

Contents

Talkin' 'Bout a Revolution:
An Oxford conference on
"20 Years of South African
Democracy". **1**

Author

R W Johnson

Editor-in-Chief

Frans Cronje

Editor

Anthea Jeffery

Head of Research

Lerato Moloi

Head of Information

Tamara Dimant

Consultant

John Kane-Berman

Typesetters

Martin Matsokotere

Sarah Zwane

Contact details

Telephone: (011) 482-7221

e-mail: info@irr.org.zawebsite: www.sairr.org.za

Talkin' 'Bout a Revolution: An Oxford conference on "20 Years of South African Democracy"

Political debate about South Africa is still hobbled by all manner of constraints that you simply don't meet in discussions on contemporary British, French or American politics. If you argue that Barack Obama, David Cameron or Francois Hollande are not really up to their jobs, this can lead to a debate about the demerits of a professional political class which has known little or no real life beyond politics. But if you suggest that the ANC is not up to the job of running South Africa, you will quickly be accused of racism, Afro-pessimism, and various other -isms whose main function is simply to shut down debate.

Debate about South Africa is thus immature. This should not be true of academic discussions, and particularly not of such discussions held far beyond the country's borders. Yet these "strains of immaturity" everywhere infect forums on South Africa. This was evident even at a recent conference on "20 Years of South African Democracy", held in Oxford in April 2014. A proper discussion of contemporary South Africa thus still seems to be impossible, reports R W Johnson.

The Oxford conference in April 2014 on '20 Years of South African Democracy' was a strange but interesting affair. On the one hand, it attempted to be an academic conference with contributions by many leading university-based figures. On the other, it was also a political event. The keynote speaker was quite unashamedly a leading ANC politician, then Deputy President Kgalema Motlanthe, who gave exactly the sort of sleep-inducing monologue that all ANC senior figures seem so good at. In addition, the political complexion of many of the speakers was clearly ANC, SACP

or indeterminate Left. Only a small number of speakers, including former DA leader Tony Leon and myself, fell clearly outside that definition.

The View from the Left

The conference was largely the work of a group of South Africans who have gone into voluntary exile in order, so to speak, to support the South African revolution from the safe distance of the UK. Also integral to its planning were a number of straightforward ANC activists. These included the Wits-based pollster David Everatt, who works for the Gauteng provincial government. Everatt was allowed a whole day of the conference to discuss provincial government, was given the opportunity to present several papers, and, indeed, seemed to be the conference's leading personality. That a straightforwardly partisan figure could play such a role spoke volumes. There was no balancing figure from the official opposition.

The Left made no attempt to explain how capitalism has survived apartheid so easily when the two were supposed to be inextricably entwined.

However, it was also clear that the Left was in a state of crisis. For a start, it made no attempt to explain how capitalism has survived apartheid so easily — a logical impossibility if one took the view, as most of the Left did in the 1980s, that capitalism and apartheid were inextricably entwined. Moreover, while the conference had clearly been intended to be celebratory, first Marikana and then Nkandla had dealt enormous blows to the Left. Such events were

simply not supposed to be in the script, any more than were ever-increasing unemployment and inequality.

Amazingly, some on the conference Left dreamed that a new socialist party might emerge, based around the National Union of Metalworkers of South Africa (Numsa), but the fact is, of course, that the Economic Freedom Fighters (EFF) have now completely taken over the political space to the left of the ANC, leaving even the SACP in queer street. The fact that the EFF was the outright election winner in Marikana says it all.

This situation was so alarming to the Left that a number of its speakers expressed the wishful view that the EFF would soon fall to pieces and would never get through five years in Parliament. This is simple denialism. The EFF has attracted a number of candidates of good calibre, it is thrilled to have 25 seats — just think of those parliamentary salaries and the travel perks — and it will have enormous fun sticking pins into the ANC in Parliament. Above all, with President Jacob Zuma and key DA leaders out of Parliament, the EFF is poised to use the chamber as the news-making public platform that it ought to be. If the EFF could achieve this much from a standing start in just seven months, its way ahead seems full of promise.

William Gumede warned that the economic train was close to running into the buffers.

William Gumede warned that the economic train was close to running into the buffers.

The debate on the economy

William Gumede, a fellow at St Antony's College in Oxford, spoke alongside me and warned that the economic train was close to running into the buffers. He pointed out that ANC economic policy had four main pillars. First, a black business class had to be created through BEE. Secondly, a black middle class had to be constructed by a de facto policy of job reservation in the public service and through affirmative action in the private sector. Third, workers had to be given maximum protection through friendly labour laws. Finally, the poor had to be

looked after and made dependent on social grants.

But all these pillars were now under great pressure. Many BEE beneficiaries now found their companies in some difficulty. The black middle class was frequently indebted and finding it difficult to make ends meet. Workers might be protected in law, but in practice job losses were mounting. As for the poor, unemployment was growing and prices were rising, while it was difficult to see that social grants could be expanded much further. Gumede spoke feelingly of the tremendous tensions and potential for violence within the workplace stemming from the fears of many workers that if they lost their jobs they would never work again.

My own paper dealt with the lacklustre performance of the South African economy under ANC rule. This, I said, was largely due to an attempt to reconfigure the economy in order to maximise rent-seeking opportunities for the new elite. I cited Mamphela Ramphele's obser-

Rent-seeking by the new elite has resulted in the increasing suppression of economic activities and growing indebtedness.

vation that 'We are ruled not by leaders but by thieves' — and gave a number of illustrations of how true that statement is.

Rent-seeking has resulted in the increasing suppression of economic activities, marked by sharp downward pressures on commercial agriculture, mining and manufacturing. The upshot has been growing indebtedness and large trade and fiscal deficits, as well as downgrades by the rating agencies since the start of the global financial crisis in 2008.

An iron law of South African politics

This growing burden of debt contradicts an iron law of South African politics. Because the country contains so many poor people, it inevitably has a low savings ratio. This in turn means that the entire political economy of the country works only if there is a continuous inflow of foreign capital. This can come in several forms — greenfield investment, loans, or hot money flowing in and out of stocks, bonds and cash deposits — but the main thing is that it simply has to come. If that inflow is interrupted for any prolonged period, the system simply cannot work or move forward. This generates huge political pressures which, in the end, will force a change in government.

This first such change occurred soon after 1922, when a sharp fall in the gold price caused a cessation of foreign direct investment (FDI), making it essential to cut labour costs sharply to make the mines profitable again and leading in time to the Rand workers' revolt. Once that revolt had been crushed, the government extended the industrial colour bar to keep white workers onside. George M Frederickson, in his famous book, *White Supremacy*, says that this was a key change which helped set South Africa on course for apartheid, just as things began to move in the opposite direction in the USA.

The entire political economy of the country works only if there is a continuous inflow of foreign capital.

The second such change in government occurred with the Fusion crisis. This originated in 1932 with the State's refusal to abandon the gold standard and devalue the currency, as many other countries were doing in response to the Great Depression. This hurt South African exports and provoked an investment strike which ended only with the installation in 1934 of a

coalition, with Smuts's South African Party joining Hertzog's National Party in a United Party government that included English-speaking big business.

It came within an ace of happening again after the Sharpeville shootings in 1960. However, the state of emergency introduced thereafter was soon lifted, encouraging capital flows to resume and allowing the Verwoerd regime to hold on. The last time it happened was in 1985, when the Rubicon speech helped bring about a debt repayment 'standstill' and the withdrawal of banking finance. The National Party government could not possibly bear a prolonged investment strike, so change was then imperative. Hence, the great turning point of 1990.

The ANC government has so hobbled agriculture, mining, and manufacturing that growth has slowed to a snail's pace and debt is steadily increasing.

Turning to the IMF

It is this iron law which now threatens to de-rail the ANC government, for it has so hobbled agriculture, mining, and manufacturing that growth has slowed to a snail's pace. Investors are being deterred and debt is steadily increasing. Meanwhile, the new political and bureaucratic elites simply press on, demanding ever more resources while themselves performing no productive function.

The result is almost 340 000 new public service jobs in the last seven years, while private sector jobs — which pay the taxes to support the bureaucrats — have shrunk. This cannot go on. The fiscal and trade deficits continue, debt climbs and further credit downgrades threaten. Two more downgrades turn our bonds into junk bonds. This would trigger a major economic crisis, huge capital flight, and very probably a debt trap — where the government has to borrow merely to pay the interest on its existing debt.

The only likely rescue from this would lie in an IMF bailout. The IMF in turn would demand liberalisation of the labour laws, some privatisation, cuts in the public sector, a freeze or reduction in public sector wages (now on average around 45% above their private sector comparators) and so on. This would imply the ANC's loss of economic sovereignty. It would also generate pressures for an ANC split, with the left side of the ruling party shifting towards the EFF in order to oppose the IMF's terms.

The end result would be an ANC-DA or an ANC-EFF coalition. The latter would propel the country towards the Mugabe-model and would be untenable for long. Either way, there would be a change in government. In effect, the ANC has been living in a dream-world since 1994 and before at all long reality is bound to break in.

My paper, together with Gumede's, produced a curious response from our discussant, Ian Goldin, another voluntarily exiled South African, now an Oxford professor of globalisation and economics. He insisted that both the IMF and the World Bank viewed South Africa as 'one of the best managed economies in the world.' Moreover, this was why South Africa's finance ministers had often received international awards. He also insisted that the decision by several large South African companies to list in London did not mean that they were seeking to diversify away from South Africa, let alone avoid the necessity of affirmative action appointments in their head offices.

Two more downgrades turn our bonds into junk bonds. This would trigger a major economic crisis, huge capital flight, and very probably a debt trap.

The difficulty in ‘disciplining’ capital

In the context of the conference, my views were heretical and unpopular, but discussion of my paper was nevertheless somewhat desultory.

Instead, the usual Marxisant points were made about how ‘capital must be disciplined’ to act in this or that way. This is, of course, how the ANC thinks: everyone can be *made* to act in the way the ANC wants. Hence, capitalists can and will be *made* to invest. Etc.

The usual Marxisant points were made about how ‘capital must be disciplined’ to act in this or that way. But capitalists cannot, over any protracted period, be made to invest.

But this is merely a form of denialism. Capitalists cannot, over any protracted period, be made to invest. As the ANC should take note, the markets forced Mitterrand’s Socialist government, elected into power in France in 1981, into a U-turn within two years. Hence, having carried out sweeping nationalisations, Mitterrand ended up with sweeping privatisations. The markets also forced the Hollande Socialists now in power into a more market-friendly U-turn within a single year, for the constraints are tightening. As for all the Left’s happy talk about a “Lula moment”, it would be sensible to observe the mess that that has created in the Brazilian economy with a dramatic slowdown in economic growth, a decline in exports, and huge popular discontent. If economies as powerful as those of France or Brazil cannot defy market pressures, how on earth can South Africa manage to do so?

Relevant too is what capital in South Africa has actually been doing. In practice, along with other financial considerations, it has taken full note of the ANC’s disincentives to invest. Apart from the various London listings that have been sought, many South African companies have stockpiled cash, some of which they are now seeking to invest in the rest of Africa rather than at home. Think of all the Shoprite stores now scattered round Africa. BMW has decided not to produce its new model in South Africa after all. BHP Billiton, the world’s largest mining company, seems to be on the verge of quitting South Africa altogether, while the second biggest company, Rio Tinto Zinc, is now down to one holding — Richard’s Bay Minerals. Anglo American is continuing to diversify into Latin America and Australia, which reduces its exposure here. Sasol has just invested \$20 billion in the US. Wherever one looks, one sees far less direct investment than South Africa should be able to attract — which surely has something to do with the Rand’s 36% fall against the US dollar over the last three years.

Relevant too is what capital in South Africa has actually been doing. In practice, along with other financial considerations, it has taken full note of the ANC’s disincentives to invest. Apart from the various London listings that have been sought, many South African companies have stockpiled cash, some of which they are now seeking to invest in the rest of Africa rather than at home. Think of all the Shoprite stores now scattered round Africa. BMW has decided not to produce its new model in South Africa after all. BHP Billiton, the world’s largest mining company, seems to be on the verge of quitting South Africa altogether, while the second biggest company, Rio Tinto Zinc, is now down to one holding — Richard’s Bay Minerals. Anglo American is continuing to diversify into Latin America and Australia, which reduces its exposure here. Sasol has just invested \$20 billion in the US. Wherever one looks, one sees far less direct investment than South Africa should be able to attract — which surely has something to do with the Rand’s 36% fall against the US dollar over the last three years.

An end to South African ‘exceptionalism’

One of the most notable contributions to the conference came from Alexander Beresford, an Edinburgh product now based at Leeds, who analysed the ANC in terms of the neo-patrimonial paradigm widely used to depict political parties elsewhere in Africa. To the uninitiated, this means Big Man politics dominated by corruption, patronage and clientelism. To many delegates, the notion that the ANC was just one more such party, only too similar to many others, came as a revelation. The belief in South African exceptionalism dies hard.

Relevant too is what capital in South Africa has actually been doing. In practice, along with other financial considerations, it has taken full note of the ANC’s disincentives to invest.

Also present was a large group of younger scholars, mainly at British universities. To some degree, they had accepted the political assumptions of the Left and so gave somewhat ANC-centred talks. However, they were also clearly far less ideological and more open-minded than their elders. Hence, if another such conference were to be held in say, ten years' time, one may safely predict that by then the myth of South African exceptionalism would have been completely exploded. But if South Africa is becoming just one more African country, ruled by the same sort of corrupt bureaucratic bourgeoisie as is evident elsewhere round the continent, will there be the same interest in studying the country or in organising conferences about it?

— R W Johnson

*** Johnson was a fellow at Magdalen College in Oxford for some 30 years and writes extensively on South Africa for various overseas newspapers, including the London *Sunday Times*.**

@Liberty is a free publication of the IRR which readers are welcome to distribute as widely as they choose.