are not experiencing an economic crisis, then I don’t know what that is. So the terms of the debate have to be put into a South African context. There has been a sustained economic crisis in this country for the past 400 years.

When we liberated this country from apartheid, what did we promise to do? We said, first of all, that we would ensure that economic empowerment was made available as an opportunity to the vast majority of South Africans. In our view, as COPE, the principal route through which people will be economically empowered is through the opportunity to work. We’ve not been able to do that, and we need to ask why. One of the fundamental issues is that we haven’t





Phillip Dexter

had a culture of promoting, supporting and engendering entrepreneurship. By that I don't mean we don't have entrepreneurs – again, go to any township, go to any taxi rank, you'll see hundreds of entrepreneurs. Look at any community where they've got stokvels, local economic-development initiatives. People are involved actively in trying to ensure that they participate in the economy. Where we've failed as a state is to enable those people. We set up institutions like the Industrial Development Corporation (IDC), local economic development agencies, and so on, and they charge higher interest rates than the banks. Then you wonder why people can't make their businesses work. I don't even want to talk about the Land Bank. It's a travesty, it's a disgrace. What we have done for the past 15 years is allowed the apartheid state to remain intact and to function so that it can continue to extract the surplus from the working people of this country. And if we don't transform that, if we don't make capital available to people at drastically reduced interest rates, they will never be able to start businesses, or, if they have businesses, to grow them.

“We are not allowed to produce renewable energy in this county. It's all very well saying we want to, but why haven't we done it?”

I really am pleased that we all seem to agree what the problem is. There is a national consensus: we all know what these fundamental problems are in the economy; it's not rocket science. But why is it, if you look at the issue of climate change, that for the last 15 years we haven't tackled the coal lobby, we haven't tackled Eskom? We are not allowed to produce renewable energy in this county. It's all very well saying we want to, but why haven't we done it? It's because the monopoly that controls coal and coal mining, and that produces electricity in this country, continues to function as it has for the last 50/60 years, making energy that is expensive and dirty, and that's essentially screwing up the country – not to mention pebble-bed modular reactors and all these other whacky ideas.

So I think a lot of this is about common sense. What is a patriotic response? It's about a compact, but it's not a wishy-washy compact where business, labour and the government will meet and say we're going to do all these fantastic things, such as protecting the clothing and textile industry. It might be important to have those measures, but to think that protecting the clothing and textile industry is what is going to get us out of this hole is to be on the economic version of crack cocaine. It's a quick fix. There are some really big choices, and they are about making sure that we tackle the structure of our economy radically. I don't like the term "real economy". There's only one economy, it's all real. If you go down to Checkers you can't buy unreal baked beans, you can only buy real baked beans. If you go to the bank you can't get an unreal loan, you can only get a real loan with a real interest rate.

We've got to do some things that sound as though they are not really important, but the reality is that one way or another, we're going to have to come through this crisis and prepare ourselves for what comes next. We've got to ensure that we address the structural problems of our economy, regardless of what the future is. Whether the future is capitalist or socialist, boom or bust or whatever, if we don't have the required number of engineers we won't be able to build roads and buildings. So let's fix up the SETAs: kick out the people who don't work, get rid of the corruption and maladministration, and spend the money training people to be engineers. It's simple. The same thing applies to other sectors of the economy. Making capital available, as I've said, focusing on the poor. Why is it that we say we want to buy South African, but the economic measures we take don't really ensure that money stays in the system, and that the multiplier effect is here, within the country. We don't have to be protectionist and say we won't buy American cars, and so on. But there are ways. Interestingly, the grant system has been one of the best examples of how you do that: it's a transfer. It won't radically transform the economy, but it has helped people. But if we can do it with the grants, we can do it with everything else when it comes to government spending.

“One of the most important things we can do is have a much more sustained focus on our continent, ensuring that we use what skills and resources there are. We have to develop mutually beneficial relationships with our African partners, instead of having a quasi-imperialistic attitude of thinking ...”

I happen to have served on the board of a company that supplies cables, and this government actively made it difficult for us to buy cables from South Africa. We are not talking about protecting South African companies, making it difficult for the people from outside to come in – it was the other way around.

One of the most important things we can do is have a much more sustained focus on our continent, ensuring that we use what skills and resources there are. We have to develop mutually beneficial relationships with our African partners, instead of having a quasi-imperialistic attitude of thinking that opening a Shoprite Checkers in the Democratic Republic of Congo is going to liberate people from economic bondage. It will give them chicken at a reduced price, I'm sure, but it won't do much for the economy. How do you do that?

Make government more efficient, cut out the wastage, deal with corruption, deal with monopolies, make sure that consumers have choices. Why is it that I have a SIM card from India for a cell-phone that makes it possible for me to make cheaper phone calls from South Africa to the United States than on MTN and Vodacom? MTN charges cheaper rates in Nigeria than it does in South Africa. So those are the basic things that we need to deal with. If we do that, whatever comes next, we will be able to weather as a country.

Questions



Questions & Answers

Chairperson: *I would like to know what the various parties believe the role of the South African Reserve Bank should be, beyond what is already entrenched in the Constitution, and whether or not they see tensions between their ideas and what is in the Constitution.*

Gen Holomisa: We are told that the Reserve Bank is independent, but behind the scenes we know that the Minister of Finance and the Governor always have coffee. But I think we need to look at whether the Reserve Bank cannot target certain items for a separate interest rate. Take, for instance, property, with which people are now struggling, and the motor industry, where jobs are under threat. If, for instance, we lowered the interest rate in these areas it would make sense, because we are not a developed country. The majority of voters in this country are living in third-world conditions. Why would you operate an economy as if you were in Washington? There is a need therefore to review the role of the bank, even with respect to fighting inflation. Who told the Governor that it must be less than 5% or 6%? There's a lot we need to discuss, but it hinges on the economic policy of the country: what pillars, exactly, are we in agreement on?

Mr Singh: We believe that the independence of the Reserve Bank must be maintained. However, we were not in favour of the whole notion of inflation targeting and the inability of government to look at the inflation target set. We were going through unusual circumstances in our country; there was an economic crisis and we were still latching on to 3 – 6%. We believed if the target had been moved at that time there could have been a reduction in interest rates, and fewer people would have found themselves in the kind of position that they find themselves in now. But we firmly believe that the independence of the Reserve Bank must be maintained in future.

Mr Dexter: I'm not unhappy that the Governor of the Reserve Bank and the Minister of Finance have coffee. If they're not talking we're in trouble. I think that there's a confusion around this issue because the Reserve Bank has to remain operationally independent, otherwise it won't have any credibility. It has to be the lender of last resort. It's got a number of roles to play. But I think that what is happening at the moment is that people are trying to compensate for the weaknesses in government by asking the Reserve Bank to take up that role. That's fundamentally wrong. For instance, you can't be in a global economy and say that our Reserve Bank will operate differently from other Reserve Banks around the world, because it would simply not have any credibility and our currency would be finished. But what you can do



ANSWERS

is have government policies that cushion vulnerable people from the impact of that global reality. For example, with inflation targeting, you don't have to set the targets as low, or as ambitiously, as the government has. Interest rates are decided in the market, you can't really tamper with that, but what you can do is have policies, for example, of giving housing loans to people who are poor without charging them compound interest, of giving cheaper credit to emerging business, and so on. That's the role of government, and you can't expect the Reserve Bank to do that. Once you ask the Reserve Bank to take on the role of government, why would you need a government?

Mr Cronin: The ANC and the SACP don't have a problem with the constitutional requirement that the Reserve Bank should be independent. I agree with what Phillip, who was once in those organisations, said and learnt from them: that we need to make a distinction, perhaps, between operational independence and strategic independence. By operational independence we mean the obvious: that on the eve of an election a ruling party shouldn't have coffee with the Reserve Bank Governor and say, "Relax the interest rate in order to win us a few more votes." But clearly, and certainly in the ANC manifesto, we are saying that we do need a strategic alignment between our macroeconomic policies, and therefore also what Reserve Bank is doing, and what we're trying to do more broadly in terms of our country. For instance, we all agree, I think, that job creation is perhaps the number one priority, and unemployment the number one crisis, in our society. Therefore, insofar as one is developing policies that try to address that problem and crisis, you would expect an operationally independent Reserve Bank to have policies that are aligned.

Now, let me put my SACP cap on. There is a debate, obviously, in the ANC and across the alliance on inflation targeting, and it's not settled, so let me not pretend that I'm speaking for or against the ANC. It needs to be more than just an ANC or alliance debate, it needs to be a South African debate – part of this indaba which is not a one-off session, but a discussion and a discourse. So I'm now expressing some personal views which are not just personal. Obviously

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inflation is a serious problem, and it's the poor that suffer most. The banks also suffer from inflation, by the way. It's not good for the financial sector to have excess because it lowers their return on their loans, but that's another matter. The trouble is that macro stability needs to be broader than just price stability. Secondly, two fundamental things drive inflation in South Africa: domestic demand and imported inflation. And the instrument of interest-rate hikes is relatively effective against the former, domestic demand, and absolutely hopeless against the latter. What we've had in the last period have been pro-cyclical, rather than counter-cyclical, interventions by the bank, chugging along, aiming at inflation. But it's been inflation in which domestic demand, which was rising, began to collapse. Our exchange-rate situation meant that imported inflation was going up, and so we hit the brakes with increasing interest-rate hikes, which were pro-cyclical, rather than anti-cyclical, which is what you want the Reserve Bank to do. So we really have to debate on how to deal with the problem of inflation in ways that are not necessarily counter-productive. Even Tito Mboweni is half conceding that by saying that the target of 3 – 6% is applied flexibly. He wasn't saying that a few years ago. And he even bucked the trend with his own Monetary Policy Committee by saying that he was calling for a 2% drop.

Mr Marais: Obviously, the role of the Reserve Bank is very, very important, and we know that their mandate is managing the monetary side, and we believe that the independence of the Reserve Bank, without fear of favour or condemnation, is absolutely apparent. The whole thing about price stability depends on how the Reserve Bank is going to fulfil that duty and mandate. We support inflation targeting. But one must remember that is a target. It doesn't say that you should increase the target if you don't reach it, because if you increase it, then obviously it's much easier to reach. And then you will not reach for an even lower inflation. So it could even be lower, 2 – 5%. We also know that the role of the Reserve Bank is very important as an indicator to foreign investors: how secure are their investments, how does South Africa look after the banking system, are the bank regulations good? And that has obviously contributed to our economy not being in the same situation as, for instance, in America, because our banking system was much better regulated. We also know that the Reserve Bank must look at a situation like the deficit on the balance of payment, and how that gets funded in terms of reserves. So it's a huge role to play independently.

We also know that in any job or a task at hand, you must be pragmatic. Often the situation changes, as it has now, and we have had what we warned against last year – the 'over-kill' of a problem. We have seen what has happened with consumer demand, which has to a large



extent been over-killed. Not even the interest-rate reductions that will hopefully still come will suddenly see consumer debt increase dramatically, because I think consumers are still struggling to manage with what they've got. So the Reserve Bank must be very pragmatic in how it interacts. Most certainly its independence is secured, but we've also got a fiscal policy and a whole macroeconomic outlook, and that is what foreign investors are looking for. We need foreign direct investment (FDI), fixed investment. We need much more investment. We know what the deficit in the balance of payments is. How do we attract enough money, and how do we reduce our vulnerability to this global economic climate? In that the Reserve Bank's got a major role to play.

Mr Greyling: Certainly the mandate of the Reserve Bank should be both price stability and growth enhancement, but what we've seen from it over the past five years or so has certainly favoured the former – even when conditions have changed. What we saw when there were high fuel and food prices was a rigid application of price stability when, in fact, interest rates were blunt instruments at that time. You were, in effect, punishing the consumer for something that wasn't their fault. So I think that we need to look at flexibility in certain conditions and certain periods, but certainly, we would also protect the independence of the Reserve Bank. I think that what we are actually going to be worrying about in the future, and particularly in industrialised countries, seeing that some developed countries are now sitting at 0% interest rates, is not inflation, but deflation, which is an even worse problem. We need to look at that in the future.

MR MOKHATLA MOSIA: *I'm the Chairperson of the Khayalagunya Social Community Development. Khayalagunya is the abbreviation for Khayelitsha, Langa, Gugulethu and Nyanga. I was born in District Six in 1954, and I'm trying to figure out why my mother is still today living a life of indignity in a shack.*

MS DE JAEGER: *I actually don't have a question; I would like to congratulate this panel. I think this is the first time in South African politics that we're seeing growth in this country, and it's wonderful to be here tonight. I'm here because I am a Proudly South African that has gone and educated myself and worked in rural communities, in the cities, in technologies, and looked for solutions to grow this country into an amazing place to live. I've lived in many places and I've come to this meeting to tell you that there are a lot of people like myself out in the economy, unemployed. I'm a consultant and I haven't been employed for seven and a half years, and I have loads of information. One of the biggest things that I have to bring to our South African*

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government is a gold deed, a negotiable gold deed, and I'm wondering why as a gold-producing country we are not backing our own currency in gold. So I would like to speak to people who would like to know how we can get this gold into our country, because it's worth billions.

Ms Linda Ensor: (Business Day) *We've had so many examples of failed parastatals, corruption, lack of capacity. Theoretically a developmental state might be a good idea, but practically, and with our particular deficiencies or constraints, is it a realistic option?*

Mr Greyling: I think the concept of the developmental state has its origins back in the '60s or so. If you've looked at countries like South Korea and some of the newly emerging economies in South East Asia, you've seen developmental states working in concert with business to grow their economies, and that works very, very well. But, as you rightly say, you need a lot of capacity in the state. I think that the concept has been redefined. But it's not just about the state apparatus – putting the conditions there and working with business to grow your economy. In fact, what they're looking at now is partnerships with communities and civil society as well as business. And where you lack the capacity in the state, you need to make up for it with the capacity that does exist. There's a lot of a latent capacity within communities, and we are not building upon that at the moment. If we can find ways of unlocking it, such as through the people's housing programme – which answers the question on housing as well, then we can start to mobilise all communities and the whole of South Africa around a certain vision of economic growth. We would certainly support that.

Mr Marais: It is obviously a shame that your mother is still in a shack. It's very easy for me to say that housing is a national function, and so also a result of how much money is being made available. And we are in a specific economic crisis, so money is not that readily available. But we know that there could be more efficiency in terms of housing. I've seen so many houses that are not worth the bricks used, in terms of poor quality. So somewhere along the line government will have to see what is dignified for people out there in terms of houses. But there must be specific partnerships if we want to increase housing.

In terms of the second comment, the one resource South Africa has is labour. But there is a huge number of unemployable people. Obviously, you need to up-skill people; you need to use programmes such as the extended public-works programme to prepare them for permanent jobs.



In terms of the developmental state, one must look at the definition. What is the definition of the people who tend to talk about it a lot in Parliament? I get the impression it is most certainly not the classic example of a developmental state, as happened in countries such as Japan, Korea and Taiwan. The more definitions you attach to "developmental state", the more difficult the whole debate becomes. I think one must try sort that out.

Mr Cronin: I think it's a very important discussion. I think the notion of a developmental state has become a unifying thing within the ANC alliance since around 2000/2001. It was a reaction to the Washington Consensus line which is that the markets rule – the markets know best, the markets know how to do things. The state really has to be, at best, a market-friendly macroeconomic boss boy; just making sure there's an investor-friendly climate for the markets to operate. I think that what we said was: but that isn't how things have worked in many, many developing countries, and Japan and South Korea and so on were examples. They weren't particularly attractive examples to a South African because they were, by and large, rather authoritarian. Also there was in those developmental states a very cosy relationship between an emerging or war-torn and war-undermined national bourgeoisie and a bureaucratic stratum, the state. In South Africa we've had a very powerful and dominant bourgeoisie for 100 years. But we used the notion of a developmental state to say that we can't just kind of tweak the macroeconomics. The state has a huge responsibility for development, and I think Mayor Zille in Cape Town agrees as well. The wonderful thing she's doing with the Bus Rapid Transit system, following Mayor Amos Masondo in Joburg, and so on – those are examples of a developmental state, intervening actively, but yes, working with partners. In our case, the partners have to be not just business, as in Japan and South Korea, but working people, unemployed people, communities and so on. I think there are wonderful examples, often half-cocked and not perfect, like a wonderful Community Policing Forum in my constituency, where they're helping the police to do their job because the police on their own are stretched in terms of resources.

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So for us the developmental state is one that intervenes actively in the economy, and has a powerful parastatal sector. So we're not going to agree that privatisation is leading growth. What's left of the growth in our economy has been the parastatal sector, with all of its weaknesses and challenges. How can we have a developmental state unless we build the capacity of the state? We can't afford not to have an effective developmental state, obviously working with a wide range of partners.

Gen Holomisa: It's true that there have been huge housing backlogs, especially here in the Western Cape. Some of us have been visiting people in the squatter camp along the N2 since the '80s. So there is a need for the acceleration of the housing here, but I've noticed that the politics between the ruling party and the DA tend to delay progress. One will accuse local government, the other accuse provincial and national government, and then you don't get any progress.

As far as a developmental state is concerned, we can come up with all these nice concepts, but if at the end of the day if we don't have properly trained drivers for them, we will struggle to measure their success. I hope that after next year's election, the period of rewarding and compensating the comrades will come to an end, and we will begin to appoint people on merit across South Africa, and not just confine ourselves to one political party.

Mr Singh: We recognise the imperatives that drive our need to be a developmental state. But let's just give you one failed example by government, the land-reform programme. Beautiful programme: we need to redress the challenges of the past. But what has happened? People have been put back on land that was taken away from them many, many years ago, but they've been put into poverty traps. There hasn't been enough support from government, so how can we talk about a developmental state when we have structural deficiencies in the way we implement some of these policies? As far as the IFP is concerned, South Africa has enough money, if not enough to meet all the needs of all the people, but are we getting value for money? I'm sure if they had better contractors and better businessmen running the housing projects, and not just people running away with the money, and people who build a house worth R20 000 and get paid R40 000 by some government officials, then your mom would have had a house. So it's about the ability of the government to implement programmes, to have an administration



that is capable of delivering on the policies adopted and agreed to by the politicians. That's where we are lacking.

Mr Dexter: I think that the notion of a developmental state is fudge. It's an outdated concept, and it's a word that we're trying to use to do something else. It was essentially a right-wing economic and political concept used to try to develop states as a buffer against the communist expansion, primarily in South East Asia. What scares me is that I think that the ANC is flirting with the same populism and authoritarianism, with notions of centralising powers and super-ministries, when we should be going the other way. The way we will drive development is to have strong local government and put resources down where the people are. You can't run housing from Pretoria; you can't run an ambulance service in Worcester from Wale Street. You've got to put those resources where the people are, and that's when the state will be developmental, because that's where the citizens are. So this tendency to go inwards – centralise – and upwards is very, very scary. Secondly, the participation of citizens in the life of the polity, whether it's in Community Policing Forums or elsewhere, isn't a developmental issue; it's their duty. It's people's civic duty. It's not really going to enhance development in any way. That is the least responsibility that citizens have in between voting for people who are going to represent them in government, and therein lies the real problem.

Our electoral system is unresponsive to what people want. They want to be able to elect representatives they can hold accountable and the current electoral system doesn't allow that. You have to put pressure into the democratic system that stops complacency, and that goes from ministers – and if you have super-ministers they'll be just as complacent, probably more complacent – through MPs all the way down to civil servants. I went to Chris Hani Memorial Hospital a little while ago. It's an utter disgrace to the name of Chris Hani, first of all, but also to the people who live there. I was told that it's dirty because there's a skills problem. What skills problem is there to cleaning a hospital? We must stop talking nonsense. People must do their jobs. We don't need to make up big words for really common-sense things.

The role of the state is to ensure that our society is governed properly, and that people are held accountable, and that laws are obeyed, and all of those things are done to create an environment within which economic development can take place. And the government has to

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do that in partnership with business and labour, and with communities. On the gold deed – I'm very worried, it sounds like a derivative, and in the global crisis we don't want more derivatives. Sorry about that.

Mr Mpumelelo Mkhabela: *(Sunday Times)* I'm interested in the issue of monopolies and the role of the state and the private sector as far as prices are concerned. Jeremy, the Communist Party has a campaign for re-nationalising Sasol and Mittal – it was Iscor before it was bought by Mittal Steel. One of the reasons is that Mittal is charging parity prices, but Phillip also raised the issue of MTN, which is a private company, charging what amounts basically to parity prices, or worse prices than they're charging in Nigeria. And you also have companies like Spoornet, which basically don't have competition, also being accused of charging high prices because they have a monopoly. Telkom faces the same charges; the state has a bigger stake in Telkom. What then is the solution? Should a company be owned by the private sector or should it be owned by the state? What determines the price?

Mr Donwald Pressley: *(Business Report)* I attended Gwede Mantashe's address to the ANC's financial arm recently. He was confronted by ANC members who are particularly disturbed by ANC trade policies, which are leading to people losing jobs in the thousands because a country like China, with a communist government, has workforces who are paid next to nothing and so it can export quantities of goods to South Africa and everywhere else at ridiculously low prices. How can we deal with this? I think these questions are more fundamental than America bailing out banks, because these are key structural, systemic problems, that affect us more directly.

Ms Bregje Piper: I work for a big corporate as an economist. I would like to bring an issue to the table that was mentioned by several panellists, namely the issue of FDI. The first part of question is for the IFP. Attracting FDI is a central point in your economic policy; do you think this is relevant in the current economic crisis, where the first thing investors do is pull out of emerging markets? The second part of the question has to do with perception. Perception is the biggest coefficient, so it has the biggest effect on FDI in South Africa. My question is, firstly, for Jeremy: how do you think the current maybe not-so-thought-through statements of the ANC leaders have affected this confidence from foreign direct investors? The third part of the question is for Phillip Dexter from COPE. You were talking about a more developmental relationship with the African region; does it also mean that you're going to encourage outward FDI into the African region?



Mr Cronin: A number of the questions were useful, because they also enable me to answer Phillip's thrust. Absolutely, we don't want an over-centralised, over-bureaucratic, top-heavy developmental state; clearly it's about devolution. We've just passed important legislation which says you can't run public transport sitting in Pretoria. You've got to devolve that function to the City of Cape Town. You've got to make sure the subsidies, the regulation and the planning functions are located where they belong. So you're integrating. I don't have a problem with that, but at the same time you do need a strong central state. Otherwise, how do you begin to answer the questions that I've been asked, such as what do you do about huge monopolies, whether private or public? Clearly we have to get a regulatory handle on both the private and the public monopolies, and none are immune. So it's very important to look at Spoornet, for instance, or Mittal. If I were wearing my SACP cap, which I'm not, I would defend the re-nationalisation of those entities. The ANC's position is not to re-nationalise them. But jobs and job-creation possibilities are being crippled, all the entrepreneurial things that Phillip was quite rightly talking about, and others have talked about, those things are being starved out of existence, not just by bad policies or poor government, but also by the monopoly domination of public as well as private entities. For me, that's not about selling off the public entity, I think that would be another mistake, but making sure that their role is developmental. Transnet and Spoornet, or what is now called Transnet Freight Rail, is not just about getting coal quickly out to Richard's Bay. That's important, but it's also about ensuring that the rural and branch lines are opened up, and if Spoornet can't do it, then it should be opened up to private-sector players.

What do I think the statements of some ANC leaders will do for FDI? FDI is important and obviously we do need to attract it, but at the same time, you know, there are a lot of myths about what attracts FDI and what doesn't. When we first came back from exile and being banned and underground and so on, we were told we couldn't have a communist party in South Africa, we wouldn't get FDI. Chris Hani used to say: "Well, why does China, which is ostensibly ruled by something that calls itself a communist party – whether it is, is another matter – seem to be attracting abundant FDI?" So I think there are a lot of myths. But the short answer is that I think, personally, that there have been some very unwise statements, which we've censured as the ANC. There are some serial offenders who are problematic, and it is a challenge, but at the same time the challenge is not primarily about whether it's going to frighten FDI or not. It's just wrong that some things are said; it's a patriotic reason.

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I wasn't sure if this was a question or if Donwald was just remarking on the irony of things, but yes, what do we do about the China/South Africa relationship? What we shouldn't try to do, is to try to out-compete the Chinese in terms of a low-wage economy, because we will never win that battle. And if we start to beat the Chinese, then the Vietnamese will out-compete us, or someone will. So we've got to go for decent jobs, as we are saying. We need to look at our comparative advantages. One of them is that you can't import everything from China. You probably can import clothes a whole lot cheaper than you can produce them in South Africa, but there's housing, there's infrastructure, there are a whole range of things, and there's a regional market.

I would also like to answer the question about South African FDI going into our region. It's critical, but not exploitative FDI. That's the danger, because there is FDI going from South Africa that plays a sub-imperial role, which then undermines us as South Africans. What we need to do is to create a robust regional market and South markets.

Mr Singh: Is FDI relevant? Yes, absolutely yes, but government needs to create a conducive climate for foreign and local businesses to operate, and that climate can be providing infrastructure, providing electricity, providing water, creating a political climate that's free from tensions, and things like that. FDI we need, but I think it's also got to be matched with job creation. I know of a company in an area that I come from where hundreds and hundreds of millions of rand were invested and they've created 11 jobs, and they work two shifts. That's not going to help South Africa. So I think, as a government, we also have to be mindful of the fact that FDI in the industrial sector has to have the element of job creation with it.

As far as the state-owned enterprises are concerned, I think we need to re-look and re-visit. It must be one of the agenda topics at this indaba, this meeting of minds, whatever you want to call it. I think we really need to look at all our state-owned enterprises, and see whether they're functioning.

In conclusion, we want to support the meeting of minds, of all political parties, including the private sector and the civil sector, because we would like one day to say we were politically emancipated, and now South Africa is economically emancipated, and all its people enjoy the fruits of the hard-fought struggles pre-1994. That takes us into a post-1994 manna from heaven.



Phillip Dexter COPE

Mr Dexter: I think we are concerned not with scaring FDI away, but more about scaring local capital away with some of the utterances of political leaders in recent times. And I think it's not something we should make light of. Some of the statements are utterly outrageous and they do make people concerned about the future. But in terms of more development in Africa and outward investment, absolutely. Investment into another country isn't money lost to your economy, particularly if one considers the trading relationships, and where the returns on those investments go. Investing in Africa doesn't mean losing out. On the contrary, it is developmental if we're investing, particularly, in those sectors where jobs are created – where it's not about more supermarkets, where you're just exporting stuff to sell, but about developing mining, tourism, services, energy and all those things that the African continent needs. The more we do that, the bigger the market there is for us, and the reciprocity is obvious.

Gen Holomisa: The economic landscape in this country is not changing at all; even the celebrated BEE transactions we have witnessed fall short when it comes to ownership. There is therefore a need for all South Africans to converge and identify inherent defects in our current economic set-up, and come up with remedial solutions. We cannot again allow one party to come up with another model for another 15 years, and then again, when that term is about to end, another group overthrows that one, and says they are going to solve the economic problem of this country. We must swallow our pride. Let us have a big indaba with all the stakeholders, and then agree on what kind of economic systems we are going to follow, putting the interests of South Africans first.

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Mr Cronin: I have been encouraged by this evening's discussion and I hope that other participants have as well, and that there's a real dialogue across political parties. There needs to be. Certainly, from the ANC side, we are not approaching the future arrogantly. The key priorities, I think we all agree, are decent jobs, sustainable livelihoods, transforming the health-care sector, education and rural development. The bad news is that the criminal justice system is so bad, the good news is that actually it doesn't take rocket science – to borrow Phillip's metaphor – to put it right. And that is again where we need an effective co-ordinated state. The different components of the criminal justice system are not talking to each other at all. It's not a question of beginning again or knocking out one bunch of people, but of learning the lessons of the past 15 years, with the experience that we've had. Certainly, as the ANC, we are convinced that we've learnt lessons. We are proud of the things that we've done, but we also know that there many, many big challenges, not least on the economic front, not least with the global crisis confronting us. And we're going to need a strong government, not a coalition, cobbled-together government. And we will have a strong, majority-supported government that will enable us, as South Africans, to confront the big, big challenges we've got.

Mr Greyling: Let me tackle a few issues here. I think that local investment is more important than FDI, because that tends to follow what local investors are doing. Over the past ten years, in fact, our local businesses have not been investing enough in this economy. So we need to address those concerns. I find that FDI tends to gravitate towards countries that have high economic growth. So if you can stimulate your economy and create opportunities, FDI will come. And there are a number of things you have to do in that regard.

On the issue of privatisation and nationalisation, let me illustrate by an example of how not to do it: Telkom. Essentially, what you did with Telkom was semi-privatise it, but kept it as a monopoly. So you delivered monopoly profits to a private entity, which was also foreign. And so we had the worst of all worlds, and that's clearly not the way to go about it. There are obviously some concerns about who owns the entity, but I think what is more important for us is creating markets within this, delivering services as efficiently as possible. Therefore we think we need more competition in a lot of these sectors where currently the state has complete control. And



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“One is that integrated energy planning now seems to be given solely to Eskom, which is completely wrong. This is putting the mouse in charge of the cheese.”

when we have a governance failure, as we saw in Eskom, the whole country suffers. There’s no one else to come in and provide a solution. The Department of Minerals and Energy seems to be passing a lot of regulations during this election period, so we don’t actually get to see them. One is that integrated energy planning now seems to be given solely to Eskom, which is completely wrong. This is putting the mouse in charge of the cheese. It really is not the way to go about it. What we need to do is open up the energy market, and we need to look at the opportunities involved in that. And we’ve got to get beyond the rhetoric. The rhetoric was 1 million solar water heaters within three years. We’ve delivered 1 200 solar water heaters in one year, so clearly we are not reaching it.

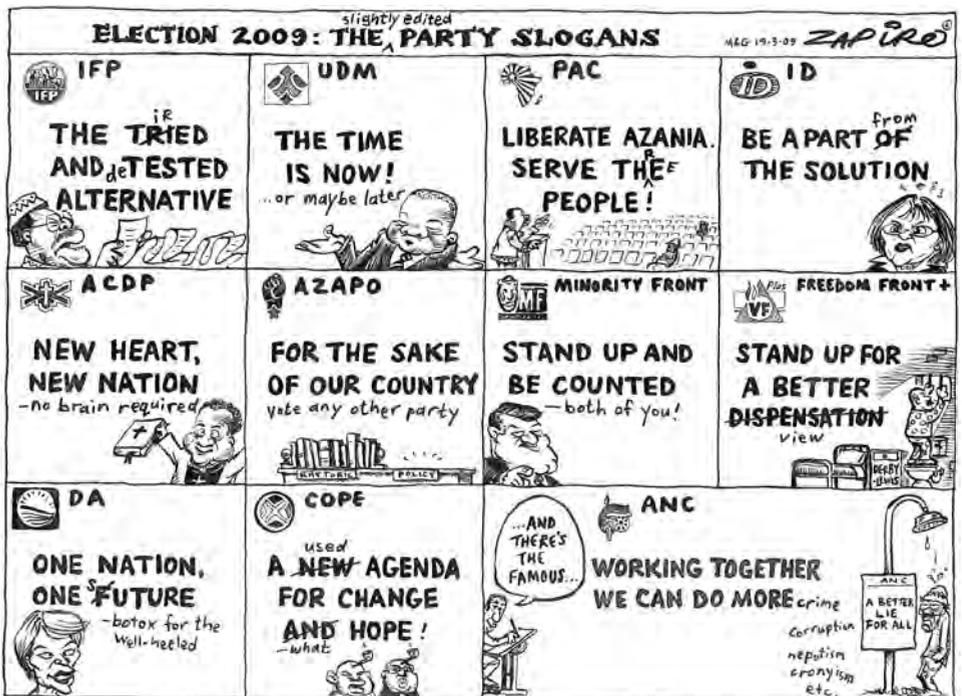
What this speaks to is the problem of a co-ordinated approach in government. If we set ourselves goals, if we say we’re going to stimulate industries, we need a co-ordinated approach, with a certain champion, and we can drive it through our economy. This is vitally important, and I think that all of this also speaks to the need for an industrial policy. We’re going to get out-competed by China, but there are comparative advantages we can exploit. But we need to be ahead of the technology curve. We must look at what we can compete in now, and where

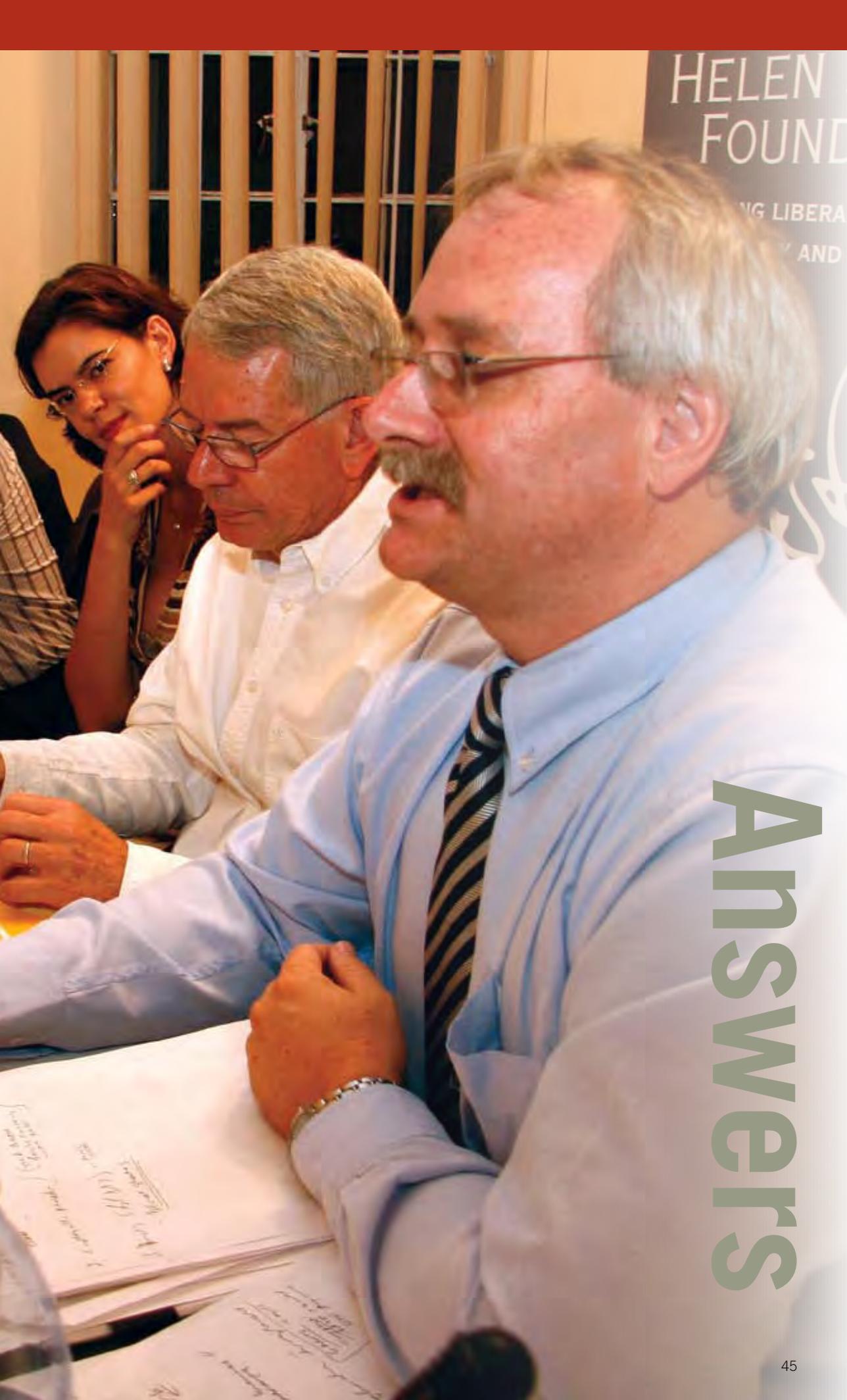
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the world is moving over the next 20 years. And in a carbon-constrained world, that clearly is renewable energy. We have the potential to be world leaders in that, but we have to have the vision, and we have to have the drive.

Mr Marais: I'm going to end off by responding to two of the questions. The one on FDI is incredibly important; it's something that I've felt very, very strongly about. To look at the justification for [the importance of] FDI, one must look at the current account deficit, and how that is funded, which is predominantly by portfolio investment. Obviously that makes us incredibly vulnerable. We have seen how foreigners have, with just a flick of the finger, drawn their money out of the country, and it can put us in a devastating position. FDI is permanent, so obviously we must develop a policy to get foreign currency that is of a permanent nature, and we know that will have an incredible effect on alleviating the pressure on our deficit. The second thing about FDI is that there must be an approach and a strategy to attract it, specifically for labour-intensive and export-oriented businesses. In that case you will employ people, and by exporting you will earn foreign currency, which, again, is what you need to fund the deficit on the balance of payment. Yes, dividends will flow out of the country, but we believe that attracting enough FDI will outweigh the negatives of that by far. In terms of FDI into Africa, most certainly. Whether Mr Dexter likes it or not, Shoprite is doing excellent work, and there are many others. In terms of the role of the private sector, the only examples one can use to justify its strong involvement are South African Airways and Eskom. Currently South African Airways is a financial disaster at the expense of the taxpayer. It might be a strategic asset, but one must really ask to what extent it is sustainable, and to what extent the taxpayer can keep on footing the bill. I'm very proud of it, I always fly South African Airways, but at what cost? Can we afford to do that?

The private sector must be given an opportunity to operate in a supply-and-demand environment. There must be as much competition as possible. We must support that as far as possible; if you have more companies, you broaden the tax base. It is only business that can really create jobs, and it's business that can be efficient, and there are many examples. Its not necessary for government to manage ports and build roads and things like that. There you need the private sector, which has proved over and over that they are doing it more efficiently and more profitably.





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BUSINESS DAY

Thursday, January 15 2009

Fixing Parliament

PARLIAMENT is the embodiment of our democracy. Therefore the health of the national legislature is a critical barometer of the state we are in as a nation. Instead of the usual self-congratulatory praise for the quality of our constitution and Parliament, the brutally honest assessment this week by a group of 11 eminent persons is a breath of fresh air. The panel not only identifies critical problems and failures in our politics, but makes specific recommendations on how to fix them.

Perhaps the most important issue identified is the strangling of political parties have on MPs as a result of the proportional representation (PR) list system. This is because, under the current system, if an MP clashes with party bosses and is expelled from the party, he or she would automatically lose their seat.

Nothing better illustrates the problem than the recent passing of legislation scrapping the Scorpions. While many ANC MPs privately acknowledged that it was a mistake, in the end they voted massively for the measure.

That many of the party bosses are also cabinet ministers makes the problem still worse. If even half of the 400 MPs elected to the National Assembly were beholden not to party bosses but to a specific constituency of voters it would be a significant step in the right direction. The recommendation of the panel that the electoral system combine both PR and constituencies is of critical importance to entrenching the independence of Parliament and reinforcing the separation of powers in SA.

The Travelgate scandal, where more than 20 MPs admitted defrauding Parliament of millions of rand, has long left a sour taste

and tainted Parliament's image. That these MPs remain members because they were sentenced to fines and not imprisonment only makes it worse. The recommendation by the panel that any MP found guilty of crimes such as fraud and corruption be excluded from Parliament is a good one.

The recommendation that Parliament support a call for a commission of inquiry into the arms deal another festering sore in our politics and governance — is also welcome. It will not go away without action.

The panel's observations about the resources that go into so-called constituency offices, when there are no constituencies, is also significant. These offices, funded by the taxpayer to the tune of thousands each month, are often just party political campaign offices in disguise, particularly at election time. Clear lines of accountability are called for.

Many of the recommendations are not new. For example, the Van Zyl Slabbert commission recommended changes to the electoral system of the legacy of the old. It will be a critical test of the new Parliament and the new government whether they take on board the recommendations of the panel, which are urgently needed.

It is highly commendable that Parliament itself invited this critique of its efficacy. National Assembly Speaker Gwen Mahlangu-Nkabinde has promised that the report will go to the new Parliament after the elections as part of the legacy of the old. It will be a critical test of the new Parliament and the new government whether they take on board the recommendations of the panel, which are urgently needed.

Mind the gap

NOBEL prize-winning economist Amartya Sen has spoken of how Calcutta, which is one of the world's poorest cities, has one of the world's lowest crime rates. That tends to counter the notion, widely held in SA, that poverty is the leading cause of our crime problem.

There clearly are countries where poverty is far worse than it is in SA — so poverty alone can't explain our social problems.

Where SA is distinctive, though, is in how unequal is its income distribution. And inequality may well be the explanation for some of the deep and violent social divides in South African society, because the have-nots feel so deprived relative to the haves.

And the trouble is that not only is SA's inequality ratio — measured by the Gini coefficient — one of the world's highest, but it has been rising quite rapidly. New research from Unisa's Bureau for Market Research shows that the Gini rose to 0.67 last year from 0.66 in 2007, and about 0.6 before 1994. That's somewhat better than

the 0.73 shown in Statistics SA's 2005-06 survey of income and expenditure. But even the most unequal Latin American countries have coefficients that are in the high 0.5 range.

SA is not alone in seeing inequality rise as economic growth takes off. Many other emerging markets, China among them, have had the same experience. And in SA the trend is not really sinister, since it reflects the huge expansion of the black middle class and the way the skills shortage has driven up pay at the top end.

Tackling inequality directly is quite difficult. It's no good trying to put the lid on executive pay or the incomes of the rich because that would have undesirable economic consequences, driving away skills and investment. So that leaves tackling poverty as the best way of addressing inequality. SA's social grants system, which now covers 12.4-million people, has had a significant impact in reducing poverty and inequality. What would really help now would be to cut unemployment.

My position on this was reinforced after reading the 2009 election manifesto of the ruling party, ostensibly the most important of a deluge of manifestos which are about to rain on South Africans as we enter manifesto season.

Despite my training in "chewing through" difficult documents, I found the African National Congress (ANC) manifesto long and complex. A document of 16 and a half pages, it contains seven bullet points outlining what the ANC "has always stood for"; six bullets containing the principles of its

THE biggest problem with the National Congress of the ANC's election manifesto is not that it makes costly new promises, nor that it seeks to replace good economic policies with bad ones; the biggest problem is that while it includes a lot of good things, it falls short of including the tools that might enable the ANC to achieve its objectives.

With economic growth expected to slow sharply this year, it's easy enough to make a case for more state spending to boost the economy. But the manifesto doesn't make that many concrete spending promises — items such as increasing no-fee schools to 60% and raising the age for the child-support grant are already in the budget figures, while others are hard to cost without clarity on what exactly is involved.

The ANC's promise of national health insurance, for example, was already in the 2004 manifesto and is in this one again. No doubt it will be in the next one too. Like the social security system, the government plans (and this manifesto promises) to introduce, it could be costly, and the complex details may take years to work out.

Even if the manifesto's "populism" is not in its spending plans, many perceive it to be in its generally more statist thrust, with the idea of a developmental state and promises such as "state-led industrial policy" taking centre stage. Not that SA doesn't have a fair industrial policy state already. Or as if changes on the economic policy front aren't needed.

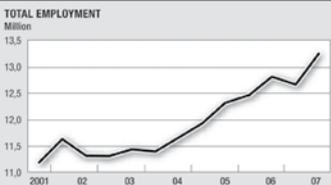
In retrospect, the 2% annual growth rate that seemed so great for the four years it lasted was in fact a squandering of one of the greatest commodity booms in history. Now that it's over, it's time to look hard not just at why SA's export sectors failed to take off as they should have, but also at what to do about the downturn, whose full horror SA has yet to feel.

The state will clearly have to play a leading role in cushioning the effects and in planning ahead to try to ensure SA can take full advantage when the eyes do dry. But what kind of state? And what kind of role? The manifesto

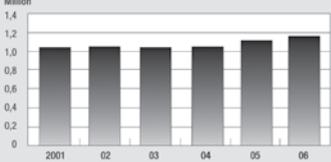
ANC ELECTION MANIFESTO/Hilary Joffe

The hole at the heart of a promising document

STATE OF EMPLOYMENT



NUMBER OF PUBLIC SERVICE WORKERS



is quite good at identifying where government policy has failed and it zeroes in on the priority areas in need of action: work, education, health, rural development and crime. It contains many sensible proposals, even if not many are new. It recognises that the quality of public servants is crucial to effective action, and it promises that the "developmental state" will invest in public sector workers and will expect them to do their jobs properly, and take action if they don't. That's important, given that the developmental state is no use unless it is a capable state.

But even if one has enough irrational optimism to believe that the new government can bring about a step change in the quality of the public service, the manifesto still reflects a naive faith in just how much the state itself can do — and, conversely, a reluctance to engage seriously with the factors that constrain the private sector. That is most evident in its promise to create "more jobs, decent work and sustainable livelihoods".

From 2002 to 2007, the economy created a net 1.9-million new jobs. Of those, 1.7-million, or nearly 90%, were in the private sector. And though public sector employment has started to rise, the private sector is still the largest employer by far. Yet the manifesto contains few references to what the ANC will do to help create an environment that encourages job creation by the private sector — or at least prevents job destruction as the downturn deepens.

But there is potentially plenty of significance to the emphasis on jobs. The manifesto makes "the creation of decent work opportunities and sustainable livelihoods the primary focus of our economic policies". That focus should provide a yardstick by which to judge economic policy interventions in the next few years. And decent work and sustainable livelihoods, in the International Labour

Organization definition, are as much about the conditions under which working people live, their cost of living and the protections available to them as they are about work itself. Much of that is for the state to do.

But the manifesto puts the state at the centre of its proposals for creating jobs too: "State-led industrial policy" is going to do the trick of transforming the economy, even though such policy has been debated for years and there is as yet almost nothing to show for the Industrial Policy Action Plan the government approved in August 2007. The promise to expand the public infrastructure investment programme has more potential for job creation, but the government may be constrained there by both finance and capacity in how much more it can do. Stepping up the public works programme, as the manifesto promises, will help cut unemployment but these are hardly "decent" or permanent jobs.

The manifesto does mention measures to promote mining, agriculture, tourism and other sectors without details of any sort; it mentions, too, though only in passing, that it will create an environment for more labour-intensive production methods. But far more space is devoted to the need to regulate contract work and labour brokers. And this, more than anything, captures the reluctance to tackle the thorny issues that may affect the private sector's propensity to create jobs. Labour market flexibility is not up for discussion — the ANC would clearly rather regulate labour brokers than talk about the regulatory complexities that have helped to drive the growth of brokers. There's no mention either of addressing other regulatory complications and inefficiencies that frequently put the lid on projects.

While the UK and US have introduced tax credits and wage subsidies to give businesses incentives to hold on to workers and hire more, none of that seems to be on the agenda here. And as long as the ANC continues to shy to talk about doing what it takes to help business create decent work, it's denying itself the tools to deliver on this promise.

■ Joffe is senior associate editor.

ELECTION SEASON/Tinyiko Sam Maluleke

Much ado about manifestos

SOMEWHERE in his hilarious book, *Some of My Best Friends are White*, Ndumiso Ngobho discloses his voting preference since the day of coming of voting age. Four out of six voting opportunities he voted for the same party; for the other two he did not vote for a defined party. On the day he had to choose between drinking and voting, "the beer won hands down". The nub of his piece suggests that voting tends to be more a function of habit and history than of discernment and the study of manifestos.

One may not be a beer lover to see reason in Ngobho's submission. Election manifestos are overrated. My position on this was reinforced after reading the 2009 election manifesto of the ruling party, ostensibly the most important of a deluge of manifestos which are about to rain on South Africans as we enter manifesto season.

Despite my training in "chewing through" difficult documents, I found the African National Congress (ANC) manifesto long and complex. A document of 16

political programme: five priority areas for the next five years; 16 bulky bullet points under the "decent jobs and sustainable livelihoods" section; 16 paragraphs on the "critical steps in the food security section; nine paragraphs on what will be done for rural development — and on it goes. Surely, no voter is expected to remember, let alone understand all these. Spare a thought for the South African voter — she is about to be assaulted with more political manifestos of similar inclinations and sizes.

People tend to decide who or what they will vote for before and not after reading the manifesto. They may help voters explain their choices as and when the need for explanation arises. But they seldom persuade voters. At best, we must see election manifestos as one of several factors that influence people's voting choices — peer and tribal included among the factors.

The ability of an election manifesto to invoke as many of the other factors that influence people's voting tastes as possible is key to its impact. The challenge facing manifesto writers is that, in any

election, not all voters can simply be taken as captured and not all voters are simply there for the taking. Manifestos are especially important for first-time or new voters, the undecided, the hard-to-please and the reluctant voter. These are the categories of voters whom election manifestos should target especially. Sadly, they are the ones who are often missed.

Below are a few factors for election manifesto writers to take into account: First, voting is one of the most selfish and secretive acts in the life of an adult. Therefore the most important motive in voting is the "what's in it for me?" (WIIFM) factor at its most basic level. It is not grand ideas about visions, histories and ideologies that move people at the polling booth. It's the WIIFM factor, stupid!

Second, humans are creatures of habit. If they can make it on time to the polling booths, they are likely to vote the same way they voted last time. Election manifesto writers must therefore produce manifestos that either nurture or break habits — a tall order.

Third, no voter wants to waste their vote. Those people who can survive the long queues and the incompetent election officers tend

to vote not necessarily for the most intelligent guy, but for the party they think most likely to win.

Fourth, history can be an important factor for first-time or new voters, the undecided, the hard-to-please and the reluctant voter. These are the categories of voters whom election manifestos should target especially. Sadly, they are the ones who are often missed.

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■ Prof Maluleke is executive director for research at Unisa.

Party manifestos offer familiar mix

IFP, UDM and COPE promise they will reinstate Scorpions, fight graft, protect judiciary and create jobs

Lughert Chilwane
and Hajra Omarjee

THERE was not much difference between the election manifestos unveiled by three of the main major opposition political parties at the weekend.

The Inkatha Freedom Party (IFP), United Democratic Movement (UDM) and Congress of the People (COPE) all promised to reinstate the Scorpions, reform electoral system, fight corruption, protect the independence of the judiciary and create jobs if voted into power.

Much like the ruling African National Congress (ANC), addressing poverty, unemployment, crime, corruption, education and health are high on the agendas of all three opposition parties for the next five years.

The IFP, UDM and COPE are expected to challenge the ANC's control in all provinces.

While COPE is the new kid on the block, the IFP and UDM have a long track record.

UDM leader Bantu Holomisa said: "When you are standing in the voting booth the issue of trust should be foremost in your mind. That will be your opportunity to answer such questions as can we trust them to create jobs, after they have failed for 15 years?"

"Can we trust them to be custodians of the judiciary, when they attack judges? Can we trust them to fight crime when their leaders are dodging their day in court?"

The UDM drew only 3 000 supporters to its plush Nasrec conference venue in Johannesburg, but more than 10 000 people turned out to hear IFP leader Mangosuthu Buthelezi speak in Soweto.

Much was made of the ANC's election manifesto launch in the East London this month, which drew more than 80 000 people. COPE hopes to win control of Eastern Cape, and showed considerable support at the launch of its



More than 10 000 people arrived to hear IFP leader Mangosuthu Buthelezi speak in Soweto at the weekend.

Picture: TYRONE ARTHUR

election manifesto.

About 30 000 people rallied to support COPE, at its election manifesto launch in Port Elizabeth on Saturday.

In an apparent reference to ANC president Jacob Zuma's legal woes, COPE president Mosiuoa Lekota promised the new party would defend the independence and integrity of the judiciary.

"None of us should be allowed

to question verdicts of our courts without proper foundation and in a manner that undermines the authority and dignity of judiciary," Lekota said.

Zuma's corruption charges are a campaign ticket for opposition political parties.

Buthelezi argued that SA was facing a leadership crisis.

"The country was morally bankrupt. We need to bring about

a change in leadership, which shifts the moral bases of this country from those who are greedy, incompetent and corrupt, to those who have commitment, competence and integrity," he said.

COPE, the IFP and the UDM also tried to woo people who depend on the social grant system.

While COPE wants an integrated system, the UDM advocated the basic income grant.

The IFP said it would increase payouts to pensioners and children. COPE, the IFP and the UDM strongly criticised the ANC's axing of former president Thabo Mbeki. That move is understood to be spurring the call for the change in the electoral system. The president is not directly elected.

The IFP also came out strongly on HIV/AIDS, calling it a national emergency.

Media coverage

BUSINESSDAY

Wednesday, January 28 2009

Missed opportunity

THERE are many good things about the election manifesto the Congress of the People (COPE) unveiled at the weekend. Yet we can't help feeling COPE has missed an opportunity to make a much crisper and stronger statement of what it's really campaigning for – and what kind of opposition party it really wants to be.

The manifesto is, of course, similar to that of the African National Congress (ANC) and it's not surprising there have been media mutters about a "cut and paste" job. But that's not altogether justified. COPE has never pretended its policies would be very different from the ANC's.

Although one has to look carefully for the subtleties and nuances, COPE's version is often better. Its economic policy prescriptions resemble the ANC's rather closely, but there seems to be a willingness to tackle issues of competitiveness. For example, "productivity" is never mentioned by the ANC but it is by COPE, which also shows an interest in reducing red tape and promoting entrepreneurship, even though it

is just as protective of existing labour rights as the ANC ever was.

That's not the only disappointment. COPE seems to have retreated from its earlier approach to black economic empowerment and affirmative action.

The manifesto is at its strongest, and most original, on democracy and clean government – the issues COPE has made its own. It promises "leaders who are honest servants of the people", who must declare their assets and tax burdens, as well as transparency on the issue of party funding and the awarding of government tenders. It has a series of suggestions for more direct election of office bearers and more accountable governance.

All good stuff. Yet the manifesto is, in the end, just another series of policy shopping lists, not dissimilar to the ruling party's. An opposition party can and should be much sharper. COPE has missed the chance to come out with a simple, four or five point plan that captures the issues it believes really matter – and how they must be tackled.

WEDNESDAY 15 APRIL 2009 **BusinessDay**

The great unanswered question of most election manifestos

SO FAR, the election campaign has largely avoided economic debates. That's strange when SA faces a global economic downturn in the midst of persistent, shocking poverty and joblessness.

In a world less fixated on personalities and scandal, the elections would turn on a basic question: why, 15 years after liberation, are so many South Africans poor?

Judging by election manifestos, the main opposition parties don't have a serious answer to these questions. Their commitments seem aimed at winning votes from narrow interest groups rather than addressing the inequalities that undermine sustainable growth.

The Democratic Alliance (DA), on one hand, wants to reassure its core supporters that it will not regulate business and will ratchet back labour laws and taxes. On the other, it needs to attract the majority, whose interests mostly run in precisely the opposite direction. It falls back on an uneasy combination of:

- Promises of better education, marginal shifts



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Above all, we need a clear and shared perspective on how the economy can grow more inclusive

in land ownership, and a basic income grant of R110 for every South African earning less than R4 000 a month; and

- Cutting company taxes to 27% and striving to "extend the tax base," privatisation, a review of the labour laws and incentives for savings.
- About 13-million people would be eligible

for the basic income grant, at a cost of more than R15bn a year. Reducing income tax to 27% from the current 28% (down from 50% in 1990) would shrink revenue by about R3bn. To "extend the tax base" in these circumstances can only mean raising the burden on the poor, by either increasing VAT or lowering the income-tax threshold – which is already below the income eligible for the DA's proposed grant.

Judging by its manifesto, the Congress of the People (COPE) has figured out that the black middle class mostly combines union members with a small black entrepreneurial class. Its commitments on the economy are spotty, promising to:

- Support "decent work" and stronger labour laws to deal with retrenchment;
- Assist small, medium and micro enterprises and enforce employment equity, but re-focused on senior management; and
- Cut red tape and raise efficiency.

These measures hardly seem sufficient to meet COPE's promise to grow the economy

and expand decent work while reducing unemployment and eradicating poverty.

The African National Congress (ANC) manifesto also plays to its constituency – still the majority of South Africans. On the economy, it has two strong points: it keeps the long-standing targets of halving poverty and unemployment by 2014, and it recognises the need for systematic structural change to support labour-intensive sectors able to create sustainable jobs.

An important shift in the ANC manifesto is the demand that employment be the core mandate for all economic policy. Worldwide, successful development strategies have been able to mobilise key stakeholders by making employment creation the core goal. In SA, joblessness remains the main factor behind mass poverty and inequalities. It can be overcome only if the government assesses every strategy in terms of the implications for employment.

Some hard questions remain. Above all, we need a clear and shared perspective on how the economy can grow more inclusive, and partic-

ularly what major sectors and regions can do to help create employment on the requisite scale. Only that kind of vision can guide the hard choices of how to allocate government support, including infrastructure, regulations and training, between competing demands. We also need a clearer understanding of the role of social services and infrastructure in supporting inclusive growth.

Finally, the commitment to restructuring the economy requires a balancing act by the state: to consistently nudge business towards investments that make for a more inclusive economy without reducing profits to the point where economic activity grinds to a halt. That, in turn, demands a far more strategic approach to capital, combining more targeted and effective support while avoiding imposing costs that are not required to foster employment creation.

■ Makgetla is lead economist for research and information at the Development Bank of Southern Africa.

Party manifestos 'have little effect on voters'

WEEKENDER REPORTER

ELECTION manifestos are sound and fury signifying nothing – not just in SA, but around the world.

This was the consensus of a panel at a debate this week hosted by the University of the Witwatersrand and The Weekender.

Chris Hart, chief economist at Investment Solutions, said the manifestos, which ranged from one page from the Inkatha Freedom Party (IFP) to 57 pages prepared by the Independent Democrats (ID), were generally filled with hot air and little detail.

Poverty and unemployment are problems in SA, he says, and while it is all well and good for the African National Congress (ANC) to say it will create "quality jobs for all", what exactly does that mean?

What is required in SA, where the growth cycle is grinding to a halt, is to boost the savings rate in order to stimulate the economy and create jobs, and no party's manifesto was promising to do so.

Neither were there details on how government efficiency was going to be improved. It is no use committing the government to extending the benefits of black economic empowerment if the education system remains dysfunctional. It is no use promising to accelerate land reform if the land affairs department and the Land Bank remain dysfunctional.

Hart says that, as George Bush and John Major discovered, fighting an election during a recession is a losing prospect.

"This makes politicians desperate. The external conditions facing SA right now are dire. Our politicians seem to be living in a fools' paradise as most of their manifestos are inward looking."

Prof Daryl Glaser of the school of Social Sciences at Wits said that

in democracies generally, voters did not read manifestos, hence "they don't influence the way voters vote, and in this country they are so wide-ranging that it would be hard to accept or reject a party in total based on its manifesto".

Manifestos hardly anticipate the issues that emerge during election campaigns, he says, and there is no guarantee a party will stick to its promises once it is in power.

This year, however, there were specific undertakings in the manifestos, with the Congress of the People (COPE) promising to reinstate the Scorpions and the ANC promising to extend social grants to children up to the age of 18. "If a manifesto contains a promise that is implementable, it is a useful tool for retrospective accountability," Glaser says.

He has read all the major parties' manifestos except for the Democratic Alliance's (DA's), which is being launched this weekend, and there were no huge choices for voters as most of the parties in SA are centre-left.

COPE, Glaser says, is a shadow of the ANC – with 18 similarities in their manifestos. The ID is leaning in a democratic socialist direction and, judging by DA leader Helen Zille's weekly online letter, it is leaning in a "remarkably right-wing direction", advocating a limited role for the state, deregulation and vouchers for the poor.

The IFP, the United Democratic Movement and the Freedom Front Plus are socially authoritarian, disciplinarian and committed to family values.

Glaser says although all the parties seem conscious of the major issues facing SA, especially poverty and unemployment, there is a remarkable failure to recognise the urgency of some of the issues, and three national emer-

gencies – HIV/AIDS, crime and the poor state of the roads which leads to daily carnage.

eNews political analyst Justice Malala said there shouldn't be election manifestos, but permanent manifestos on which parties could be judged.

"Not very many people will make up their minds about which party to vote for based on their manifestos," he says.

"Not many people in SA read and I don't think they will bother with the lengthy documents drafted by political parties. Undecided voters will make up their minds based on a one-minute soundbite they hear on radio or TV."

He says he has seen no analysis of the ANC's election promises in 2004 judging whether the party delivered on its promises.

Glaser says such analysis would show that SA has dropped on the Human Development Index since 2004 – infant mortality has increased, the education department is failing pupils and the wealth gap is increasing. "In addition to this huge failure, the ANC is a deeply corrupt party."

Malala agreed, saying voters should be more concerned about what political leaders did, rather than what they said.

"For instance, at Polokwane, the ANC committed itself to changing the country's economic policy and we could already see that this week in Finance Minister Trevor Manuel's budget."

Malala says that in the first three democratic elections, voters made their choices based on history, and the ANC enjoyed landslide victories because it led the struggle against apartheid. "But we may have reached a fork in the road. A person voting for the first time is not going to remember what happened in 1986."

Media coverage

THE
WEEKENDER

Saturday-Sunday,
February 14-15 2009

Manifesto reveals DA shift from the right

Analysts say the party is repositioning itself to appeal to a wider electorate, and especially to black voters, writes HAJRA OMARJEE

WHILE it was expected that the Democratic Alliance (DA) would call for an overhaul of the electoral system, the party's manifesto also endorses a basic income grant, and proposes extensive spending on infrastructure and drastic changes to SA's healthcare and education sectors.

In the past the DA has presented pro-business charters to the electorate, but it seems the party has taken seriously its decision to reposition itself, as it now has a mixed bag of proposals to fix the economy. While it does propose less government intervention in the economy; a 27% cut in company taxes, wide-ranging business incentives and a mandatory savings scheme for certain levels of workers, it also endorses black economic empowerment.

The manifesto, unveiled this weekend, steers clear of "controversial" issues such as affirmative action or the death penalty.

Political analysts describe the manifesto as centrist in approach, with a real effort to give local content and context to the core concepts of liberalism.

"This is a more comprehensive attempt to present a proper policy position," says Steven Friedman, director of the Centre for the Study of Democracy.

"There are quite a few good ideas, some bad ideas. But it's far less to the right than expected."

Since her election as DA leader, Helen Zille has had the unenviable task of changing the image of the party, which is all too often still remembered for its "fight back" election campaign in 1999, which many, unfortunately, interpreted as "fight black (rule)".

Compared with the manifestos of other opposition parties, including the Congress of the People, the DA's proposals are more substantive and detailed.

"If you thought the ideological battle was in decline judging by the manifestos, ideological debates are back," says Ebrahim Fakir, programme manager of the governance unit at the Electoral Institute of Southern Africa.

"This manifesto helps the DA root itself in a political message more carefully."

The DA wants to stimulate job creation by providing incentives to small and medium enterprises, and proposes a review of the country's labour laws.

On education, the DA proposes scrapping the sector education training authorities; allowing well-performing schools to manage themselves; a review of teacher appointments; and wide-ranging bursary programmes.

On crime, it suggests increasing the number of police officers; ensuring all officers have the right basic skills; employing officers on the basis of merit; and giving resources to specialised units.

The DA also proposes increasing the land reform budget and the government becoming a more active player in the land market.

The party proposes an income support and unemployment grant of R110 a month available to all South Africans earning below R46 000 a year and who do not receive another state grant.

It wants the government to investigate mechanisms, such as cash bonuses, for teenagers who do not have children before they reach the age of 21, and proposes



CALLING A NEW TUNE: Helen Zille does the campaign rounds. Pictures taken from DA manifesto

"There is a shift. But I get the uncomfortable feeling that this is just an attempt to consolidate the gains of a particular group"

that child support grants not be paid directly to teenage mothers, but to an adult family member.

The DA proposes the reopening of state-funded nursing colleges, creating a deputy HIV/AIDS ministry and introducing systems that will allow patients to collect medicines from accredited private pharmacies.

Under a DA government, every public hospital will be required to manage itself. Hospitals will be subject to a quality rating system which will measure performance.

The DA also proposes that private funders deliver public transport services, that South African Airways be privatised, and that eight more prisons be built.

Friedman and Fakir describe some of the DA's socioeconomic policies as "patronising" but both

say the manifesto lays a good foundation for oversight.

"They have to position themselves as a party that is credible to black voters... This manifesto lays the groundwork for a long strategy. It is designed to create the impression that this is a serious party," Friedman says.

Fakir criticised some DA policies for presuming that "everyone was equal at the starting gate".

"There is a shift. But I get the uncomfortable feeling that this is just an attempt to consolidate the gains of a particular group."

However, he says the manifesto is rooted in "concrete reality".

Both analysts warned against lessening state intervention in key sectors, saying the socioeconomic conditions in the country necessitate an "efficient, effective state".

Democracy 2009

Economy

Mail & Guardian

March 13 to 19 2009

Hearing about the state of the economy is no fun. Especially when you get experts and politicians in the same room. **Tanya Pampalone** reports

Talking about the economy

Mingling in the open-air foyer outside the auditorium at the Gordon Institute of Business Science in Illovo last week, Professor Adam Habib and economist Dr Iraj Abedian were chatting. Their subjects were light fare: how to solve inflation in Zimbabwe and how to save the US economy.

"We thought we would sort out the easy stuff first," said the gracefully greying Abedian, who led projects such as Gear and the 1995 RDP White Paper before entering the private sector as chief economist at Standard Bank and later started the financial firm Pan-African Capital Holdings.

Indeed, our own economy, while not yet completely swallowed by the global economic tsunami, has its own unique, yet no less colossal, problems. Pondering issues of others is much easier than our own.

Alas, it could not be avoided. Habib and Abedian were about to enter the GIBS auditorium for the recent *Mail & Guardian* and Absa's Critical Thinking Forum dealing squarely with the South African economy.

Habib, the event moderator, kicked off by saying the panel would attempt to "decode" what the political parties' economic policies were all about.

Turns out it wasn't too difficult to

decode what the ANC was saying: its representative was a no-show. (An ANC spokesperson later told the event organiser that there was "confusion" on who was supposed to be there, though Enoch Godongwana was in the official line-up.)

So, having a discussion about economic policy without the guys who will very likely be calling the shots was disheartening. But with Abedian on the panel at least we knew where we stood.

Our problems, he said, are of structural poverty, human resource development and unemployment. Abedian noted that the latter was not about unemployment.

After all, while we have four to five million unemployed people, there are half a million vacancies throughout the public sector with no single department able to fill all vacant positions.

Abedian also noted that macro economic policy, while it had succeeded in bringing stability, was inherently flawed with problems in



To the point: Iraj Abedian on our economy. Photo: Paul Botes

balance of payments due to skills, lack of credibility and effectiveness due to poor services, and continues to support a society divided between the haves and the have-nots.

In short Abedian was talking straight sense. There was no gobbledygook politico speak full of policy, plans and promises. But then he wasn't there for any of the political parties. Abedian was there to make sure everybody else made sense.

"It's like manna from heaven," the IFP's Narend Singh said. "I can only agree." Singh went on to hammer the status of grade three and four learners' numeracy and literacy problems, university graduates who can't get jobs and the dysfunctional state of our Setas.

The DA's Ian Davidson took the ruling party to task for wrapping small businesses in red tape, "pathetic" matric pass rates, cronyism and "jobs for pals" that put the "wrong people in the wrong jobs". Davidson offered some suggestions: bring training back into the private

sector and offer wage subsidies to assist in getting people employed.

Wiseman Nkulu, who represented Cope and is co-founder with Abedian of Pan-African Capital Holdings, said the country's constraints in policy were the problem. In addition, the lack of accountability meant follow-through on policy is poor.

"When the government is under the control of an alliance, you get sub-optimal solutions ... you end up selecting people who aren't right for the job," said Nkulu.

But while the political panelists had their say with sporadic agreement from the crowd, it was Abedian who really wowed them.

"There has to be agreement in what we say and what we do," he said. "The corporates continually turn out glossy annual reports with good codes of practice. But back in the planning room, they are colluding and price-fixing."

"The media is in search of the truth but truth doesn't sell papers,

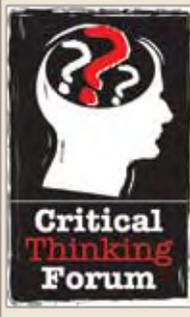
FORUM FOR THOUGHT

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To join the thinkers on the next debate or to find out more information on future forums, email Sudley Adams on sudleya@mg.co.za.



so they don't tell us the truth. Companies preach best practice, but you phone them and they don't answer."

But then, we're getting exactly what we are putting out there.

"The society we have," he said, "is because of the value system we have." If the audience cast their votes that day, they would have voted Abedian. Too bad he's not running.

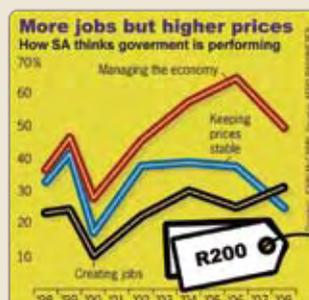
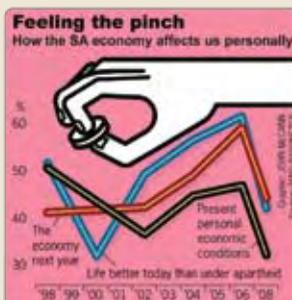
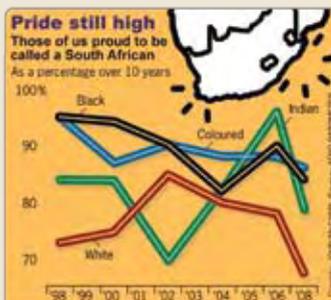
In closing the microphone was passed around the room. The thinkers asked about rural economic policies and how parties intended to assist skilled foreigners in getting into the country more easily. They spoke about citizenship courses in schools. One man suggested that the country be run more like a business.

"Well, I hope you don't mean like the American banks," jibed Habib. Ah, well, back to the easy stuff.

Survey says ...

The Institute for Democracy in South Africa's most recent public opinion survey asked 2 400 South Africans over the age of 18 how they felt about a number of things, including the economy and how proudly South African they are.

Turns out when the economy turns sour, so do we.



Relevant articles

Peace breaks out as political rivals debate economic policy

By Donwald Pressly

It's election time and six of the largest political parties gathered to thrash out a consensus on economic policies as South Africa faces the shockwaves of the global economic crisis — only to find they had more in common than they could have imagined.

Hardly a cross word was spoken when former official opposition finance spokesman Raenette Taljaard met Jeremy Cronin from the ANC, Phillip Dexter from Cope, Kobus Marais from the DA, Narend Singh from Inkatha, General Bantu Holomisa from the UDM, and Lance Greyling from the Independent Democrats — all except Dexter are MPs — to discuss policies.

Taljaard and Cronin quibbled only once over whether the meeting was a round-table discussion implying the need for consensus, but Cronin — also deputy chairman of the SACP — sounded peculiarly like an opposition spokesman.

Holomisa said there did not seem to be an economic consensus and called for an economic indaba to thrash out policy answers. Cronin agreed.

Dexter and Holomisa both made the point that the economy was still racially skewed. “We have been queueing to get jobs from a mere 5 million white people,” he said.

Holomisa proposed state support for small business to offset the dominance of bigger firms operating locally. He said South Africa should not fear protective measures when it came to trade. No one accused the US of being “leftist” after it salvaged its banks, so South Africa should not be concerned about accusations about being leftists when it protected the textile and farming industries, for example.

Cronin was pressed on what South Africa should be doing about the flooding by China of cheap goods produced by workers who were paid minimum incomes.

Suggesting that the jury was out on whether the Chinese communist government deserved to be called “communist”, he said it was imperative South Africa did not “try to out-compete” the Chinese low-wage economy as “we will never win the battle.”

Instead South Africa should look at its sectors' strengths and the untapped markets of southern Africa to foster trade.

Asked if insensitive statements by ANC leaders affected the inflow of foreign direct investment (FDI), Cronin said late SACP leader Chris Hani used to point out that China called itself communist yet FDI flowed strongly in its direction. Nevertheless, Cronin acknowledged some unwise statements by serial offenders were wrong.

Marais and Singh argued for strong free-market economic systems to prevail. Singh, who argued that a growth rate of 8 percent was needed to eradicate social ills, agreed with Dexter and Holomisa that small business needed to be given support by state institutions.

South Africa needed to avoid the trap of giving loans to partners of MPs.

Dexter suggested that an overcentralised system of government had held back development. Cronin agreed. “We absolutely don't want an over-centralised state.” For example, Cronin — who is the outgoing national assembly transport committee chairman — said Pretoria could not plan the public transport systems of other cities.

He said DA leader Helen Zille followed in the footsteps of Johannesburg mayor Amos Maseko in planning a bus rapid transit system, local initiatives that were fine examples of “the developmental state”.

Responding to Dexter, who said it was problematic that private cellphone and telephone firms were charging massive tariffs, Cronin said while he did not support privatisation of public entities, monopolistic practices needed careful regulation.

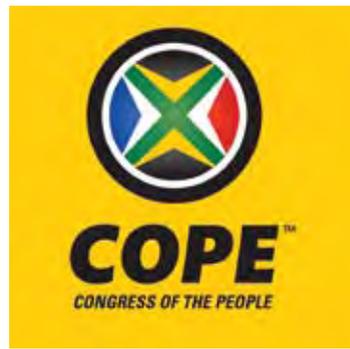
Dexter said the global crisis may be affecting the middle classes, but for the mass of South Africans there had been a financial crisis “for 300 years”.

Greyling said the cost of business needed to be reduced and the “monopolistic” nature of many sectors fought “a more proactive competition policy”.

Published on the web by Business Report on March 14, 2009.

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