

**THE POLITICS OF SOUTH AFRICA'S MACRO-ECONOMIC POLICY: A CRITICAL
STUDY OF GROWTH, EMPLOYMENT AND REDISTRIBUTION STRATEGY (GEAR)**

1996-2010

by

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DECLARATION

I declare that the dissertation hereby submitted to the University of Limpopo, for the degree of Master of Arts in Political Science has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

Surname, initials

Date

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ABSTRACT

This study interrogated the politics of South Africa's macro-economic policy. It done this by briefly analyzing the RDP and GEAR at length. The purpose was to identify the flaws in its conception and philosophy in order to modify it to make it more people friendly enthused with social democratic ideals. This is because it was hypothesized that if GEAR and the philosophy underpinning it were humane, poverty would have been significantly reduced. Moreover, the objective of this study was to highlight major macro-economic policy trends so as to suggest a macro-economic policy that will respond to the needs of all the people, particularly the poor. The macro-economic policies of the DA, COPE and COSATU were analysed to this end. Moreover, the NGP which replaced GEAR in November 2010 was also analysed, and it was found that they don't differ ideologically. Both qualitative and quantitative research methodologies were used to collect data. It was found that while GEAR succeeded in stabilizing the economy, it to achieve its employment, social equality and economic growth target. This study then recommended for a macro-economic policy which will intertwine private enterprise government intervention and planning to realize fair competition, maintaining a balance between high growth rate, low inflation and unemployment, together with the nationalization of the means of production. These proposals will yield equality, economic growth and higher job creation.

LIST OF ABBREVIATIONS

Accelerated and Shared Growth Initiative for South Africa (Asgisa)
African National Congress (ANC)
African National Congress Youth League (ANCYL)
Broad Based Black Economic Empowerment (BBBEE)
Black Economic Empowerment (BEE)
Business Unity South Africa (BUSA)
Convention for a Democratic South Africa (CODESA)
Council for Scientific and Industrial Research (CSIR)
Congress of the People (COPE)
Congress of South African Trade unions (COSATU)
Democratic Alliance (DA)
Government of National Unity (GNU)
Foreign Direct Investment (FDI)
Growth Employment and Redistribution Strategy (GEAR)
Growth Domestic Product (GDP)
Economic Development Department (EDD)
Human Sciences Research Council (HSRC),
Joint Initiative on Priority Skills Acquisition (JIPSA)
Inkatha Freedom Party (IFP)
International Monetary Fund (IMF)
Small Medium & Micro Enterprises (SMME's)
South African Chamber of Business (SACOB)
Monetary Policy Committee (MPC)
Multi-National Corporations (MNCs)
National Democratic Revolution (NDR)
National Economic Development and Labour Council (NEDLAC)
National General Council (NGC)
National Growth and Development Strategy (NGDS)

New Growth Path (NGP)
Non-Governmental Organizations (NGOs)
National Schools Building Programme (NSBP)
National Party (NP)
Pan African Congress (PAC)
Public Investment Corporation (PIC),
Reconstruction and Development Programme (RDP)
RDP White Paper (RDPWP)
Structural Adjustment Programs (SAPs)
South African Communist Party (SACP)
South African Reserve Bank (SARB)
South African Revenue Services (SARS)
South Africa (SA)
Sector Education and Training Authorities (SETA's)
South Africa's Institute of Race Relations (SAIRR),
South Western Bell Communications (SBC)
Unemployment Insurance Fund (UIF)
Value Added Tax (VAT)
White Paper (WP)
World Trade Organization (WTO)

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DEDICATION

To my three daughters Thlari, Xihlovo and Xitshuxo Ndhambi for serving as a source of strength and my entire family who supported me financially and emotionally.

THE POLITICS OF SOUTH AFRICA'S MACRO-ECONOMIC POLICY: A CRITICAL STUDY OF GROWTH, EMPLOYMENT AND REDISTRIBUTION STRATEGY (GEAR), 1996 - 2010

CHAPTER ONE

1.1 BACKGROUND OF THE STUDY

It is of crucial importance to reflect on the economic policy adopted by the post- apartheid government. The unbanning of the liberation movements, the African National Congress (ANC) and the Pan Africanist Congress (PAC) and the subsequent release of Nelson Mandela and other political prisoners in February 1990, ushered in an era of fundamental socio-political change in South Africa (SA). Negotiations got under way at Kempton Park (near Johannesburg) which culminated in the Interim Constitution of 1993. At the first democratic elections in April 1994 the majority of South Africans gave ANC the mandate to implement the Reconstruction and Development Programme (RDP), its election manifesto (Davids 2005: 43). The RDP was an integrated, coherent socio-economic policy framework. It sought to mobilise all South Africans' and the country's resources toward the final eradication of apartheid and the building of a democratic, non-racial and non-sexist future. Within the framework represented by the RDP, the ANC was supposed to develop detailed policy positions and legislative programmes of government. The RDP was drawn up by the ANC-led alliance in consultation with other mass democratic organisations. A wide range of non-governmental organisations (NGOs) and research organisations also assisted in the process (RDP: 1994, clause 1.1.1-1.1.3).

The six basic principles, linked together, made up the political and economic philosophy that underlined the RDP. At that time, it was said to be an innovative and bold philosophy based on simple but powerful ideas. These were:

- An integrated and sustainable programme,
- A people-driven process,
- Peace and security for all,
- Nation-building,
- Reconstruction and development, and the

- Democratisation of South Africa (RDP: 1994, clause 1.3.2-1.3.7)

The RDP Base Document refers to five key programs:

- Meeting basic needs,
- Developing human resources,
- Building the economy,
- Democratising the state,
- And implementing the RDP (RDP: 1994, clause 1.4.1).

These five key programmes established the long-term social objectives of the RDP. These were a checklist of performance for all participants. The objectives described above give the framework for participation in the program. The basic needs of the people extend from job creation, land and agrarian reform to housing, water and sanitation, energy supplies, transport, nutrition, health care, the environment, social welfare and security (RDP: 1994, clause 1.4.1-1.4.5)

Visser (2004) wrote that in line with the new Constitution's provision that all citizens are entitled to social security, the government soon established a very extensive welfare system, catering for the aged, disabled, children in need, foster parents and many others too poor to meet their basic social requirements (Harsch 2001:9). For instance, free health care programmes were implemented for pregnant women and small children, and free meals were provided for 3,5 to 5 million school children (Heymans 1995:57). However, the RDP soon ran into trouble. From the beginning the government lacked the capacity to implement it, the staff lacked proper implementation skills and huge backlogs in providing access to basic services occurred. Provincial maladministration of primary nutrition programmes took place, led to growing dissatisfaction with service delivery and employment creation. The RDP did not spell out a detailed programme for attaining its main aims. It was too broadly formulated and ended up as a wish list for too many people (Heymans 1995:61-3; Meyer 2000: 2; Terreblanche 2003:109). For example, by March 1996 only R5 billion of R15 billion allocated for reconstruction and development had been spent (Lee 1998: 5).

According to Bond (1996: 90-98) the RDP was “fatally undermined by timid politicians, hostile bureaucrats and unreliable private sector partners”. J. Naidoo (Minister in the Presidency responsible for the RDP), did not command the respect of his ANC parliamentary colleagues and did not always see eye to eye with President Mandela. Naidoo’s implementation of the RDP had to pander to too many interests. It became clear that the country’s economic and fiscal difficulties would impede the realization of the RDP’s goals. Although the new government hoped for economic growth rates of 4,6% per annum, the actual growth rate was only slightly above the natural rate of population growth of about 2.5%. The government could not mobilise sufficient funds to meet the RDP’s objectives without redirecting allocations from the mainstream government departments. In a climate of resource scarcity, competition among Ministers was intense and the prospect of having their budgets appropriated by the RDP administration was strongly resisted. In fact, most of the funding for the RDP’s programmes had come not from the South African government but from international donors and was generally project based. As other considerations began to dominate government policy in the latter half of the 1990s, the lofty social commitments of the RDP were given less priority (Midgley 2001: 270).

The death blow to the RDP was dealt in a White Paper on Reconstruction and Development published in November 1994. The White Paper departed significantly from the original RDP document. It introduced fiscal prudence not as a means of attaining RDP objectives, but as an added goal. The notion of redistribution was dropped, as the government’s major role in the economy was reduced to the task of managing its transformation. Given the ANC’s commitment to fiscal discipline and macro-economic balance, no fiscal “space” was available for properly implementing the RDP and for the redistributive implications of its poverty-alleviation programme (Terreblanche 2003:109).

The ANC government encountered its first major currency crisis, starting in February 1996 when the value of the Rand plummeted by more than 25%. In order to calm domestic capital and foreign currency markets, the government embraced a conservative macro-economic strategy, the Growth, Employment and Redistribution (GEAR), with the objective among others to enhance the credibility of the state. The government was also

signaling to the international investor community that SA was committed to a stable macro-economic policy. GEAR thus became government policy despite lack of consultation and participation, thereby departing significantly from RDP and the Freedom Charter traditions. Visser (2004) argued that GEAR was developed by a technical team of 15 policy makers comprised of officials from the Development Bank of Southern Africa, the South African Reserve Bank, three state Departments, academics and two representatives of the World Bank. The two officials from the World Bank were Luiz Pereira da Silva and Richard Ketley (GEAR: 1994). The Ministry of RDP was abolished in March 1996, and was transferred to the office of the then Deputy-President, Thabo Mbeki. Given that GEAR was not the product of consultation with traditional allies like the Congress of South African Trade unions (COSATU) the South African Communist Party (SACP) and the public at large it is not surprising that it would generate considerable internal disagreement within the Tripartite Alliance (Kotzé 2000:12; Terreblanche 2003:112-114,116; Bond 1996:82,118). In December 2007, President Mbeki was recalled from the leadership of the ANC, among others, for allegedly introducing GEAR unilaterally.

GEAR's socio-economic principles were:

- A competitive fast-growing economy which creates sufficient jobs for all work seekers
- A redistribution of income and opportunities in favour of the poor;
- A society in which sound health, education and other services are available to all, and
- An environment in which homes are secure and places of work are productive” (GEAR 1996: clause 1.1)

The monetary and fiscal elements of GEAR were:

- A renewed focus on budget reform to strengthen the redistributive thrust of expenditure;
- A faster fiscal deficit reduction programme to contain debt service obligations, counter inflation and free resources for investment;

- An exchange rate policy to keep the real effective rate stable at a competitive level;
- Consistent monetary policy to prevent a resurgence of inflation;
- A further step in the gradual relaxation of exchange controls;
- A reduction in tariffs to contain input prices and facilitate industrial restructuring, compensating partially for the exchange rate depreciation;
- Tax incentives to stimulate new investment in competitive and labour absorbing projects;
- Speeding up the restructuring of state assets to optimize investment resources;
- An expansionary infrastructure programme to address service deficiencies and backlogs;
- An appropriately structured flexibility within the collective bargaining system;
- A strengthened levy system to fund training on a scale commensurate with needs;
- An expansion of trade and investment flows in Southern Africa; and
- A commitment to the implementation of stable and coordinated policies (GEAR 1996: clause 1.4)

GEAR document indicated that in the context of this integrated economic strategy, the policy will confront the related challenges of meeting basic needs, developing human resources, increasing participation in the democratic institutions of civil society and implementing the RDP in all its facets (GEAR: 1996). When GEAR was announced, it was immediately attacked by members of the African National Congress (ANC) and trade union leaders. There was a sense that it was produced by “eight white man (under the supervision of Finance Minister Trevor Manuel) and did not represent the interests of South African labour (Vietor 2001: 125). Theoretically, GEAR means an improvement in the employment intensity of investment and output growth and an increase in infrastructural development and service delivery, making intensive use of labour based techniques. Practically however, the opposite has happened, job loses, retrenchment and poor service delivery.

GEAR differs significantly from the RDP. It is primarily a macro-economic policy based on neo-liberal principles, whereas the RDP was derived from popular consultation and premised on the imperative of people driven development. The RDP wanted a more

effective developmentalist state and an expansionary budget, while GEAR advocated for a minimalist state and a reduction in government spending.

1.2 RESEARCH PROBLEM

According to GEAR's own projections, the economy was supposed to grow by 6 percent per annum between 1999 and 2000 with 400 000 jobs being created during the same period. Instead, employment, according to the Statistician General Lehohla, decreased significantly by 3,6% between the second and third quarter of 2009. A total of 484 000 jobs were lost during that period with most job losses occurring in the formal sector (283 000). GEAR had also envisaged an economic growth rate of 6 percent per annum (GEAR: 1996). Growth did occur at 3,7 percent in 2003, 4,9 percent in 2004, 5% in 2005, 5,4 percent in 2006 and 5,1 percent in 2007 (Statistics South Africa: 2008). However, given South Africa's structural weakness and historical backlogs, economic growth needs to be accelerated at a rate that exceeds population growth. Biggs (1997: 18) argues that this would ensure that income per capita increases as the labour force increases.

Thirdly, GEAR made provision for tight monetary policy controlled by the South African Reserve Bank (SARB). Inflation was to be below 10 percent of Growth Domestic Product (GDP). However, the policy raised interest rates significantly resulting in the higher cost of borrowing. This hurt the poor and business alike. Companies struggle to grow when interest rates are high. Consumers also have less money to spend.

It is generally known that trade liberalization benefits the industrial North more than the South. Free trade has led to large Multi-National Corporations (MNCs) flooding the SA market buying shares in local firms. For example, Telkom was partly privatized giving South Western Bell Communications (SBC) a stake in the company. However, this has led to Telkom layoffs i.e. 17 000 workers losing their jobs with the merger. The majority of these workers are Africans, generally less skilled (Madisha: 2001). Barclays Bank holds majority shares in the local bank ABSA Group Limited. While this maybe a global trend, given SA's structural and fiscal problems, trade barriers should be instituted to protect infant local industries especially as they decrease unemployment.

1.3 THE PURPOSE OF STUDY

The purpose of this study is:

- To analyse GEAR in general,
- To identify the flaws in its conception and philosophy in particular,
- To modify GEAR in order to make it more people friendly enthused with social democratic ethos.

GEAR has failed to deliver on its targets. The 400 000 jobs and a 6% annual growth rate have not been achieved. The economy continues to shed jobs at an alarming rate. GEAR's underlying philosophy is unrealistic, informed more by Western economic imperatives than by local economic conditions. For instance, it calls for a reduction in government spending. Biggs (1997: 50) indicates that although some capital may flow into the country from abroad in response to the conservative fiscal stance, it is unreasonable to expect that this investment will be sufficient to compensate for the decrease in government investment. The "less government expenditure thesis" cannot apply to a developing economy which has emerged from Apartheid imposed macro-economic structural and historical backlogs. It is also politically suicidal to the ruling party. Many commentators have likened GEAR with its advocacy of an (1) open market economy (2) fiscal austerity and (3) privatisation to Structural Adjustment Programmes (SAPs). Mkandawire (1994: 167) contends that SAPs in Third World economies in general have led to loss of sovereignty over the formulation of economic policy, foreign ownership of large parts of the economy and thus weakened states and governments. GEAR just like SAPs needs to be overhauled and replaced with a developmentalist state based on social democratic ethos. In this vein, Stiglitz (2002: 218) argues that governments should and can play a role not only in mitigating market failures but also in ensuring social justice.

1.4 OBJECTIVES OF THE STUDY

- To deeply analyse and interrogate GEAR,
- To deliberate on its strengths and weaknesses,
- To highlight major macro-economic trends in SA and
- To suggest a macro-economic policy and philosophy with values embedded in social democracy.

1.4.1 Trends in macro-economic policy debates

Macro-economic policy debates in this study are derived and limited to policy documents of the ruling party (ANC), its Alliance partner COSATU and the two biggest opposition parties in parliament, the Democratic Alliance (DA) and the Congress of the People (COPE).

ANC (2009) proposed that its “macro-economic policy over the next five years would be informed by the priorities that were set by the 2007 52nd National Conference which took place from 16-20 December at the University of Limpopo-Turfloop Campus, near Polokwane.

These priorities are:

- Creation of decent work and sustainable livelihoods
- Education
- Health
- Rural development, food security, land reform, and
- The fight against crime and corruption” (The ANC 2009 Election Manifesto).

At the closing of that Conference, the newly elected ANC President Jacob Zuma (2007) said that “economic policies adopted do not indicate a fundamental shift from the policies that the ANC has adopted since it came into power in 1994. There is therefore no reason why the domestic or international business community or any other sector should be

uneasy". In his State of the Nation address (11 February 2010) President Jacob Zuma reaffirmed that GEAR remains his government macro-economic policy with emphasis on infrastructure development to the tune of R846 billion over the next three years (State of the Nation Address: 2010).

To address the inadequacies of GEAR, the Zuma administration created, among others; the Ministry of Economic Development and the National Planning Commission with the mandate to align and consolidate all government policies. It is tasked with producing a long term plan that will determine the nature of SA over 20 year period (Hlophe 2010: 29), while the DA parliamentary leader, Athol Trollip (2010: 29) describe the Commission as not about determining a future, but is about how best to implement the ANC's existing vision .

According to Economic Development Minister, Patel (2010: 7) his new Ministry has "a new Medium Term Strategic Plan that promotes employment-creation, foster dynamic economic growth, expand the skills base of the workforce and promote sustainable enterprise development". Continuing with a conservative monetary and fiscal policy (i.e. GEAR) the new Minister of Finance Gordhan announced that "the Reserve Bank will continue to pursue a target for Consumer Price Index (CPI) inflation of 3 to 6 per cent but within a flexible inflation targeting framework" (Budget speech 2010: 11).

The labour federation COSATU has emphasized the need for a developmental, macro-economic policy, aligned to the needs of the poor. While COSATU feels strongly about the negative effects of GEAR on its members, it was nevertheless instrumental in the election of Jacob Zuma as ANC President. Its criticism of GEAR should thus be treated with utmost caution.

The Democratic Alliance (DA) macro-economic vision is an Open Opportunity Society that is socially responsible and market-driven economy. It envisages an economy convicted to price stability, fiscal prudence, inflation targeting and precepts that inspire investor confidence (The Democratic Alliance 2008).

The Congress of the People (COPE), a break-away party from the ANC and third largest party in Parliament proposes "a mixed economy with a key role for the state in the

economy. Policy planning and coordination must take place, but this should be bottom up and not top down. A development strategy should be implemented with a focus on promoting trade and investment and ensuring this is done at a regional level. The state should invest in key sectors, but not necessarily through public enterprises only” (Congress of the People 2009).

The study will include a brief appraisal of business, particularly its views on NGP enunciated by the Zuma administration after ascending to power in 2009.

1.5 MOTIVATION OF THE STUDY

The preceding views suggest that government, labour and the opposition political parties are united in saying that GEAR has not brought the envisaged changes and that it should be modified. In the same vein, Draper and Dawes (Mail and Guardian 12-20 April 2010) have begun a public debate on SA’s macro-economic policy, including GEAR. Like this study, they contend that a broad section of South African society is not satisfied with GEAR, that the policy has not achieved many of its stated goals. Accordingly, the time has come for a modified, more people-friendly and needs driven macro-economic framework based on the traditions of social democracy.

It is a long standing Tripartite Alliance ambition to diversify the economy away from its reliance on mineral exports while creating decent work. This purportedly requires a developmental state effectively utilizing development finance institutions, regulatory bodies, government procurement and industrial trade and macro-economic policies oriented towards promoting domestic manufacturing that can compete in export markets. There may be some consensus on these broad goals, but the detail of what policy instrument to use, and how, is hotly contested. There are calls by some in government and the Alliance to raise import tariffs. COSATU in particular, argues that protectionism is necessary to afford domestic producers the space to restructure their operations to survive foreign competition. In contrast, trade liberalization proponents assert that reduction of import protection encourages lower domestic prices, specialisation, competition and exports. Advocates of this view therefore postulate that trade liberalisation has the potential to offer significant positive impacts on economic

performance and poverty (Draper and Dawes: 2010). That there is a need for such policy shift away from GEAR is illustrated by the macro-economic policy trends summarised above. This study should be seen as a small contribution to that debate.

It covers the mid-years of the Mandela era when GEAR was first introduced, covers both Mbeki terms and goes up to the early years of President Zuma.

Having interrogated GEAR, the study will:

- Agitate for a developmentalist state and a macro-economic policy responsive to the needs of the people.

1.6 LITERATURE REVIEW

Brixen and Tarp (1996: 989) wrote that “absolute poverty is appalling and complex restructuring is required to bring about sustainable social development. The government’s strategy to address poverty was articulated in the Reconstruction and Development Program (RDP) originally formulated by the ANC (1994). The RDP was designed as a coherent vision for fundamental transformation of the South African society. For Nattrass (1994: 39) the RDP was essentially a shopping list of principles with no clear prices or priorities, lacking in hard-nosed monetary detail or statistical projections. GEAR is rooted in neo-liberalism and Patel (2005: 94) has described it as voluntary Structural Adjustment Programs (SAPs) for SA.

In assessing GEAR, Saul (2005) argues that although GEAR was rhetorically aligned to the RDP’s socially progressive objectives, its central pillars are fashioned in accordance with standard neo-liberal principles which create an imbalance and incoherence in terms of people’s needs. GEAR thus favours business and aggravates social exclusion. Andreasson (2006: 307-308) argues that “GEAR is, a ‘natural expression’ of the leadership’s bourgeois character”.

Structural Adjustment Programmes are based on the Washington consensus, whose pillars are fiscal austerity, privatisation and market liberalisation (Stiglitz 2002: 53). In theory, it is expected to reduce poverty, but in fact the programs are designed to meet the needs of the industrialised countries thereby ensuring that debt is repaid and encourage

the Third World to export cheap raw materials” (Woodroffe 1993: 42). In the same vein Mkandawire (1994: 159) contend that SAPs dramatically compromised the sovereignty of developing countries in as far as nation’s economic policy formulation is concerned. This according to Mkandawire further raises the question as to whom the state is accountable. SAPs are responsible for much of the economic stagnation that has occurred in borrowing countries. The casualties of this policy are often social welfare programs. Invariably, in the wake of SAPs adoption there will be very little money left for building houses for the homeless. Pensions remain extremely low. Tertiary education becomes much more expensive and bursaries are cut. Inevitably, this makes it impossible for workers' families to attend schooling or access health facilities. Naidoo et al (2008: 17) assert that “cuts in government spending, especially on maintenance and investment, have had long term implications for the capacity of the public service to deliver services. Retrenchments are a blunt instrument that further reduces the capacity of the state to deliver better quality services”.

GEAR, just like SAPs, favors tight monetary policy. COSATU General Secretary Zwelinzima Vavi has been critical of Finance Minister Pravin Gordhan for forging ahead with inflation targeting and not waiting for an alliance task team to deal with this and other issues. COSATU prefers a participative low interest rate regime and a competitive exchange rate (i.e. less tight monetary policy) to ensure that the country does not lose out in foreign direct investment (Schnehage 2010).

Trade liberalisation as propagated by GEAR was influenced and foisted by the World Trade Organisation (WTO), whose trading terms favour the industrial North to the detriment of the developing South. The WTO has prevailed on SA to liberalise and open its economy accordingly. According to Cassim et al (2004:9) this being by way of reducing both tariff and non-tariff barriers, as well as eliminating export incentives (Lewis 2001: 4).

GEAR favours a flexible labour policy. The latter attributes unemployment to the inability of wages to adjust downwards to 'clear' the labour market. It calls for a 'two-tier' labour or flexible system which differentiates between those already in employment (who will remain subject to existing labour regulations) and new recruits (who will become employed under a more flexible set of regulations). By removing and limiting institutional

distortions' this flexible system will buoy up wages especially for unskilled workers with employment expanding (Nattrass 1996: 28). Biggs (1997) however, contend that "the government has committed itself to productivity linked wage demands and greater labour flexibility. If wage increases remain above productivity increases, unemployment will increase. This will result in a smaller portion of the labour force earning higher wages hence an increase in the number of unemployed. In addition, investors may perceive an inflexible labour market as an increased risk, and therefore investment could decrease. Critics of GEAR argue that the effect of wages on unemployment is not strong. Decreasing wages will not increase the number of people employed, it will simply increase the profits of owners of capital. Unions who moderate their current wage demands will simply be accepting lower wages for no increase in future employment or job security. Further, the shortage of skills leads to scarcity of labour.

Moreover, with the privatisation of state assets, basic services will only be provided to those who can pay (e.g. exorbitant electricity and food prices). Many workers will lose their jobs or be forced to accept wage restraint because the bosses and the government aim to cut costs and privatise government assets. Workers will have to pay more for services, such as transport (Knight 2001).

GEAR also provides that the tax on companies and personal income be reduced. But Value Added Tax (VAT) will stay. Workers will pay a disproportionate amount and thereby shoulder the burden of government revenue collection (Knight 2001).

The foregoing does not suggest that GEAR has no positives. In this regard, an example was the creation of the South African Revenue Services (SARS) which improved revenue collection substantially. It brought greater financial discipline and macro-economic stability. It also led to SA's budgetary reforms such as the Medium-Term Expenditure Framework and Public Finance Management Act aimed at better reporting, auditing and increasing accountability. The structural changes to its monetary policy framework (including inflation targeting) have created transparency and predictability. Government deficit has also remained below 3% since its implementation, thus greatly improving SA's fiscal health. GEAR is also credited with cushioning the economy against recent global economic upheavals. While on a state visit (09-10 March 2010) the International Monetary

Fund (IMF) Director Dominique Straus Kahn said that “the South African economy has weathered the effects of the global crisis fairly well mainly due to sound macro-economic policies, its flexible monetary and exchange rate regime, and a well supervised financial system” (Mail and Guardian, 3-10 March 2010). GEAR also made provision for tighter monetary policy and the relaxation of exchange controls. Optimistic about the outcomes of inflation targeting, Van der Merwe (2004: 6) argues that “the adoption of the inflation-targeting monetary policy framework has substantially improved the transparency and accountability of monetary policy”.

The publication of monetary policy statements and press releases, and live television broadcasts after each Monetary Policy Committee (MPC) meeting (i.e. six times a year) keep the general public well informed about monetary policy issues. In order to further develop a better understanding of monetary policy, Monetary Policy Forums are convened by the South African Reserve Bank. These forums are held twice a year in major centres of South Africa and representatives of the labour movement, business, government and academic institutions are invited to attend. At these meetings MPC members provide an overview of recent international and economic developments and explain the monetary policy stance. At the same time the public is invited to express their views on monetary policy issues. This ensures that the MPC takes the view of interested parties into account in the determination of monetary policy” (Van der Merwe 2004: 6).

The country has also attracted significant Foreign Direct Investment (FDI). According to Leape and Thomas (2005) the annual net inflows averaged 1% of GDP between 1999 and 2003. FDI can stimulate economic activity. Employment numbers go up and government income (revenue) increases through tax collection. FDI provides knowledge (technology) and global networks that contribute to national productivity.

Habib and Padayachee (2000: 258) assert that “mainstream supporters of GEAR have tended to argue that GEAR is fundamentally sound in the current global context, and that “expansionary” alternatives are not feasible. The failure to meet GEAR “targets”, they argue, is neither the result of unexpected exogenous shocks, such as those generated by Asian contagion effects, and/or the result of over-optimism by GEAR's drafters of economic and employment growth in the early years of the transition”.

But according to Turok (2005) ANC MP stalwart, the National Democratic Revolution (NDR) strategic objective remains the “elimination of apartheid property relations”, “the deracialisation of ownership and control of wealth, including land” and “the elimination of super-exploitation, inequality, the redistribution of wealth and income to benefit society as a whole.” Until the government gets to grips with the requirements of becoming a developmental state, it will continue to be vulnerable to the charge that its ambitions far outstrip its capabilities (Friedman: 2005).

Bearing the exhortations of the NDR in mind a new integrated macro-economic strategy is needed. It should be so integrated as to not only meet NDR targets but incorporate measures that serve the economy’s strategic positioning in the global economy (Abedian 2005).

1.6.1 Gaps in the literature

From the selected literature reviewed, there is a broad consensus that GEAR is lacking in many respects. However, there is no consensus as to the most effective macro-economic policy alternative. Unlike the reviewed works, this study does not seek wholesale changes to GEAR. Instead it argues for a people friendly GEAR enthused with social democratic ethos, responsive to the needs of the vulnerable and the poor in SA.

1.7 THE THEORETICAL FRAMEWORK

The approach to be followed in analyzing GEAR will be descriptive, historicist and critical. The study will be descriptive in explaining the problems inherent in GEAR and historicist when taking into account that considerable time has passed since its adoption in 1996. The approach in shifting GEAR to become more humane and people friendly, takes a critical yet positive character. Thus this study will be grounded in Social Democracy. The latter is sometimes referred to as socialism “by ballots rather than bullets” (Jackson 2008: 176). SA is a constitutional democracy and given the current correlation of both domestic and international forces, a socialist revolution in the mold of the 1917 Soviet

Revolution, is far-fetched. That is, a revolutionary upheaval, capable of uprooting contemporary South Africa's political economy is remote and in the distant future.

Padgett and Paterson (1991: 1) argue that "social democracy has changed markedly over the course of the hundred years of its history. Moreover, the social democratic parties have exhibited quite wide variations of ideology. It is however, possible to identify some common developments". According to Heywood (2005: 130) these include (1) parliamentary strategies, (2) abandonment of the goal to abolish capitalism. Instead they seek to reform or humanize thereby close the gap between the rich and poor of society. (3) Social democracy favours a market economy accompanied by state intervention for social justice. Capitalism as a means of distributing wealth is accordingly viewed as morally defective. On its own, it generates inequality and poverty. These defects, according to social democracy can be rectified by the state through social engineering. The state is seen as custodian of public common interests.

1.8 RESEARCH QUESTIONS

The following key research questions will be interrogated,

1. What made the ANC led government to implement GEAR?
 2. What are the flaws inherent in GEAR? and
 3. Why there is a need for an alternative macro-economic policy in SA?
- Hypothesis

If GEAR and the philosophy underpinning it were humane, then poverty and deprivation in SA would be greatly reduced.

- Assumption

GEAR has not delivered on its economic promises; therefore, a more caring macro-economic policy informed by conscientious humanitarian ethos is required.

1.9 RESEARCH METHODOLOGY

1.9.1 Quantitative and Qualitative analysis.

Two research methodologies will be used in this study, namely: Quantitative and Qualitative research methodologies. Bless (2006:44) indicates that quantitative research methodology relies upon measurement and uses various scales. It also makes use of numbers from a coding system by which different cases and different variables may be compared. Systematic changes in scores are interpreted or given meaning in terms of the actual world that they represent. This methodology will be used because numbers have the advantage of being exact for example “three means exactly the same thing to every person who knows the concept, and will mean exactly the same thing in different social, cultural and linguistic context. Another reason for the usage of this methodology is that numbers can be analyzed using descriptive and inferential statistics.

Secondly, as indicated above, qualitative research methodology will also be used. Bless (2006:44) makes the point that some kind of information cannot be adequately recorded using quantitative data. In many cases language provides a far more sensitive and meaningful way of recording human experiences. In these cases, words and sentences are used to qualify and record information about the world, thus the research will be qualitative in that regard. These two methodological approaches are appropriate in solving the research problem.

1.9.2 Methods of data collection and their justification

For quantitative study, a questionnaire (containing closed ended questions) will be used as a data collection method. Closed ended questions are intended to prevent respondents to answer out of context. The respondents will fill in questionnaires on questions regarding macro-economic performance in SA since 1996, taking into consideration their literacy level. Questionnaires will be delivered personally to the target population. These will be self-administered questionnaires and will be completed by the respondent themselves, without the assistance of an interviewer (Welman and Kruger 2001: 146). This data collection method will be used because since the identity of the respondents will not be required, it will help them to be honest about their answers. At the same time, bias will be

avoided, as the interviewer will not be present during completion of questionnaires. More importantly, some types of questions, which might require consultation before answering, will be more appropriately dealt with because the respondent will have more time for an answer and no waiting interviewer to cause a hasty response which may compromise the quality of data.

Secondly, for qualitative data, the method of data collection will involve secondary sources such as books, journals, magazines and newspaper articles, internet and government documents will be used as methods of data collection. These data collection methods will be used in order to evaluate the success or otherwise of South Africa's macro-economic policy, GEAR.

1.9.3 Sampling methods and procedures

Bless (2006:100) reinforces the point that the sample must have properties which make it representative of the whole. One major issue in sampling is to determine samples for an accurate generalisation of results. The sampling method to be used will be Simple Random Sampling, one of the types of a probability sampling. The selection of an element from a population will be random i.e. chances and likelihood or probability of being chosen for the same sample, can be calculated for each element of the population.

The technique to be used in selecting the sample will be a lottery one. The target population will be students and staff of the University of Limpopo Departments like Political Science, Commerce and Management Studies, because these are ordinary South Africans who don't make policy but are directly affected. The sample will also extend to trade unionists, public servants and other professional bodies in and around Polokwane. The sample size will be 300, but extra questionnaires will be given to cover for incomplete ones. Though diverse, the sample comprises of South Africans who in one way or other, are variously affected by GEAR.

1.10 METHODS OF DATA ANALYSIS

1.10.1 Data analysis techniques

In essence, Punch (2000:60) stresses that after design and data collection, the methodological question concerns what will be done with the data once they had been collected. The method of data analysis therefore will both be Qualitative and Quantitative in nature. For Quantitative data analysis (in a closed ended questionnaire), the frequency count or univariate analysis will be used. Since the goal is to describe what the researcher has found, all what will happen is to count responses and reproduce them. This frequency count will then be converted into percentages. Qualitative data (from secondary sources) will be analysed by using the theory of Social democracy. All qualitative data will be analysed from this perspective.

ETHICAL CONSIDERATIONS

The researcher is conscious of the appropriate and inappropriate conduct relating to his obligation to the participants, such as voluntary participation, harm, anonymity and confidentiality, and never deceived them in any possible manner.

ORGANIZATION OF THE STUDY

CHAPTER ONE:

This Chapter will detail the background and circumstances that led to the adoption of GEAR. It will also highlight the difference between the RDP and GEAR especially in terms of process. It contains the problem statement, aims, objectives and motivation for the study, as well as the theoretical assumptions underlying the analysis. Furthermore, it encapsulates key research questions, assumptions and hypothesis of the study. The literature reviewed and research methodology will also form part of this Chapter.

CHAPTER TWO: FROM RDP TO GEAR

This Chapter explores the shift from RDP to GEAR in more detail. It will contain the vision, rationale and evaluation of the RDP. The chapter will analyse GEAR at length and in

detail, including the critique of its underlying philosophy. The achievement and failures of this macro-economic strategy will be discussed in this chapter.

CHAPTER THREE: TRENDS IN MACRO-ECONOMIC THINKING IN SOUTH AFRICA

This Chapter will outline the broad macro-economic policies of the main parliamentary opposition political parties, the DA and COPE. The DA and COPE were selected because of their strength in the National legislature. Given the disjuncture within the Tripartite Alliance over macro-economic policy, views of labour, COSATU and Business in particular, will be analyzed. This will be done with the view (1) to highlight differences between Alliance partners over GEAR, and (2) to demonstrate the need to shift the macro-economic policy to a higher gear. The thinking within the ruling party itself and labour, dovetails with similar policy shifts outside, among opposition parties and scholars cited in this study.

CHAPTER FOUR: DISCUSSION OF THE FINDINGS

This Chapter shall analyze the findings from the questionnaires, arising from the sampled groups. Data from secondary sources shall be factored into the analysis as well.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

This Chapter shall sum up the findings and integrate them into a coherent whole emphasizing a shift to a more people friendly and needs based macro-economic framework.

CHAPTER TWO

FROM THE RDP TO GEAR

2.1 INTRODUCTION

Chapter 1 focused on the background, purpose, aims and motivation of this study. The theoretical framework, literature review and research methodology were also dealt with in Chapter One. This Chapter deals with the transition from RDP to GEAR. According to Padayachee (1996: 368) a conference held in Harare (the capital city of Zimbabwe) in March 1990 resulted in the first detailed and systematised statement of ANC economic policy. Following this, the Draft Resolution on ANC Economic Policy (ANC 1991) emerged out of the 1991 workshop held by the ANC's Department of Economic policy. In 1992, the ANC held a conference to formulate economic policy. This resulted in a thirty-page policy document (ANC 1992). These represent preliminary steps in the formulation of post-election ANC Economic Policy. The economic legs of the RDP document started in January 1993 when COSATU, building on its earlier formulation of redistribution strategies, put forward its proposal for a Reconstruction Accord. This document was refined several times in the following months. Then in June, this was taken over and adopted by the Tripartite Alliance Committee (of the ANC, COSATU and SACP).

The fourth draft of this Reconstruction Programme issued by the Tripartite Alliance was adopted by COSATU, with much debate, and was the principal input into the ANC's Conference on Reconstruction and Development Strategy in January 1994, after which the final document was produced (Liebenberg and Steward 1996: 5). The adoption of the RDP in 1994 was understood to be the adoption by the new government of a programme which was devised with substantial input and support from COSATU aimed at improving the standard of living of the working class through state supported initiatives.

This Chapter starts by highlighting briefly, the nature of the Mandela administration after the 1994 elections. This is followed by discussing the principles underpinning the RDP. This shall be followed by the key programmes of the RDP. Furthermore, a detailed discussion of the RDP White paper will follow. Here, the analysis will demonstrate how the RDP White paper fundamentally departed from the original policy inputs document.

The performance of RDP will also be highlighted. This will be followed by discussing the Ministry of RDP, specifically looking at the challenges the Ministry grappled with in relation to other Ministries. This will be followed by discussing the increasing role of Deputy President Thabo Mbeki in the Mandela administration and his association with the “Third Way”, as this contributed to a shift away from RDP to GEAR. This will be followed by the philosophy of GEAR. The conclusion will sum-up this Chapter. In Chapter One, the study tabulated some uncharacteristic procedural policy anomalies that preceded GEAR. These anomalies include the sidelining of traditional Alliance partners like COSATU and the SACP, non-consultation of civil society, and even inputs from ANC members as well, that these would not only cloud and bedevil GEAR from onset but to haunt the macro-economic program even after Mbeki.

2.2 MANDELA’S GOVERNMENT

The personal character of Nelson Mandela brought dignity to the Presidency of South Africa’s first democratic government. There was general consensus, even among skeptics, that South Africa made smooth transition from apartheid to democracy in the context of national reconciliation. The fears expressed by many commentators of increased political violence and disarray did not materialise. Equally, a new constitution was crafted at the beginning of the administration, partly through a consultative exercise with the general public, and became effective in 1997. Based on liberal principles as rule of law, freedom and equality, and the independence of the judiciary, the new Constitution set out a comprehensive framework for the practice of good governance was established that repeatedly affirmed the need for accountable, open and effective government. All members of the cabinet were accountable collectively and individually to parliament. A variety of parliamentary portfolios and select committees were introduced in the National Assembly to scrutinise policy proposals. They were widely regarded as a vibrant part of law-making. Those innovations were seen as major stride(s) towards greater transparency (Deegan 2001: 202).

With the 1994 elections over, the Government of National Unity (GNU) headed by Mandela included former State President F.W de Klerk of the National Party (NP) who became the first Deputy President, with Thabo Mbeki second Deputy President, and Chief Mangosothu Buthelezi of the opposition Inkatha Freedom Party (IFP) who also sat in the cabinet as Minister of Home Affairs. The NP portfolios included the Ministries of Finance, Minerals and Energy, Environment and Agriculture among others (Deegan 2001: 202). The GNU was designed to last for five years, from April 1994 to June 1999. GNU was essentially a power-sharing formula to enable those who supported the former government to make a dignified exit from power. Mandela government played a crucial mediatory role and acted as a force between conflicting interests (Deegan 2001: 114). It must be remembered that the majority of parliamentarians elected in 1994 had no experience in governance. Many were former freedom fighters turned conventional politicians. The new parliamentarians in the Mandela government had to learn the legislative process and how to manage and transform an institution that had previously existed to protect the interests of white minority (Deegan 2001: 203). The ANC had inherited a society that was characterized by deep socio-economic divisions. Millions were jobless, landless, had no access to education, health or opportunities for self-advancement (Deegan 2001: 115). These deprivations were to be countered by the RDP.

2.3 PRINCIPLES OF THE RDP

The RDP was premised upon progressive and developmental principles which any government that is serious about economic growth and development would adhere to. The first of these principles was “an integrated and sustainable programme”. By this time, the ANC had recognised that the legacy of apartheid could not be overcome with piecemeal and uncoordinated policies. The RDP brought together strategies to harness all South Africa’s resources in a coherent and purposeful effort that could be sustained into the future. These strategies were integrated and mainstreamed in all national, provincial and local government programmes. Other related agencies were supposed to tailor make their policy programmes and activities in line with this new RDP philosophy (RDP, 1994: clause 1.3.2). Further, it was recognised that nation-building required to be intertwined with “reconstruction and development”. The RDP was thus based upon reconstruction

and development as part of an integrated process. This was in contrast to a commonly held view that growth and development, or growth and redistribution are processes that contradict each other. Growth, i.e. the measurable increase in the output of the modern industrial economy, is commonly seen as the priority that must precede development (RDP, 1994: clause 1.3.6). Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view, development is not integral to but a by-product of growth (RDP, 1994: clause 1.3.6).

By contrast, the RDP breaks with this approach. If growth is defined as an increase in output, then it is of course a basic goal. However, where that growth occurs, how sustainable it is, how it is distributed, the degree to which it contributes to building long-term productive capacity and human resource development, and what impact it has on the environment, are the crucial questions when considering reconstruction and development. Under RDP integrated growth, development, reconstruction and redistribution constitute a unified programme. The key to this link is an infrastructural programme that had to provide access to modern and effective services like electricity, water, telecommunications, transport, health, education and training for all the people. Conceived as such, RDP was designed to meet basic needs, as well as open up previously suppressed economic and human potential in urban and rural areas. In turn, this was expected to lead to an increased output in all sectors of the economy by modernising infrastructure and human resource development. Export capacity was to be enhanced. Success in linking reconstruction and development was seen to be crucial if the country was to achieve peace and security for all (RDP, 1994: clause 1.3.6).

Accordingly, RDP was essentially “people-driven”. As an important resource the RDP had to focus on the people's most immediate needs, like water, education and health energies to drive the process of meeting these needs. Regardless of race or sex, or whether they were rural or urban, rich or poor, the people of South Africa were together to shape their own future. Development was not conceived as the delivery of goods to a passive citizenry. It was about active involvement and growing empowerment. In taking this approach, the ANC-led government was building on the many community and local forums, peace structures that the people were involved in throughout the country (RDP,

1994: clause 1.3.3). This was a bottom-up not top-down approach of GEAR. The new approach was deliberately adopted in order to overcome the massive divisions and inequalities left behind by apartheid. RDP was also adopted to do away with “trickle-down development” characteristic of some macro-economic programmes. Nation-building approach was adopted to ensure that SA plays an effective role within the world community and thereby validate South Africa’s national sovereignty (RDP 1996: clause 1.3.5).

The people-driven process was closely bound up with the slogan “Peace and security for all”. The RDP assumed that without peace and security, growth and development were impossible. Under Apartheid both the security forces and judicial system served the racist ideology and could not stem violence and crime that engulfed South Africa (RDP, 1994: clause 1.3.5).

RDP’s underpinning first five principles depended on a thoroughgoing democratisation of South Africa. Minority control and privilege were thus viewed as alien. Thoroughgoing democratisation of society was, in other words, absolutely integral to RDP. For it required fundamental changes in the way that policy was made and programmes implemented. In essence, the people were to participate in decision-making. More importantly, democratisation was to begin to transform both the state and civil society. In view of this, democracy was not confined to periodic elections, rather it was an active process enabling everyone to contribute to reconstruction and development (RDP, 1994: 1.3.7).

2.4 PROGRAMMES OF THE RDP

RDP had many proposals, strategies and policy programmes. These can be grouped into five major policy programmes linked to one another.

The five key programmes were:

- meeting basic needs;

- developing human resources;
- building the economy;
- democratising the state and society, and
- implementing the RDP (RDP 1994: clause 1.4.1).

The first priority was to begin to meet the basic needs of people i.e. jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, health care and social welfare. In this way government and the people could begin to reconstruct family and community life in society. Programmes were divided into short and long-term perspectives. The former included substantial redistribution of land, building over one million houses, providing clean water and sanitation, electrifying 2,5 million new homes and providing access for all to affordable health care and telecommunications. Overtime the success of these programmes could lead to peace and security for all (RDP 1994: clause 1.4.2). The people were supposed to be involved in these programmes by being made part of the decision-making on where infrastructure should be located, by being employed in its construction and by being empowered to manage and administer these large-scale programmes. These major infrastructural programmes were expected to stimulate the economy (due to increased demand for materials such as bricks and steel, appliances such as television sets and washing machines, and many other products). In addition, the industrial sector was to develop new, more efficient and cheaper products to meet basic infrastructural needs (RDP 1994: clause 1.4.3).

The second programme of the RDP was “Developing Human Resources”. The RDP was a people-centered programme i.e. people were to be involved in the decision-making process, in implementation, in new job opportunities requiring new skills, and in managing and governing society. This was to empower the people, thus education and training programmes were crucial. Here RDP dealt with education from primary to tertiary level, from child care to advanced scientific and technological training. It focused on children, students and adults. It dealt with training in formal institutions and at the workplace (RDP 1994: clause 1.4.4).

The underlying assumption was that education and training should be available to all from cradle to grave. In training, particular attention was paid to the challenges posed by the restructuring of industries as SA fully re-entered the world economy. These challenges could be met through the extensive development of human resources (RDP 1994: clause 1.4.7). The arts and culture programme was set out as a crucial component of developing human resources. This was to assist in unlocking the creativity of the people, allowing for cultural diversity within the project of developing a unifying national culture, rediscovering historical heritage and assuring that adequate resources are allocated (RDP 1994: clause 1.4.8). The RDP wanted to ensure that all people have access to such facilities. Only in this way could all the people have a chance to represent their villages, towns, cities, provinces or country in the arena of sport and to enjoy a rich diversity of recreational activities (RDP 1994: clause 1.4.9).

The RDP took a broad view on education and training, seeing it not only as something that happens in schools or colleges, but in all areas of society i.e. homes, workplaces, public works programmes, youth programmes and in rural areas. Increasing budget in education and the role of Sector Education and Training Authorities (SETAs) was emphasised in developing skills. (RDP 1994 clause 1.4.5). A key focus was on ensuring a full and equal role for women in every aspect of the economy and society. An emphasis on affirmative action was supposed to “unlock boundless energies and creativity suppressed by racism and discrimination” (RDP 1994 clause 1.4.6). Special attention was paid to the youth, in order to reverse their marginalization empowering them, and allowing them to reach their full potential. Programmes for training, education and job creation were meant to enable them to play a full role in the reconstruction and development of society” (RDP 1994: clause 1.4.10). This programme for the development of human resources underpinned the capacity to democratise society, and allowed people to participate on the basis of knowledge, skill and creativity (RDP 1994: clause 1.4.11).

The third programme of the RDP was “Building the economy”. It emphasised the need to address serious weaknesses in the economy. There were still clear racial and gender inequalities in ownership, employment and skills. Past industrial policies assisted in

creating employment and were an important factor in developing industry but they were also accompanied by repressive labour practices, neglect of training, isolation from the world economy and excessive concentration of economic power. The result was low investment in research and development, low and inappropriate skills levels, high costs, low productivity and declining employment (RDP 1994:clause1.4.13). Central to building the economy was the question of worker rights. Under this programme, past policies of labour exploitation and repression were to be redressed and the imbalances of power between employers and workers corrected. The basic rights to organise and to strike were to be entrenched and negotiations and participative structures at national, industry and workplace level were to be created to ensure that labour plays an effective role in the reconstruction and development of South Africa (RDP 1994:clause1.4.14). In this regard, three relevant pieces of legislations were passed to govern a new labour market in S.A i.e. the Labour Relations Act (1995) which covers employee rights, collective bargaining and union rights, strikes and lockouts, workforce forums, dispute resolution and other provisions. The Basic Conditions of Employment Act of 1997, covers working time, leave, remuneration, termination, child and forced labour, sectoral determination, monitoring and enforcement whilst the Employment Equity Act of 1998 covers unfair discrimination, affirmative as well as institutions that govern these policies (Clarke et al, 2007: 66).

The fourth programme was “Democratising the State and Society”. Democratisation was integral to the RDP. Without thoroughgoing democratization, the resources and potential of SA and people would not be available for a coherent programme of reconstruction and development (RDP 1994: clause 1.4.19). In linking democracy, development and a people-centered approach, government was paving the way for a new democratic order. Lastly, “Implementing the RDP”. The RDP raised many challenges in its implementation because it involved processes and forms of participation by organisations outside government that were very different to the old apartheid order. To implement and coordinate the RDP required the establishment of effective RDP structures in government at a national, provincial and local level (RDP 1994:clause1.4.21).

2.5 THE RDP WHITE PAPER

The RDPWP indicated a fundamental shift away from the RDP original document. The RDP original document and the RDPWP were supposed to have complemented each other, but instead contradicted each other on some of the essential elements. For example, in the RDP White Paper it refers to the relationship between the RDP Administration and line function departments. In par 2.3.2 it is specifically stated that funds will be removed from departmental allocations and can be re-assigned subject to compliance with new priorities. This gave Minister Jay Naidoo a blank cheque to intervene and determine priorities in any of his colleagues' departments. A senior spokesperson from the RDP Office once confirmed that it was a misnomer to call Naidoo a Minister without portfolio, because he had in fact a horizontal responsibility which cuts across all other existing departments and would, for purposes of effective monitoring of the RDP, need control over additional research resources such as the Human Sciences Research Council (HSRC), the Council for Scientific and Industrial Research (CSIR) and other research institutions not yet under his control. The parallels between this situation and that of Minister Chris Heunis who was at one stage, as a result of the integrated planning portfolio for which he was responsible, referred to as the 'Minister of Everything' , is striking. At that time, the perceived 'interference' by one minister in the portfolios of his colleagues, led to political clashes in Cabinet and obstructed the implementation of government policies (Cloete 1995: 4).

The original RDP document captured the essence of the movement's policy on the six principles discussed earlier. However, the White Paper (WP) modified and extended some of these principles in a way that mirrors neo-liberal encroachment on a purely left-wing developmental agenda. For example, the first principle was extended to include the statement that reads "Due regard will be given to affordability, given our commitment to sustainability and to achievable goals" (RDPWP, clause 1.3.2). The issue of fiscal discipline then became a key element of the RDPWP which resulted in lower government budgets, thus social services like education suffered. The government needed an

expansionary budget as envisaged in the original document of the RDP in order to alleviate poverty and create adequate jobs.

In addition, social welfare programmes were hard hit by the WP. The WP no longer committed the government to providing basic welfare rights to all South Africans. The issue of national social security programme was abandoned. The WP's focus was on improving the efficiency of delivering welfare to those with entitlement (RDPWP, clause 3.12). Further distortions of the RDP original document were not limited to the above. The fifth RDP principle was recast as follows: the RDP integrates growth, development, reconstruction, redistribution and reconciliation into a unified programme (RDPWP, clause 1.3.6). More importantly, at the last part of this principle, it was stated that "attention will be paid to those economic factors inhibiting growth and investment and placing obstacles in the way of private sector expansion" (RDPWP, clause 1.3.6). This signaled the dropping of nationalisation of strategic sectors of the economy like mining and telecommunications, which desperately needed to roll back poverty and inequality caused by the Apartheid regime.

Furthermore, the original document of the RDP clearly defined the role of the state. It stated that "to carry out programmes to meet the RDP objectives; the democratic government must play a leading and enabling role in guiding the economy and the market toward reconstruction and development. There must be a significant role for public sector investment to complement the role of the private sector and community participation in stimulating reconstruction and development (RDP 4.2.3 and 4.2.4). In contrast, the WP reduces the role of the government in the RDP to managing the transformation. It states "the RDP is a vision for the fundamental transformation in our society. It is the duty of the government to manage this transformation. This is being done by the development of key medium and long term programmes which incorporate the basic aims of the RDP and which allow for effective management" (RDPWP, clause 1.5.2).

2.6 PERFORMANCE OF RDP

One of the key programmes identified by the RDP was the development of human resources, which was supposed to be achieved by empowering people through appropriate education and training. The National Schools Building Programme (NSBP) was a joint initiative of the National Department of Education and the RDP that supplemented the activities of the Culture of Learning Programme in the refurbishment of schools and improve the quality of learning environment. The NSBP shifted the focus from the Culture of Learning's Programme, in that it addressed the massive backlog of classrooms and new schools in provinces that were unable to afford major capital expenditure. Of all the magisterial district allocations, the highest one went to Johannesburg (R109 million), followed by Ermelo (R106 million) in Mpumalanga and Vereeniging (Makobe 1999: 110).

Clean water: By the beginning of 1998 standpipes had been installed within 200 metres of the dwellings of about 1,3 million rural people who previously either used ground water or bought their drinking supplies from lorries. In August 1998, Minister of Water Affairs, Kader Asmal, stated that "more than 2,5 million people had been given access to fresh safe water for the first time". Two years later this achievement was doubled. By March 2000 a total of 236 projects were completed to supply water to 4 847 451 people, three million of whom were inhabitants of former homeland areas in Kwazulu Natal, the Eastern Cape and Limpopo (Lodge 2002: 57).

Housing: By December 2000, altogether 1 129 612 cheap houses had been built to accommodate 5 million of an estimated 12,5 million people who were without proper housing. Approximately 232 000 of these houses were upgraded shacks in informal settlements. The pace of housing construction peaked in 1997. According to then Minister of Housing, Mthembu-Mahanyele, more exacting quality control had brought this annual total down to 200 000. In six years the government had spent a total of R40 billion on housing. In fiscal terms, government's commitment to housing slackened after 1996. In that year, some 3,4 percent of the national budget was spent on housing, whereas by 1999/2000 this had diminished to 1.4 percent (Lodge 2002: 57).

In terms of social security the RDP did indeed achieve some remarkable results. In line with the new constitution's provision that all citizens are entitled to social security, the government established a very extensive welfare system, catering for the aged, disabled, children in need, foster parents and many others too poor to meet their basic social requirements (Harsch2001:9). For instance, free health care was provided for pregnant women and children, and free meals were provided for between 3,5 to 5 million school children (Heymans 1995:57; Marais 2001:190).

Electrification: By May 2000, around 1,75 million homes had been connected to the national grid and another 600 000 connections were planned for the next three years. Most of the electrification schemes had been directed to rural homeland areas. The proportion of rural homes with electricity had thus grown from 12 percent to 42 percent. **Land reform:** By the beginning of 1999, some 39 000 families had been settled on 355 000 hectares of land using their Settlement Land Acquisition Grants. This was still a long way from the RDP goal of redistributing 30 percent (30 million hectares) of commercial land within five years (Lodge 2002: 58).

Primary health care: between April 1994 and December 1998, around 500 new clinics had given additional 5 million people access to primary health care facilities. The beneficiaries of this activity included 77 000 people whose sight was restored through cataract operations by the end of 1998. A polio-hepatitis vaccination programme began in 1995 ensured that 8 million children were immunized. In 2000, the Department of Health could claim that both polio and measles had been virtually eliminated through vaccination programmes (Lodge 2002: 58).

Public works: A community based public works programme established after 1994 had provided employment to 240 000 people on road building schemes and the installation of sewerage, sanitation facilities and water supplies, mainly in Kwazulu-Natal and the former Transkei (Lodge 2002: 58).

Problems emanated during the implementation of RDP projects. For instance, on implementing the National Schools Building Programme (NSBP), there was ineffective

monitoring of how funds were used. This was because there was no central source of information on the extent of funding for the NSBP and information coming from the provinces was sketchy and incomplete. There were no standards set for monitoring the NSBP projects (Makobe 1999: 118).

Makinta and Schwabe (1999: 3) point to the problem of lack of grass-roots participation and management. Other problems included the “ghettosation” of the RDP to the extent that it influenced only a small sector of the national budget and ministry operations. There were also tensions between the RDP office as a “super ministry” relating to the other ministries and between the RDP office and provincial responsibilities. Despite various RDP interventions, poverty and acute inequality persisted in SA.

From 1994 the government’s intention was to use the RDP fund to kick-start certain projects, but from the start the aim was eventually to address issues through line-function ministries. After the closure of the RDP office in March 1996, the RDP moved into a new and un-tested mode of operation. Part of the RDP team then operated out of the Ministry of Finance, under the then Deputy Minister Gill Marcus. Its function was that of a Programme Management Service, providing a service to Ministries and overseeing still-existing business plans that previously came under the RDP office. The RDP team no longer had ultimate authority over RDP projects within Ministries. Previously all projects were allocated to one Ministry which was then responsible for implementation, but the RDP office controlled the funds and had ultimate authority (Liebenberg and Steward 1999: 7).

Many strategic and coordination functions which were necessary to the RDP and which were conceived by the RDP office ended up in the National Growth and Development Strategy (NGDS) in 1996. This strategy emerged at the end of 1995. The Budget Speech of 1996 stated that the RDP programme has provided a policy framework which was being elaborated into a long-term perspective intended to extend well into the next century in the form of a Growth and Development Strategy. The NGDS ceased as a formal programme by the end of 1996 (Liebenberg and Steward 1999: 8).

In Chapter One, it was noted that COSATU was instrumental in the election of Jacob Zuma as President of the ANC in 2007. However, COSATU's support for the ANC dates back to the years of liberation struggle. Cherry and Southall (2006: 76) observed that COSATU workers generally participated more enthusiastically in national elections if they have confidence in the party they choose and felt that it will represent their interests effectively in parliament. This does not necessarily entail voting for a party with an explicit "worker identity". In South Africa, workers in COSATU affiliated trade unions in both the 1994 and 1998 surveys expressed a high degree of confidence in the ANC and in the Tripartite Alliance between COSATU, the ANC and the SACP. Overall, they were willing to continue to give their allegiance to the ANC, despite being very critical of some of its policies-notably the government's shift from the RDP to the more market-friendly GEAR, which many within COSATU's leadership deemed 'neoliberal'.

2.7 THE MINISTRY OF RDP

Soon after the ANC was elected into office on 27 April 1994, President Mandela recognised Jay Naidoo (first Secretary General of COSATU) drove the RDP initiative from his ANC office. The ANC went to the people with the RDP as its manifesto, and then wanted it to be the centre of all government programmes which meant that it had to be a policy framework for the GNU. It was a difficult task, and Mandela appointed Naidoo as Minister without portfolio in the Presidency to be responsible for the RDP (Naidoo 2010: 227).

In order to execute the mandate of the RDP Ministry, Naidoo recruited a new cadre of leadership in government: Dr Bernie Fanaroff, who had a wealth of organisational experience and an outstanding intellect; Dr Tanya Abrahamse, an expert on rural development; Dr Chippy Oliver and Pascal Moloji, both specialists in urban planning and development; Namane Magau, a human resources expert; and many others. All were seasoned activists. Naidoo grappled with the task of being part of the Executive as well as accountable to parliament that sat 2000 kilometres away in Cape Town (Naidoo 2010: 230). The central strategic thrust of the RDP was the establishment of a developmental

state. The key strength of the ANC led government was the legitimacy and the enormous political capital combined with Mandela's iconic status in the world. Within government, parliament and civil society there was excitement and optimism as government grappled with the huge financial and infrastructural deficits inherited and the social and education crisis faced. Many Ministers had walked into institutions that were already there, established over many decades and had developed structures, personnel and a culture of how they operated. Their key challenge was developing the new policy frameworks, the appropriate legislation and transforming their delivery Departments to serve the population, irrespective of race or colour (Naidoo 2010: 233).

In order to deliver on the RDP and how to make the RDP part of the core agenda of government, the RDP Ministry drew lessons from a study tour undertaken, meeting with governments, agencies and civil society that were crisscrossed in the developing world from Mumbai to Kuala Lumpur to Sao Paulo and Buenos Aires. The Ministry drafted the first policy documents on urban planning and densification, rural development, people living with disabilities, the role of women and gender, and human resource development. The policy space was alive with vibrant and dynamic debates. As the months wore on, the RDP team realised that human capacity and management were systemic weaknesses that impacted on delivery. The RDP Ministry formed an Implementation Committee staffed by project managers seconded from state corporations and business, which would receive applications from the local governments, community based organisations and provincial governments. The Implementation Committee would then evaluate these applications before passing them on to the Urban Development Task Team to monitor and review the progress of the projects. One of the most important conditions was to ensure that accountability was established across all spheres of government i.e. the executive level at the national, provincial and local levels, in parliament, and in their different state institutions (Naidoo 2010: 234).

The RDP Minister was faced with the daunting task of being dependent on interdepartmental cooperation to deliver on the RDP programmes. Above all, the global context had changed dramatically especially since the fall of the Berlin Wall. The

ideological challenges were enormous. Endless streams of international bankers battered down the RDP office doors. Their advice was usually the need to maintain market fundamentals and create the conditions for attracting international investment. Many acted as the representatives of the South African conglomerates who preached that premature interference with the economy would create instability (Naidoo 2010: 236). There were also issues around how to bring the IFP, the NP and the ANC to the same table in relation to the RDP because after all, the RDP was the election manifesto of the ANC. The biggest constraint faced by the Ministry was the capacity of departments in government to develop programmes that were based on clear business plans. The RDP Minister was reluctant to throw money at problems. His experience in building unions revolved around knowing what the impact of work was, where every Rand came from and where every Rand was spent and what outcomes to be achieved. As RDP Minister, Naidoo was responsible for billions of Rands and subject to demands from Ministers that would have reduced the RDP to an accounting exercise (Naidoo 2010: 237). With international donors, the RDP Ministry negotiated an alignment between their funding and key social deliverables of the RDP Fund, which became the conduit of development aid boosting the existing programmes that had already kick-started from RDP Fund. Some international donors demanded conditionalities such as using companies and consultants from their countries and requiring a multiplicity of reporting requirements. Unlike many developing countries, South Africa was not dependent on donor aid to balance the national budget and were able to dismiss these and drive a development trajectory of its own (Naidoo 2010: 238).

Capacity constraints within the RDP and across the government resulted in a time lag between what was announced, what to be done and when to be done. The greatest challenge was within the ANC. One sticking point was the extent to which the RDP Ministry would be allowed to assert its role. Effectively this meant tramping on the toes of other Ministers. The other Ministries had to submit business plans that met a set of criteria considered to fit RDP programmes. Literally, then, the RDP Ministry had to wait for new Ministers to understand their portfolios, understand the goals, and work out how to re-engineer the existing programmes, the expenditure and the human resources, towards

delivering the RDP. When the ANC came to government in 1994, there was a civil service that did not have the background to understand what the ANC wanted to deliver. It had to be transformed from delivering largely to a minority to delivering to the whole citizenry. There was then a constitutional obligation to deliver the same services to all South Africans. Deracialising the civil service while aligning it to new roles with the requirement of new skills was an intricate challenge which was later deeply politicised as appointments were centralised in the Presidency. To champion the integration was a complex process. The ANC inherited a government with existing portfolios, each had its own bureaucracy, and its own silo mentality, and was not geared to interacting or cooperating with other departments, which the RDP required (Naidoo 2010: 239).

Some Ministers saw the RDP Fund as an unnecessary step where they had to submit proposals and business plans and justify to a colleague why their programmes met the criteria of the RDP. Others, particularly the conservative business press and economists, were skeptical of the RDP from its inception, describing it as wishful thinking and doubtful because it had been initiated and driven by the labour movement, even though it had been through an extensive consultation process and was popularly seen to be owned by the people. The business lobby, backed by powerful international forces of capital, was determined that there would be no major changes to the economic trajectory of the past and that the priority should be the maintenance of market fundamentals. More importantly, in the absence of a strong endorsement from Thabo Mbeki, who was in essence the executive head of government, the tide began to rise even as proponents of RDP soldiered on (Naidoo 2010: 241). The Minister of RDP needed executive support over and above the political endorsement of President Mandela. Although not explicit, Naidoo did not share that relationship with Mbeki. The Tripartite Alliance was weakened. It was no longer the driving force of change. The ANC was deeply involved in constitutional negotiations at Convention for a Democratic South Africa (CODESA) and COSATU was involved in labour laws negotiations in the National Economic Development and Labour Council (NEDLAC). The political centre was not holding together the different forces and palace politics began to take hold (Naidoo 2010: 243).

At the same time, the tide of media opinion was turning against the RDP Ministry. The key issue was implementation. The Ministry faced a barrage of criticism, people were expecting miracles (Naidoo 2010: 244). On 28 March 1996, the office of the RDP was officially shut down. Three months after the closure of the RDP office the substance of ideology shifted with the launch of GEAR (which President Mandela alluded to as 'home grown Structural Adjustment Policy') which politically buried the RDP (Naidoo 2010: 252 & 254). As Minister, Naidoo was not informed before the decision was made, nor satisfactory reasons given to him for closing the Ministry (Naidoo 2010: 250). Naidoo was redeployed as the Minister of Posts, Telecommunications and Broadcasting. He was pleased that it was a single portfolio that he could manage with relatively little interference (Naidoo 2010: 251).

2.8 Mbeki and the “Third way”

At the time of closing the RDP Ministry, President Mandela was increasingly handing executive power to Mbeki, and Minister Naidoo and other comrades, began to witness a steady reduction in the room for democratic debate and difference. By this time, they operated in silos i.e. losing the heady space of frank and open discussions that characterised the early Mandela period. Each Minister was responsible for their portfolio; there was little reference to others and the cabinet began to revolve around powerful personalities who were close to heir apparent Deputy President Mbeki. The country was falling back on the old construct of an all-knowing and powerful executive government in which people were passive and uniformity of opinion the norm. It was also becoming a ruthless battle between power blocks of elites to drive the political direction of not only government but also the mass movement (Naidoo 2010: 251).

The appointment of Mbeki to the Deputy Presidency in 1994 more or less confirmed his status as Mandela's successor. The position of Deputy President of South Africa in the first ANC government had a special significance in the light of Mandela's professed intention to serve only one term and his decision to delegate considerable executive authority to his deputy. As the chairperson of most cabinet meetings, Thabo Mbeki was effectively responsible for the routine administration of government after 1994. During

Mandela's presidency, Mbeki increasingly became the main arbiter on policy issues and successive cabinet appointments testified to his decisive role in government. The dissolution of the RDP office in 1996 and the transfer of many of its functions to the Deputy President's burgeoning staff were important signals of his consolidating authority (Lodge 2002: 245).

Mbeki deserved the principal credit or the blame for the government's fiscal conservative macro-economic policies. Though the drafting of the GEAR programme was undertaken by a team of economists working with the Minister of Finance, the Deputy President's Office was closely involved in the discussion of early drafts, well before the programme was shown to the ANC's executive, the cabinet or even Nelson Mandela. Under Mandela, Mbeki chaired a number of inter-ministerial committees, the main arenas within government for high-level policy deliberations. His office also established a coordination and implementation unit which, after the demise of the RDP Ministry, became the main agency responsible for implementing programmes in which responsibility was shared by several government department (Lodge 2002: 251).

At the end of 1998, Mbeki's office was merged with Mandela's in preparation for the launch of a "super-presidency". After the 1999 election the new office was to be supported by 334 staff including three directors-general and a budget of R70 million. Equipped with personnel to enable it to become a powerful coordinating structure for government policy and action, it was predicted that it would exercise considerably control over cabinet and ensure much more effective integrated deployment of resources in the implementation of policy during the post-Mandela era (Lodge 2002: 251).

Mbeki aligned himself ideologically with former British Prime Minister Tony Blair, former German chancellor Gerhard Schroder and Swedish Social Democratic leader Goran Persson. They embraced a common theme, known as the "Third Way". It amounted to a commitment to less government, using the market to deliver, distancing their respective governments from the unions and moving closer to business. A case in point was Mbeki's proposal, submitted at the ANC's June 2005 national general council, for a "dual labour" market along the lines of those proposed by New Labour in Britain and the Social

Democrats in Germany, whereby labour would have less legal protection, could be fired more easily and thereby give companies greater incentive to employ more people. In addition, these “Third Way” proposals envisioned small business being exempt from labour regulations applied elsewhere in the economy. In SA these proposals were vigorously opposed by the ANC’s left. Those who supported Mbeki pushed in vain to have them adopted at the ANC December 2007 national conference held in Gallagher Estate, Midrand (Gumede 2005: 152). Heywood (2007: 137) contends that this acceptance of a pro-business and pro-enterprise stance meant that the “Third Way” attempted to build on, rather than reverse, the neoliberal revolution of the 1980’s and 1990’s.

Blair’s substantiation of a “Third Way” falls into three parts. Firstly, the general conditions; secondly, its values and thirdly, the means required to achieve the ends given the conditions outlined. The general conditions for third way politics rest on the argument that contemporary society is undergoing profound and irreversible changes and that these ‘new times’ call into question established political and policy-making frameworks. The central theme here is ‘globalisation’. In a speech in South Africa in January 1999, Tony Blair suggested that the driving force behind the ideas associated with the “Third Way” is globalisation because no country is immune from the massive change that globalisation brings. What globalisation is doing is bringing in its wake profound economic and social change. Economic change is rendering all jobs in industry, sometimes even new jobs in new industries, redundant overnight. Social change is a change to culture, to lifestyle, to the family, to established patterns of community life. A third way, then, is required to cope with these ‘new times’ (Driver and Martell 2000:150).

Tony Blair identified “Third Way” values as ‘equal worth i.e. ‘opportunity for all’, ‘responsibility’ and ‘community’. The first, ‘equal worth’, is the old liberal nostrum that all human beings are equal and should be treated as such and not discriminated against. The second, ‘opportunity for all’, means substantive (or positive) freedom individuals require to develop their talents and exercise their liberty, rather than being concerned solely with the legal conditions which support individuals to lead free lives (negative freedom). ‘Opportunity for all’ is principally concerned with opportunities and not

outcomes. A third way should promote the value of 'community' by supporting the structures and institutions of civil society, such as the family and voluntary organizations, which promote individual opportunity and which ground 'responsibility' in meaningful social relationships (Driver and Martell 2000:151).

The "Third Way" was originally a British-American of western venture. Blair and German Chancellor Schroeder co-authored a document, "Third way", which argued for the merits of flexible labour markets and identified high public spending as the road to ruin. Schroeder based the modernisation of the German Social Democrats on the concept, while Blair used it to turn his party away from its overtly leftist orientation and more to the political centre and the market.

The "Third Way" was Mbeki's mantra. His problem was how to get the policy accepted by a constituency that, not surprisingly, looks to the state for speedy social delivery, much as the National Party lifted Afrikaners to prosperity after 1948. Mbeki and the ANC chiefs took lessons from Blair and Schroeder in how to market unpopular party policies to their constituencies. The modernizers increasingly talk "left" to the ANC membership, but act "right" as government. In order to keep the Tripartite Alliance from coming unstuck, party leaders often talk of a "national democratic revolution" to describe essentially liberal democratic changes (Gumede 2005: 152).

From the beginning, the "Third Way" was presented as a new approach to politics and policies which transcends the old categories of "Left and Right". It claims to espouse a pragmatic approach, taking the best from both "Left" and "Right" traditions and concerned with only "what works" (Ferguson 2004: 3).

The "Third Way" differs significantly from the RDP. Instead of a less interventionist state called upon by the "third way, the RDP stressed that reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector and active involvement by all sectors of civil society which in combination will lead to sustainable growth (RDP 1994: clause 4.2.1). Unlike the "third way" privatisation, the RDP further called for increasing the public sector in strategic areas through, for example,

nationalisation, purchasing a shareholding in companies, establishing new public corporations or joint ventures with the private sector (RDP 1994: clause 4.2.5.1). Instead of a flexible labour market of the “Third Way”, the RDP argued for the protection of worker rights, labour standards and proactive labour market policies. The RDP makes a decisive break with the exploitative cheap-labour policies of apartheid and advocate for education, training, skills, a living wage, and collective bargaining as the basis for enhanced productivity in the economy (RDP 1994: clause 4.2.11).

Meanwhile, the government's overall economic policy approach began to undergo some notable shifts in the mid-1990s, in ways that COSATU and other critics believe compromised the RDP's long-term aims. Even before the 1994 election, the ANC had dropped some of its earlier, controversial policy planks, such as nationalisation of large-scale industry and sweeping government redistribution of wealth from whites to blacks. A year after its election, and under pressure from both domestic business and the World Bank and International Monetary Fund (IMF), the ANC accepted the notion of privatisation in principle and dropped talk of regulating foreign investment. The government gradually eliminated measures to protect national currency and implemented some facets of trade liberalisation even faster than required by its commitment to the World Trade Organization. In June 1996 government adopted a new macroeconomic policy framework, the Growth, Employment and Redistribution strategy (GEAR) (Harsch 2001).

2.9 The “Third Way” versus RDP

The “Third Way” embraced globalisation and a belief that capitalism has mutated into information society or knowledge economy, which placed a premium on information technology, individual skills and both labour and business flexibility. In a way, this was a general acceptance of the market economy. The adoption of a pro-business and pro-enterprise stance meant that the “Third Way” built on, rather than reversed, the neoliberal revolution of the 1980's and 1990's (Heywood 2007: 137). The “Third Way” welfare reforms typically rejected cradle to grave welfarism. In other words welfare should be targeted typically on helping people to help themselves (Heywood 2007: 138).

The “Third Way” recognises the role of the market over the state. In contrast, the RDP contended that reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society which in combination will lead to sustainable growth (RDP 1994: 4.2.1). The RDP aimed to transform the existing social welfare policies, programmes and delivery systems so as to ensure basic welfare rights are provided to all South Africans, prioritising those who have been historically disadvantaged (RDP 1994: 2.13.2). The RDP did not have faith in the market to provide public. The democratic government must play a leading and enabling role in guiding the economy and the market toward reconstruction and development (RDP 1994: 4.2.3).

While the “Third Way” seeks government to distance itself from trade unions, the RDP argued that to achieve the set economic objectives transparent, participatory and accountable policy-making procedures in both the public and private sectors must be established. The democratic government, the trade union movement, business associations and the relevant organisations of civil society must cooperate in formulating economic policy (RDP 1994: 4.2.7). The “Third Way” advocate for labour market flexibility, thus lesser protection of worker’s rights. In contrast, the RDP contended that basic to the consultative and interactive approach to economic policy is the protection of worker rights, labour standards and proactive labour market policies. The RDP made a decisive break with the exploitative cheap-labour policies of apartheid and moved toward education, training, skills, a living wage and collective bargaining as the basis for enhanced productivity in the economy (RDP 1994: 4.2.11).

By discouraging an expansionary fiscal policy, the “Third Way”, reasoned that the fiscal containment reduces the burden placed on monetary policy (GEAR 1996: 2.3) counter inflation, eliminate government dissaving. Further, by advocating labour market flexibility, the “Third Way” reasoned that structured flexibility within the collective bargaining system will support a competitive and more labour intensive growth path, including greater sensitivity in wage determination and flexibility (GEAR 1996: 2.2).

2.10 GROWTH, EMPLOYMENT AND REDISTRIBUTION (GEAR) IS INTRODUCED

It has already been noted that GEAR was labeled as a neoliberal macro-economic policy. Neoliberalism is facilitated through measures as fiscal austerity, export oriented production and privatisation of public sector services. There is a distinct withdrawal or shrinking of the state and a transfer of competence to the private sector. Under neoliberalism, areas previously the competence of the state are subsumed under a capitalist mode of production (Narsiah 2003: 3).

GEAR is also likened to Structural Adjustment Programmes (SAPs) often prescribed to the “Third World” countries. Structural Adjustment Policies are economic policies which countries must follow in order to qualify for World Bank and International Monetary Fund (IMF) loans and service their debts. SAPs have common guiding principles which include export-led growth; privatisation and liberalisation. Generally, they require countries to devalue their currencies; lift import restrictions; balance their budgets; and remove price controls and state subsidies (The World Bank Group 2003).

Balancing national budgets can be done by raising taxes, or by cutting government spending. As a result, SAPs often result in deep cuts in programmes like education, health and social care and the removal of subsidies designed to control the price of basics such as food and milk. Eventually SAPs hurt the poor most for subsidies (The World Bank Group 2003).

SAPs encourage countries to focus on the production and export of primary commodities such as cocoa and coffee to earn foreign exchange. But these commodities have notoriously erratic prices subject to the whims of global markets which can depress prices just when countries have invested in these so-called 'cash crops'. By devaluing the currency and simultaneously removing price controls, the immediate effect of SAPs is generally to hike prices three or four times, increasing poverty to such an extent that riots are a frequent result (The World Bank Group 2003).

The Washington Consensus is a term used to describe ten policy prescriptions laid out by economist John Williamson. The Washington Consensus is meant as a baseline of economic policies for nations in need of assistance from international economic entities such as the World Bank and the International Monetary Fund. The Washington Consensus was originally laid out in 1989, and has become a sort of general term of disparagement to those who oppose free market fundamentalism. The Washington Consensus has seen limited results. Over the years it has been blamed for massive destabilisations, most notably the Argentinean crisis of 1999-2000. John Williamson, the original proponent of the Washington Consensus, at one point noted that in many cases the results of its implementation had been disappointing, noting some flaws and how it might be improved (McGuigan 2010).

The ideas in the Washington Consensus were not new or novel at the time Williamson presented them. Instead, they represented a distillation of ideas common among International Monetary Fund, the World Bank, the US Treasury, and other lending bodies. The Washington Consensus was originally intended to address the very real problems occurring in Latin America at the time (McGuigan 2010).

The ten points of the Washington Consensus are themselves intentionally somewhat vague, as they were meant to represent a baseline. They include;

- keeping competitive exchange rates within the country;
- liberalising foreign investment opportunities;
- privatising enterprises run by the state;
- giving strong legal guarantees for property rights;
- letting interest rates be handled by the market and remaining positive and moderate;
- moving spending away from subsidies and towards direct investment in infrastructure, health care, and education; reforming the tax system to a broader tax base;
- having a policy of strong fiscal responsibility;
- liberalising trade by removing or lessening restrictions on imports and tariffs;

- legal security for property rights; and
- Deregulation that lessens competition, except in the cases of consumer safety, environmental health, and financial institutional stability (McGuigan 2010).

The name of the Washington Consensus has often been mentioned as being somewhat unfortunate, especially by its creator. Many people feel that it gives the impression that the points outlined represent a set of rules imposed on developing nations by the United States. Instead, Williamson always felt that the Washington Consensus represented a consensus precisely because the ideas outlined in it were so universal. Many proponents of the Washington Consensus do not feel that it represents the hardline neo-liberal agenda that anti-free-trade activists say it does, instead presenting it as a relatively conservative assessment of what policies can help bring a country to economic stability (McGuigan 2010).

2.11 THE PHILOSOPHY OF GEAR

Despite the socialist rhetoric of the ANC during the 1970s and 1980s, the post-apartheid government in South Africa increasingly moved towards what are normally some of the main economic priorities of structural adjustment programmes and Washington consensus i.e. a shift away from the Keynesian/social welfare emphasis of the RDP to a neo-liberal strategy of privatisation (Harber 1998: 247).

GEAR became an increasing source of tension between the ANC and its Alliance partners in the years following the 1999 general elections. This culminated in attacks by the leadership of the ANC, led by President Thabo Mbeki, upon what was termed the ultra-left within the Alliance which was said to be treating the government as hostile to the working class (Southall 2003).

The simultaneous adoption of GEAR as a macro-economic strategy was contested by COSATU as a betrayal of the working class interests. The ANC was seen to be turning its back on the original RDP vision and capitulating to the demands of international capital (Cherry 2006: 156). GEAR, according to President Mandela, was non-negotiable. Given

the contentious nature of the policy the government subsequently experienced tactical and strategic difficulties in keeping the Tripartite Alliance together.

GEAR (1996 Clause: 1.3) reasoned that sustained growth requires a competitive outward oriented economy. To attain 6% growth and create 400 000 jobs, there has to be an acceleration of the fiscal reform process, including a tighter short term fiscal stance to counter inflation, an appropriate medium-term deficit target to eliminate government dissaving, further revision of the tax structure, and a range of budgetary restructuring initiatives to sharpen the redistributive thrust of expenditure and contain costs (GEAR 1996 clause: 2.2).

Secondly, GEAR advocated a gradual relaxation of exchange controls, the maintenance of monetary policies consistent with continued inflation reduction and exchange rate management to stabilise the real effective exchange rate at a competitive level; (GEAR 1996 clause: 2.2).

A consolidation of trade and industrial policy reforms, incorporating a further lowering of tariffs to compensate for the real depreciation, the introduction of tax incentives for a fixed period to stimulate investment, a campaign to boost small and medium firm development, a strengthening of competition policy and the development of industrial cluster support programmes, amongst other initiatives were called for (GEAR 1996 clause: 2.2). Meanwhile, an active industrial policy was needed comprising of interventionist measures such as taxing capital gain, protecting textiles from foreign imports or subsidizing export industries, trade barriers were imposed on some key sectors, such as manufacturing. By selectively protecting certain industries, these industries were given time to learn and upgrade. Once competitive enough, these restrictions were to be lifted to expose the selected industries to the international market.

Thirdly, the implementation of the public sector asset restructuring programme, including guidelines for the governance, regulation and financing of public corporations, and leading off with the sale of non-strategic assets and the creation of public-private partnerships in transport and telecommunications; (GEAR 1996 clause: 2.2).

Fourth, GEAR propagated an expansionary public infrastructure investment programme to provide for adequate and efficient economic infrastructure services in support of industrial and regional development and to address major backlogs in the provision of municipal and rural services; (GEAR 1996: clause 2.2). It also advocated for structured flexibility within the collective bargaining system to support a competitive and more labour intensive growth path, including greater sensitivity in wage determination to varying capital intensity, skills, regional circumstances and firm size; reduced minimum wage schedules for young trainees, reducing indirect wage costs; and increasing the incentives for more shifts, job sharing and greater employment flexibility (GEAR 1996 clause: 2.2).

Gear favours a flexible collective bargaining system that favours business elites and exposes workers to various forms of exploitation such as starvation salaries and easy dismissal from work. Lastly, it is a social agreement to facilitate wage and price moderation, underpin accelerated investment and employment and enhance public service delivery. Wage moderation result in poor wages for the workers and exorbitant profits to business elites. According to GEAR, the measures outlined above are mutually supportive and constitute an integrated strategy to enhance economic growth and employment creation. It is Government's conviction that they will establish a stable and competitive environment for significantly improved export and investment growth (GEAR, 1996 clause: 2.2).

Despite GEAR and RDP, South Africa has been through a variety of national growth strategies over the past 15 years, including the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and Joint Initiative on Priority Skills Acquisition (JIPSA), Affirmative Action and Black Economic Empowerment (BEE).

Affirmative Action refers to measures taken to ensure representation of all races, genders and people with disabilities in the public service. Whereas Affirmative Action in the Employment Equity Bill is defined as "measures designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are

equitably represented in all occupational categories and levels in the workforce of a designated employer” (RSA 1998a:9). With respect to the public service, affirmative action is defined “as corrective steps which must be taken in order that those who have been historically disadvantaged by unfair discrimination are able to derive full benefit from equitable employment environment” (RSA 1998b: 9).

In addition to the preceding interventions, government acknowledged that it could not only look to existing enterprises to absorb and uplift black labour. The Broad-based Black Economic Empowerment Act followed in 2003. Broadly speaking, black economic empowerment is aimed at “increasing the number of black people that manage, own and control enterprises and productive assets” to create “new enterprises undertaking new forms of economic value-added activities” and to promote programmes that will result in the development and economic participation of rural and local communities. By 2004, six years after the first Act, African and Coloured employees were still concentrated in lower-skilled categories, and Indians and whites dominated the high-skilled occupations. According to the labour force survey conducted by Statistics South Africa, only 19% of African employees worked in the high-skilled occupations, compared to 55% of whites. More than 55% of Africans were in lower-skilled jobs. In the same year, the Department of Labour Employment Equity Report largely confirmed these findings. It found that more than 70% of Africans were in low- and semi-skilled jobs. The Department’s 2009/2010 employment equity report reveals that not much has changed 12 years after the Employment Equity Act was enacted. African workers continue to swell the ranks of the unskilled, making up more than 80% of this category (Sibalukhulu in Mail & Guardian 06 July 2012).

Like Affirmative Action, BEE has had limited success. There has been a narrow focus on changing the racial composition of existing enterprises by facilitating the transfer of company shares to blacks. It has not focused sufficiently on building up the entrepreneurial prowess of black people in general, but has instead facilitated the rise of a small black business elite. Black people have yet to make a real dent in patterns of ownership which are still largely in favour of whites (Sibalukhulu Mail & Guardian 06 July 2012).

These efforts were followed in 2006 by AsgiSA and its sister programme, Jipsa, which focused on 'organically growing' the skills base. Launched with much fanfare by then Deputy President Phumzile Mlambo-Ngcuka, the two policies were aimed at addressing the country's chronic problem areas; unemployment and the skills shortage. However, the silence around AsgiSA has been deafening since President Jacob Zuma's government took office in May 2009 and they appear to have died a quiet death. But there has been no official decision to shelve them.

The aim of AsgiSA was to halve unemployment from 28% in 2004 to 14% by 2014 and to halve the poverty rate over the same period. For this to be achieved, growth needed to average at least 4.5% between 2005 and 2009 and at least 6% from 2010 to 2014. Average economic growth was 5% between 2004 and 2007, 3.1% in 2008 and declined to about 2% in 2009 (Tshikululu Social Investments on 17 February 2010).

Under its guise, a number of initiatives were launched to make inroads into the shortages of artisans and technicians. Six companies – Sasol, Eskom, Transnet, Anglo Platinum, Arcelor Mittal SA and Gold Fields entered into a skills business partnership with government to provide training in about 5 000 skills over and above their own needs. The 2008 Jipsa annual report – the last one published by the Presidency – says that, by March 2008, 18 879 people had been registered for artisan training over the two years since the founding of the programme. While this was short of the targeted 12 500 artisan learners a year, there was some optimism that the number was going to be achieved in 2009. An accelerated artisan training programme driven by the Steel and Engineering Industry Federation of SA (Seifsa) showed that, after a dramatic drop of apprentice intake in 2003, there was steady growth and, for the first time since 1998, the number of apprentices entering the sector exceeded 5 000. Seifsa said that the initial funding of R70m in May 2007, for a target intake of 1 300 learners, grew to R136m in support of the March 2010 intake (Tshikululu Social Investments on 17 February 2010).

2.12 CONCLUSION

The aim of this Chapter was to demonstrate the shift away from the RDP to GEAR. It started by looking at the nature of President Mandela's administration and found that his government was that of promoting reconciliation and nation building. The Chapter also interrogated the principles of the RDP. It was found that the RDP was based on the progressive principles and an integrated programme that provided for peace and security and that deepens democracy. These principles were later abandoned by GEAR. The Chapter also interrogated the key programmes of the RDP, in order to establish its essence, which extended from meeting basic needs, developing human resources, building the economy, democratising the state and implementing the RDP. Furthermore, it was found that the RDP white paper, which legislated for the RDP base document significantly departed from the original document by introducing elements such as fiscal discipline, which tended to be analogous to GEAR precepts. Furthermore the performance of the RDP and problems encountered during implementation were also discussed. Weaknesses within the programme did not warrant for a change in the programme as it was developmental and based on social democratic ideology.

Further, the Ministry of the RDP and its implications to other Ministries was discussed, and found that the Ministry needed unwavering support by the entire executive for it to have succeeded. Its role and functions should have been negotiated and agreed upon by all stakeholders. Moreover, the increasing role of Mbeki in Mandela's administration and his association with the "Third Way", contributed to the adoption of a neo-liberal macro-economic policy, GEAR. It was also argued that the "Third Way" differed significantly from the RDP. Lastly, the philosophy of GEAR was interrogated and it was established that it entrenched economic inequalities, poverty and unemployment.

CHAPTER THREE

TRENDS IN MACRO-ECONOMIC THINKING IN SOUTH AFRICA

3.1 INTRODUCTION

Chapter Two discussed the transition from RDP to GEAR. Chapter One alluded to Draper and Dawes (Mail & Guardian 12-20 April 2010) call for a debate about South Africa's appropriate macro-economic policy. President Jacob Zuma inherited Thabo Mbeki's economic policy at a time of real fluidity in domestic politics and against the backdrop of the upheavals occasioned by the global financial crisis. These events opened up unprecedented debate about the appropriate economic policy for South Africa. Schools of thought have since emerged, the "left" and the "right". The "disciplined left" favours a stronger role for state-owned enterprises in directing the economy, limited nationalisation, less orthodox monetary policy and deliberate exchange-rate management in support of interventionist industrial and potentially protectionist trade policies. This tendency is evident in the Trade and Industry and Economic Development Departments, with the latter in command of a powerful set of economic policy resources like the Industrial Development Corporation. Significantly, this tendency is rooted in social democracy (Draper and Dawes: 2010).

On the other hand, the "orthodox right" favours market-led reforms including privatisation of state-owned enterprises, no nationalisation, more orthodox monetary policy, no exchange-rate intervention and macro-economic reforms including trade liberalisation rather than industrial policies per se. This thinking seems to be rooted in the three most powerful state institutions: the Treasury, the Reserve Bank and potentially the National Planning Commission (Draper and Dawes: 2010). The orthodox right seems to coalesce around GEAR and its neo-liberal ideas. The essence of the two tendencies articulated above is that, all actors i.e. government, political parties, labour unions, the media, academics, civil society and the people in general, either articulate their view point on macro-economic policy in the perspective of the "disciplined left" or the "orthodox right".

The purpose of this Chapter therefore, is to analyse major macro-economic policy trends in South Africa in order to assess their strength and weaknesses with the view to overhaul

GEAR and come up with a better macro-economic policy informed by social democratic ethos. As already indicated in Chapter One, the policy proposal of the ruling ANC will be analysed because they are the responsible for making and implementing current policies in government.

The macro-economic proposals of the DA and COPE shall be analysed because of their strength in the National legislature. The labour federation COSATU's views shall be analysed in this Chapter as well.

Macro-economic debates reached ANC National General Council (NGC) conference of 20-24 September 2010. This was a mid-term conference called to review policy programmes and chart the way forward for the party. The Tripartite Alliance partners (COSATU, SACP and ANC), academics, the media and society at large took part in the debate in order to influence policy direction of the ruling party. COSATU in particular released its own macro-economic policy proposal titled "New Economic Growth Path for full employment" in an attempt to gain an upper hand in the debate. These debates culminated in the new macro-economic policy framework called "the New Growth Path" (NGP). The conclusion will then sum-up this Chapter.

3.2 GOVERNMENT'S ECONOMIC POLICY

The government (2009) articulated that its macro-economic policy i.e. (GEAR) over the next five years will be informed by the priorities that were set by the ANC 52nd National Conference. It is worthwhile to note that it was at this conference that GEAR was affirmed as the party's macro-economic policy. Zuma confirmed this in subsequent speeches after assuming the Presidency of the ruling party. These priorities, in the context of GEAR's macro-economic framework would be;

- Creation of decent work and sustainable livelihoods;
- Education;
- Health;
- Rural development, food security, land reform and

- The fight against crime and corruption” (ANC Election Manifesto: 2009).

The monetary and fiscal policy framework would be structured to provide for accelerating growth, creating decent work opportunities, developing and growing the economy whilst continuing the transformation of the economy. This meant that over the next 5 years, the macro-economic policy would decisively address the most significant obstacles that limit the pace of employment creation and poverty eradication and intervene in favour of a more sustainable and inclusive growth for all South Africans. Fiscal and monetary policy mandates including interest rates and exchange rates would take into account employment considerations, economic growth and other developmental imperatives (ANC Election Manifesto: 2009). While the manifesto was literally positive, clarity was not given as to how their monetary and fiscal policies are going to address the priorities they have set for themselves. Questions such as what new instrument of monetary policy was going to be used (as raising interest rates seem to be failing), how fiscal policy was going to be improved to boost on social spending were not adequately dealt with.

Given that ANC is striving for a democratic society, the society should then use a variety of strategies to shape a developmental economy (ANC 2007: 7). The ANC thus argues that “the state needs strategic, organisational and technical capacity to play its developmental role. Strategic capacity means the ability of the state to take the lead in defining a common national agenda, to mobilise all of society to take part in the implementation of this agenda and to direct society's resources towards this shared programme. The developmental state must be able to unite the public sector, business, labour and civil society in a partnership geared to implement this shared programme. The developmental state must also play a much stronger role in establishing clear, measurable and time-bound targets for common programmes and for monitoring their implementation (ANC 2007: 7-8). Indeed, from the foregoing it is apparent that after the Polokwane Conference, though GEAR was affirmed as the macro-economic policy of the party, its days were, however, numbered.

In line with NDR assertions, the Zuma administration (upon coming to office in May 2009) created among others: three Ministries, the Economic Development Ministry, to among others craft an industrial strategy, and two Ministries within the Presidency to address the inadequacies in GEAR i.e. the National Planning Commission (NPC) under Minister Trevor Manuel and Performance Monitoring and Evaluation (PME) under Minister Collins Chabane. The establishment of the NPC was aimed at improving long-term planning to drive development (NPC 2009: 1). On the other hand, PME is supposed to play an important role in performance monitoring and evaluation of all state departments (PME 2009: 19). In addition to these initiatives, the Zuma government introduced the NGP.

3.2.1 GOVERNMENT'S NEW GROWTH PATH (NGP)

Rationale for the NGP

A number of factors led to the adoption of the NGP. The ANC partners, the SACP and COSATU despised GEAR from start. They argued that it is a cannon if not a catechism of neoliberal thinking in SA. Having failed to persuade the Mbeki government to downgrade if not abandon it altogether, they turned to his nemesis, Zuma, for salvation. As already indicated, at the 2007 Polokwane Conference, Zuma won and became ANC President. For its part, COSATU hated the macro-economic strategy, inter alia for it (i) called for growth before redistribution, (ii) GEAR also argued that employment will only occur once the economy had started to grow. Economic growth did take place, but at the expense of workers (COSATU 2010: 17).

Initially, COSATU welcomed the government's NGP when it was announced on 23 November 2010. It reasoned that for too long SA's economy had shed jobs resulting in deepening poverty and income inequalities. Naturally, COSATU regarded the introduction of the government proposal as a decisive breakthrough (COSATU 11 January 2011), though it does not agree with it altogether. The NGP was also adopted, not so much to appease its Alliance partners. Politically, President Zuma wanted to be seen as different from Mbeki, responsive to the voice of the masses (Naki 11 February 2011).

At the global level, the NGP was a response to the severe economic downturn of late 2008-2010 as well as the accelerating technological changes. Nationally, it resulted from the insufficient job growth and the need to accelerate employment creation. The global economic crisis meant that South Africa had to re-think historical patterns of trade and investment. Slow growth in SA's traditional partners in the global North had, however, been offset by the rapid recovery in China, India and Brazil. Africa's importance had also grown mainly, as a source of raw materials and a potential market with one billion consumers. Global economic turmoil also opened up new policy space for developing economies to go beyond conventional policy prescriptions. In SA the strategic objective was to forge a consensus on new internal, continental and global opportunities and how those opportunities could be seized to achieve socially desirable and sustainable outcomes. Under those circumstances the government reasoned that it had a critically important role to play in accelerating social and economic development (New Growth Path 2010: 4).

NGP was also a response to domestic developments. The transition to democracy emerged when the economy was already undergoing considerable structural change. Reintegration with the world economy as well as changes in mining and agriculture saw extensive job shedding. In the late 1970s, around two thirds of all working-age South Africans were employed. By the early 1990s, in contrast, fewer than half had employment. Despite substantial improvements in employment creation from 1994, in 2010 South Africa still ranked amongst the ten countries with the lowest level of employment in the world. The upswing from the early 2000s to 2008 built on South Africa's traditional strengths, as booming international commodity prices combined with high global liquidity to foster significant short-term inflows of capital. One consequence was that this enabled the country to spend more than it earned; another was that it increased the nominal value of the rand. It also resulted in consumption-led growth that was not underpinned by a strong production base (New Growth Path 2010: 4).

Lastly, the NGP responded to emerging opportunities and risks while building on policies advanced since the achievement of democracy in 1994. In addition, in the face of the

global crisis in 2008/9, it was a counter in order to minimize their impact on South African economy (New Growth Path 2010: 6).

In spite of this, NGP has some procedural blemishes reminiscent of GEAR. From the available evidence, it is clear that it is essentially a top-down (i.e. government) project. Vociferous criticism suggests that neither ANC broad membership (i.e. branches) nor other formations of the Alliance had opportunity to interrogate and make meaningful inputs to it. It is not surprising therefore that COSATU has lambasted it as GEAR in another guise (Business Day 24 February 2011)

Aware of the potential political fallout from such criticism, Minister Ebrahim Patel stressed that there is a need for national consensus on macro-economic policy. Without a common vision and strategic unity it would not be possible to make real progress with government's New Economic Growth Path. Addressing the National Council of Provinces' select committee on economic development on 14 February 2011 he stressed that while it was time consuming, social dialogue was 'crucial' and would have to be deepened. He also said market forces had to be aligned with the government's development objectives. A developmental state was not hostage to market forces and vested interests but had to foster alliances and leverage its resource and regulatory capacity effectively. He also stressed the need for close coordination between all spheres of government. The minister acknowledged that the target of 5million jobs in 10 years was ambitious but necessary to keep the government focused on job creation. Furthermore, he argued that anything lower than this would condemn millions 'to unemployment, poverty and exclusion'. Government had declared 2011 a year of job creation 'through meaningful economic transformation and inclusive growth (Business Day, 15 February 2011).

NGP Growth Targets

NGP contains a number of proposals that touch on every aspect of the economy. In this study we will confine our analysis and discussion to (1) employment, (2) monetary and fiscal policy and (3) labour market policies. This study will isolate these three issues

because they also form an integral part of GEAR. Other aspects of the new framework will be left out, because this Paper is not about NGP. This discussion and analysis of the isolated policy items will be followed by a critical appraisal by experts and more knowledgeable people of respective fields.

Employment policy

NGP has pledged to create five million jobs by 2020 and increased economic growth by 7% in the same period. On this calculation unemployment would drop by 10 percentage points from 25% currently to around 15%. This target could be reached if focus is kept on areas that have the potential of creating employment on a large scale (i.e. “jobs drivers”). Most of the anticipated jobs will come from the private sector (New Growth Path 2010: 8).

As a first step, government will prioritise efforts to support employment creation in the following sectors:

- infrastructure
- the agricultural value chain
- the mining value chain
- the green economy
- manufacturing sectors, which are included in Industrial Policy Action Plan (IPAP2), and
- tourism and certain high-level services (NGP 2010: 10).

For each of the job drivers, employment targets were set. For instance, public investment in infrastructure development could create 250 000 jobs a year. The impact of the massive infrastructure development would have a “multiplier effect” meaning many more jobs and other spinoffs could be created (NGP 2010: 10). Mining could add 140 000 additional jobs, not counting downstream and side stream effects (NGP 2010: 11).

Manufacturing and technological innovations could open opportunities for substantial employment creation. The New Growth Path targets 300 000 additional direct jobs by 2020 to green the economy, with 80 000 in manufacturing and the rest in construction,

operations and maintenance of new environmentally friendly infrastructure. Additional jobs will be created by expanding the existing public employment schemes to protect the environment, as well as in production of biofuels (NGP 2010: 12). In addition, the New Growth Path targets 100 000 new jobs by 2020 in the knowledge intensive sectors of ICT, higher education, healthcare, mining-related technologies, pharmaceuticals and biotechnology (NGP 2010: 13).

According to Sibanyoni (2010: 1) a number of economists expressed doubts that government could manage to reach its ambitious sector specific targets. Industrial Development Corporation (IDC) economist Lumkile Mondi said government could create more jobs if it were to focus on tried and tested areas instead of trying to create employment from the little-known green sector. He argued that the labour absorptiveness of green sector and the cost per job is very high. Instead, he suggested that the manufacturing sector should be developed to focus on supplying beneficiated products to other countries in place of providing only raw materials (City Press 23 January 2011).

An Economist, Mike Schussler, argued that the targets were possible, but unlikely to be achieved because investors who need to help the country to create jobs might be concerned about the tightening of labour laws. He was impressed by the way government planned to achieve its target, like having a decent education system and a conducive environment to create and grow small businesses. For his part, Wits University economics Professor Chris Malikane questioned how government was going to achieve its goal of transforming the South African economy without a state that is properly capacitated. This view point was informed by the fact that 292 265 (21.7%) vacant positions in the public sector at the end of 2010. Khulile Nkushubana, General Secretary of the Confederation of South African Workers Unions, dismissed the jobs target as just a political statement meant to deliver votes during the 2011 local government elections. He contended that the ANC talks about this plan while there is no shift from macro-economic policy framework (i.e. GEAR) that places investor's interests first (City Press 23 January 2011).

According to Dr Anthea Jeffery, Head of special Research at the South Africa's Institute of Race Relations (SAIRR), many of the sectors the Government has marked out for massive job creation have been shedding jobs for years. This alone casts doubts on the feasibility of the State's projections for new jobs. Mining has in fact shed 189 000 jobs over the past decade and this despite a major commodities boom for much of that period. Manufacturing sector had actually shed 135 000 jobs since 2001. In agriculture 319 000 jobs have been lost here in the past decade. These figures cast doubt on the ANC's employment projections, for it will be difficult to reverse job-shedding trends which are already so entrenched. On the other basis could the State say it aims at 5m new jobs by 2020 while simultaneously unveiling a set of labour laws calculated to result in millions of job losses (Politicsweb 21 February 2011).

In the same vein, the jobs package announced by President Jacob Zuma during his 2011 State of the Nation address (11 February) were met with skepticism. Critics contend that it was essentially a red-herring that failed to address the real causes of unemployment. Stewart Jennings, the chairman of the Manufacturing Circle, criticized the R9 billion jobs fund announced by Zuma. Jennings argued that the money should rather be spent on building schools. Others agree. Peter Kratz, the national director of Men on the Side of the Road, employment agency for semi-skilled staff, concurred and argued that "If SA don't change the nature of the human capital coming out of schools then government will be condemning a generation of children to thinking there is more for them, but then not preparing them for it," (Business Report 14 February 2011).

During that speech, Zuma also announced that the Industrial Development Corporation (IDC) had set aside R10bn over the next five years for investments in high job creation. Also planned are R20bn in tax breaks to promote investment in the manufacturing sector. Jennings said the fact that manufacturing was singled out for its job-creating potential was welcome. But if the sector was to create jobs it needed a more competitive currency, which would create the confidence needed for investment. For tax incentives to be effective the process needed to be streamlined, as applications for existing government allowances were laborious. In some cases it could take between six and 12 months to access funds. COSATU welcomed the jobs package, but said funding must be tightly

linked to conditions relating to jobs and local procurement and the government needed to build capacity to efficiently monitor this (Business Report 14 February 2011).

Monetary and Fiscal policy

The NGP proposes that in terms of the macro-economic stance, for the foreseeable future government will be guided by a looser monetary policy and a more restrictive fiscal policy backed by micro-economic measures to contain inflationary pressures and enhance competitiveness (New Growth Path 2010: 16).

Labour market policies

The labour-market policies left by apartheid, which shaped racially based inequality and exploitation, could not provide the basis for a more equitable, inclusive and competitive economy. Government regulates the labour market in order to protect vulnerable workers, support employment equity, ensure health and safety on the job and assist workers in finding employment and training opportunities. New Growth Path builds on this foundation to find ways to raise multi-factor productivity on the basis of fair rewards to workers plus greater employment creation. Sustained growth in productivity is a source of competitiveness and an additional means of improving the conditions of work. It requires strong partnership on the shop-floor, and a commitment to expand the market for goods and services in order to increase, rather than reduce, employment (New Growth Path 2010: 22).

Government will thus:

- pursue a national Productivity Accord supplemented by sector and workplace productivity agreements,
- explore the possibility of legislative amendments to reduce workers' vulnerability by addressing problems experienced in contract work, sub-contracting, outsourcing and labour broking and by including decent work considerations in the procurement process, consistent with the electoral mandate,

- find ways to limit abuse of the CCMA by senior managers and professionals who have access to other dispute-settlement systems but tie up the process with procedural points, and generally to further improve cost-effective services to workers and employers.
- expanding the role of the Unemployment Insurance Fund (UIF) in funding DFI efforts to create employment and extending employment services to assist unemployed people to find jobs,
- Improve the functioning of labourcentres in order to improve information about employment and training opportunities, and
- Introduce measures to support the organisation of the unorganised, in particular farmworkers (New Growth Path 2010: 23).

GEAR and the NGP are similar in the sense that they are not products of extensive consultation. They are also similar in the many provisions they make on job creation, labour regulation, trade and industry etc. They are both elitist, i.e. top-down, instead of bottom-up. Much has been said about GEAR and how it came about. The Paper has no intention of repeating those assertions and arguments here. Needless to point out that NGP is a product of the Economic Cluster of government, headed by Minister of Economic Development Department (EDD) Ebrahim Patel. Consultations towards its formulation and drafting were limited to the main economic Ministries and provincial departments of economic development (New Growth Path 2010: 2). ANC branches and ordinary members hardly had the opportunity to inform its inputs.

3.3 COSATU's RESPONSE TO NGP

COSATU's general assessment of the NGP document is that it does not represent a breakthrough in economic thinking. Not only did the labour federation counter the NGP with its own macro-economic policy proposals, it enunciated and published these in written form on 11 September 2010. This document is also available on COSATU's website.

COSATU asserts that NGP is problematic in at least six areas:

- the policy instruments that it proposes are no different from those contained in GEAR, especially the development policy package,
- No breakthrough in fiscal and monetary policy beyond GEAR,
- Inadequate and overall, a very weak micro-economic package that is no different from AsgiSA,
- A very weak approach to the development of institutions to drive the new growth, especially the developmental state and over-reliance on corporatist social consensus,
- Inadequate assessment of the socio-economic challenges that the new growth path must resolve,
- A weak analytical framework for the new growth path, making it vulnerable to neo-liberal ideology, especially its conception of trade-offs (COSATU 2011: 1.7)

A key reason is that in its bid to advance the idea of a weakened real exchange rate, NGP fell into the same policy trench GEAR advocated. This viewed inflation as the overriding gauge of economic sustainability. GEAR was a strategy of export-led growth as such thus clearly articulated the need for a "stable and competitive currency". This view sought to achieve through inflation targeting wage and price moderation as well as fiscal restraint. Out of that macro-policy package was expected a burst in job-creation and economic growth. Though this package resoundingly failed, it was retained in NGP. At issue is the fact that NGP uses the same tools as GEAR to achieve a stable and competitive economy. It is completely silent on heterodox tools, such foreign exchange controls and financial transactions taxes (COSATU 2011: 1.8).

COSATU does not see any new perspective on the role of the state in the economy. Instead, NGP states that "In a mixed economy, private business is a core driver of jobs and economic growth". This statement presents to business another opportunity to profit at the expense of the workers. In COSATU's perspective, the mixed economy must be characterised by a progressive strengthening of co-operative and public forms of economic organisation and activity, especially in strategic sectors (COSATU 2011: 1.10).

NGP therefore falls far short in taking the country forward. These inconsistencies and inadequacies have impelled the Labour Federation to engage government in talks. They insist that the Alliance must exercise leadership in drafting a better macro-economic policy. To set the necessary context, COSATU has volunteered to encourage the Alliance to mobilise structures and progressive organs of civil society in order to set the proper political context that will ensure that the policy-making process is as mass-driven as possible. It believes that no genuine shift in policy will be possible unless the masses are involved (COSATU 2011: 1.2).

NGP does not correctly paint a picture that SA is in a socio-economic crisis. Unemployment is given scant attention while there is disproportionate focus on income inequality. No mention is made of other forms of inequality such as wealth disparities and structures of control and management of the economy. NGP does not highlight the sharp disparities in access to basic services (COSATU 2011: 2.3).

The macro-economic policy package of the NGP is perhaps its most regressive aspect. COSATU is not convinced that the "Global economic turmoil has also opened up new policy space for developing economies to go beyond conventional policy prescriptions". Developing countries are under continuous surveillance by the IMF and are forced to run trade deficits in order for developed economies to export their way out of the crisis (COSATU 2011: 6.1).

As NGP does not represent a new breakthrough in economic thinking and policy and re-states positions that are, in one way or another, found in GEAR, COSATU thus calls for the working class to insist on a complete overhaul of the NGP. It has also pledged to escalate a campaign to ensure that policy proposals contained in its document become government policy. These prescriptions favour an activist state, a redistributive macro-economic policy, and aggressive social policy measures to tackle the socio-economic problems that face SA (COSATU 2011: 13.4).

3.4 DA's RESPONSE TO NGP

The DA (2010) asserts that it has become clear that Minister Patel faces two main problems with his New Growth Path: the first is economic, and the second is political. The key issue is that the document envisions a scaled-up role for the state in all sectors of the economy without acknowledging that SA's public service is crippled by cadre deployment a million miles away from the accomplished and efficient bureaucratic elite required to skillfully manage such broad interventions. Involving an incapacitated state so deeply in SA's economy, DA reasons will put the country on a path to poverty, not a path to growth. Like COSATU, DA has its own party political macro-economic proposals.

3.5 COPE's RESPONSE TO NGP

The views of COPE on the NGP and the broader macro-economic policy had been frustrated by its internal squabbles. Phillip Dexter COPE's Head of Communications (COPE: 2010) argued that while COPE's vision has been clear, it has not been able to cohere organisationally. Instead, internal struggles over values, principles, resources and leadership have dominated the party. Leadership inertia has, as a result, created a political paralysis in the organisation. The focus of the party has not been as strongly directed towards policies and programme as it should be.

3.6 Business Unity South Africa (BUSA) and NGP

Founded in 2003 after the amalgamation of a predominantly white business entity, the South African Chamber of Business (SACOB) and several black businesses, Business Unity South Africa (BUSA) hailed the NGP as an important instrument to promote employment and growth in the economy. While it has given government's NGP the nod, it has cautioned that concrete action needs to accompany the plan. BUSA said before NGP could be implemented, skills development, education and inclusive wage setting had to be put in place in order to meet long-term targets. The body's Deputy Chief Executive Officer, Professor Raymond Parsons, said that they had reached consensus on the need for a more stable, competitive exchange rate, strengthening of public delivery and the development of infrastructure, among other things. On state intervention in the

economy proposed by NGP, BUSA said “every government has a mandate from its voters and certain responsibilities it must carry out. “If you create a state that is constantly interfering and not allowing free enterprise to develop within that economy, then you have a problem. They cautioned against an over emphasis on an intervening state (because) that will create uncertainty in the minds of investors”. BUSA raised concerns about the creation of a state mining corporation and state owned bank as reflecting low confidence in the private sector. BUSA suggested that there should be focus on fixing existing structures before creating new ones. On the issue of capping salaries, as suggested by the NGP, Simi Siwisa, Economic Policy Director at BUSA, said that targeting salaries alone without looking at the structure was risky. “We believe we have to take a sober look at salaries. We must caution against unintended consequences”, she said, adding that the country was competing globally for talent

(www.zimbio.com/South.../BUSA+calls+action+govt+new+growth+path).

3.7 COSATU’s MACRO-ECONOMIC PROPOSALS

COSATU and the ANC did not agree on a common economic policy ahead of the ANC’s National General Congress (NGC) of 20-24 September 2010. COSATU, as previously mentioned, criticised NGP extensively. In advocating for more worker-friendly policies, the Union said the ANC-led government should focus on redistribution of income and power in favour of the working class. It wants economic policy to move away from favouring business (Sibanyoni 2010).

COSATU postulated that NGP was crafted in a terrain where working class hegemony was severely limited (COSATU 2010: 7). This is indicative of the fact that whilst political democracy has been deepened in many respects, it is the field of the economy that it has failed to take root. In class terms, democracy benefited those who own economic resources than the working class and the poor. COSATU laments the fact that decisions about the nature and pattern of capital accumulation, social and economic policy, legal institutions and cultural expressions, political practice and the administration of the state,

are still biased towards capitalist class interests. To this extent, the state remains insensitive to the plight of the working class (COSATU 2010: 9).

In almost all the key aspects of the economy, the GEAR inspired policies of the past 16 years have failed to deliver tangible material progress for the working class. The working class has been marginalised in a number of ways:

- through the scourge of unemployment,
- through casualisation,
- through outsourcing and the use of labour brokers, the commodification of basic needs and the suppression of workers' wages below productivity gains (COSATU 2010: 10).

All these factors were meant to break the power of the working class, increase the power of capital and to boost the profitability of the capitalist system. The problems initially identified in 1990 are still persistent and remain stark under the democratic cloak. Economic growth reproduces inequality of income and power, poverty and unemployment. Economic growth has deepened the structural instability associated with mineral-dependent economies. In almost all spheres of society power still rests with the white minority which co-opts the black elite, in pursuance of the interests of capital and imperialism (COSATU 2010: 10).

In 2010, COSATU released its own macro-economic framework whose major policy proposals include the following:

Employment Policy and Labour Market proposals

Labour market and employment policy must achieve the following set of goals:

- Full employment; all those of working age who are willing and able to work must have access to decent and sustainable employment Redress, the legacy of labour market segmentation and discrimination based on gender, race and age, with the

aim of improved quality and security of present jobs, and equal access to new jobs.

- Facilitate workplace democracy through enhanced worker control over decision-making.
- Close the apartheid wage gap
- Train and develop the workforce (COSATU 2010: 58).

Fiscal Policy

The goals of fiscal policy must be to:

- Achieve full employment;
- Redistribution of income and power;
- Social and economic transformation: changing the structure of the economy and the social relations that underpin it;
- Support an environmentally sustainable growth path (COSATU 2010: 70).

The core elements of the new fiscal framework must be:

- Stabilise employment over the business cycle, and increase employment over the long term;
- Influence changes in income distribution over the business cycle, and set target share of workers in national income over the long term;
- Influence the structure of the economy through activist tax and expenditure policies, in line with the requirements of the new growth path;
- Strike an appropriate balance between the provision of social and economic infrastructure, meeting basic needs and providing social protection;
- Provide incentives for environmentally sustainable, job-creating activities (COSATU 2010: 71).

Tax Policy

- Zero-rating of basic food stuffs, medicines, water, domestic electricity and public education;

- Transformative taxes must be used to support industrial development, and must be targeted to assist the development of the targeted sectors of this growth path (COSATU 2010: 72).

Monetary policy

In the new growth path:

. Employment will be the primary target of monetary policy, whilst price stability plays a subordinate role;

- Monetary policy will support industrial development;
- Foreign exchange control measures will be an essential part of monetary policy;
- Exchange rate management will be one of the pillars of the monetary policy framework;
- Reserve Bank asset and liability management will have to be aligned to the developmental state mandate, in order to strengthen the capacity of the state and the economy to deal with the balance of payments problems;
- Monetary policy must support an expansionary developmental fiscal policy to promote macro-economic stability;
- Employment-targeting: The Reserve Bank must pay primary attention to the cycle and long-term trend of employment growth (COSATU 2010: 79).

COSATU does not subscribe to the view that inflation targeting is good for building credibility. While In essence, COSATU's plan will help narrow the gap between the rich and the poor, as well as eliminate social inequalities (SABC news September 15, 2010). Critics cautions against state intervention in the economy. In this regard, Mike Schussler for instance, takes the view that "COSATU's proposals are at least two decades late. In rich countries, which SA wants to emulate, state is not involved in the economy. China is becoming rich precisely because its government is slowly getting out of the economy" (City Press 11 September 2010).

3.8 THE DA AND ITS MACRO-ECONOMIC PROPOSALS (2009)

A DA government would attract labour creating investment through price stability, a competitive tax regime and appropriate government expenditure (Democratic Alliance: 2010). The Party is in favour of a minimalist state, thus has faith in the market to deliver public goods.

In proposing an Open Opportunity Society, DA is for a socially responsible market driven economy. Thus it subscribes to the precepts of price stability, fiscal responsibility, low taxation, a deregulated labour market and privatisation. DA is committed to price stability, fiscal prudence and inflation targeting. It argues that these inspire investor confidence (Democratic Alliance: 2008).

DA proposes to create jobs by assisting the Small Medium and Micro Enterprises (SMME's). In this regard the party proposes to;

- Reduce corporate tax rate to 27%, to align South Africa more closely with its competitors in South Asia, East Asia and the Pacific;
- Design a simplified VAT, income and provisional tax regime for small businesses. This will not only cut the costs of doing business but also draw more firms into the tax net;
- Use various measures to remove the impediments that employers face in taking on new workers thus;
- Review all labour legislation in partnership with labour and business; and
- Introduce a six-month probationary period during which firms will face no punitive penalty for dismissing underperforming workers (DA Election Manifesto 2009: 12).

The DA recognises that the government is a major player in the economy and thus must run as efficiently as possible. The party will thus privatise assets that the state holds and liberalise services that the state has traditionally run, such as electricity generation (DA Election Manifesto 2009: 13).

The DA articulates that in an open opportunity society for all, the government should use the international stage to further its citizens' interests and make more opportunities

available to them. Under ANC government, South Africa has neglected many much opportunities and allowed ideology to trump realism in international negotiations. The DA will use South Africa's international muscle to bolster the economy and press for institutional reforms of its trade partners. The party will actively promote South Africa's integration into the global economy (DA Election Manifesto 2009: 36). Fair trade must be promoted instead of free trade, since the latter is generally exploitative in nature.

3.9 COPE AND ITS MACRO-ECONOMIC PROPOSALS (2009)

Congress of the People (COPE) proposes a mixed economy with a key role for the state. Policy planning and coordination must take place, but this should be bottom up, not top down. A development strategy should be implemented with a focus on promoting trade and investment and ensuring this is done at a regional level. The state must invest in key sectors, but not necessarily through public enterprises only. It should take a view on key companies and through strategic investment of the Public Investment Corporation (PIC), for instance, promote these. Emphasis needs to be placed on sound macro-economic policy and prudent monetary policy, but an effort needs to be made to significantly reduce interest rates. This will mean possibly revising the inflation target. SA also needs to consider taxation and how to reduce the tax burden. One of the key relief measures must be to reduce taxes on households. COPE further proposes that a commitment must be given to strengthen and reform the labour market, focusing on developing the regulated flexibility already in place. A key focus must be on improving the levels of labour absorption, particularly for women, young people and persons with disabilities. The incentive framework, including tax incentives, needs to be strengthened to stimulate employment creation (COPE 2009).

3.10 CONCLUSION

The Chapter assessed the macro-economic policies of the ruling ANC, DA, COPE and COSATU. The debate about which macro-economic route South Africa should follow is well contested and extends far beyond the ruling party and opposition political parties. The media, academics, civil society organisations and the broader society is also taking

part. From Chapter three, one can infer that those taking part in the debate are motivated by ideology or its underpinnings. This is important to note because scholars are wont to dismiss those undercurrents as inconsequential.

In broad terms, the government, DA and COPE favour macro-economic policies analogous to GEAR. On the other hand, by advocating for expansionary fiscal, loose monetary and protectionist policies, COSATU is calling for a more caring, people-centred economy. The NGP has not signaled a radical departure from GEAR. What is clear from the above, though, is that GEAR has not met the socio-economic needs of most South Africans. Thus a shift in new thinking and macro-economic policy is required.

CHAPTER FOUR

DISCUSSION OF THE FINDINGS

4.1 INTRODUCTION

Chapter Three analysed the macro-economic policies of the ANC, DA, COPE and labour federation COSATU with a view to identify their strengths and weaknesses. This Chapter will evaluate the broad macro-economic policies implemented in South Africa as envisaged by GEAR i.e. fiscal and monetary policy, economic growth, trade policy, employment and labour policy. It will start by interrogating the major research question of the study i.e. why the ANC government introduced GEAR despite resistance from its Tripartite Alliance partners. It will look at the fiscal policy (including taxation) in order to determine the level of spending by government since the adoption of GEAR. Furthermore, economic growth will be analysed to determine the level of economic growth since GEAR.

The Chapter will also analyse monetary policy in order to establish whether government used an appropriate policy instrument. Accordingly international trade and investment policies will be analysed.

Employment levels and inequality gaps will also be analysed. This shall be followed by an assessment of the impact of privatisation policy on society. This will be followed by identifying flaws inherent in GEAR as the second research question wanted to establish.

To complete the analysis, the study takes into account findings from sources as well as findings from questionnaires. Questionnaires were distributed at the University of Limpopo, Turfloop campus, to students, mainly at third and post-graduate levels and academic staff members of the Departments of Political Science and Economics.

Questionnaires were also completed by public servants and politicians from in and around Polokwane (Limpopo province). A total of 164 participants (44% male and 56% female) against the 300 targeted took part in the survey. The youth, between ages 18 – 25, were the largest component of participants. They constituted 53% while 30% were derived from the age group 26-35. 12% of respondents were between ages 36-45 and only 2%

between 46-60 years. Finally, the Chapter will conclude by arguing that there is an urgent need for an alternative macro-economic policy in SA.

4.2 WHY THE ANC GOVERNMENT INTRODUCED GEAR?

The story of GEAR dates back to 1995. Decades of macro-economic and fiscal mismanagement by the apartheid regime had left behind an economy characterised by a severe balance of payment constraints, globally uncompetitive business practices, outdated production technology, high inflation and interest rates, a vulnerable exchange rate, unsustainable government budget deficits and relatively high government debt service costs. With the debt service cost approaching 22% of the annual budget and the prime interest rate at 18 % and rising, the prospect of financing government's deficit was becoming increasingly bleak. Furthermore, government's assets and liabilities were in a state of disarray making it near impossible to access global financial capital at a rate lower than the local capital market. This state of affairs rendered the country vulnerable to macro-economic instability. Given the run on the Rand in the first quarter of 1996, something had to be done (Abedian 2005: 5).

Through 1996, the financial markets were fairly volatile, and South Africa's foreign currency reserves were very low. The value of the rand had fallen dramatically in the first months of 1995. Big business blamed all of these problems on "government's failure to produce a macro-economic plan". There was great pressure from all quarters. It was against this background that GEAR was developed and in July 1996 unveiled to calm domestic capital and foreign currency markets. The other objective was to enhance the credibility of the state. Leading Ministers in government (Trevor Manuel and Alec Erwin) defended GEAR as the only feasible macro-economic framework without which RDP objectives would not be achieved (Umsebenzi 1997).

4.3 FISCAL POLICY

According to Joseph Schumpeter (in Naidoo and Willcox et. al. 2008) the values that a country eschews can be traced to its fiscal record. The allocation of resources and the prioritisation of spending are some of the most powerful policy levers available to

government. The creation of fiscal space is only of consequence if that space is used to advance social and economic objectives (Naidoo and Willcox et. al. 2008: 23).

GEAR (1996: clause 3.1 & 3.2) stated that “in response to the unsustainable fiscal situation that had developed by 1992/93, when the overall deficit reached 7,9 percent of GDP”, the fiscal policy had to be informed by the following goals; namely

- To cut the overall budget deficit and the level of government disserving;
- To avoid permanent increases in the overall tax burden;
- To reduce consumption expenditure by general government relative to GDP; and
- To strengthen the general government contribution to gross domestic fixed investment.

Furthermore, GEAR wanted to remove the domestic savings constraint and benefit from the expansionary impact of the stronger investment and export performance, a tighter fiscal policy was therefore necessary. In this way, inflationary pressures would be kept in check and domestic resources would be released for financing capital formation. A lowering of the fiscal deficit target from 4,5 percent of GDP to 4,0 percent in the 1997/98 fiscal year was proposed. Two further reductions of 0,5 percent of GDP in each of the subsequent years would bring the deficit to a satisfactory long term target of 3,0 percent of GDP in fiscal 1999/00 (GEAR 1996: clause 3.2).

As a consequence, the estimated level of national government expenditure for 1997/98 was R186,747 billion. This represented an increase of 6,1 per cent on the revised expenditure level for 1996/97 and was equal to 30 per cent of expected GDP (Manuel 1997 Budget Speech). In addition, departmental budgets contained several new initiatives which would have exciting job creation possibilities, including the municipal infrastructure programme; the community water supply programme; and the land restitution and redistribution programme. RDP initiatives were included in departmental votes, ensuring that resources allocated to numerous activities were realistically programmed in relation to delivery capacity (Manuel 1997 Budget speech).

According to Finance Minister (Trevor Manuel), in the 2001 Budget, a more expansionary fiscal stance was adopted, with a view to raising the long-term growth capacity of the

economy. It was conceived that this would allow the country to expand freedoms more deliberately, providing for the progressive realisation of the socio-economic rights set out in the Constitution, and promoting broad-based development, employment creation and redistribution of income and opportunities. Sound public finance management, a sustainable deficit relative to GDP and prudent limits on foreign borrowing remained key elements in protecting the public finances against external risks.

Fiscal policy achieved its objective of lowering the deficit and eradicated government disserving. This was a positive contribution by GEAR. Government needed to have extra-funds waiting to be allocated in areas needing further spending, instead of having a situation where in spending far exceeded the available funds. National government debt, which was 48,1 per cent of GDP at the end of 1996/97, declined to a projected 36,8 per cent by the end of the Medium Term Expenditure Framework (MTEF) period. Practically, this meant the lower the interest bill, the more resources to spend on public services. Spending on health, education, welfare, housing and other social services accounted for 58,3 per cent of non-interest expenditure, up from 52,9 per cent a decade ago (Manuel 2003 Budget speech).

Under Zuma's administration, a total of R112 billion was added to the baseline of departmental budgets. Of these amounts, over half went to provinces and municipalities for education, health, municipal infrastructure and human settlements, reflecting government's commitment to sustaining growth in spending on key priorities (Gordhan 2010 Budget Speech).

Evidently, prudent management of spending priorities allowed South Africa fiscal space for the expansion of spending. Improved credit ratings and macro-economic stability led to lower interest rates and inflation kept debt service costs on a declining trend (Naidoo and Willcox: 2008).

While macro-economic stability had been achieved, there were a series of micro-economic blockages that prevented the economy from growing faster and creating jobs.

Various analysts emphasised different micro-economic blockages, including the main policy challenges of;

- A poor skills base and weak institutions, from schools to workplace-based training systems,
- Spatial development patterns – a hangover from Apartheid planning - resulting in inefficient land use and high transportation costs,
- Poor passenger and freight transportation systems,
- Poorly regulated monopoly markets in key areas such as telecommunications and energy, as well as little room for competition in many private goods markets,
- Labour markets that did not clear - both for supply and demand side reasons,
- High levels of poverty, preventing people from seeking employment or engaging in entrepreneurial activity,
- Low productivity in certain industries, especially those with high tariff barriers,
- Low levels of efficiency in the public sector including poorly run state enterprises and weak municipal governments; and,
- High levels of crime, reducing the quality of life of the poor and vulnerable and deterring investment (Naidoo and Willcox et al 2008: 19).

This list of micro-economic market failures seems long, but the issues go to the heart of the problem that faced an economy coming out of a long period of structural decline and centuries of race-based discrimination in access to services. Government had achieved a level of macro-economic stability and could now focus on fixing the numerous failings in various sectors of the economy. Government could now use the stability in the macro-economy as a platform to address both economic inefficiencies and social policy objectives (Naidoo and Willcox et al 2008: 19).

The foregoing analysis of GEAR is impressive but gross inequalities in the South African society persist, as will be illustrated in the later sections of this Chapter.

Significantly this view is borne out by the findings of this study. 52% of participants strongly agree that government budget must be expansionary. Furthermore, 84% of them

agreed that budget allocations on social expenditure should be increased. Though 37% of respondents rated government's provision of basic services like education and health as fair, an overwhelming majority, 57% rated it poorly.

4.4 MONETARY POLICY

GEAR (clause 4.1: 1996) stated that the main objective of monetary policy was the maintenance of financial stability and the reduction of the inflation rate. Positive real interest rates were to be a minimum condition for overall financial stability. Low inflation was viewed as an important requirement for higher economic growth, the creation of employment opportunities and a more equitable distribution of income. Furthermore GEAR (clause 2.3: 1996) contended that to contain inflationary pressures required concerted implementation of complementary stabilisation measures: accelerated tariff liberalisation, sharper deficit reduction, tight monetary policy, and above all, productivity linked wage increases. Taken together, these measures would hold the inflation rate below the 10 percent barrier throughout the period, and preserve the competitive advantage of depreciation.

The bone of contention on monetary policy has been the policy of inflation targeting introduced in 2000. Van der Merwe (2004: 11) asserts that some commentators on monetary policy, particularly labour organisations such as COSATU, argued that inflation targeting leads to an overemphasis on monetary stability at the cost of growth and development, and reduces flexibility in dealing with exogenous shocks to the economy. Although they agree that low inflation and high economic growth are desirable objectives, they are of the opinion that in the current situation of high unemployment and low economic growth in South Africa, the cost of reducing inflation is unacceptably high.

In the same vein, Khabo and Harmse (2005:349) stated that monetary policy is criticised for its almost exclusive focus on protecting the value of the Rand, the domestic currency, and inflation via changes in money supply or the repo rate. This monetary policy (of keeping inflation low, either by controlling the money supply or imposing inflation targeting) is said to be too restrictive. It is held responsible for the relatively high domestic

interest rates, which discourage investment and economic growth, thereby exacerbate the already high level of unemployment. In this regard, COSATU, in its memorandum to the Parliamentary Finance Committee in 1998, argued as follows:

“There is a serious flaw in the Reserve Bank’s rationale for restrictive monetary policy. The Bank bases its views on the quantity theory of money, which argues that when the supply of money goes up, prices also go up. This theory, however, must make the assumption of full-employment (an indefensible assumption in present day South Africa), the decrease in interest rates associated with an increase in the money supply could stimulate economic activity, increase output, and create jobs. While prices might be up during the economic expansion, the link between money supply and inflation is broken” (COSATU 1998: 7).

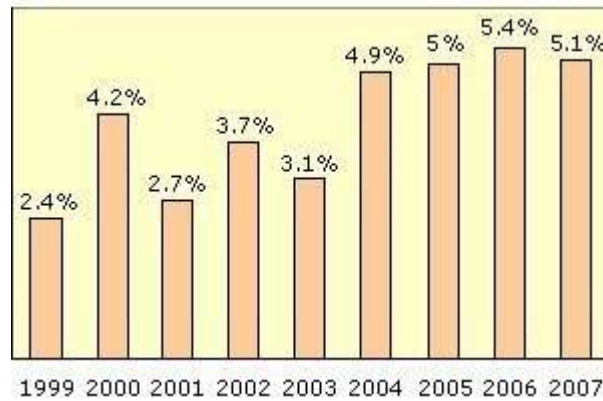
In the survey conducted for this study, 66% of respondents agreed that interest rates must be decreased.

4.5 ECONOMIC GROWTH

The GEAR strategy targeted a growth rate of 6% per-annum (clause 1.3: 1996), but has failed to achieve it. Following below is a graph portraying economic growth rate from 1999-2007.

Table 4.5.1

GDP growth in South Africa



(Data source: [Statistics South Africa](#))

4.5.1 The jobless growth

Although growth rates have fallen below the optimistic projections, economic growth was generally positive throughout the post-apartheid period. However, growth in employment has been consistently negative. Such “jobless growth” raises serious concerns that GEAR economic policies have failed to translate even modest levels of growth into real social benefits. In addition, a comparison of changes in private employment and total employment reveal some significant patterns. Before 2000, the rate of decline in private employment was almost always larger than the decline in total employment. This suggests that public employment helped to soften the blow of job losses in the private sector. However, beginning in 2000, total employment actually declined faster than private employment, suggesting that government employment policies were contributing to the unemployment crisis instead of moderating it (Heintz:2003). From the survey conducted in this study, 92% of the participants agreed that economic growth and employment in South Africa is generally low.

4.5.2 Redistribution

Average income in South Africa has not grown significantly in the democratic era. To get a better sense of the income component of the GEAR strategy, it is important to look at changes in the distribution of income. The extent of inequality in South Africa is dramatic. In 2000, the poorest 20 percent of households received just 1.63 percent of all income, while the richest 20 percent received 35 percent of total income. Moreover, the extent of inequality has been increasing. In 1995, the poorest 20 percent of households received a larger share of total income – 1.87 percent. This increase in inequality is also reflected in South Africa's Gini coefficient i.e. a measure of inequality ranging from 0 (perfect equality) to 1 (perfect inequality). The Gini coefficient for South Africa rose from 0.56 in 1995 to 0.57 in 2000. This change is relatively small, but it clearly reveals that South Africa is not moving in the direction of mitigating the inequalities left behind by apartheid (Heintz: 2003).

On its 2010 monthly earnings of South Africans, Statistics South Africa reported that earnings for whites (at R9 500) and Indians/Asians (at R6 000) were substantially higher than the median monthly earnings of their Coloured (R2 652) and black African (R2 167) counterparts. Black Africans earned 22% of what the white population earned; 36,1% of what Indians/Asians earned; and 81,7% of what the Coloured population earned. In the bottom 5%, black Africans earned R500 or less per month while the white population earned R2 000 or less, while in the top 5% they earned R12 567 or more compared to the white population who earned R34 000 or more per month (Statistics South Africa: 2010).

Monthly earnings ratios of other population groups-to-white population ratios were as follows:

- Black Africans 22,8%
- Coloured 27,9%
- Indian/Asian 63,2%.

The other population groups' ratio of monthly earnings to white population earnings was highest among Indian/Asians whose median earnings were 63,2% of median earnings of the white population – which means black Africans and Coloured populations were the worst paid employees as their median earnings were 22,8% and 27,9% respectively of what the white population median earnings were(Statistics South Africa: 2010).

Even the current model of Broad Based Black Economic Empowerment (BBBEE) (aimed to reverse race inequality in organizations) failed to address inequalities. Its pillars – black corporate ownership, preferential procurement, employment equity, enterprise development, community and social investment, are crumbling under a myriad challenges, mainly the inability of the economy to mobilise growth momentum. Empowerment deal flow has become a mere trickle. Employment equity targets are not met, and the numbers of black people in senior and top management fail to rise. Enterprise development efforts are floundering. State procurement has become a discredited charade of cartel building drenched in political patronage. The slowdown in Black Economic Empowerment (BEE) figures is worsened by the UN's Human Development Index, which indicates black people continue to do worse in living standard measures since the 1990s. The income gap is one of the largest in the world and this gulf is not due to the emergence of a few black capitalists – as is often erroneously asserted. The Employment Equity Commission Report of 2010/11 indicates top and senior management are 76% white, while black people make up 73% of the unskilled and semiskilled workers. Stats SA figures indicate that almost two of every three unemployed people in South Africa are under the age of 30. Youth unemployment stands at 65%. Our inability to generate skills and sort out our messy education system is legendary (City Press, 20 November 2011).

4.6 EMPLOYMENT POLICY

GEAR (clause 1.3) anticipated job creation of 400 000 per annum by the year 2000, concentrating on capacity building and meeting the demands of international competitiveness. GEAR has failed in this regard.

Table 4.6 Official unemployment rate and growth rates, 1996-2000

Table 4.6.1

years	Official unemployment rate (%)	Growth rates (%)
1996	19.4	4.2
1997	21.0	2.5
1998	25.2	0.7
1999	23.3	1.9
2000	26.7	3.0
2001	26.4	3.5

Official unemployment rate and growth rates, 1996-2001

SOURCES: Statistics South Africa (1999), Labour Force Survey (2001) Budget Review (2001). (Accessed from NALEDI)

The data demonstrate that government policies to date have not managed to ensure growth, and that Gear failed to meet its 6% target as alluded to in the previous sections. At the same time, formal employment shrank by close to a million jobs, with most of the job losses in mining, the public sector, construction and manufacturing. Informal employment grew, but largely as a result of expansion in survivalist enterprises. The Labour Force Survey 2001 shows that 20% of informal jobs received no income at all, while a further 43% earned under R500 a month. Growth in this type of employment cannot bolster growth or raise productivity. Government's reaction to this situation has been mixed. On the one hand, it has argued that the loss of jobs reflects a once-off and unavoidable cost of establishing freer markets, which in turn will lead to greater efficiency and international competitiveness, and ultimately to economic growth. By extension, no change in policy is required. On the other hand, it has begun to argue that it must now attempt more vigorous interventions at the sectoral level (NALEDI 2003: 9).

The slight cyclical increase in growth in 2000 and 2001 has had at best a very limited impact on employment. This illustrates that it is not simply growth in, and of, itself that is important, but that the nature and quality of growth are the important criteria. In particular, it is important to determine whether growth is associated with the creation of decent work and whether the poor benefit from growth. The sluggish performance of the economy has had substantially different impact on men and women and across racial groups. Since women – and, in particular, African women – tend to hold more ‘vulnerable’ jobs, they are often the first to be retrenched when the economy slows. Moreover, Gear was premised on expansion of the formal sector and did not involve major interventions in the rural sectors of the economy (NALEDI 2003: 9).

According to Statistics South Africa the unemployment rate for the first quarter of 2010 increased 0,9 of a percentage point to 25,2%. The survey found that the total number of unemployed was 4,3-million for the first quarter of 2010. Employment declined by 171 000 between the fourth quarter of 2009 and the first quarter of 2010, with the formal sector losing 140 000 jobs and the informal sector shedding 100 000. Agriculture created 35 000 jobs and private households 34 000 jobs. Unemployment rate for the first quarter went up for all population groups except the Indian population. In the first quarter, the biggest job losses were in finance, which shed 126 000 jobs, and construction, which shed 64 000. Almost all provinces lost jobs in the first quarter except the Western Cape and KwaZulu-Natal. Most job losses occurred in Limpopo and Gauteng (Mail and Guardian 2011).

GEAR was replaced by the NGP in November 2010. Subsequently, President Jacob Zuma declared 2011 a year of job creation. NGP started by identifying where employment creation is possible, both within economic sectors as conventionally defined and in cross-cutting activities. It then analysed policies and institutional developments required to take advantage of these opportunities. In essence, the aim was to maximise job creation (New Growth Path 2010: 6).

However, NGP seems to be faltering. Recent research has shown that South Africa’s economic growth would have to soar to well above 10% to achieve the 2020 target of five

million jobs. In 2011, the economy is forecast to grow by only 3,2%, revised downward from 3,7%. A chief concern is the low labour absorption rates in key economic sectors identified by NGP as crucial to drive job creation. The unemployment rate still stands at 25% (Mail & Guardian November 2011:10-07).

In response to the above crisis, the African National Congress Youth League (ANCYL), embarked on the “economic freedom” march on 27 – 28 October 2011. They marched first to the Chamber of Mines headquarters in Johannesburg and then to the Johannesburg Stock Exchange. Finally, the march took the youth to the seat of SA government in Pretoria, the Union Buildings in particular. Here they handed a memorandum of their demands to a government Minister. Among the demands were job creation and provision of education to young people in order to enable them to play a meaningful role in the society and the economy. Their call was on government of Jacob Zuma to hasten efforts at poverty reduction and narrowing income inequality (Mail and Guardian 28 October to 03 November 2011). According to the *Sunday Times* (30 October 2011) the 8000 people who took part in the march dramatically highlighted the desperation of South Africa’s poor).

4.7 IMPACT OF PRIVATISATION POLICY

GEAR (clause 2.2: 1996) called for the implementation of the public sector asset restructuring programme, including guidelines for the governance, regulation and financing of public corporations, leading off with the sale of non-strategic assets and the creation of public-private partnerships in transport and telecommunications.

Big business and a handful of blacks, especially the politically well-connected have benefited substantially from these empowerment deals. They have also benefited from exchange control liberalisation regimes and from the opening up of new export markets instituted by the new government. Black professionals have also benefited from new equal employment practices as companies scramble to fill affirmative action quotas. But these groups, the so-called “insiders” of South Africa’s democratic transition, comprise a tiny minority of the population (Habib and Padayachee 2000: 258).

The vast majority, mainly black South Africans are the 'outsiders' and therefore excluded. Indeed, the ANC's neo-liberal economic policies have not significantly dented poverty nor have created sufficient jobs to meet peoples' expectations. Increasing unemployment and economic inequalities associated with the neoliberal economic policies have also pushed more South Africans into the poverty traps (Habib and Padayachee 2000: 259).

The restructuring process has led to increase in service charges on the poor. For instance the TELKOM pricing structure has been changed significantly. Under it the cost of local calls has increased by 35% in real terms, while international calls and costs for other services used by wealthier customers have been reduced. Similarly the price of household electricity after restructuring increased by between 22 % and 50% (NALEDI 2001).

Advocates of privatisation claimed that it will increase FDI. By contrast, the following has been observed:

- Health

Since the 1980s private health has been promoted, particularly through deregulation. Today 16 per cent of the population utilises private health, costing R36 billion a year. This is more than the R32 billion spent by the public health sector that covers the remaining 84 per cent of the population. Over-servicing in private health has driven medical inflation to over 300 per cent in real terms since the 1980s (NALEDI 2001).

- Water

While government has succeeded in rolling out more water infrastructure (taps and pipes) to the poor, communities are expected to pay. Even communities who never paid for water before now have to. While government has intended to contractually oblige the outsourced water management companies to deliver affordable and quality services, in practice, tariffs have increased. This has led to many of the poor being forced to go back to use rivers as a source of drinking water, contributing to the deadly cholera outbreak in some provinces (NALEDI 2001).

- Transport

Public transport is an important basic service, desperately needed to counter the spatial effects of apartheid planning. In this regard, government, advised by international consultants, has privatised it. Privatisation required the closing or downscaling of “unprofitable” railway lines, mainly those serving poor areas (NALEDI 2001).

4.8 WHAT ARE THE FLAWS INHERENT IN GEAR?

GEAR has led to unemployment and inequality as highlighted above. The survey conducted in this study revealed that 90% of the participants are against retrenchments. While 51% of the participants believe that the conception and philosophy underpinning GEAR was good, its implementation was flawed and did not deliver promised results. Only 32% of the participants agreed that GEAR was introduced by the ANC led government in the interest of the working class, while 28% believe that it was introduced in the interest of the political elite, whereas 23% indicated that it was introduced in the interest of business, 17% insisted that it was introduced in the interest of foreign markets.

Furthermore, 46% indicated that the philosophy underpinning GEAR was neoliberalism thus not in the best interest of the poor. Overall, 40% of the respondents rated GEAR poorly in terms of performance, while 31% rated it as good. 23% rated it fair while only 6% rated it as excellent.

60% of the participants indicated that the taxes of the rich must be increased against the 40% who disagreed. Furthermore, 98% indicated that local firms should be protected against foreign competition while 4% disagreed.

4.9 Conclusion

The Chapter has indicated that economic growth in South Africa has not dented unemployment. In fact the latter has happened despite GEAR and NGP interventions. To a certain degree the social divide is increasing exponentially with each passing year under ANC rule. Inflation targeting is hurting economic growth and employment creation. There

is no active industrial policy that protects local infant industries against foreign competition. Privatisation of state assets has resulted in retrenchments. Levels of poverty and unemployment remain critically high. Though GEAR allowed for an expansionary fiscal budget, the social divide and income gap between the rich and the poor South Africans has not narrowed significantly.

CHAPTER FIVE

SUMMARY AND RECCOMENDATIONS

5.1 INTRODUCTION

Chapter Four discussed the findings of this study. It has been discovered that GEAR was not created in the interest of the poor, but in favour of the rich, and that it has failed to achieve most of its stated targets such as 6% economic growth rate per annum. This Chapter will summarise the findings of the entire study and propose a macro-economic policy framework based on social democratic ethos.

5.2 SUMMARY

After the 1994 democratic breakthrough, the ANC adopted the RDP to redress the imbalances left out by Apartheid. The RDP was a product of widespread consultation between civil society organisations and Tripartite Alliance partners. The RDP was an integrated, coherent and socio-economic framework which was prematurely replaced by GEAR in 1996. GEAR was an elitist neo-liberal macro-economic policy with no compunction to the poor. In this regard it advocated for a tight fiscal and monetary policy, evidenced in privatisation and down-sizing of State enterprises. These measures have not led to economic growth nor have they created sufficient jobs, especially for the poorest of the poor.

In grounding itself on social democratic theory, the study argued that neo-liberalism and capitalism, by themselves are not capable of reversing apartheid created structural inequalities, nor capable of redistributing wealth equitably in post-apartheid SA. On its own, the market cannot deliver public goods equitably. Thus the state is obliged to intervene in the economy for social justice.

Chapter Two dealt with the transition from RDP to GEAR. The RDP was premised upon progressive and developmental principles such as “an integrated and sustainable

programme” and “people driven” instead of a top-down approach. The RDP was further directed on meeting basic needs and building the economy.

The genesis of GEAR can be traced back to the RDPWP which significantly departed from the original RDP document especially in terms of issues like fiscal discipline etc.

Changes in both leadership and leadership style slowly eroded the ethos of RDP and the programme itself culminating in the closure of the Ministry itself on 28 March 1996.

Under President Mbeki’s administration, the “third way”, committed as it was to less government, led to the adoption of GEAR as government macroeconomic policy. Drawing heavy criticism from ANC Tripartite partners, it was quickly labeled home-grown SAP.

Chapter Three analysed the major macro-economic policy debates and trends in the country with a view to overhaul GEAR. The Zuma Administration, mindful of what happened to Mbeki at Polokwane, succumbed to pressure and introduced a somewhat modified GEAR in the form of NGP.

NGP has promised to create 5 million jobs by 2020 on the back of a 7% growth in economy. Needless to say GEAR and NGP are similar in many respects. Both are not products of wide consultation. Furthermore, COSATU contends that NGP does not represent a breakthrough in economic thinking. For the DA NGP is not a path to growth but poverty. For Cope has been plagued by internal leadership squabbles, the party has not warmed to NGP either.

Cosatu and political parties surveyed in this study are unanimous in castigating NGP. Just as the ANC led government, they all suggested that SA has to find a macroeconomic framework, away from both GEAR and NGP, to better tackle SA intractable poverty and high unemployment.

Chapter Four discussed the findings of this study. The study found that the ANC-led government introduced GEAR due to macro-economic and fiscal mismanagement by the Apartheid regime which left behind an economy characterised by severe balance of payments problems, high inflation and high interest rates. This state of affairs rendered South Africa vulnerable to macro-economic instability, which was perceived as a risk by

investors. As such GEAR was aimed at calming domestic capital and foreign currency markets, with the objective, among others, to enhance the credibility of the state. The poor were not central to GEAR. Its philosophy was found to be flawed and ill-suited for SA economic realities. Not only did GEAR fail to reach its employment and growth targets by a wide margin, it has led to widespread retrenchments across all sectors of the economy. To this extent unemployment in 2010 stood at 25.2%.

The study has established emphatically that though government social spending has increased significantly, gross inequalities and poverty are persisting. Inflation targeting raised interest rates which in turn increased the cost of living.

These failures demand and warrant for a new macro-economic policy, based on social democratic ethos focusing on the poor and creating jobs for a growing economy.

5.3 MACRO-ECONOMIC FRAMEWORK: CONTEXT AND POLICY PROPOSALS

The essence of this study was to propose a macro-economic framework that strives to combine private enterprise with government regulation and intensive planning to establish just competition, maintaining a balance between high growth rate, low inflation and unemployment with active and forceful state intervention as opposed to a macro-economic policy skewed towards business.

As such the envisaged policy would enable government to wield considerable influence over the economy through fiscal and monetary policies designed to counteract economic downturns and capitalism's tendency toward financial crises and unemployment, further allowing it to play a role in social welfare interventions.

Moreover, the state would play a key role in the protection and promotion of the economic and social well-being of all South Africans. It will be based on the principles of equality of opportunity, equitable redistribution of wealth, and public responsibility for those unable to gain from the economy. The state will be interventionist and not passive thus actively takes regulative measures. In this vein the state shall make provisions to restrain the free market (e.g. anti-trust code, laws against the abuse of market power etc.). These

elements shall rectify and counter problems which free market economy is unable to do by it.

A developmental macro-economic policy will be the objective of this framework. As such, the state will possess, through a gradual process, the means of production (farms, factories, mines and banks). This will enable the state to provide pension insurance, free universal health care services, free education, unemployment insurance and other basic social services. These insurances will be funded by a combination of money accrued from nationalised industries, employee contributions, employer contributions and government subsidies.

5.4 FISCAL AND TAX POLICY

Governments will use fiscal policy to influence the level of collective demand in the economy, in an effort to achieve economic objectives of full employment, economic growth and price stability. In this vein, fiscal policy will be expansionary. Government budget shall mainly be spent on infrastructure development, social services, and poverty alleviation in order to promote economic growth.

Government will loosen tax burden on consumers (such as VAT), while increasing tax of businesses. These taxes along with profit accrued from nationalised industries shall be used to finance government expenditures such as health and education.

5.5 MONETARY POLICY

Government must adopt a loose monetary policy, and abandon inflation targeting. There must be a review of the Reserve Bank's mandate to place employment and growth to be the primary focus.

5.6 TRADE POLICY

Government shall make an effort to protect local infant industries like manufacturing which creates jobs on massive scale. South Africa will use its competitive advantage i.e. import goods which the country is not competent in and export what it is competent in. This shall

be done through import and export controls, such as tariffs and quotas. This is in accordance with social democratic principle of “fair trade over free trade”.

5.7 EMPLOYMENT AND LABOUR MARKET POLICY

Both fiscal and monetary frameworks will target full employment and decent jobs for all by 2020. Tight labour regulations to counter exploitation such as minimum wage laws shall be enacted. Government bodies that regulate private enterprise in the interests of workers and consumers by ensuring labour rights (i.e. supporting worker access to trade unions and banning labour broking, consumer protections, and fair market competition) shall also be strengthened.

5.8 NATIONALISATION OF INDUSTRIES: RATIONALE AND STRATEGY

The state will nationalise the key means of production with the aim of creating more jobs and generating government revenue. This process shall be gradual, and not hurried. This is because the current private ownership of property in South Africa created inequality. It mainly gave rise to two distinct and opposing classes: namely, the big capitalist who own and manage and control the industries and are super-rich. On the other hand, this system created the poor and downtrodden labourers who depend on the salary of the capitalist for survival. Moreover, this system allowed the capitalists to become richer while the poor became poorer.

In addition, nationalisation will thus remove inequality and promote equitable distribution of wealth. Furthermore, privatisation of state asserts (as envisaged in GEAR) in the late 1990s led to job losses (retrenchments). This is because privately owned businesses are directed towards maximising profit to their owners. Therefore, the state must take over, be labour intensive, and the profit accrued from such be used to finance government expenditure instead of being concentrated in the hands of the few. To make nationalisation work, the society will be provided with the relevant skills to manage the economy.

5.9 CONCLUSION

This framework requires leaders with the political will to implement it. This study demonstrated that neo-liberal economic policies like GEAR will not work in a developing economy like South Africa. This is because retrenchment, unemployment, poverty and inequality prevailed during GEAR. In turn, there is little prospect that the NGP which replaced GEAR will succeed as they are similar in many respect as demonstrated in this study. The hypothesis and assumption of this study had been found consistent with the findings of this study i.e. If GEAR and the philosophy underpinning it were humane, then poverty and deprivation in SA would be greatly reduced. GEAR has not delivered on its economic promises; therefore, a more caring macro-economic policy informed by conscientious humanitarian ethos is required.

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Questionnaire

Hello. My name is **Sipho Ndhambi**. I am currently studying for a **Master of Arts degree in Political Science**, at the **University of Limpopo**. I am working on a research topic entitled “**The Politics of South Africa’s Macro-Economic Policy: a Critical Study of Growth, Employment and Redistribution Strategy (GEAR)**”. This strategy, implemented in June 1996, anticipated an economic growth rate of 6% per annum and significant job creation. There is still much debate about the viability of this macro-economic policy from all sectors of South African society. I therefore request your participation, as it will make a valuable contribution to the debate and successful completion of this study. The final results, in the form of a dissertation will be available in the University of Limpopo library.

N.B your identity will not be revealed and anonymity is guaranteed. (Please tick where appropriate)

1. Gender (cross with an X)?

Male	Female
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2. Age group?

18-25	26-35	36-45	46-60	60+
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3. GEAR policy was introduced by the ANC led government in the interest of the?

- a. Working class
- b. Business
- c. Foreign markets
- d. Political elites

4. The philosophy underpinning GEAR is?

- a. Neo-liberalism
- b. Social democratic
- c. Communism
- d. Socialism

5. The conception and philosophy of GEAR is generally?

- a. Flawed
- b. Excellent
- c. Good

6. Do you think government budget must be?

- a. Expansionary
- b. Minimal
- c. Moderate

7. Economic growth and employment in South Africa is generally?

- a. High
- b. Low

8. In a scale, how would you rate government’s provision of basic services like education and health care?

Excellent	Good	Fair	Poor
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