SOUTH AFRICA’S DEMOCRACY

An analysis of the tension between the ANC and Cosatu regarding the economic reform GEAR. Does the tension indicate that South Africa’s democracy is threatened?

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Hovedoppgave

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Våren 2003
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This project started with a keen interest in South Africa and theory on the relationship between democracy and poverty. I was curious about the common argument that the poverty and inequality situation in South Africa have not become better, rather worse since democracy was implemented. I wanted to know whether this was true and also to find out why! True, this is a very broad and complicated question, and it also involves economic aspects I as a social scientist was not so familiar with. However, things were falling to place when I realised that the conflict between the ANC and Cosatu involves many of the aspects I found interesting. Eureka!

It has been an interesting process writing this thesis. It has come true by spending most of the time in South Africa. In this process, there are some important people I would like to thank. First a big thanks to my two supervisors Bjorn Erik Rasch and Trude Holme. A special thanks to Trude who has been extremely helpful and read through my manuscripts on a short notice of time so that the process of writing this thesis would not have taken even longer.

I would also like to thank my great parents for being a constant support. Now that you have also learned to appreciate beautiful South Africa, it is likely to receive even more support for my decisions about coming and going to and from Norway all the time… I would also like to thank my brother Geir Sindre Knudsen for giving me useful insight from an economist’s point of view! My faithful friends, Silje Almestrand, Kaija Furstenberg, Rita Bergaust, Birthe Dahle, Mari Munkeby and Monica Svenskerud also deserve thanks for being there for me. Last but not least, I feel I am in a special debt to Steven Nakana for inspiring me to write this thesis. Without you I would probably not have spent all this time in South Africa, and the direction of this thesis would probably have taken a different path. Thank you for welcoming me in your life.

Oslo, June 14 2003.

Christine Knudsen
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**Acronyms**

ANC- African National Congress  
BWI- Bretton Woods Institutions  
Coas- Congress of South African Students  
Cosatu- Congress of South African Trade Unions  
Codesa- Convention of a Democratic South Africa  
DA- Democratic Alliance  
DP- Democratic Party  
FDI- Foreign Direct Investment  
GEAR- Growth, Employment and Redistribution  
GNU- Government of National Unity  
HIPC- Highly Indebted Countries  
IDASA- Institute for Democracy in South Africa  
ILO- International Labour Organisation  
IFI- International Financial Institutions  
IFP- Inkatha Freedom Party  
IMF- International Monetary Fund  
MAP- Millenium Africa Recovery Plan  
MERG- Macro-Economic Research Group  
MK- Umkhonto weSizwe  
MP- Member of Parliament  
NEC- National Executive Committee  
NEDLAC- National Economic Development and Labour Council  
NEPAD- New Partnership for Africa’s Development  
NGO- Non Governmental Organisations  
NP- National Party  
NNP- New National Party  
NUMSA- National Union of Metalworkers of South Africa  
OHS- October Household Survey  
RDP- Redistribution and Development Programme  
SACP- South African Communist Party  
SACTU- South African Congress of Trade Unions  
SAP- Structural Adjustment Programme  
SARB- South African Reserve Bank  
SSA- Statistics South Africa  
UNDP- United Nations Development Programme  
UDF- United Democratic Front  
ZAR- Currency of South Africa. (Rand)  
WB- World Bank  
WTO- World Trade Organisation
1. Introduction

1.1 Introducing the research question

“You may call us whatever you like, ultra-left\(^1\), ultra-right. All we know is that we are ultra-hungry. If those who are ultra-rich do not respond to the people who put them in that position, there will be political instability in the country” (Madisha quoted in Ka’Nkosi 2002a).

This statement by Cosatu President Willie Madisha during the October 2002 strike shows that Cosatu perceives the levels of poverty and inequality in South Africa to be critical and suggests that the new regime may be under threat. In fact, Cosatu has been striking against the government’s economic policies in 2000, 2001 and 2002. The strikes also reveal an increasing tension in the governing tripartite alliance consisting of the African National Congress (ANC), the Congress of South African Trade Unions (Cosatu) and the South African Communist Party (SACP). In a way one can say that it is ironic that a member of the governing alliance is striking against the government’s policies.

More specifically, Cosatu has been protesting against the government’s economic policy framework by the name of Gear (Growth, Employment and Redistribution), and in particular against the government’s policies of privatisation. Gear is one of several strategies\(^2\) enforced by the first democratically elected government\(^3\) in South Africa, aiming to address the country’s extensive socio-economic problems of poverty and inequality inherited from the old apartheid regime. Cosatu claims that the program has failed because it has not delivered the expected results.

This thesis asks question whether the economic situation in South Africa poses any threat to the regime, as the strikes by Cosatu might suggest. The tension between the ANC

\(^{1}\) Willie Madisha’s terminology of the ultra-left is a response to Thabo Mbeki. During the strike in 2002, Thabo Mbeki claimed that Cosatu and other forces being against the government’s policies belong to the “ultra-left.” In the old apartheid days, “ultra-left” described someone who thought that capitalism and not apartheid was enemy number one.

\(^{2}\) Other strategies enforced by the government has been the Reconstruction and Development Program (RDP) and affirmative action strategies including black empowerment.

\(^{3}\) The first democratically elected government in South Africa was the Government of National Unity (GNU). GNU was a power-sharing form of government characterising the transitional period. The idea was power-sharing between the essential negotiating groups ending apartheid. GNU consisted of the ANC alliance, NP and the IFP. Newly elected President Mandela, the former President F.W de Klerk and Chief Buthulezi sat in the portfolios (Deegan 2001: 91). GNU was part of the compromise the ANC realised had to be made to consolidate democracy. Compromise was a way of “keeping the country together and defusing the threat of civil war.” (Sampson 1999: 467 in Deegan 2001: 92). GNU was designed to last for five years, from 1994-1999, but it ended in 1996. When GNU ended, governance was moved to the current ANC alliance.
and Cosatu regarding Gear has been used in this study as a way of concretising the broad theme of the relationship between democracy and poverty. A sustainable democracy is dependent on a viable economic development. Studies have shown that failed delivery to high expectations following the introduction of democracy may, in fact, undermine democracy (Abrahamsen 2001; Przeworski 1996). The Cosatu strikes indicate that many people in South Africa had an economic expectation to democracy. Other studies reveal the same. Herbst (in Nattrass and Seekings 2001b:15) assumed that “black South Africans would expect the same level of public provision as that enjoyed by whites under apartheid.” Koelble (1998:152) emphasises the different expectations related to the release of the Freedom Charter. He (ibid) says that most people expected an increase in living conditions as a direct result of the statements in this document. In order to find out whether the tension reveals that democracy in South Africa is being threatened, the implications of the tension are investigated. Hence, the research question is the following:

**Does the tension between Cosatu and the ANC regarding GEAR indicate that South Africa’s democracy is threatened?**

### 1.2 Definitions and limitations

In order to know what it means that democracy may be threatened a clear understanding of the concept is required. The root meaning of *democracy* is ‘rule by the people’ deriving from the fifth century Greek ‘demokratia’ (Guttmann 1994:411). The basic democratic principle is thus “the will of the people.” However this concept is not clear. Schumpeter (1967:177) claims that “the will of the majority is the will of the majority and not the will of ‘the people.’” The concept of ‘the people’ is also controversial. Du Toit (1991:396) notes in this regard that ‘the people’ amounts to the question of the criteria for democratic citizenship. He (ibid) says that even in a working democracy not everyone is included in ‘the people’ who should rule; not all are counted as democratic citizens. “Children, lunatics, criminals- these are certainly not qualified to be citizens and part of ‘the people’” (ibid). The Human Development Report (UNDP 2002:55) also asks question about the concept of “the will of the people” in a society with more and more divergent and competing interests. We see that

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4 The Freedom Charter is seen as ‘the first systematic statement in the country of the political and constitutional vision of a free, democratic and non-racial South Africa.’ The document was a powerful statement of resistance to apartheid. It raises political principles that continue to be relevant. During apartheid, the government claimed that the Freedom Charter was a communist document and communism was banned by the government in 1950 (ANC 2000). See appendix for the Freedom Charter.
the concept of ‘the will of the people’ is problematic. However, the principle points at the important democratic principles namely, accountability and legitimacy. A legitimate regime requires a concurrency between the government’s policies and the people. Thus the rulers must be accountable to the people in order to maintain legitimacy to the regime.

Democracy is often defined as either minimalist or procedural versus instrumental or substantive. Minimalist democracy only entails civil and political rights, whereas an instrumental definition of democracy also includes social and economic rights (Abrahamsen 2000). This study is will be using a minimalist definition of democracy. This means that a minimalist definition of democracy is used when talking about a threat to democracy. We want to know whether the procedural democracy is threatened. Such an understanding is building on the view that in the minimalist sense of the concept, democracy in South Africa is already consolidated. This study will be using Dahl’s minimalist definition of democracy consisting of participation and contestation. The principle of contestation questions how freely the opposition contests the rulers. How does the opposition contest the leaders? Participation looks at how many groups participate in politics and determine who should rule (Dahl 1971:3) Participation is pressure from below and is unique to democracies. These principles are often acknowledged in democratic theory. The two principles are further operationalised as institutional guarantees. Dahl outlines eight institutional guarantees that are required in order to call a regime democratic (or to be a polyarchi). These eight institutional guarantees are:

- Freedom to form and join organisations, freedom of expression, right to vote, eligibility for public office, right of political leaders to compete for support and votes, alternative sources of information, free and fair elections, institutions for making government policies depend on votes and other expressions of preference (Dahl 1971:3).

The mechanisms of contestation and participation mean that when the government fails to meet the people’s expectations it can be overthrown. Thus we see how the principle of the “will of the people” applies in such an operationalisation of democracy. Contestation and participation work as so-called “checks and balances” on the government. The institutional guarantees provide examples of such checks and balances. The legitimacy of the regime depends on the working of both contestation and participation.

Some theorists claim that South Africa is a consolidated democracy as it has held two democratic elections. Others will argue that South Africa has not passed the second criterion in Huntington’s “two-turnover-test”, namely the change of the ruling party. Huntington’s test is “two successive turnovers of power after elections” (Shapiro 1996:82).
The figure below shows the two theoretical principles of Dahl’s definition of democracy.

Figure 2.1 Contestation and participation in a diagram

The figure shows that an ideal democracy according to Dahl’s definition is when both the contestation and participation is high. Yet, Dahl (1971:8) claims that there are no real democracies in the real world. He therefore calls the ideal democracy in the real world ‘polyarchies’ in order to distinguish them from the democratic ideal. According to Dahl, for a regime to be called democratic or a polyarchy, it needs to score high on both the dimensions in the figure. Yet, to accurately define a regime according to these measures is difficult as there are no clear-cut borders here between democracies and non-democracies. According to Dahl’s definition, a non-democracy means that there are no or low contestation and participation. When this study is talking about a threat to democracy, it asks whether South Africa’s regime are moving towards less participation and contestation to such an extent that it can no longer be called a democracy.

The minimalist definition of democracy is often criticised because it acknowledges a regime with high levels of poverty and inequality as democratic (Abrahamsen 2000). Considering the high levels of poverty and inequality in South Africa, such a critique can be applied to this country. Despite the criticism of minimalist definitions of democracy, Dahl’s definition is perceived viable in this study because when talking about the threat of the consisting democracy in South Africa a substantial definition of democracy will only complicate the matter further. The use of a substantial definition means entering the broad and contested terrain of consolidation of democracy. There is an ongoing discussion whether democracy is consolidated in South Africa because of the high levels of poverty and inequality in the country. This question is not the issue of concern for this study; it rather
builds on the view that democracy is already consolidated. Varshney (2000:725) says the use of a substantial definition of democracy conflates the independent and dependent variables. A definition including social and economic rights will further complicate the discussion of what is a democracy and what is not.

However, this thesis uses an instrumental definition of democracy when asking whether people’s instrumental understanding of democracy might undermine procedural democracy in South Africa. According to this study, the Cosatu strikes are one example showing that people have an instrumental understanding of democracy. Abrahamsen (2001) suggests that Africans have an instrumental definition of democracy, and that when the expectations are not fulfilled it might threaten to undermine the regime. The legitimacy of the regime is dependent on the congruency between the preferences of the people and the policies of the government. Thus this thesis asks whether the strikes reveal that there is a growing gap between the preferences of the people and the policies of the government. When the legitimacy of the regime is threatened, democracy in itself is under threat as it may for instance lead to political instability or decreasing participation rates.

This study is looking at Gear because this is the main issue of disagreement between the ANC and Cosatu. It is adjacent to focus on the economic reform of a transitional regime when one is concerned about the economy. This is due to the often acknowledged notion that the regime in itself does not secure economic development and alleviates poverty; economic strategies do (Human Development Report 2002; Varshney 2000:720; Calland et.al, 2001). Political reforms are therefore followed by economic reforms in order to achieve economic development. Thus a political reform is also most often an economic one. Implementing democracy can only be seen as the first step in addressing problems of poverty and inequality. The introduction of economic strategies seems to be the second necessary step for this purpose (Varshney 1999). Przeworski (1995) perceives the democratic process as the best way to adopt the most efficient economic strategies. Central for this study is the high economic expectations to democracy.

Gear is the ANC government’s economic policy program for macro-economic intervention. In fact, all the policies of the current government are shaped, to a greater or lesser extent, by Gear (Terre Blanche and Durrheim 1999:240). Gear is enforced as part of a strategy towards more market-oriented approaches in order to combat poverty and inequality. The aim of the program has been to address the country’s socio-economic problems such as
the low rate of growth, high unemployment levels, and low investment levels (Masiza 2001). This is in turn intended to solve the country’s major problems of poverty and inequality.

Whether or not Gear is a Structural Adjustment Program (SAP) remains controversial. Some scholars say it is South Africa’s ‘home-grown’ SAP because of the close affinity with other SAP’s. It is developed within South Africa and is therefore called home-grown. Gelb (1998:20) claims “close affinity with the Washington consensus characterised not only the substantive policy recommendations of Gear, but also the process through which it was formulated and presented publicly.” On the other hand, the Minister of Finance, Trevor Manuel (2001) claimed that, “We have been able to restore financial stability thereby protecting our country against the dictates of a Bretton Woods structural adjustment program.” There are also different views on whether or not Gear is neo-liberal. Cosatu claims that it is neo-liberal because of its concurrency with policies encouraged by the Washington consensus. The ANC on the other side hand claims that it is misleading to call the strategy neo-liberal. These divergent statements concerning the state’s policies highlight the controversy surrounding the program.

The controversial nature of the document is well illustrated by the evident tension between the ANC and Cosatu regarding Gear. The disagreement shows that there are deep philosophical differences, between the two, on how to overcome the many challenges facing South Africa. Most people in Cosatu were critical of Gear from the beginning. Yet, they did not manage to formulate an official agreement on their perspectives of Gear just after its release. Some people within the organisation were of the opinion that Gear should be given a chance. While, others were opposed to it (Adler and Webster 1998b:368). Cosatu only formulated a common opposition to Gear during 1997 when many of the goals outlined in the program showed themselves to be very difficult to achieve (ibid).

The African National Congress (ANC) was formed in 1912 as a liberation party fighting against the oppression of African people (ANC 2001). The main aim of the party has been the struggle against racism. The resistance against apartheid was based on non-violent actions in the beginning. However, when the party was banned in the early 1960’s, the ANC

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6 The Washington Consensus is an expression of economic globalisation determined by the Bretton Woods Institutions such as the IMF and the WB. These institutions have been named after Washington because the vast majority of the economists working in these institutions are from the US and their work base is Washington. In fact, the concept of the Washington Consensus specifically refers to a meeting in Washington in 1990 where some of the top economists from the WB and the IMF met to set a strategy to develop third world countries. The aim of the meeting was to discuss and evaluate the destiny of 13 participating countries. The conference attracted mainly technocrats who had been involved in developing economic policies in their respective countries (Masize & Ngqungwana 2001:10).
established its military wing, the Umkhonto we Sizwe (MK) (Torres 2000:111). When the ANC was banned, people representing the party worked either underground or in exile (or they were in jail). The military wing of the party worked as a guerrilla organisation, training soldiers to overthrow the racist government of South Africa. Exiled members of the ANC also worked to get international attention on the political situation in South Africa. ANC members that were staying in South Africa were constantly arrested for their political activities. Through the struggle, the ANC is perceived as the victorious party ending apartheid. The ANC’s role as the liberation movement has so far appeared more important than its role as an actual political party. The common interest keeping the party together has been freedom from racial oppression. Apart from this interest, the ANC consists of a range of different interests. A few days after his release from prison, Mandela made a comment regarding the status of the party, saying that:

“The ANC has never been a political party. Right from the start, up to now, the ANC is a coalition of people of various political affiliations. We are united solely by our determination to oppose racial oppression. There is no question of ideology as far as the odyssey of the ANC is concerned, because any question approaching ideology would split the organisation from top to bottom” (Mandela in Koelble 1998: 152).

The ANC is now on the way to transforming into a political party. Their position in government has forced the party to take decisive ideological stands in their economic policies. GEAR is the best example of such important decisions. It has been argued that because the ANC has been so concerned about its aim of liberation, it has, up until recently had an ambiguous stance on economic policies. Marais (in Calland & Jacobs 2002:85) argues that the ANC “had paid scant attention to economics during its long struggle to overthrow the apartheid system.” He further states that nothing even resembling an economic policy outline existed when it was unbanned in 1990 (Marais 2001:124). Yet, after coming to office such questions have received more and more attention. The ANC has been forced to make economic and political stands, despite consisting of a range of different interests. Koelble (1998:153) argues that the “avoidance strategy” on economic issues that the ANC has followed in the past is no longer working for the movement. Nattrass (1994) argues that the ambiguity on economic policies has been instrumental in the party’s survival and continued political relevance. During the liberation struggle it allowed the ANC to mediate a tacit “reconciliation” of the various interests from business as well as the working class. During the struggle, the ANC had freedom from oppression and apartheid as the common anthem. The Freedom Charter became the ANC’s major manifesto of policies and principles. Koelble
(1998:153) argues that this document was so vague that highly different meanings can be read into it. For instance, he says that “Western audiences were led to believe that the ANC stood for a free, non-racial and democratic South Africa.” On the other hand, he says that “audiences in South Africa, however, were convinced that the Freedom Charter called for economic and social redistribution of land and capital” (ibid). When the ANC was the flagship of the anti-apartheid movement, it could hide their political intentions. Many people have perceived the ANC to be socialist in nature. However, this has been rejected many times by leading ANC people. As early as 1984, President Thabo Mbeki (in Jacobs and Calland 2002:43) said that:

“The ANC is not a socialist party. It has never pretended to be one, it has never said it was, and it is not trying to be. It will not become one by decree for the purpose of pleasing its ‘left’ critics.”

The ANC has also been associated with communism. In fact, the apartheid government used accusations of a “communist threat” to legitimise their policy of banning the ANC. An important reason for why the ANC was associated with communism was its close ties with the Soviet Union during apartheid. The Soviet Union was the most important counterpart during the struggle. The end of the Cold War in 1989 suddenly ended the Soviet Union’s ideological and financial support for the liberation struggle (Terreblanche 2002:439). The ANC was also associated with communism because they collaborated closely with the SACP during the struggle. About the relationship to communism, Nelson Mandela has said:

“For many decades communists were the only political group in South Africa who were prepared to treat Africans as human beings and their equals; who were prepared to eat with us; talk with us, live with us and work with us.” (Nelson Mandela quoted from the Rivonia Treason Trial, 20 April 1964 in Crwys-Williams 1997).

The ANC is argued to be authoritarian in character. Lodge (1996:191 in Deegan 2001:77) says that the ANC had a “disciplined and autocratic character” at the time of its unbanning. An example of the party’s authoritarian character is that no leadership elections were held for twenty-six years, between 1959 and 1985 (Deegan 2001:77). Koelble (1998) argues that the authoritarian streak is due to the way the party was organised because of apartheid. He also argues that discipline and authoritarianism continued to be important when the party was showing sign of strain because of the competing factions within the party and the alliance when it was unbanned in 1990 (Koelble 1998:151). Sisk (in Koelble 1998:151) has identified four factors that contributed to the ANC’s status at this time; 1) the generation gap between current members and those active during the liberation struggle, 2) The exiles
versus internals gap, 3) Ideological differences amongst members, especially concerning the matters of reconciliation and appropriate economic policy and 4) Internal strategic and tactical differences. When the ANC was unbanned, leaders within the alliance, all from different traditions had to familiarise themselves with each other and competed for seniority within the party hierarchy (Schrire 1996). Lodge (1996:191 in Deegan 2001:77) says the ANC exiles “returned home with a well developed set of authoritarian and bureaucratic reflexes.” One must remember that the exiled ANC worked as a guerrilla and liberation movement. Koelble (1998:153) emphasises that the ANC in fact was battling against one of the most brutal and effective secret police forces in the world. He (ibid) says that “Struggling with the Bureau of State and Security on both the domestic and international level forced the ANC to engage in decision making that one could hardly call democratic or open.” On the other hand, a culture of consultation and openness reigned amongst their “internal” counterparts (Koelble 1999:154). By 1999 the exiles, often regarded as out of touch with mass sentiments, had ascended to many of the key positions within the ANC (Carrim in Koelble 1998:155). Reforming the ANC since the unbanning thus seems to have been a project of conjoining two historically different traditions of organisation. Thus the authoritarianism in the ANC can be explained by the organisationally difficult task of joining the different groups to form “the” ANC in 1990.

Cosatu was launched in 1985 after four years of unity talks between unions opposed to apartheid and committed to a non-racial, non-sexist and democratic South Africa (Cosatu 2002a). In 1995 there were 213 registered trade unions in South Africa (Department of Labour 1995 in Adler and Webster 1998a:16). Many of the unions are affiliated to one of the six federations. Cosatu is by far the biggest of these federations with more members than all the other federations combined. Traditionally, most Cosatu members have been in the manufacturing and mining sectors (Maree 1998:37). In 1996 the organisation had nearly 2 million members. This was an increase of almost 50% since 1990. This was part of the trend in South Africa were labour movements gained members and influence in contrast to the situation for labour movements in Europe.

Even though Cosatu “only” has 2 million members, the organisation often claims they are representing the poor majority in South Africa. Cosatu claims they are “the voice of the poor” ( Ehrenreich in Oosterwyk 2002). This study will argue that the organisation can be seen as representative to the interests of more people than their membership would suggest because of the cases they advocate. The main strategic objectives of Cosatu have been to improve
material conditions of their members and of the working people as a whole, to organise the unorganised and to ensure worker participation in the struggle for peace and democracy (Cosatu 2002a). These are important issues for their members. However, Cosatu’s grassroots activities such as the fight for employment, higher wages and lower prices are also interests many people, not necessarily members of Cosatu, will be able to identify themselves with. The fact that Cosatu is based on the principle of paid-up membership (ibid) might also be a reason why not more people are joining the organisation.

Cosatu is often regarded as representing civil society. This is largely due to the activities they perform and the cases they fight for. Battersby (2002a) claims that:

“The trade union Movement, now undoubtedly the strongest component of an increasingly robust civil society in South Africa, has emerged in the past few years as a crucial player in policy interventions such as the fight against poverty and unemployment, the fight against the HIV/AIDS pandemic and the battle to secure cheaper drugs.”

When talking about the concept of civil society, one enters a contested and broad terrain. Tórres (2000:176) says that “civil society is usually referred to as the network of organisations and voluntary associations existing outside the realm of the state.” According to this definition, civil society activities are distinguished from the state. Thus it might be a paradox to say that Cosatu is representing civil society when the organisation is part of the governing tripartite alliance. However, civil society definitions tend to vary on whether the civil society can be seen as distinguished from the state. Tórres (ibid:179) says that “While some will underline the independent role of civil society, others emphasise that civil society is indistinguishable from the state (Keane 1988) or that civil society is the defence against the state and political abuse (Toqueville 1969)” Yet, civil society in Africa has often been incorporated in the state (Tórres 2000:184). This study sees Cosatu as representing civil society because they can react also outside the government. The strikes are one example of this ability.

Koelble (1998:154) argues that Cosatu is organised in a way that distinguishes the labour union from the ANC. He says that Cosatu is based on the principle of decentralisation and hold principles of openness and consultation high (Koelble 1998:154). Adler and Webster (1998a:16) claim that Cosatu is divided on the grounds of race and political orientation due to apartheid’s dualistic industrial relations system. Adler and Webster (ibid) claim that “Cosatu is essentially an industrial union of African semi-skilled workers, although Cosatu is firmly committed to organising workers regardless of race, and has always had a significant number
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of coloured and Indian members. In recent years it has made some inroads among white workers as well. Indeed its leadership has always included non-Africans in key positions.”

Cosatu had a special role in its fight against apartheid; In contrast to Cosatu’s alliance partners, Cosatu was never banned by the apartheid government. During the struggle, the ANC and SACP were in exile, and internal political organisations were under ban and leaders were in detention or under trial. This position gave Cosatu considerable influence over the course of internal politics (Baskin 1991 in Adler and Webster 1998a:18). In fact, Cosatu emerged as the *de facto* leader of the internal democratic movement (Adler and Webster 1998a:18). Thus Cosatu played a significant role in the fight for democratisation. It is often argued that democracy emerged “from below” in South Africa. This is largely due to the efforts by civil society organisations. Democratic transitions “from below” are acknowledged as a precondition for successful regime transitions.

The triple alliance of the ANC, SACP and Cosatu was formalised after the unbanning of the ANC and the SACP in 1990. Cosatu expected that it would enjoy a position equal to the ANC in this alliance, because of its efforts when the ANC and SACP were in exile (Pityane and Orkin 9in Adler and Webster 1998a:20). However, Cosatu’s role in the alliance became a secondary in a relatively short period of time. The turning point was in 1991 when Cosatu was aiming to attend a CODESA (Conference for a Democratic South Africa) meeting. When Cosatu applied for membership, it was refused and it was to be represented indirectly via its allies, the ANC and SACP. As a result of this, Cosatu did not obtain direct representation. This moment the ANC established itself as the dominant force within the alliance and diminished Cosatu’s role, making it a secondary player. From then on Cosatu influenced ANC policy through lobbying and pressure, rather than wielding a share of direct power over decisions. In the words of Adler and Webster (1998a:20), this event marked that “political parties- not the civil society organisations which shouldered the 1980’s internal resistance to apartheid- were to be at the centre of the transition.” However, notwithstanding the ANC’s leading role in the alliance, Cosatu was never subordinated. It retained separate leadership, finances and policy orientations.

1.3 Methodology

This study is a so-called *single case* study. A single case study means that there is one unit and several variables being explored (Andersen 1990:121). The phenomenon or unit we are looking at here is the tension between the ANC and Cosatu. It is often problematic drawing
up the boundaries for what is included in the specific case (ibid:123). This study draws the boundaries of the tension by only focusing on the disagreement between the ANC and Cosatu concerning the economic policy Gear. An analysis of this tension is limited to only focusing on a selection of issues considered relevant in order to answer the research question.

The advantage of using a case study is that it provides detailed information, because the unit of research receives more attention and can thus be researched more thoroughly. Yet, a common critique towards case studies is often the possibilities of generalising (Yin in Holme 1999:9). It is often claimed that it is not possible to generalise from one unit to the universe. Yet, Yin (in Andersen 1990:125) claims that it is possible to generalise from both single-case and multiple case studies. He (Ibid) says that detailed knowledge about the case, can inductively produce generalised knowledge. Andersen (1990:126) says the possibility of generalising increases by the use of multiple-case studies. On the background of this, and the assumption that the South African case is unique on several aspects have led this study not to have aims of wider generalisation. Importantly to this study is the ability an intensive strategy has in providing detailed knowledge about a case, so that it is easier to see the case in its broader context (Hellevik 1991:81).

An important aspect of research is to be value neutral and objective (Tørres 2000:8). It is a great challenge for a researcher to accomplish this, because when using a case study one needs to be close to ones subject and distanced at the same time (ibid). It is important to be aware of this problem, so that the researcher’s relationship to the object of research will not colour the analysis too much. This study has been accomplished by being in South Africa for a long period of time to get “close” to the conflict. It has been invaluable to stay in the country to get “both sides of the story” in this conflict. Being in the country for a long period of time has been especially useful in order to understand and explore the positive achievements of the government in the country. A lot of available information on South Africa is concerned with criticising the government. By being in the country for a long period of time I have also been made aware of the “good side” of things. Following the media debate outside of the country is also very difficult, as problematic aspects are more likely to receive attention from the international community than positive achievements. Then again, other researchers might also argue that one gets biased by for instance being with a certain group of people in the specific country. This shows that research will always be biased! It seems as if the only thing one can do to combat this methodological problem is to be aware of it (Holme 1999:14).
It is also crucial to be value neutral when one is collecting data. This is important in order to secure high validity, meaning data’s possibility of casting light on the research question. (Hellevik 1991:103). The principle of validity is important when operationalising the definitions. The operationalised definitions need to be coherent with the theoretical definitions in order to secure high validity (Hellvik 1991:43). The terms included in the research question of this thesis are theoretically and operationally defined in order to make them relevant for the specific case and the South African context (Holme 1999:11). Thus they are considered valid. High definitional validity is also crucial in order to secure the second important methodological principle, namely reliability or accuracy (ibid). High reliability depends on precise operationalised definitions. Here, reliability points at how data is collected. The sources of information in this thesis are constantly referred to. Thus it is easy to check the findings of this thesis. This contributes to high reliability (ibid).

South African newspapers have created the framework for what is being looked upon within the tension between the ANC and Cosatu in order to give an answer to the research question. This thesis is based on the ongoing debate in South African media mainly during the period between the second half of 2002 and the beginning of 2003. Hence, the media is given a central role in this research. An advantage of such a strategy is that current issues in South Africa are being analysed. Yet, there are several problematic aspects of this strategy. Firstly, the media determines the agenda of what is being focused upon in the tension. The media is based of the selection of issues, and thus it may not have included all the relevant aspects of the tension. However, this paper cannot take account of all of Cosatu’s and the ANC’s perceptions on GEAR. Thus evaluating the public debate has been considered as a viable way in order to narrow the focus. The discussion is based on a selection of issues, mainly defined by the media, that the thesis has found pertinent to answering the research question. However, the principle of validity can be threatened by this strategy because the media might give a too limited view of the tension. This problem has been countered by following the debate closely from other channels. For instance, the official documents by the ANC versus Cosatu have been taken into account to get more insight of the nature of the tension. By using different sources of information, the tension outlined in this paper can be considered as giving an accurate picture of the real situation in South Africa. The thesis has been written taking into consideration a range of different sources. This is also important to secure high reliability. A reliable analysis is dependent on a range of different sources (Yin 1989:95).
Another methodological problem is that the quotes taken from people representing the ANC or Cosatu in different newspapers may not be accurate. This asks question of the criterion of reliability. This problem has been countered by following the debate closely from other channels. By following the debate by various primary sources such as different newspapers and the television, the quotes are considered reliable. It is also problematic to generalise quotes from individual people to the entire organisation. The problem here is that the generalisation might not give an accurate impression of the actual view of the respective organisation. This study takes into account that both the ANC and Cosatu are fragmented organisations. One example of such a problem is the disagreement within Cosatu about the nature of the strikes. Thus, when necessary, the paper differentiates between the different opinions within both the ANC and Cosatu. However, interesting for this thesis is the official statements of the whole organisation. It is further a methodological problem using the media as a source of information because the media is very often biased. This again, shows that it is crucial to use a range of different sources.

The primary sources used in this study consist of quotes found in newspapers, following the debate on television, policy documents, government statements and statistics. Primary sources are are intended for this specific study. The secondary sources include reviews of related literature, such as books, journals, newspapers, online documents, magazines and statistics found in books. When reviewing secondary sources, the principle of validity must always be questioned. This principle is often threatened when using secondary sources because the different perceptions and interests of the author often underlie the topic. Thus it is crucial to uses a range of different sources to secure high validity.

An accurate operationalisation of the definitions is crucial in order to secure high reliability (Hellevik 1991:159). An example of when the principle of reliability is threatened is when reviewing development. There are several ways of measuring development depending on the indicators being used. Thus different research on this concept often comes up with different results. Even statistics on the same phenomenon sometimes come up with different results. The most common problem in this regard is the statistics on unemployment in South Africa. The numbers tend to differ quite a lot between different statistics. In this study, a range of different indicators of development are being used in order to give as accurate a picture as possible of the poverty situation in South Africa. Here, development is defined in a

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7 According to the Freedom House South Africa has a relatively free press. Press freedom is based on the criterions of media objectivity and freedom of expression (UNDP-report 2002:40-41).
broader perspective taking into account more than just the extent of low income or low expenditure. The analysis in chapter five has operationalised development to look at the macro-economy, socio-economic indicators such as income and expenditure and also delivery of socio-economic rights.

This thesis is using web sites as a source of information. The ANC and Cosatu’s official web sites have been used in order to get additional information about the tension outlined in the media. This increases the reliability and validity of the study. The study also uses official statistics, government publications and speeches found on web sites. The most problematic aspect by using the ANC versus Cosatu’s web sites is that they are very often biased. However, this is not considered as a problem here as them being biased is the nature of the conflict this thesis aims to investigate. However, there are other problematic aspects by using web sites; it is often not clear who has written the document. One can ask whether the person who has written the document is an authority (Cornell University Library 2003\textsuperscript{8}). The use of official web sites from the ANC, Cosatu and the government makes this problem less. The problematic aspect with web sites is rather that information is not cited authentic and they are often not dated properly (ibid). This weakens the reliability because it makes it more difficult for another researcher to check the findings.

1.4 Research design

After this introductory chapter, \textit{chapter two} looks into theory on the relationship between democracy and development. It explains how the legitimacy of a regime can be threatened if it fails to deliver economic results. The chapter also explains why there are often high economic expectations to democracy, and outlines a number of reasons to why democracy often do not deliver as expected. The chapter also looks at what makes democracy endure. This part provides theory of when the economy can be seen as threatening to democracy. Last, but not least, chapter two looks at the records on poverty in different regimes. \textit{Chapter three} focuses on the theoretical rationale of Gear. The chapter seeks to explain what Gear is by looking at the strategies defined by the program. The chapter also discusses Gear from an ideological point of view, asking whether it is neo-liberal and whether the ANC has failed their socialist commitment. The chapter also discusses the adoption of the program. \textit{Chapter four} deals with the tension between the ANC and Cosatu regarding Gear. It provides a discussion of the realities on the ground. Which factors have informed the different

\textsuperscript{8} Ironically, a web-site is the source of information here of the problematic aspects of using web-sites!
perceptions of Gear? The chapter is based on the ongoing debate in the media. *Chapter five* looks on the implications of adopting a controversial program such as Gear. The chapter involves a discussion about democracy as provided for in chapter one. *Chapter six* asks whether democracy has failed the poor. In so doing, different aspects of development in South Africa are explored. The chapter makes extensive use of statistics in order to give an accurate view of the poverty levels before and after democracy was implemented. Finally, *chapter seven* aims to answer whether the tension between the ANC and Cosatu represent a threat to democracy.
2. Theoretical framework of the relationship between democracy and development

2.1 Introducing the chapter

The relationship between democracy and development\textsuperscript{9} is central to this thesis because there were high economic expectations to the introduction of democracy in South Africa. This chapter points out relevant aspects of the broad and contested debate of this relationship. Chapter 2.2 shows how failed delivery of socio-economic rights may weaken the legitimacy of the regime to such an extent that it can undermine democracy. The chapter discusses how the logic of democracy is supposed to ensure socio-economic rights, but it also outlines several reasons to why democracies often do not deliver the expected results. Thus the chapter provides an explanation to why people often have an economic expectation to democracy. Chapter 2.3 looks at what makes democracies endure. The chapter outlines the theory of when the economy can be seen as threatening to democracy. Chapter 2.4 shows the relationship between regime type and development. It also provides the record of poverty in authoritarian versus democratic states.

2.2 How can failed delivery of socio-economic expectations undermine democracy?

The core reason of why the minimalist democracy can alleviate poverty and inequality is that when people have \textit{civil and political rights}, people’s interests (including the poor) will be equally reflected in the government’s policies.\textsuperscript{10} The principle of “one person, one vote” gives every individual an equal say in the choice of government (UNDP 2002:54). When people

\textsuperscript{9} The concept of ‘development’ is another contested debate. Development can be defined on the basis of poverty as it is in this chapter. Poverty can be defined by an absolute versus a relative definition. The \textit{absolute} definition can be defined as subsistence level or as basic needs. \textit{Subsistence definitions} focus on strictly physical needs. This way of defining poverty is typical for the World Bank’s $1/day yardstick in defining poverty (you are very poor if you live for less than $1 a day). In this narrower sense, hunger and endemic malnourishment more or less define poverty (Varshney 1999:7). \textit{Basic needs} definitions go further. These definitions include a minimum of what is defined as necessary in terms of consumption of food, clothes and shelter. They also include access to clean water and education. Human Development Index (HDI) and Human Poverty Index (HPI) are examples of how such definitions can be operationalised. These two absolute definitions of poverty make it possible to compare poverty between different regions or countries. The \textit{relative definition} of poverty takes into account that people have different needs according to the social context they live in.

\textsuperscript{10} According to a minimalist definition of democracy, these rights define democracy. A minimalist definition is used here because this is the only way to see how the regime can have any impact on poverty alleviation. An instrumental definition will confuse the explanandum and explanan (Varshney 2000).
have civil and political rights they can put pressure on the government to implement the most efficient economic strategies. By the threat of electoral sanctions, the government is forced to implement the most efficient policy. In other words: “The threat of the next election forces the ruling party to “anticipate the voters’ reactions” to current policy decisions and thus brings about an acceptable level of popular control and accountability” (Mattes 2002:25). When a government fails to live up to its expectations, the people can throw it out of office. This is a very direct form of accountability (UNDP 2002:54). Varshney (2000:725) says that “democratic theorists expect that if socially and economically unequal citizens are politically equalised and if the deprived constitute a majority of the electorate, their political preferences would come to be reflected in who the rulers are and what public policies they adopt.”

According to this theory, in countries where the poor constitute the majority of the population they should have the ability to put pressure on the government. On the other hand, in a developed country where the poor comprise a small group, they can hardly turn their numbers into an electoral or political check on the government. Thus, democracies in the developing world should be more accountable to the poor than wealthier democratic countries (Varshney 2000). Another important aspect of the importance of reflecting people’s wishes and interests through civil and political rights is that the people themselves often have decisive knowledge of the most efficient ways in alleviating poverty (Sen 1994).

There are often high economic expectations when people get civil and political rights. However, there are several reasons to why democracy often does not deliver as expected. Theoretically, low voting rate represents an obstacle for poor people’s interests being reflected in the government’s policies. Sen (1999:146) says that, in international conferences, low voting rate amongst poor is often explained by the statement that ‘poor people do not care about democracy.’ He says that it is a common argument that democracy is a luxury for people when the daily life represents a struggle. The economic force is seen as stronger than political liberties such as human freedoms (Sen 1999:146). On the basis of these assumptions, we see that the link between poverty and low voting rate represents a vicious circle (Sen 1999:155). When the election rate amongst poor people is low, democracy by itself cannot breach the inherent oligarchies of already existing power-relationships in society.

However, we find countries with high levels of poverty and inequality despite a high voting rate. For instance, in a poor country such as India, the voting rate is high. Poor people tend to have a higher voting rate than the middle and rich classes, the villages more than the cities etc. (Varshney 2000:729). Varshney (2000:729) says that “If India is any guide, the
The theoretical framework of the relationship between democracy and development

Conclusion should be that even when the poor vote, poverty-alleviation can be slow, or politicians do not necessarily make removal of poverty their prime goal.” In light of this statement, there must therefore be other explanations to why there are high distributional differences in countries with high participation rates. Varshney (1999) argues that the voting pattern can contribute to an explanation. He (ibid) says that in multi-ethnic countries, people often vote according to ethnicity. This is due to the fact that ethnicity is a constant factor, whereas class is not. Class is an economic category, whereas ethnicity is defined in terms of a birth-based group identity. Ethnicity appears more mobilising than class because it is often more difficult finding a leader representing the poor, than to find a leader representing a certain ethnic group (Varshney 2000:730). However, in terms of combating poverty, voting on the grounds of economic issues or according to class appears to be more useful. When poor people vote on economic grounds, it is easier to put pressure on the government to implement the policies most efficient in terms of redistribution of wealth. As Varshney (1999:6) points out: “If the poor, irrespective of the ethnic group they come from, were to vote or mobilise strictly on economic grounds, they would also press the decision-makers to attack poverty a great deal more forcefully.” A democratic polity is better able to attack poverty if class and ethnicity coincide, because then the poor people will comprise a bigger group, and are thus able to put more pressure on the government. On the other hand, if the poor belong to diverse ethnic groups, the pressure on the government will decrease (Varshney 1999). Smith (1997) says that patron-client relationships represent an obstacle for the poor to vote according to their true interests because of the economic dependency to the patron. Thus patron-client relationships deter democracy’s ability to enforce policies that are beneficial for the poor. Poor health and illiteracy are other reasons to why people may not vote according to their true interests (Barberton 1998).

Weak civil society is another reason why civil and political rights often do not ensure socio-economic rights. A strong civil society is an essential part of the democratic principle participation. According to Migdal (1988), civil society is weak when there is no proper institutional communication between the society and the state. As a result, this situation leads to a weakening of democracy because democracy is dependent on high levels of communication (Migdal 1988). A weak civil society does not aggregate the citizens’ preferences that can be used to coerce government. Thus a strong civil society is seen as

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11 The 1999 and 2000 edition of Varshney’s article are used interchangeably. The articles are more or less the same, but differ slightly on certain aspects.
crucial for the working of democracy and combating poverty. A reason for why civil society is weak can be defined as collective action problems (Varshney 1999: 14). Collective action means political mobilisation in order to put pressure on the government to allocate resources to poverty alleviation, and also to change the trajectory of politics. This can be reflected either in party competition for the vote of the poor, or in empowering a party that stand for the interests of the poor (Varshney 1999:14). According to rational choice theorists, collective action is difficult because individual and class interests often clash. This problem is called ‘free-riding.’ An example of free-riding can be the land-less peasant who has interest in the work of a labour union, but attending the Union might give him serious individual costs. For example his landlord may dismiss him. Benefiting from the work by the labour union without attending can be considered as free-riding (Varshney 1999:20). The concept of free-riding is highly relevant in a democratic context. Fighting for collective or democratic rights might have too high a cost for the individual.

Sen (1999:150) emphasises the importance of civil and political rights in order to draw attention forcefully to general needs, and to demand appropriate public action. Sen (ibid) says that the governments’ respond to the suffering is often dependent on the pressure that is put on the government. For instance, Sen emphasises in particular the importance of a free press in combating poverty. Free press is an essential part of the civil and political rights in a democracy. Sen (1999:152) says that, “no substantial famine has taken place in a democratic regime with a free press.” He says that a free press works as a so-called ‘early-warning’ system. Such a system simply means that when the press is free, a coming disaster, such as droughts and floods that can result in a famine, can receive attention from the press and thus put pressure on the government (Sen 1994:6). This thesis does not focus on famine, but Sen’s argument can be used in a context of poverty alleviation. The thought behind Sen’s argument is that through a free press, focus can be drawn on the problem and thus the government will be forced to do something about it. Other aspects of participation include voting, being mobilised in the civil society, protesting, criticising etc. These are other examples that contribute towards drawing attention to the poor. Free press and free speech are essential elements of a democracy, because they give every citizen the opportunity of being heard. Sen (2000:2) says these rights are significant parts of human freedoms in general. However, the tendency is that poor people do not benefit from these freedoms as much as more affluent members of society. This is another example of the vicious circle of power and poverty. Poor people are often less informed, and this makes their involvement in the political life more
Theoretical framework of the relationship between democracy and development

We see that democracy is often not enough to solve problems of poverty and inequality largely because of the power-relations in society. As Barberton (1998:245) points out: “This power of rich over the poor, ‘the chicken-and-egg question’ of causality in a rather different format- namely, do poor people have no power because they are poor or are they poor because they have no power.” An understanding of this power-relationship is necessary in order to get a grasp of why the intended results of democracy are difficult to achieve. The power-relationship also show why “an even procedurally perfect democracy may remain an oligarchy: the rule of the rich over the poor” (Przeworski 1991:34). The various reasons to why democracies do not work according to the principles support Dahl’s view that no regime is in fact a real democracy; they are rather ‘poliarchy’s.

When the people’s preferences are not aggregated sufficiently in the government’s policies, this may result in a gap between the rulers and the people. This gap can be threatening to the legitimacy of the regime if the regime fails to deliver socio-economic rights. Abrahamsen (2001) claims the lack of delivery of socio-economic rights may threaten the legitimacy of the regime because poor people often have an instrumental understanding of democracy. Abrahamsen (ibid:79) suggests:

“The vast majority of impoverished people value political and civil rights not only because they offer protection from an oppressive state, but also because they open up political space for demanding social and economic reforms.”

This is in line with democratic theory saying that there must be a concurrency between the government’s policies and the people in order to be a legitimate regime. If the regime looses legitimacy, it may be undermined. It is a central point in Abrahamsen’s (ibid) theory that African countries are often undermined because the minimalist conception of democracy does not deliver socio-economic rights and hence it does not have meaning to the poor. She says that a minimalist conception of democracy has been imposed on Africa because this form of democracy is accepted as a ‘common good’ in the West. According to Abrahamsen (2001:71), “The lack of participation in the established democracies of the West is not recognised, but instead these countries are treated as implicitly democratic and as models for the South.” She (ibid:70) says this is due to democratic theory coming to realise that we can have a perfectly working democracy despite a low voting rate. Democratic theory came to recognise that apathy was not necessarily a bad thing. Instead it was argued that it was an indication of
satisfaction with the political leaders and hence ‘the health of democracy’ (Lipset 1960:32 in Abrahamsen 2000:70). She (ibid) says the only way to make African countries more legitimate is to enforce a participatory or instrumental model of democracy.

There are no clear answers to when failed delivery of socio-economic rights can be seen as threatening to the regime. However, the next chapter provides theory on critical economic levels for a sustainable democracy;

2.3 What makes democracy endure?

It is common wisdom in academic circles that the economy is regarded as the chief criterion for the evolution and survival of democracy (Tørrøs 2000:11). Van de Walle (1999) claims that if democratic regimes do not manage to change the pattern of decreasing real wages, poverty, insufficient public expenditures on social welfare, the regime will often loose legitimacy that again may lead to political instability. Przeworski developed an extensive study about the importance of a sustainable economy in maintaining democracy. Przeworski’s study is based on counting instances of the survival and death of political regimes in 135 countries observed annually between 1950, the year of independence or the year when economic data are available, and 1990 (Przeworski 1996:39). The study uses a minimalist definition of democracy, by “treating as democratic all regimes that hold elections in which the opposition has some chance of winning and taking office” (Dahl 1971 in Przeworski 1996:39) The study revealed that the conditions that should be present in order to have a sustainable democracy were: democracy, affluence, growth with moderate inflation, declining inequality, a favourable international climate and parliamentary institutions. Yet, the study’s most important finding was the importance of economical factors. This study is only concerned with the economic factors. When talking about the other factors one moves into another contested terrain which is the question of the consolidation of democracy. This is not the issue of concern for this thesis.

Przeworski et al.’s study found that once the country has a democratic regime, its level of economic development has a very strong effect on the probability that democracy will survive. The results from the study were as follows:

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12 Przeworski’s study refer to the collaborate work with Michael Alvarez, Jose Antonio Cheibub and Fernando Limongi. The essay from Journal of Democracy is a revised version of a paper presented at a conference on “Consolidating Third Wave Democracies: Trends and Challenges” held in Taipei, Taiwan, on 27-30 August 1995.
“Poor democracies, particularly those with annual per-capita income of less than $1000, are extremely fragile: based on our study, the probability that one will die during a particular year is 0.12. This rate falls to 0.06 in the $1000 to $2000 range, to 0.03 between $2000 and $4000, and to 0.01 between $4000 and $6000. These numbers mean that a democracy can be expected to last an average of 8.5 years in a country with per capita income under $1000 per annum, 16 years in one with income between $1000 and $2000, 33 years between $2000 and $4000, and 100 years between $4000 and $6000.” “Democracies above $6000 per capita income are impregnable and can be expected to live forever: no democratic system has ever fallen in a country where per capita income exceeds $6055” (Przeworski 1996:41).

Between 1951 and 1990 none of the 31 democratic regimes with per capita incomes above 6 055 $per capita income\textsuperscript{14} fell, while 38 poor democracies collapsed (Przeworski 2000 in UNDP 2002:56). It seems as if once democracy is established in a well developed country, its economic performance will be a sufficient condition for it to survive regardless of other factors. However, democracy can also survive in poorer countries. The criterion is that they generate economic growth with a moderate rate of inflation (Przeworski 1996:42).

Przeworski’s study found that a high rate of inflation can threaten the stability of democracy. The study found that when the annual inflation rate is less than 6 percent the expected life of democracy is 44 years, this rises to 71 years when inflation is between 6 and 30 percent and, an expected life of 16 years when the inflation is above 30 percent. These results reveal that a moderate level of inflation promotes democratic stability. The economic performance is crucial in less-affluent countries. When the economy grows rapidly with a moderate level of inflation, the regime is most likely to last even in a poor country (Przeworski 1996:42). Przeworski’s (1996) findings go against Huntington’s famous assumption that any regime may become unstable if modernisation happens too fast (Huntington 1968 in Przeworski 1996:41).\textsuperscript{15} Huntington (1968 in Przeworski 1996:41) says that “there is a level beyond which further development actually decreases the probability that democracy will survive.” Przeworski’s finding is that there is “no income level at which democracies become more fragile than they were when they were poorer” (Przeworski 1996:41). Przeworski (1996:42) claims that “while Lipset, economist Mancur Olson, and Huntington all thought that

\begin{itemize}
\item \textsuperscript{13} The study found 224 regimes, of which 101 were democracies and 123 dictatorships, observing 40 transitions to dictatorships and 50 to democracy. Among democratic regimes, there were 50 parliamentary systems, 46 presidential systems, and 8 mixed systems (Przeworski 1996:39).
\item \textsuperscript{14} Przeworski’s study reveals the relationship between democracy and per capita income, and not GDP growth. The UNDP report (2002: 56) argues that democracy has higher impact on GDP per capita than GDP in general because the fertility rates is higher in non-democracies. Less people means higher per capita GDP.
\end{itemize}
democracy becomes destabilised when a country grows too rapidly, they could not have been more wrong.” Przeworski (1996) claims that democracies are more likely to survive when they grow faster than 5 percent annually than when they grow at a slower rate.

One reason why democracies are more durable in well-developed countries has been put forward by Lipset in “Political Man” (Lipset 1981 in Przeworski 1996:41). He believes that the “intensity of distributional conflicts is lower at higher income levels” (Przeworski 1996:41).

No evidence has been found in the literature concerning the link between a sustainable democracy and inequality. However, Przeworski’s study found that in countries with shrinking inequality democracies are more likely to be sustainable (Przeworski 1996:43).

Economic reforms are very often costly, and it can in fact undermine the regime. According to Przeworski’s (1991) theory “valley of a transition,” a newly democratised country will very often experience an economic deterioration in the few years following the transition. An economic reform means organising the economy to rationally allocate resources in order to make the state economically solvent. According to Przeworski (1991:136) “rationalizing the allocation of resources requires organizing new markets, deregulating prices, attenuating monopolies and lowering protection. Making the state solvent entails reducing public expenditures, increasing revenues, and at times selling public assets.” Przeworski’s point is that such reforms are necessary, but they are very often costly. This is the reason why many countries experience a temporary fall in aggregate consumption. The temporary economic deterioration often involves inflation flaring up when prices are deregulated, unemployment of capital and labour must increase when competition is intensified, and efficiency must temporarily decline when the entire economic structure is being transformed. Structural reforms are costly! In fact, the result of such costly economic reforms might undermine both the economic and the democratic reforms (Przeworski 1991:136).

2.4 The relationship between type of regime and development

Democratic theory suggests a link between democracy and poverty, but whether the link is positive or negative remains controversial. It has been acknowledged that there are no automatic links between regime type and socio-economic development. There is also agreement that the regime itself does not remove poverty, this can only be done through good

16 Lipset, Political Man: The Social Bases of Politics (Baltimore: Johns Hopkins University Press (1981) Mancur Olson, Rapid Growth as a Destabilising Force, Journal of Economic History 23 (1963) and Huntington,
Theoretical framework of the relationship between democracy and development

Varshney (2000) argues that authoritarian states appear more successful in poverty alleviation because they are able to adopt more efficient policies. He (ibid) says the East Asian Tigers have been successful because they have market- and trade-oriented economic policies. The efficient policies are identified as indirect policies\(^{17}\) and, Varshney (ibid) says that such policies are not popular or understood by the people. Thus he says that such efficient policies often do not get adopted in a democracy. It is also being argued that dictators are less open to pressure from self-interest pressure groups and so are better able, if they choose, to focus on the nation’s well-being (UNDP 2002:56). Authoritarian regimes often argue that they are able to build strong states that are able to make tough decisions in the interests of the people. They also argue that democratic processes create disorder and present an obstacle to efficient economic management, so that countries must choose between expanding freedom and expanding incomes (ibid).

Przeworski claims that democracy is more attractive for investments than any other regime type, mainly due to safety. He says democracy can be efficient in alleviating poverty because in such a regime there is a free flow of ideas that might encourage investments and hence growth. According to Przeworski (1996:40) the average rate of investment is slightly higher in poor democracies than in poor dictatorships. Democracy is also often a criterion for poor countries to be able to receive aid. Under such circumstances we see that democracy is beneficial for sustained development.

The UNDP-report (2002:57) argues that democracies are better than non-democracies at handling socio-political unrest such as strikes and riots because democracies are better at managing conflicts. Such political instability will not impede development as it often does in authoritarian states. Democracies are better than authoritarian states in this respect because of the political space and the institutions that provide for open contests give opponents hope that change is possible without destroying the system. Przeworski (2000 in UNDP 2002:57) also found that wars created greater economic hardships in dictatorships than in democracies because of the way democracies are able to mitigate internal conflicts. The UNDP-report

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*Political Order in Changing Societies.*

\(^{17}\) Varshney identifies indirect methods of poverty alleviation as for instance exchange rate devaluations, trade liberalisation, bureaucratic deregulation, fiscal balancing and privatisation. In short, such policies refer to a more market-oriented economic strategy (Varshney 2000:722).
(ibid) says that “Democracies can mitigate internal conflicts so that they do not develop into political crisis and economic turmoil.”

The explanations of successful states are always complicated. Sen (2000a) argues that the economic policies and the different circumstances that led to the East Asian successes are now recognised as openness to competition, the use of international markets, a high level of literacy and school education, successful land reforms, and public provision of incentives for investment, exporting and industrialisation. His point is that these strategies cannot be considered to be against democratic principles. The question is rather why these successful authoritarian states have implemented certain strategies. Another contributing factor to the overwhelming successes of these countries is believed to be the high skills level in these countries. The high level of skills in industry means that it is easier to benefit from investments.

When discussing the effect a regime has on economic development, it is useful to take a closer look at the records of poverty in the different regime types. Przeworski (in UNDP 2000) says there will always be a link between regime type and development because most rich countries are democratic, whilst most poor countries are autocratic. According to the UNDP (2002:56) all of the world’s richest countries (those with per capita income above $20,000) with only two exceptions have the world’s most democratic regimes. However, countries that were democratised as part of the ‘Third Wave’ are some with extreme levels of economic inequality. Today, South Africa and Brazil have the most unequal distribution of income in the world, despite the introduction of democracy (Nattrass and Seekings 2001:1). The biggest successes in terms of poverty alleviation have been authoritarian states such as the East Asian Tigers (South Korea, Taiwan and Singapore). In the last four to five decades, these countries have mostly been authoritarian, and poverty has virtually vanished (Varshney 1999:2). Yet, most scholars agree that the East Asian Tigers are exceptional, because the biggest catastrophes in terms of poverty alleviation are also authoritarian states (Varshney 1999; Sen). Statistics indicate that authoritarian states have either had spectacular success in combating poverty or they have failed miserably. South Korea, Taiwan and Singapore are examples of the former, whereas countries in Sub-Saharan Africa and Latin America are examples of the latter. In comparison, democracies in developing countries have not failed

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18 Huntington (1991) called the establishment of at least 30 transitions to democracy between 1974 and 1990 as the “Third Wave” of global democratic expansion. He defines a wave of democratisation as “a group of transitions from non-democratic to democratic regimes that occur within a specified period of time and that significantly outnumbers transitions in the opposite direction during that period” (Huntington, 1991: 15).
totally, but they cannot boast of extraordinary successes either (Varshney 1999:13). Sen (1989 in ibid) argues that “No democracy has let absolute poverty worsen over a substantial length of time, or dramatically: and no democracy, of course, has allowed famines to take place”

Even though some authoritarian states have been very successful in combating poverty and inequality it should be noted that it is difficult to determine the impact regime has on poverty because there are only a small number of stable democracies in the world (Varshney 1999:23). It is also difficult to distinguish the factors that combat poverty. What are affected by the regime and which are the result of other factors?

An important aspect when comparing different regimes in terms of poverty alleviation is actually the definition of poverty. Sen claims that people in authoritarian countries are deprived as they lack civil and political rights (Sen 1999:156). Sen’s broad understanding of poverty illustrates that there are other important aspects of the definition including the concept of ‘well-being’, rather than merely a strict poverty-line. Democracy is considered as having an intrinsic value, which means that it is valuable in itself (UNDP 2002). The UNDP report (ibid:52) states that “political freedom and participation are part of human development, both as development goals in their own right and as means for advancing human development.”

Today, the debate on whether an authoritarian or a democratic regime is best suited to combat poverty and inequality is a bit flawed. Democracy has come to be accepted as the most viable form of governance. Abrahamsen (2000:82) says that “For all its deficiencies, it remains the case that democracy is the worst form of rule, except all others.” Another debate that has emerged is the definition of democracy being used. Abrahamsen (2001) suggests that an instrumental model of democracy is needed in African countries, because the minimalist conception of democracy does not have any meaning to the poor when it does not deliver socio-economic rights. Abrahamsen (ibid:68) says “If democracy is to have meaning to the masses it must address questions not only of political rights, but also of concrete socio-political rights.” Abrahamsen (ibid) claims the minimalist conception of democracy in African countries is due to pressure from the West. She says it is wrong that the Western models of democracy are encouraged so strongly in African countries. Thus ‘Western’ democracy with all its deficiencies gets incorporated in African countries. Abrahamsen (2001:67) claims Western donors seem to have accepted democracy as the common good where they join ‘people’ of the South against an oppressive state. However, the new
Theoretical framework of the relationship between democracy and development

democracies often results in a ruling elite separated from the people. She (ibid) says that what already exists (the poliyarchi rather than democracy) provides the basis for the definition of democracy, whilst ideals of participation and self-fulfilment are regarded as irrelevant because they do not refer to actually existing systems and are therefore not operational. Abrahamsen says that the minimalist conception of democracy seems to underplay the extent to which civil and political rights in fact can be realised.

2.5 Summary of the chapter

This chapter has showed that the minimalist democracy is prone to loose legitimacy when it fails to deliver socio-economic rights. Thus democracy can be undermined as a result of poverty and inequality. In this regard, Adler and Webster (1998a:2) note that:

“African countries are faced with a double challenge: to democratise and to restructure their economies towards a new growth path. These are separate, but linked-and potentially contradictory projects.”

Even though there are high levels of poverty and inequality in many democracies, it is important to remember that democracy has an intrinsic value. Considering that democracy can also survive in a poor country, the lesson must be that democracy is not a ‘luxury’ that poor countries cannot afford. Ideally, political and economic development must go hand in hand. The chapter has also pointed out that there are no direct links between regime and development, even though democratic regimes can boost of the most stable records of poverty. The East Asian Tigers are due to a range of different factors. However, it is clear that the regime in itself does not remove poverty, good economic strategies do. Thus the next chapter will be looking at the economic strategy Gear;
3. The theoretical rationale of Gear

3.1 Introducing the chapter

It is an often acknowledged notion that the regime in itself does not secure economic development and alleviates poverty; economic strategies do (UNDP 2002; Varshney 2000:720; Calland 2001). Political reforms are therefore most often followed by economic reforms in order to achieve economic development. Thus a political reform is also an economic reform. Implementing democracy can only be seen as the first step in order to address problems of poverty and inequality. The introduction of economic strategies seems to be the second necessary step for this purpose.

This chapter aims to provide an understanding of the main economic strategy in South Africa, namely Gear. An understanding of this program is crucial in order to understand what has caused tension between the ANC and Cosatu. The chapter explains what Gear is, the program’s affinity with neo-liberalism and why the ANC decided to adopt Gear at the same time as the RDP was supposed to be the main economic framework in the country.

3.2 What is Gear?

Gear sets up the macro economic framework within which other policy formulations and economic transformations can take place (Heintz 1997:30). Gear aims to get the macro economy in order, so that the goals set out in the micro economic Reconstruction and Development Program (RDP) can be implemented (Department of Finance 1996). The Gear strategy consists of a range of packages targeted at restructuring the following areas of economic activity: fiscal policy, monetary and exchange rate policy; trade, industrial and small enterprise policies; social and sectoral policies; public investment and asset restructuring; and employment, wages and training. It has defined its main priorities as creating jobs, reducing the deficit, facilitating a labour market organised according to the principle of “regulated flexibility”, constraining inflation, creating a socio-political environment that is conducive to investment and creating a growing and internationally competitive economy (ibid). The overall aim of Gear is combating the country’s extensive problems of poverty and inequality.

In essence, there are two ways of reducing poverty and the level of inequality in a country. The first way is so-called “support-led” or direct methods of poverty alleviation. This means combating poverty by giving direct support to the poor. This involves for instance
land-reform, income transfers, poor-based employment programmes etc (Varshney 1999). This way of combating poverty will firstly lead to a reduction of inequality, but also to a reduction in the overall level of poverty. The other way to address problems of poverty and inequality is so-called “growth-mediated” or indirect methods of poverty alleviation. The growth mediated strategy is built on the idea that once there is growth, it will ‘trickle down’ to the poor and hence alleviate poverty and inequality. Gear aims combating poverty and inequality in South Africa through a combination of these two strategies. However, Gear, emphasises in particular the importance of increased growth.

Gear has defined growth as crucial in creating more employment. The idea is that growth will ‘trickle down’ to the poor in terms of employment. Employment is considered as one of the cornerstones in order to alleviate poverty and inequality. Gear was aiming for a growth rate of 6 percent per annum before year 2000. The government estimated that this was the minimum percentage of annual growth needed to reduce unemployment to 17 percent by year 2006 (Torres 2000:22). In fact, in the year 2000, Gear promised the creation of 400 000 jobs annually, and 1.3 million new jobs outside agriculture.

In order to achieve growth it is considered crucial with increased investments and also to increase the compatibility of South African goods and services. High levels of investments are considered as crucial for economic success; the example always mentioned is the Asian Tigers (Masiza & Ngqungwana 2001:5). At a time when the currency of the rand was low, the Department of Finance (1996:6) stated that a weak and stable currency represents a ‘crucial window of opportunity’ because it makes South African goods and services competitive abroad. Weak currency is seen as an advantage for producers of traded goods for both export and domestic markets because this makes their products relatively cheaper. Weak currency also makes imported goods more expensive. High interest rates are seen as another advantage to attract investments to South Africa. A high interest rate is thought to attract short-term capital inflows to South Africa, replaced with growing foreign direct investments (FDI) as investor confidence increases (Heintz 1997:32). It is said that the South African Reserve Bank preferred a higher interest rates to maintain a strong rand (Masiza & Ngqungwana 2001:4). At the same time, the government encourages low currency of the rand. Low currency and high interest rates may work counteractive on the South African economy. We see the government wants “the best” out of inherently contradictory strategies. Yet, the government is also aware that high interest rates may hamper development because it makes it difficult for small firms dependent on credit, and it puts home ownership out of reach.

To stimulate investments more directly, the exchange controls have been relaxed gradually so as to eventually accommodate a free flow of capital in and out of the country. Another crucial strategy in order to attract investments is a lowering of tariffs. Low tariffs put increased competitive pressure on domestic producers. Also, in order to attract more investments it is regarded as crucial to avoid permanent increases in the overall tax burden. The government felt it was imperative to attract foreign direct investments (FDI) by lowering company tax, offering tax holidays and pursuing labour flexibility (Masiza & Ngqungwana 2001:5). The Department of Finance (1996:12) has stated that the trade, industrial and small enterprise policies aim to “shift away from demand-side interventions, such as tariffs and subsidies, which raised prices received by producers, to supply-side measures designed to lower unit costs and expedite progress up the value chain.”

The thought behind Gear was that the private sector would be the primary driver of increasing growth and employment (Masiza & Ngqungwana 2001:2). Thus privatisation is an important aspect of Gear aimed at increasing competition and sending the ‘correct signals’ to the international business community. Transport and telecommunications have been important targets for privatisation. Some of the restructuring involves total privatisation, but most of the privatisation means co-operation between the state and private interests. In 2003, Telkom was fully privatised. However, in South Africa there has never been much to privatise. Policies of privatisation also mean a restriction of public expenditures. Restriction of public services impacts on the inflation rate which is aimed to be low in order to attract investments and maintain the compatibility of South African goods and services.

As a transitional regime, the government considers it very important with financial stability in order to restore investor confidence in the country. This is seen as a crucial element in order to send signals of ‘correct’ or ‘appropriate’ government behaviour to the international community. Financial stability is considered crucial in order to attract investments to South Africa. One important aspect of financial stability is moderate inflation. The Department of Finance (1996:6) considers it crucial to keep the inflation down, and an inflation barrier of 10 percent has been targeted. South Africa has in fact been called an ‘inflation targeting regime’ because of its focus on decreasing inflation. Moderate wage increase is seen as crucial in order to stabilise the inflation. Another crucial strategy in order to stabilise the economy is to decrease the budget deficit. The ANC inherited a serious budget
The theoretical rationale of Gear

deficit problem from the former apartheid government. It was also an economic crisis just before the transition. In 1992-1993 the overall deficit reached 9 percent of GDP (Department of Finance 1996:24). Gear has been seen as an important strategy designed to address the country’s debt problem. These policies of aiming increased investments and compatibility of South African goods and services can be seen as a reflection of an orientation towards international markets and an attempt by the government to adjust to an increasingly globalised world.\footnote{The advocates of globalisation generally define globalisation as a process of ‘freeing economies,’ particularly so that trade between countries can take place more easily. In their view, this is the best way to ensure that economic growth will occur (ILRIG 1998: 4). To them ‘freeing up’ means providing more opportunities for business to make profits and reducing the state’s role as a producer or deliverer of products.}

Apart from the growth strategy, Gear has defined government programmes and institutional reforms in the labour market as strategies in order to create employment. However, Heintz (1997:36) notes that a comprehensive employment programme is absent. Gear aimed at employment creation of about 400 000 jobs annually in the year 2000. This was to be pursued by regulated flexibility and enhanced productivity. The regulated flexibility points at a ‘flexible collective bargaining structure’. Gear advises that a minimum wage, “to protect the vulnerable and weak”, should not be extended across the economy but rather negotiated on a sector-by-sector basis (Department of Finance 1996:19). Productivity improvements point aim at “bolstering the development of skills across the full spectrum of the workforce” (ibid:18). Several programmes have been introduced to promote productivity and hence increase the competitiveness. Gear has also defined it as crucial that “wage and salary increases do not exceed average productivity growth” (ibid). The government sees it as crucial that there is wage moderation for the workers in order to enhance job-creation. An upsurge in wages is to be prevented as it contributes to inflation. Keeping the wages down is also a crucial aspect of sustaining the competitiveness of South African traded goods. We see that adapting to the international market is a crucial aspect of Gear’s labour market policies.

Strengthening the redistributive thrust of the state’s expenditures remains a fundamental objective of Gear. The Gear strategy sees redistribution as a by product of growth (Heintz 1997:32). Growth is seen as necessary in order to “produce the fiscal resources necessary for redistributive public spending” (ibid). Hence growth is thought to ‘trickle down’ to the poor and in turn combat the high levels of inequality in the country. Nearly half of the budget is devoted to social spending such as education, health, welfare, housing and related services. This is a high share compared to other countries’ budgets. Yet,
Gear’s aims of increased competition has meant a downsizing of the social services and financing by reallocating expenditure within current budget constraints. There have been invested comparably high amounts on in particular health and education in order to change the racial inequalities inherited from the past. There has also been acceleration in the delivery of houses. The land reform programme has been controversial, but is crucial in improving the long-term prospects for employment and income generation in the rural economy (Department of Finance 1996:16).

3.2 The affinity between Gear and neo-liberalism

Gear is often referred to as the government’s neo-liberal strategy, even though the ANC themselves usually reject such a view. What does neo-liberalism actually mean? Neo-liberalism builds on liberalism. Liberals tend to focus on the co-operative, peaceful and harmonious sides of people. The liberal view of human nature extends to an analysis of international affairs. Liberals tend to focus on the domain where nation-states show their co-operative, constructive natures through harmonious competition. International trade is therefore seen as mutually advantageous, not a cut-throat competition for wealth and power. According to this view, what is true for individuals is true for states (Balaam and Veseth 1996:44). Free commerce is seen as vital in making states efficient, and efficiency is valued almost as highly as freedom.

Neo-liberalism is often called Keynesian economics because of the significant impact John M. Keynes had on this direction of liberalism. Keynes was critical about the extreme form of liberalism, for instance that advocated by scholars such as Adam Smith, where the market was so dominant. The classical meaning of liberalism is fear of high level of government intervention and seeking to liberate the individual from state oppression (Balaam and Veseth 1996:39). This means a strong belief in the guiding influence of the free market. Liberalism praises the market and condemns the state. Liberalism sees the free individual as best equipped to make social choices. Keynes’ economic program combines the power of the state and the market. Policies encouraged by the Bretton Woods Institutions (BWI), the WB and the IMF or the so-called Washington Consensus are typical examples of what is often

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20 Joel Netshitenzhe representing the ANC during the ANC’s National Conference in December 2002 quoted in Cronin 2003. Jeremy Cronin is the SACP deputy general secretary and an ANC national executive committee member. In this article Jeremy Cronin also discusses the irony that the differences in the ANC and Cosatu leadership has been characterised as a fight between the “ultra-left” versus the “neo-liberal.” He suggests that in order to understand South African politics one needs to add another axis, namely the North-South one.
perceived as neo-liberal economic policies or as the Keynesian compromise. However, organised labour and the left in politics have strongly criticised the BWI for being too concerned with the market. Gear’s privatisation policies are evident examples of the government’s belief in the free market. The strong belief in the guiding influence of the market builds on the view that when the market decides, this is believed to lead to more competition and hence to increased growth. Giving more power to the market is grounded on assumptions about economic growth within a private capitalist system as the ultimate goal. The state has a limited but important role in the eye of neo-liberalism. The role of the state is defined primarily by what promotes this type of growth (Martinussen 1997:272). The state’s role is limited to that of a manager, co-ordinating policy and reconciling the divergent interests of those affected by the strategy. More power to the market in most countries involves extensive restructuring of state assets, i.e. privatisation.

The Washington Consensus holds that good economic performance requires liberalised trade, macroeconomic stability and getting prices right (Williamson 1993). According to Stiglitz, liberals are of the view that problems of poverty and inequality in third world countries are related to the social and economic system in the country rather than external factors such as vulnerability related to international trade (Stiglitz 1998:26). Hence an important aim of such policies is to increase competition and efficiency within the country. Increased competition often means excluding the government so that private markets would allocate resources efficiently and generate robust grow. It is assumed that the East Asian countries, which have been very successful in addressing problems of poverty and inequality, have inspired the Washington Consensus (Stiglitz 1998).

Policies elaborated by the Washington Consensus are meant to be used as a blueprint in order to solve poverty and inequality in third world countries. Gear can be said to be highly compatible to the neo-liberal way of thinking with its market oriented policies. Gear also contains similar elements to Structural Adjustment Programmes (SAP). The adaptation to

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21 Yet, when the crisis hit these countries, the Washington Consensus also changed its policies. Thus the Washington Consensus changed to the so-called post-Washington consensus entailing a broader set of policies. The post-Washington Consensus advocates more government intervention. The transformation to the post-Washington consensus was also a result of the massive critique that was posed to the IMF and the WB. For instance, Joseph Stiglitz said that the policies by the Washington Consensus were not complete, and they were sometimes misguided. The former Structural Adjustment Programs (SAP) have therefore changed to so-called Poverty Reduction Strategy Paper (PRSP). However, this paper is being accused of being the same kind of policies with just a different name. Joseph Stiglitz is the former Senior Vice President and Chief Economist of the World Bank. He lost his job because of the massive critique he posed to the World Bank (The Economist Print Edition, June 8th, 2002)
policies encouraged by the BWI is the reason why Gear has been called South Africa’s home-grown SAP.

### 3.3 From RDP to Gear

The ANC’s electoral campaign beyond 1994 was formulated around the RDP. The social-democratic oriented RDP spelled out the social and economic agenda for the next five years, following the 1994 elections. RDP was thought of as the realisation of a state redistributive strategy as articulated in the Freedom Charter. It was regarded as a ‘people driven’ strategy, initiated by Minister without portfolio Jay Naidoo, ex-general secretary of Cosatu. RDP has attempted to integrate growth, development, reconstruction and redistribution in a unified programme (Department of Finance 1994). The main pillars of RDP are those of redistribution and satisfaction of basic needs. Five key programs are identified; 1) Meeting basic needs. ‘Basic needs’ include job creation, land reform, housing, water and sanitation, electricity, telecommunications, health care and also social security and welfare. 2) Developing human resources such as education. 3) Building the economy, 4) Democratising the state and society, and 5) Implementing programmes (ibid:4-7). It is often claimed that the Cosatu initiated RDP went through several changes after its initial formulations because of the impact the WB and IMF had on the formulation of economic policies (Webster and Adler 1998b; Marais 2001). Already then, the tension between the ANC and Cosatu had begun.

The launching of the RDP was a popular card for the ANC in the 1994 election, because of its perceived links to the Freedom Charter. It entailed clear perspectives of redistribution and development. From 1994 to 1996 the RDP became the guiding document of GNU. Von Holdt (1991 in Adler and Webster 1998:23) sees the document as an attempt by labour to produce an accord that would tie Cosatu’s electoral support for the ANC to the latter’s commitment to a working class program. However, GEAR was adopted in 1996 aimed at complementing the RDP. Many people have perceived Gear as a replacement of the RDP, but the government emphasises that Gear works in parallel with RDP, and that it does not aim to challenge the ‘old’ economic framework. The implementation of the RDP policies is still an ongoing project. Gear focuses on the supply side of the economy, and is intended to stimulate the growth necessary to provide the services envisaged in the RDP. According to the aims, Gear works pragmatically towards the realisation of RDP in the long term (Ramos 1997:37). However, there are different views to why Gear was introduced in 1996 when RDP was supposed to be the guiding document until 1999. Considering the popularity of the RDP
amongst the people, one may also ask whether the RDP was only a strategic move by the government to attract the electorate. However, such speculations are just that—speculations. In fact, the ANC gained support from the electorate from 1994 to 1999, after Gear was adopted in 1996.

The shift from RDP to Gear marked a drastic shift from a people-centred to a market-oriented policy. It is argued that the introduction of Gear signalled a U-turn away from what the ANC had been advocating during the struggle. Gear entails policies and strategies that are considered very different from how the ANC was perceived before the 1994 election. The topic is controversial, but many people perceived the ANC to be building on socialistic values before the election in 1994. This thinking was expressed by prominent ANC members in the early 1990’s; For instance, after Nelson Mandela’s release from prison, he proclaimed that:

“...the nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our views in this regard is inconceivable” (Mandela in Marais 2001:122).

This statement shows the importance of the state’s role. Other key persons within the alliance also indicated immediately after the unbanning of the ANC and the release of Nelson Mandela, that the movement still considered socialism- or variants of it- a viable and legitimate economic strategy (Marais 2001). However, after the ANC came to power, the political orientation of the party seems to have changed. Marais (ibid:122) argues that the pressure from national and international business was enormous. International investors threatened to withdraw from the country during the transitional years as they feared the perceived socialistic nature of the ANC. This is likely to have pressurised the ANC to calm business leaders with anti-socialistic assurances. Soon after the 1994 elections, Mandela (in ibid) assured the investors that ANC economic policies had been purged of all Marxist inclinations. In 1994, Nelson Mandela (in ibid) declared that:

“In our economic policies... There is not a single reference to things like nationalisation, and this is not accidental. There is not a single slogan that will connect us with any Marxist ideology”

The ideological stands of the ANC appear confusing. It is often argued that the common anthem of the party has been freedom from oppression- and this should not be misunderstood as meaning socialism. The vague economic stands in the early transitional years can also be applied to the ANC’s role as a liberation movement, and the party’s inattention to ideology and economics during the struggle. Yet, whether the ANC was to be seen as socialistic or not before the 1994 election, it seems clear that the party has gone through extensive changes in
terms of policies and ideology. Adelzadeh (1996) has labelled this shift of policies as the ‘ANC’s gradual embrace of neo-liberalism.’ Calland and Jacobs (2002:258) argue that Mbeki’s “Two Nations” Speech from 1998 suggests that Mbeki is a “classical social democrat.” They (Ibid) say that “His belief that the market will serve the social goals of such a philosophy indicates that his democracy is a Clintonian/Blairite, ‘third way’ social democracy- more liberal than social.”

There are various views on why Gear was introduced already in 1996 when RDP was supposed to be the main economic framework in the country. Deegan (2001:118) claims that lack of progress towards the achievement of its aims soon undermined the initiative of the RDP. Also, the practical implementation of the programme’s policies had been underestimated and undercosted. By 1996 it was clear that the project could not meet the needs of the society. Gear was therefore introduced. Deegan (ibid) also claims that the RDP document was contradictory because of “its commitment to meet the population’s needs, with its implication of strong state intervention and radical redistribution of wealth, and on the other hand, its affirmation of the free market.” Some people say the RDP office was excluded because they had no economists and no control over fiscal policy, other people claim that RDP “did not tally well with the IMF/ World Bank philosophy of restrictive fiscal policy” (Mhone in Masiza & Ngqungwana 2001:6). There were many reasons to why the RDP was “replaced” or complemented by Gear. These reasons are to be discussed in the next chapter;

3.4 The crafting and adoption of Gear

A common objective towards Gear is that potential opponents to the programme were excluded at both the crafting and adoption of GEAR. Adelzadeh (1996) argues that the decision making was done on a high level within the ANC itself, thus, “subduing and replacing” lower level activity. The ANC sought to win support for their economic policies at informal meetings in the weeks before Gear was released. Webster and Adler (1998b:367) claim that the program was never discussed at the formal meetings. Thus it appears that the alliance partners- the SACP and Cosatu were never formally involved in the formulation of Gear. One participant said they were just shown the section headings. The alliance partners were critical to the lack of consultation but acknowledged the country’s precarious international position at the time. Marais (2001:162) says the ANC’s hard-line defence of the

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22 During this speech Mbeki addressed the problems of poverty and inequality in South Africa, and claimed that poverty was so closely linked to race that South Africa consisted of two nations, one black and poor and the
somewhat secretively formulated Gear strategy was so effective that the SACP initially endorsed the strategy in an official press release, with only Cosatu immediately declaring its opposition to Gear. The tardy response of the economic left to GEAR persisted under the watchful eye of the ANC. As late as 1998, both partners in the alliance agreed not to mention Gear at the Presidential Jobs Summit (Marais 2001:180-187). Masiza and Ngqungwana (2001:9) say it is certain that the way Gear was formulated deviated from the norm the ANC government was promoting, namely broad participation and consultation in public policy making.

After the adoption of Gear, the government also declared that the document was non-negotiable. In 1998, Mandela warned the SACP:

“GEAR, as I have said before, is the fundamental policy of the ANC. We will not change it because of your pressure. If you feel you cannot get your way, then go out and shout like opposition parties. Prepare to face the full implications of that line” (Mandela in Business Day 1998).

Once Gear was released, the alliance partners were angered by both the content and the fact that Mandela declared it to be “non-negotiable” (Webster and Adler 1998b:367). Cosatu General Secretary Sam Shilowa indicated immediately after its release that “Gear could never have emerged from the ANC before the 1994 election” (ibid) Despite the criticisms, Gear was endorsed by the ANC’s working committee where both the SACP and Cosatu sit. Neither Cosatu nor the SACP could come up with a formal agreement on the perceptions of Gear (ibid). Some Cosatu members felt the strategy should be given a chance and that it was wrong to attack the government during a crisis. Others opposed the document. These different perceptions reflect the diverse interests in the organisation. However, later, when it became clear that Gear had not come close to meet any of its goals, Cosatu’s opposition to Gear became more united. On the basis of the indicated increasing tension between the alliance partners about Gear, what were the reasons to the ANC’s choice of adopting the strategy?

Bond (2001) says Gear is the result of an ‘elite compromise’ between leading ANC-figures and International Financial Institutions (ibid). Bond (ibid) sees the increasing web of contacts between ANC intellectuals, business and economists to comprise this compromise. The elite compromise is, firstly, seen as the impact IFI’s had on the ANC during the negotiations prior to 1994. However, this compromise is believed to have had continued impact on the path of the government’s policies. In the search for a new economic policy

other white and rich (Nattrass and Seekings 2001).
prior to 1994, the ANC government consulted with several experts from the World Bank and the IMF. Marais (2001) claims that a select group of technocrats, amongst who there could be counted economists, senior civil servants and Development Bank of South Africa officials, were responsible for formulating Gear. Many scholars also see President Mbeki, along with Finance Minister Trevor Manuel as the architects behind Gear (Koelble,1998:166). Masiza and Ngqungwana (2001:7) say that “some of the participants saw the crafting of this framework strictly as a technocratic exercise that warranted the involvement of a small group of experts.” A technical view is said to have dominated the process and therefore the technocrats seemed less concerned about non-economic issues such as reaction from labour (ibid:8).

Marais (2001) argues that the shift to a conservative economic policy is symptomatic of the ties between representatives of IFI’s, the government and members of the Triple Alliance during the transition to democracy. It was during the process of negotiations that key individuals within the alliance were introduced to what economists, academics, business and the international community understood to be the ‘sensible’ economic paths to follow. Also, before the ANC came to power, when it was perceived as the ‘government in waiting,’ it gained access to international financial institutions, banks and corporations. ANC members were invited to attend economic workshops and refresher courses in Washington and elsewhere. Webster and Adler (1998:370) claim that the result of the increasing web of contacts was that the ties between the ANC and international corporations promoting neo-liberal policies became stronger. These new intellectual influences on the ANC members are thought to have had a powerful effect on the form of ANC’s thinking on economic questions. The elite compromise also involves the impact South African business had on the government’s policies. It is clear that the new influences on the ANC corresponded well with business interests in South Africa that had all to gain by a right turn in the ANC’s economic policy. The business sector in South Africa invited the ANC to attend discussions and workshops. During these talks the business sector could impact upon the government’s policy making while facilitating their entry into the ranks of the “bourgeois.”

The shift in economic thinking within the ANC was also eased by an intellectual weakness within the left in the ANC. It could not meet the power of the right influenced by international orthodox economists. A group called the ‘Macro Economic Research Group’ (MERG) was set up to fill this gap, but it came too late to offset the growing relationship
between many in the ANC and their new-found economic allies (Adler and Webster 1998b:370).

There are various views on how much influence the World Bank and the IMF actually had in shaping and developing Gear. For instance, several theorists emphasise that the ANC in fact received a secret loan from the IMF prior to the first democratic election. It is often mentioned that in November 1993, the ANC had entered into a secret $850 million loan agreement with the IMF to help the country deal with balance of payments difficulties (Marais 2001; Webster and Adler 1998 and Bond 2001). Webster and Adler (1998:364) claim that,

“In return for the loan, the ANC agreed not to ease monetary policy, to prioritise inflation reduction, to contain government expenditure (indeed to cap the debt/ gross domestic product ratio and to reduce it progressively in subsequent years), and not to raise taxes.”

The statement of intent that was attached to the loan, in retrospect, reads like a précis of the Gear plan:

“An easing of monetary policy would have risked a further undermining of confidence and a resurgence of inflation. ... the thrust of South Africa’s monetary policy during the past year will be maintained... despite the pressures for additional expenditures that will arise in transition, there is widespread understanding that increases in the governments deficit would jeopardise the economic future of the country. Given the importance of maintaining a competitive tax structure, (fiscal policy) will emphasise expenditure containment rather than raising taxes” (Excerpt from the ‘Statement of economic policies’, reprinted in Business Day, March 24, 1994, in Marais 2001:134).

We see that this statement encourages such strategies as those advocated by Gear. This close “collaboration” between IFI’s and leading figures within the ANC in the government’s policy making continued beyond 1994, with World Bank economists and economic models being instrumental in the conceptualisation of Gear. Also, a representative of the WB became a permanent resident in the Department of Finance, with WB representatives playing key advisory roles in the implementation of RDP objectives (Bond 2001:239-240). Thus we see the close affinity between ANC and IFI’s which is likely to have impacted heavily on the formulation of Gear. Marais (2001:128) claims that “the World Bank’s 1994 ‘Reducing Poverty Report’ became the public component of an intensive process of lobbying and ‘trust-building’ with the ANC and other popular organisations.

Other scholars claim that the WB and the IMF’s role were limited, because many South Africans were suspicious when these institutions were called upon to help.²³ People had

²³ The IMF’s main role is to assist countries which have a problem with repaying international debts. Typically the IMF gives loans to countries that are unable to repay these debts. However, when the IMF gives loans, there
the impression that the focus of the Bank’s programme in any country was to lend money and in turn to dictate policy as a precondition for lending (Christiansen & Cooper in Bond 2001:239). Deegan (2001:120) claims that this intellectual climate in the wider society with a suspicion of capitalism is in part related to the country’s history of apartheid. The apartheid regime was seen a coterminous with capitalism and operating against the interests of ordinary people. According to the WB (in Bond 2001:239), as a response to this scepticism the Bank concentrated of operationing as a “Knowledge Bank” with the only aims of advising sensible economy. It is also argued that the home-grown character of Gear’s brand of ‘structural adjustment’ effectively moderated the character and extent of foreign intervention, and as such IFI’s had limited influence in shaping macroeconomic policy (Erwin and Chikane in Bond 2001). The government emphasises the home-grown aspect of Gear. The Minister of Finance, Trevor Manuel (2001) claimed that,

“We have been able to restore financial stability thereby protecting our country against the dictates of a Bretton Woods structural adjustment program.”

Another reason to the ANC’s choice of policies can be traced back to the negotiations between the elite of the old apartheid regime and the elite representing the new. This is claimed to have had direct impact on the path of economic policies. It is often argued that the gradual embrace of neo-liberalism was due to talks with the former apartheid regime during the negotiations. The negotiated transition put restrictions on what actions the government was allowed to do regarding poverty alleviation and redistribution. The new regime also had mutual interests with the old regime, and was dependent on the interest of the white population. The dependency on the white part of the population stems from their control of most of the economic resources in the country, and also because most professionals in the country were white. It was important for the new regime to stop the mass-emigration of the white population. For instance, surveys indicated that 75 percent of newly qualified accountants sought work abroad (Deegan 2001). The government was scared mass-emigration would lead to a brain-drain, hence undermining the economy. In addition to this, the armed forces and the police were traditionally supporters of the apartheid regime. Thus, they were a threat to the new regime if they tried to make serious and decisive structural changes in society that were not in the interest of the white people. This made a strict redistributive policy difficult. The implementation of Gear is seen as compatible with the old regime’s

are strings attached. Countries receiving the loans must agree to change their economy to run more along the lines of the free market. The strings attached to IMF loans are often called SAP’s or structural adjustment
interests and wishes. Gear can be seen as a “secondary concession” by the ANC to meet the requirements by the former apartheid government. It is underpinned by the ANC’s willingness to engage in negotiations, and its motivation for this decision by pointing towards ‘shared interests’ with the NP. The apartheid government worked closely with both the WB and the IMF. Saul (in Jacobs and Calland 2002:39) says that, “ironically, the ANC has come, full circle, back to the late apartheid government’s Normative Economic Model.”

Many scholars are of the perception that a crucial factor that impacted upon the ANC’s shift in economic policy was due to events on the international scene. According to Webster and Adler (1998b:369), “the most important factor in this shift was the changing locus of international influence that arose out of the collapse of the Soviet Union and the East bloc.” It is often acknowledged that the collapse of the communist states left the impression, also to the ANC, that socialism does not work. The ANC that came to power in 1994 had seen the failed socialist experiments of the Eastern bloc and began crafting policies that would be more acceptable to the money markets and the West. The Cold War left the impression that capitalism is the “only way.” Thus neo-liberal policies became the hegemonic way of thinking in the world. The collapse of the communist states also meant that the most important actors in the democratic transition in South Africa were to be the US and its allies, Britain, Germany and Japan. The power relations in the world were changed. In return for these nations’ efforts to discipline the apartheid government was a commitment by the ANC to “embrace Western-style free-market principles” (Lansberg 1994 in Webster and Adler 1998b:369).

Moeletsi Mbeki (in Pillay 2002) claims that because the government has been dominated by former exiles that used to be pro-Soviet, the party has also tried to follow Russia’s development. When the Soviet Union collapsed in 1989 and Russia adopted neo-liberalism, the ANC leadership followed unfettered suit. The result of these policies in Russia was catastrophic. The Russian economy contracted by more than 30% in the 1990’s, and has still not recovered. South Africa did not follow such a dramatic course.

An understanding of the economic situation in South Africa in 1996 is seen as crucial in order to explain why Gear was adopted. Gear was introduced at a time when the economy was on a downturn. The value of the ZAR was dropping rapidly and the stocks of foreign programmes.

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24 NEM was released in 1993. It was drawing heavily on IMF thinking. It encouraged privatisation, trade liberalisation, spending cuts and strict monetary and fiscal discipline (Marais 2001:129).

25 Moeletsi Mbeki is the brother of President Thabo Mbeki and he is a prominent business man in South Africa.
exchange in South Africa were at a dangerously low level. The crisis in February 1996 when the value of ZAR plummeted by more than 25% percent signalled the new government’s first major crisis. Furthermore, inflation could make South African goods and services less competitive, and therefore, unable to accommodate the imperatives of the world market place. In this situation, the government moved quickly to calm domestic capital and foreign currency markets by embracing a neo-liberal policy framework (Webster and Adler 1998:366). Thus Gear was perceived as a viable strategy to combat the external challenges to the South African economy. The Gear document stresses the importance of financial and price stability to attract investment and boost economic growth (Heintz 1997). Gear was introduced during a time when the government considered stabilising the economy as crucial to the success of the consolidation of the economic and political reform in South Africa. Stabilising the economy and not necessarily thwart the satisfaction of basic needs might have been the primary motivation for introducing Gear.

It is important to note that South Africa’s democracy arrived precisely at the moment when globalisation emerged as the driving force in world politics. Abrahamsen (2001:8) defines globalisation as “intensification of economic, political, social and cultural relations across borders.” Jacobs and Calland (2001:15) emphasise that Mbeki has been in a special position when trying to impose change at a time when the nation-state has never been weaker. Globalisation represents pressure on the government, because if a government’s policies are not in accordance with international standards this may lead to loss of market shares in the world. The globalisation of financial markets has made it harder for national governments to control monetary and fiscal policy. South Africa is as other countries part of the global political economy. Gear is also seen as an attempt to adjust to an increasingly globalised world. One can ask whether the government has any alternatives than to adjust to the ‘world out there.’ Also Keynesian demand management solutions are made more difficult when firms are increasingly oriented toward global rather than nationally based markets (Adler and Webster 1998b:350). Webster and Adler (ibid:349) say that globalisation presents a number of stresses on the government, while it undermines the state’s traditional role in economic management.

26 From a leftist point of view, globalisation is seen as a way of restructuring the world economic system in order to restore profit levels and ensure the survival of capitalism (ILRIG 1998:8). Globalisation has been seen as a response to the crisis in the world capitalist system in the 1970’s. During this time many large capitalist companies began to experience problems in maintaining their levels of profit. The major supporters of globalisation are transnational corporations, IFI’s and governments of the industrialised capitalist countries. For developing countries, the IMF and the WB represent the main economic meeting with globalisation (ibid).
3.5 Summary of the chapter

This chapter has provided an understanding of what Gear is and thus given the ideological point of departure of the programme. Growth is seen as the key to alleviate poverty and inequality. Important strategies in order to increase the growth rate are to make South African goods and services more compatible and also to increase investments to South Africa. These aspects of the programme show that Gear has very similar policies as structural adjustment programmes. However, Gear is called home-grown even though it was under strict supervision from the WB and the IMF.

The chapter has also provided an understanding of why the ANC perceived Gear as a viable economic strategy in order to solve South Africa’s extensive problems of poverty and inequality. It has also showed other factors that have impacted on the ANC’s choice of policies. Due to an increasingly globalised world, the international community represents important stresses on the government. The adoption of Gear seems to be symptomatic of the increasing pressure from the international community. We see that the government is pressurised from several different angles. This puts pressure on the integrity of the South African government. This knowledge of Gear provides the basis of an understanding of the tension between the ANC and Cosatu, as outlined in the next chapter;
4. The tension between the ANC and Cosatu

4.1 Introducing the chapter

The tension between the ANC and Cosatu can be traced back to before the 1994 election. The ANC’s economic policies, and in particular changes in the RDP from the alleged commitment to the Freedom Charter started to create tension in Cosatu circles. The tension between the ANC and Cosatu became much more acute when GEAR was adopted in 1996, and threatened to weaken the triple alliance in the run up to the 1999 election. In 2001, Cosatu filed the, so-called, section 77 demanding that government halt all privatisation until it established a clear policy to guide restructuring, develop a policy on restructuring to ensure it benefits the majority of South Africans by ensuring basic services for the poor, as well as, protecting and creating quality jobs, establish procedures for restructuring to ensure consistent, open and rational decision making (Labour Bulletin 2002). As these demands had not been met, Cosatu took to the streets. This thesis focuses on the October strike in 2002, which was a result of the increasing tension between the ANC and Cosatu.

This chapter aims to go in depth and see what the tension is all about. What are the ANC and Cosatu actually saying and what do the accusations really mean? The primary reason to why Cosatu opposes Gear is because they claim the program leads to increasing poverty and inequality. This is not in the interest of the people, hence they claim the document is undemocratic. Cosatu has also indicated that Gear is undemocratic because of the way it was crafted and adopted. The tension between the ANC and Cosatu also raises concern because the two are in the governing alliance together. Cosatu members have a dual membership in either the ANC or the SACP, this further confuses the conflict.

4.2 Gear and development

Cosatu claims that Gear leads to poverty and inequality. They say Gear is the cause of job losses, spiralling food prices, absence of a social security net and lack of affordable health care. The ANC defend their choice of policies saying that Gear, in fact, has obtained important achievements. The ANC says it has made new advances in what must continue as a sustained offensive against poverty and underdevelopment; The ANC emphasises the building of houses, installation of electricity and telephones, improved service delivery, connection to clean running water and the building of clinics (Fraser-Moleketi 2002). The government
emphasises their macro-economic achievements. At a meeting between President Thabo Mbeki and representatives of business, labour and the agriculture sector in November, there was a clear message from the government to the unions:

“We are proud of our efforts to alleviate poverty and to improve social services in areas such as education and health care, and we are not going to be stampeded into undisciplined government spending just when the macro-economic fundamentals are sound and government spending is in check” (Mbeki in Battersby 2002).

The ANC also emphasises that many of the aims in the document are long-term goals. Mbeki stresses the need for sound macro-economic fundamentals and careful government spending in order to achieve the important long-term goals of alleviating poverty and inequality. Mbeki says the government needs to think long-term in terms of the economic policies in order to alleviate poverty and inequality.

Gear has in particular created anger in Cosatu because of its central aspect of privatisation. According to Cosatu, privatisation leads to price increases. They say that when the prices increase, most poor households cannot afford basic goods and services from private businesses. Thus it leads to more poverty and inequality. Cosatu says that in such circumstances, there is no market incentive for private companies to serve the majority (Labour Bulletin 2002). According to Cosatu, many people do not for instance have access to clean water because of the price increases due to privatisation. Cosatu also says that privatisation results in high school fees. The Congress of South African Students (Coas) also joined the strike in October 2002. Cosatu says privatisation is widely associated with massive job losses at provincial, national and local level. Many of the Cosatu members work in companies the government now wants to privatise. There is, therefore, a real threat that these people could lose their jobs, in fact many people have already lost their jobs. The ANC attributes the lack of job-creation to an insufficient growth rate (Department of Finance 1996). They say the growth rate has not managed to absorb the increasing entry into the labour market. Privatisation is a central aspect of neo-liberal policies such as Gear as it rests on the idea that the state is never as efficient in producing goods or delivering services as the private business.

The government, on the other hand, says that there has not been much privatisation in South Africa, and that there was never much to privatise in the first place. According to the ANC, since 1994, the only significant privatisation has been Telkom, 20% of the Airports Company, 20% of South African Airways, 30% of Eskom and Transnet’s monetisation of M-Cell shares contributed another 36% (Rumney 2002). The ANC says that the so-called
private-public sector partnerships (PPP) are not to be classified as privatisation. Cosatu has a different definition of privatisation. Cosatu defines privatisation as:

“any restructuring that involves the sale or outsourcing of assets or functions to the private sector, the replacement of social objectives with profitability by state-owned agencies, and the opening of historically state-controlled sectors to private competition (Labour Bulletin 2002).

The ANC’s claim that there has not been privatised much in South Africa also highlights their view that the failed delivery of many of the goals defined in Gear is partly caused by lack of implementation. This has been emphasised by Mbeki (SABC 2002) several times. Public enterprise Minister Jeff Radebe (in Ka’Nkosi 2002) says that “the only areas that need attention are the implementation of projects and delivery.”

Cosatu not only views the government’s privatisation plans as an enemy to their labour interests. Gear has also created anger because it apparently lacks a comprehensive employment programme (Heintz 1997: 30). Cosatu claims that the state does not take sufficient action in order to secure the workers’ rights. GEAR has also created anger because it encourages wage moderation for people working in the formal sector to show national responsibility. This has created anger in Cosatu as they say many of these people already earn less than the minimum amount required for the economic survival of a family. The government considers a moderate wage increase as crucial in order to stop the inflation. The so-called ‘increased flexibility’ within the collective bargaining system is also considered a threat to the labour interests.

Cosatu believes that development requires fundamental restructuring of the economy, and that a strong state, not privatisation, is necessary. They believe that problems of unemployment and underdevelopment will not be solved if left solely to market forces. They also believe that the state must continue to play an important role in directing investment to those areas where the people need it the most. In this way Cosatu aligns itself with the early drafts of RDP. Cosatu explains in the Labour Bulletin (2002):

“State-control of assets provides an important lever to achieve this aim, both by extending infrastructure and production and by maintaining cross subsidises to the poor, small and micro enterprise, and similar sectors. Privatisation rules out this type of strategic intervention.”

The government, on the other hand, is seeking more responsibility from the civil society. Mbeki (SABC 2002) said that it is not up to the government to solve all the problems facing South Africa.
Gear’s strategies in order to make South African goods and services more competitive and to attract investments are also seen as threatening labour’s interests. The *liberalised capital controls* is one aspect of this. Relaxed capital controls are thought leading to more capital going in and out of the country. The government hopes for the former. That increased investments will bring more money *in* to the country. Yet, Cosatu fears the latter. That more money will go *out* of the country. The government’s relaxed capital controls has allowed billions of Rands to leave the country through major companies moving abroad. Cosatu says that the full implications of these moves remain to be seen. Cosatu requires a strong political will to deploy the resources for the national good, through instruments such as prescribed investments and stricter capital controls. As Cosatu says, “this, after all, has been the key to success for the East Asian “miracle” economies.” We see that the ANC and Cosatu entail highly opposite views on how to solve South Africa’s multiple social and economic problems. These opposite views on the impact of Gear, in fact, reveal ideological differences.

Gear encourages *high interest rates* in the country. Cosatu wants to lower the interest rate, so that it is easier for small firms and people to lend money from the bank. The ANC agrees that the high interest rates represent a problem for many households and small firms in South Africa. However, The Department of Finance (1996:11) says that it is not possible for the Reserve Bank to lower the interest rates if the conditions are not appropriate. The Department of Finance (1996:11) says that “lowering the Bank rate could lead to higher credit demand, higher inflation, and as inflationary expectations take hold, higher long term interest rates. In addition, such a policy would lead to declining capital inflows, capital flight and higher imports, which all add up to a balance of payments crisis.” Nevertheless, Gear defines high interest rates as efficient in order to attract international capital.

The government’s policies of liberalised capital controls, low exchange rate etc. are part of the strategy in order to open the domestic market to international commodities and services. The increasing importance of foreign markets and investors is due to the increasing force of globalisation. Gear can be seen as an attempt of adjusting to an increasingly globalised world. In Mbeki’s mind the current crop of SACP and Cosatu leaders are unable to read the changed global situation (Makhanya 2002). Mbeki has taken the party along a path he believed would have a fighting chance in a globalising world. Foreign investors require easy access to markets, labour and natural resources. This means liberalising the economy by reducing capital controls, state assets, inflation, budget deficits, taxation, labour and environmental protection, and other regulations. Cosatu are against such policies. They say
globalisation causes job-losses and that the government should try to resist the forces of globalisation rather than adjusting to it. Heintz (1997:32) argues that:

“Gear’s outward, market-oriented view of the world- ironically, the primary source of instability which generated the need for such macroeconomic policies. Instead, an approach was developed which accommodated, rather than challenged, the international rules of the game.”

We see that there are highly different views on globalisation by the ANC and Cosatu. Cosatu is the most profiled opponent of globalisation in South Africa. Cosatu sees GEAR as a medium of globalisation. A large faction within Cosatu sees globalisation especially harmful for developing countries, because of their vulnerability to events on the world market. The opponents of globalisation believe that globalisation is increasing world poverty and lowering living standards of workers, is increasing the gap between the rich and the poor countries and is increasing the gaps between the rich and the poor within the countries (ILRIG 1998).

According to Cosatu, the government’s analysis of privatisation has been limited to consultancy reports by firms and organisations that have a vested interest in privatisation. Cosatu claims that the research has mainly been on privatisation ‘success stories’ that fail to raise even the most basic of concerns. Cosatu says that this is not research, but rather an ordination of what the government (and big business) has decided it wants to hear. For instance, Cosatu claims that the government has not done studies to understand the results of Eskom’s privatisation on jobs, electricity costs, or environmental pollution. In fact, the ANC’s close ties to business have led analysts in the media to compare the tension between the ANC and Cosatu as one between the market and the state, capital and civil society, business and labour, democracy and technocracy and between external and internal forces.

In the ongoing debate, the ANC claims on the one hand that Cosatu’s policies are ultra-left while Cosatu, on the other hand, says that Gear is neo-liberal. The ANC’ rejects such a view referring to the high amount of money being spent on social services. There is also growing talks within the ANC ranks about “ultra leftists” -mainly whites- having hijacked Cosatu and the SACP, pitching it against the government. Hence there are also talks of a conspiracy against the government. Mbeki has said that the ANC was “under attack from domestic and foreign left sectarian factions who accuse the ruling party of turning against the poor” (Makhanya 2002). Importantly, the ANC claims that the so-called ‘ultra-lefts’ are a minority in Cosatu. Hence, they heavyweights claim that a relatively low number of workers

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[27] Technocracy means that a group of experts are governing.
The tension between the ANC and Cosatu

actually showed up at the strikes. This gave the government backing for accusations that the Cosatu leadership belongs to the “ultra-left” who are “out of touch with the workers” (Cape Times October 2, 2002). Webster (in Battersby 2002) dismisses the term ‘ultra-left’ as inappropriate in describing Cosatu. He (ibid) says the strike in 2002 was “a highly visible demonstration of anger by a new social force in post-apartheid South Africa, the politically enfranchised working poor.”

Mbeki (in McKinley 2003) asked in whose interests do they (the ultra left) serve? Cosatu has turned the question back and says it is timely to ask in whose interest the ANC aims to serve. They say they have failed the socialist commitment after they came to power. To this, Mbeki (2002b) said,

“Our movement, like all other national liberation movements throughout the world, is inherently and by definition, not a movement whose mission is to fight for the victory of socialism.”

These were probably sweet words to the business community as they cannot forget that this is an ANC-led government and that the ANC remains a mass-based movement with an alleged strong commitment to the disadvantaged (Turok 1999: 26). Cosatu claims that the ANC has failed their commitment to the poor as they have been concerned with pleasing business interests. Both Cosatu and the ANC say the serve the interests of the poor. Mbeki (2002b) said:

“our movement and its policies are also under sustained attack from domestic and foreign Left sectarian factions that claim to be the best representatives of the workers and the poor of our country. They accuse our movement of having abandoned the working people, saying that we have adopted and are implementing neo-liberal policies.”

The battle can therefore now be seen as who can be trusted to best represent the interests of the poor?

4.3 Gear and democracy

Cosatu has drawn up a picture of the tension where Cosatu represents the masses and the ANC is representative only to an exclusive elite or to the so-called ‘bourgeois.’ Cosatu says they are “the voice of the poor” (Ehrenreich in Oosterwyk 2002). They also perceive themselves as the strongest component of the civil society (Cosatu 2002). Ehrenreich (in ibid) said that: “South Africans did not elect a multinational or private company to govern this country, they elected the African National Congress to do so” The ANC has also been warned that “The honeymoon period is over. The liberation legitimacy the ANC enjoyed is waning
and it is losing support” (Ibid). Cosatu claims that most people in South Africa are against the policies of privatisation. They also say that Gear is not compatible with “the will of the people” because it leads to poverty and inequality. Cosatu also claims that the increasing power given to the market and business through privatisation is not compatible with “the will of the people.” Hence they indicate that Gear is undemocratic.

Cosatu says GEAR is undemocratic because both they and the SACP were sidelined during the adoption of the document. They were allegedly only shown the section headings of the document before it was adopted (Webster and Adler 1998). The document can be seen as adopted “over the heads” of those supporting the ANC during the liberation struggle. Further, when GEAR was adopted, the government claimed the document to be “non-negotiable.” Once GEAR was released, Cosatu was angered by both the content and the fact that it was declared non-negotiable (ibid:367). Koetze (2000:24) argues that it is likely that the tension increased between the ANC and Cosatu as the alliance partners have been excluded from decision-making. Cosatu produced an alternative program to GEAR. Soon after business released its plan, Cosatu came with the ‘Social Equity and Job Creation’ plan. The plan came in 1996 when business initiated a public debate on economic policy. The document was not given further attention by the ANC.

Cosatu has criticised the ANC for the way it handles resistance or opposition. Cosatu claims that the ANC dismisses the opposition, which in reality should be a natural part of democracy. Cosatu also claims that an exclusive elite is now governing the ANC. The elite is, according to Cosatu, obsessed with obtaining power. In a harsh critique of the ANC, Cosatu President Willy Madisha (in Battersby 2002) said: “We are particularly concerned about the emergence of a small but loud authoritarian clique that sees any disagreement with government policy as a threat” Madisha said that this clique in the ANC “was characterised by an obsession with power, intolerance and silencing of its critics, paranoia in seeing any criticisms as an attempt to overthrow the leadership, and personal abuse through vitriolic attacks and the spreading of malicious rumours” (Ibid). Madisha (ibid) even goes as far as to say that “If by mischance, this clique comes to power, we can kiss goodbye to the national

28 The strategy was inspired by left-Keynesian thinking and attacked neo-liberalism in several aspects. The plan proposed instead a public and private investment policy geared toward job creation and growth (Webster and Adler 1998:366). Central to the strategy was an active industrial policy to develop the manufacturing sector. The strategy also aimed at social adjustment measures to provide for the costs of restructuring the economy. An important aspect of the document was a redistributive fiscal policy based on a strongly progressive tax system to direct spending toward social services for the poor. Finally it incorporated demands for worker participation, in the form of union-based workplace forums and at the sectoral and national levels (Webster and Adler 1998:366).
The tension between the ANC and Cosatu
democratic revolution, the Alliance and even to our democratic gains so far.” According to
Cosatu, the elitist structure of the ANC is not compatible with democracy.

At the same time the ANC say they are victims of false accusations. For instance, at
the South African Communist Party’s 10th conference in Johannesburg in 1998, Mbeki
(Makhanya 2002) told the communists that they must stop the lying in the criticisms of the
ANC’s record of delivery. Mbeki (ibid) said that “We must end the practice of claiming easy
party victories for the cause of the revolution on the basis of having told lies about our own
comrades, whom we seek to outshine so that we can position ourselves as the real
representatives of the genuine left!” And “The real victories we must score must be against
our real enemies and not against other comrades” (Ibid).

4.4 Summary of the chapter
As outlined in this chapter we see that Gear has created tension between the ANC and Cosatu
because of the highly different views on the outcome and the function of the programme.
Cosatu also claims that the document was adopted undemocratically. In order to know
whether it is right as Cosatu say that the economic situation in South Africa is precarious and
this represents a threat to democracy in South Africa, we need to know what has really
happened in the country. The next chapter investigates the economic situation in South
Africa. This will give a further indication on whether democracy is under threat. Chapter six
aims to further investigate Cosatu’s claim that Gear is undemocratic. Hence it considers
whether this represents a further threat to democracy.
5. Gear and democracy

5.1 Introducing the chapter

This chapter aims to explore what it means for democracy that a controversial program such as Gear was adopted in South Africa. The implications of Gear are seen in light of Cosatu’s accusations to the ANC. Cosatu indicates that Gear is undemocratic. They say the program does not represent the interests of the voters and that they were sidelined in the adoption process. The program has also created anger in Cosatu because they claim there has been no room for discussion around the implementation of GEAR. Cosatu says the ANC has an authoritarian character, dismissing dialogue and the opposition, which is not compatible with democracy.

The first part of this chapter asks whether Gear is democratic. The chapter also looks into whether Cosatu can be seen as the ‘voice of the poor’ and whether the government in South Africa is based on an elitist or authoritarian structure. Finally, the chapter discusses the impacts of the dominant position the ANC holds in South African politics.

5.2 Is Gear democratic?

This chapter aims to find out whether Gear is democratic based on a minimalist understanding of the concept. In order to find out, a clear understanding of democracy is required. This study has operationalised democracy to consist of contestation and participation. Contestation questions how freely the opposition contests the rulers. Participation inquires how many groups participate in politics and determine who the rulers should be (Dahl 1971). As shown in chapter one, both contestation and participation in a country must be high in order to be called a democracy (or a polyarchi). It needs to be emphasised that it is difficult to distinguish democracies from non-democracies as there are no clear-cut borders. How do these principles apply to the South African context?

Dahl’s institutional guarantees reflect contestation and participation. The most central aspect of the minimalist democracy is the right to vote. All adult people (above 18 years) in South Africa have the right to vote. The voting rate in South Africa is also comparably high. Around 86 percent of the electorate participated in the historic 1994 elections (Deegan 2001:107). The actual number participating at local elections was considerably lower. Less than a third of the people with the right to vote participated in the last local election
According to the Afrobarometer (idas), people considered the elections to be 
free and fair. There is also freedom of expression (free press and free speech). The free press also means that there are alternative sources of information. According to the Freedom House (in UNDP 2001:41), South Africa scored 23 points on a scale from 0-30 for democratic countries. There is also freedom to form and join organisations. Cosatu can be seen as a representative of an increasingly ‘robust’ civil society (Battersby 2002). Despite the ANC’s dominant position in South Africa, the opposition is, in theory, free to contest the rulers. Thus Dahl’s criteria of eligibility for public office and right of political leaders to compete for support and votes are fulfilled. According to the UNDP-report (2001:40-41), South Africa’s score on the civil and political rights indicates that the country is democratic. South Africa scores 9 points on the ‘polity score’ which ranges from –10 (authoritarian) to 10 (democratic). This measure reflects the institutional factors necessary for democracy- “whether laws and institutions allow democratic participation- but not the extent of political participation” (ibid). There are different views on the institutional capacity in South Africa, but the findings in the UNDP-report indicates that South Africa also fulfils Dahl’s principle of institutions for making government policies depend on votes and other expressions of preference.

Freedom House (ibid) designates countries with an average score for ‘civil liberties and political rights’ between 1 and 2.5 as free, those with a score between 3 and 5 as partly free and those with a score between 6 and 7 as not free. South Africa scores 2 points on this scale which underpins that South Africa is democratic. According to these findings, in theory, then both the principles of participation and contestation are fulfilled in South Africa. There is both high participation and contestation which is the characteristic of a democracy according to Dahl. South Africa’s democracy can thus be illustrated in the figure from chapter one based on Dahl’s two principles of participation and contestation.

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29 It needs to be noted that the electoral procedures were very different in the two different elections, and this is likely to have impacted upon the turnout rates. In the local elections voters had to register initially to vote. Despite a strong media campaign, both registration and turnout were low for a variety of reasons: failures in voter education, fear of registration, concerns about the secrecy of the ballot, apathy, indifference and lack of knowledge.

30 The Freedom House designates countries with a score between 0-30 as having a free press, those with a score between 31 and 60 as having a press that is partly free and those with a score between 61 and 100 as having a press that is not free (UNDP 2001:41).
Contestation and participation in a diagram

The figure shows that, according to the minimalist perception of democracy, South Africa is democratic or a polyarchi. Thus Gear, as the product of this democracy, is also democratic. On the basis of this finding, the next chapters aim to explore other explanations to Cosatu’s indication that Gear is undemocratic;

5.3 Does Cosatu represent the ‘voice of the poor’?

Cosatu claims they are the ‘voice of the poor’ (Oosterwyk 2002). The trade union draws up a picture of South African politics where Cosatu represents the people while the ANC consists of an exclusive elite governing the country. Does this give the right impression of the situation? Can Cosatu be seen as representing the majority poor?

There are different views on how many people actually participated in the October 2002 strike. Cosatu reported that about 180 000 people participated - members of Cosatu and also non-affiliated. They claimed that 60 percent of workers, representing 3 million people, in the formal sector joined the strike (Neva Makgethla in Cape Times 2002). Organised business and government departments strongly disagreed with Cosatu’s numbers. They said that only 7 844 people heeded Cosatu’s call. This means only 5.18% of the 151 409 people employed by Transnet, Eskom, Telkom and Denel (ibid). The privatisation of these companies is at the very heart of the dispute between the ANC and its alliance partners. The South African Chamber of Business said there was an absenteeism rate of about 15 percent (ibid). One reason to why not more people joined the strike may be that for people living from hand-to-mouth a strike is a significant sacrifice (McDonald, 2002). McDonald (ibid) also says that the relatively low number of people showing up at the strike may be due to the fact that the concept of ‘privatisation’ still appears abstract for many people.
Cosatu claims they are the ‘voice of the poor’ despite the fact that they have “only” about 2 million members. Koetze (2000:16) argues that “Less than ten percent of the whole electorate belong to trade unions and about half of these are members of Cosatu. This means that more than 80% of the whole electorate would never have belonged to any trade union.” This study will argue that Cosatu’s views are representative of a lot more people than their 2 million members would suggest. Their basic claims of lower interest rates, higher wages for labour and lower food prices are interests with which the majority of the poor will be able to identify. Also, the low number of people real Cosatu members may be attributed to the principle of paid-up membership. In countries with high levels of poverty, paid-up membership may make a difference. Thus one can speculate as to whether there are a lot of so-called “free-riders” in fact supporting Cosatu’s work. The problem of free-riding refers to a situation where individual and class interests clash. The theory applies in this context because a worker may have interest in the work of Cosatu, but attending the organisation might give him a too high individual cost. According to this theory, benefiting from the work by the labour union without attending can be considered as free-riding (Varshney 1999:22).

This study’s argument that Cosatu’s perceptions are representative for many people in South Africa receives support in different surveys. According to the Afrobarometer (Mattes in Merten 2002), 38 % of the population are critical of GEAR. Also, in a national, statistically representative survey of 2 530 people conducted for the Municipal Services Project in the middle of 2002, close to two-thirds (62 percent) of respondents were opposed to having Municipal services, such as water and electricity, provided by a private company (17% were in favour and 21% were “uncertain.”) (McDonald 2002). This survey revealed that the vast majority of South Africans were concerned that privatisation will increase costs, make access to services for the poor more difficult and lead to job-losses. According to the survey, opposition to privatisation are strongest amongst black respondents, those living in metropolitan areas, those with low household income and those who have experienced service cut-offs in the past. Support for privatisation (although it never totals more than one third of any particular sub-group) comes from upper-income, white households and self-employed entrepreneurs. Support is also more likely to come from people with university degrees, although this is likely to be a reflection of the race/class composition of people who have been to University (ibid). This survey shows that opposition to privatisation is highest amongst those who in fact support the ANC and in turn serve as support for the ANC to implement policies such as GEAR. 94.4 percent of the people voting for the ANC are African
people (Deegan 2001:101), i.e. the group of people who are most likely to oppose privatisation and the government’s economic policies.

On the basis of these findings, this study argues that many people in South Africa agree to Cosatu’s views on privatisation and Gear. This leads to the question: How can one explain that so many people are in fact against the government’s policies at the same time as the ANC receives two-thirds of the votes? Chapter 5.5 seeks to explain this phenomenon. The next chapter explores the second premise in Cosatu’s scenario characterised by the ANC as the ‘elite government’.

5.4 Elitist character of democracy in South Africa?

Cosatu claims that an ‘exclusive elite’ governs the ANC and South Africa. This leads to the question whether Gear can be seen as representative to the ANC as an organisation or whether it is a product of the “small but loud authoritarian clique” (Oosterwyk 2002)? Table 5.4.a and 5.4.b indicate the ANC and Cosatu-members’ perceptions of Gear and privatisation.

<table>
<thead>
<tr>
<th>Response</th>
<th>ANC respondents</th>
<th>Cosatu respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>7.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Agree</td>
<td>68.1</td>
<td>8.2</td>
</tr>
<tr>
<td>Uncertain</td>
<td>15.1</td>
<td>20.4</td>
</tr>
<tr>
<td>Disagree</td>
<td>6.5</td>
<td>55.1</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2.2</td>
<td>16.3</td>
</tr>
<tr>
<td>disagree</td>
<td>13.8</td>
<td>49</td>
</tr>
</tbody>
</table>


31 The ANC obtained 62.6 percent of the votes in 1994 and 66.35 percent of the votes in 1999.
Table 5.4.b Comparing ANC and Cosatu with the Privatisation-index (%)

<table>
<thead>
<tr>
<th>Response</th>
<th>ANC respondents</th>
<th>Cosatu respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly</td>
<td>6.1</td>
<td>49.0</td>
</tr>
<tr>
<td>disagree</td>
<td>17.6</td>
<td>40.8</td>
</tr>
<tr>
<td>Uncertain</td>
<td>21.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Agree</td>
<td>39.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>15.3</td>
<td>0.0</td>
</tr>
<tr>
<td>N</td>
<td>131</td>
<td>49</td>
</tr>
</tbody>
</table>


Table 5.5a shows that the vast majority (75.3%) of ANC members support the Gear strategy.\textsuperscript{32} The ANC appear a bit divided on the question of privatisation\textsuperscript{33} although the majority (55%) advocates such policies. These findings indicate that the ANC’s policy of Gear is representative to the preferences of the whole organisation, not only to an ‘exclusive elite’ dictating the ANC’s policies.

Bond’s (2000) assumption of elite-democracy in South Africa builds on the view that there are strong social bonds between the ANC and national and international business. The crafting of Gear is also seen as strongly influenced by the WB and IMF thinking. Marais (1999:69 in Koetze 2000:15) says:

“Such intercourse between ANC and pockets of capital promises to further strengthen the power of the ANC, since the accumulation potential of African capitalists would be mediated by their standing with the ruling party. This along with the ANC’s redeployment of figures into the parastatals and private sectors, potentially has the makings of a new elite stratum dependent on a network of business/political links.”

This statement shows that Marais perceives the situation of close links between different elite to continue in South Africa as they have a reciprocal interest. McKinley (2003) says it is timely to ask in whose interest the ANC aims to serve. He says that almost all of the newly

\textsuperscript{32} The Gear-index consists of the following items: Make labour markets more flexible; do away with exchange controls; import tariffs removed more rapidly; limit increases in wages and salaries; limit government sector employment; high positive real interest rates necessary to curb inflation; reduce budget deficit; redistribute through employment-creation in private sector.

\textsuperscript{33} The items included in the privatisation-index were the following: More industries should be privatised; trade unions should oppose privatisation; privatisation is necessary to reduce the budget deficit; privatisation will lead to a higher level of unemployment; privatisation means lower wages for semi- end unskilled workers; privatisation will mean higher consumer prices for services.
elected members of National Economic Committee (NEC) are members of an emergent black bourgeoisie far removed from the working-class they aim to serve.

We see that the ANC’s policies receive considerable support in the whole organisation. This is contradictory to the assumption that an elite governs the ANC. However, considering the influence of the IMF, WB, the former apartheid elite and national and international business during the crafting and adoption of Gear, supports the view that there is some truth in such a characteristic.

Another explanation to the assumed elitist structure of the ANC is its authoritarian character. Koelble (1998) argues that the authoritarian streak of the ANC is due to the way the party was organised due to apartheid. One must remember that the ANC was battling towards one of the most brutal and effective police forces in the world (ibid:153). Discipline and authoritarianism have been a way of keeping the party together during the struggle. This was especially through for the exiled ANC-members. Many of these people now holds many of the key positions within the ANC. This way of organising the party is argued to have continued after the ANC came to office. This may also be due to the fact that the ANC consists of various interests. The authoritarian character of the ANC, may explain what Cosatu perceives as an authoritarian and undemocratic character of the way they handle critique and opposition. There seems to be a culture within the ANC to keep a low profile when there are internal conflicts.

5.5 The ANC’s dominant role

The ANC holds a strong majority position; In the National elections in 1994 and 1999, the ANC obtained 62.6 and 66.35 percent of the votes (Deegan 2001). In the local elections in 2000, the ANC was the only party to contest all 237 municipalities, winning an outright majority in 162 of them (ANC 2001). The ANC also governs eight out of nine provinces. IFP-dominated Kwazulu-Natal is the only province not controlled by the ANC. The ANC recently took control over the former NP-dominated Western Cape. Table 5.5.a shows that the NNP, IFP and the DA receive considerable support. This means that there is an opposition in South Africa, but it does not threaten the ANC’s position as yet.

Table 5.5.a 1994 and 1999 National elections.

The ANC’s overall share of the vote increased slightly from the previous local election, from 58.8 percent to 59.4 percent. The ANC controls all municipalities in the Free State, Mpumalanga, North West and Northern Province. It controls all but three in the Eastern Cape and all but two in Gauteng, while in the Northern Province it won 22 out of 27 councils (ANC 2001).
Table 5.5.a shows that there are in fact a number of opposition parties with sufficient existing support and profile to represent some kind of an alternative to the ANC. Even though the opposition parties do not represent a credible electoral threat to the ANC, they remain powerful players. Schrire (2001:8) emphasises that the one third of the electorate supports opposition parties, including most of the wealthy and educated. Even though the NNP recently lost control over the Western Cape, the IFP are in effective control of the administration in Kwazulu-Natal which is one of the key provinces. Thus the opposition in South Africa seems important even though it does not represent any threat to the ANC. One of the major functions of an opposition is to ensure government accountability. Schrire (ibid:7) suggests that perhaps even an opposition with no immediate prospect of winning power can play this role. The opposition in South Africa is weak, but it works as a check on government and thus makes the government more accountable. Also, Schrire (ibid) argues that an opposition is a necessary but not sufficient condition for democratic accountability. He (ibid:9) says that “a strong and independent civil society, including a free press, strong economic association and powerful professional organisations can all contribute to more accountable government.” Southall (1994:654) argues that “democratic theory registers no objection to a majority of votes continuing to support a particular party if they want to, as long as other basic freedoms are maintained and elections are conducted freely.” One of the key indicators of democracy is ultimately that the people themselves choose the government they want (ibid). This reflects the democratic principle of the “will of the people.” It appears that in South Africa, the pressure towards the government is not primarily from a political
opposition, but from Cosatu. Cosatu’s efforts can be argued to increase the government’s accountability.

Given the history of South Africa, the ANC has seen their role to transform South Africa from a state based on race to one in which race and class are unrelated. Schrire (2001:5) claims that this situation has made the ANC ambivalent about the concept of a legitimate opposition. He says that on the basis of the ANC’s historic mission, it maintains that opposition based upon a rejection of fundamental socio-economic change is not legitimate. This means that all political parties should support the nation-building in South Africa. On the basis of this, Schrire (ibid) claims that it seems as if the ANC wishes to determine the nature of its own opposition.

Nattrass and Seekings (2001b) claim that at present the opposition parties do not present ANC voters with a credible economic alternative entailing greater redistribution and/or an improved standard of living. These parties have very similar macroeconomic policies to the ANC. Nattrass and Seekings (ibid:20) argues that “the ANC has yet to contest an election against a credible opposition party that espouses the expansionary and redistributive policies associated with macroeconomic populism.” The DA, IFP and the NNP all stress the advantages of a free market.

The ANC’s dominant position is largely due to its continued importance as the liberation party in the country. The majority of the population vote for the ANC because it is the symbol of freedom and abolishment of racial oppression. It is also argued that many people vote for the ANC because they do not perceive any other viable alternatives. The history of apartheid continues to influence the voting pattern in South Africa, not only for the ANC. The major opposition parties are also regarded with wariness because they are associated with apartheid (Nattrass and Seekings 2001:20). This is especially the case with the NP. The DA is thought by many to protect the privileges of white South Africans, while the IFP is associated with ethnic chauvinism (ibid). The SACP is on the other hand considered too extreme to receive a high share of the electorate’s votes.

Table 5.5.b below shows the racial breakdown of party supporters in South Africa. We see that the ANC receives 94.4%, the IFP receives 88% and the PAC receives 94.4% of the votes from Africans. The White dominated NP and DA receive respectively 52.3% and 88.8% of their votes from Whites. Interestingly, considering the history of apartheid, the majority of the coloured population vote for the NNP. We see that the racial groups are divided in their political preferences.
Table 5.5.b Racial breakdown of party supporters, 1994

<table>
<thead>
<tr>
<th></th>
<th>ANC</th>
<th>NP</th>
<th>IFP</th>
<th>FF</th>
<th>DP</th>
<th>PAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>94.4</td>
<td>7.8</td>
<td>88.0</td>
<td>-</td>
<td>2.2</td>
<td>94.4</td>
</tr>
<tr>
<td>White</td>
<td>0.2</td>
<td>52.3</td>
<td>11.7</td>
<td>100.00</td>
<td>88.8</td>
<td>-</td>
</tr>
<tr>
<td>Coloured</td>
<td>4.3</td>
<td>31.1</td>
<td>0.3</td>
<td>-</td>
<td>9.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Indian</td>
<td>1.0</td>
<td>8.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


The racial breakdown of party supporters seems to reflect voting in South Africa based on ethnicity. However, it is argued that even though there is a high correlation between ethnicity and voting, this does not mean that voting in South Africa is irrational. Mattes (in Koetze 2000: 32) argues that:

“in an extremely racially and economically stratified society, voters are doing the best they can with what they know (or at least what they think they know) about how political parties and government performance affects their interests.”

However, what is ‘rational’ for voters coincides to a high extent with race due to the racial bias of the apartheid state. Schrire (2001) argues that historical ties to a large extent determine political loyalties and that these ties largely coincide with ethnic membership. Thus class and ethnicity coincide in South Africa. Varshney (2000) says that such voting where class and race coincide are more efficient in terms of alleviating poverty, because then the poor will comprise a bigger group, and are thus able to put more pressure on the government to implement efficient economic policies. The poor in South Africa are mainly Africans. Thus the poor coincides with ethnicity. Varshney (1999) argues that if the poor belongs to diverse ethnic groups this pressure will decrease. Varshney identifies ‘efficient’ economic policies as indirect policies. In light of this theory, Gear can be seen as an efficient economic policy. Gear has also very similar targets as Varshney identifies as the ‘indirect policies’.

The ANC’s continued importance as the liberation party seems to have given the ANC considerable space to manoeuvre in implementing policies. Naturally, the ANC’s dominant position decreases the power of the opposition parties. Koetze (2000:39) argues that there are

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35 Yet, the African population belongs to different tribes. This was emphasised by the apartheid-government as part of a strategy to split the African population and to legitimize their own government. Race neutrality has been an important aspect as part of the nation-building process in South Africa. The only party with a tribe-based profile is the IFP attracting mainly votes from the zulus.
great chances of an emerging one-party dominant state in South Africa. Koetze (ibid) says the problematic aspect of such a state is that prolonged periods in a position of power breed arrogance, authoritarianism, complacency and corruption. He also says that criticism of weak opposition parties may not influence the course of politics. Thus a ‘permanent’ party can eventually erode the democratic culture. This is to some extent characterising South Africa at present. The dominant party position the ANC holds can explain what Cosatu perceives as a dismissive and arrogant attitude. The dominant party position of the ANC has led them to “do what they want”. This also appears to have resulted in the sidelining of Cosatu in the adoption process of Gear.

5.6 Conclusion

This chapter has shown that according to a minimalist perception of democracy, Gear is the product of democracy. Both the participation and contestation are high. Thus Gear is democratic. On the basis of this finding, a further investigation of Cosatu’s suggestion that Gear is undemocratic is required. The situation where Cosatu represents the people and the ANC represents an exclusive elite receives some support in this study. The study argues that Cosatu’s perceptions are likely to be representative to a lot more people than their number of members would suggest. Even though the ANC cannot be seen as merely an ‘exclusive elite’, there is reason to believe that their policies are not as representative of people’s preferences as their electoral support would suggest. This is explained by their continued importance as the liberation party in South African politics. Yet, in this regard it is important to note that both the ANC claim that they act in the interest of the poor. It therefore appears as a matter of trust and ideological point of view to decide who is the most reliable.

The described electoral situation in South Africa where the ANC seems to be in a position where they can do “what they want” due to their dominant position may have implications to democracy. This chapter argues that there seems to be an increasing gap between the preferences of the voters and the policies of the government. This is in line with Schumpeter’s (1967) assumption that there is no such thing as “the will of the people” even though it is a democracy. It is argued that whether this gap can be seen as threatening to the legitimacy of the regime is dependent on the delivery to the people. Whether people are for or against Gear will rely on its ability to deliver its promises more than anything else. The high share of African votes to the ANC means that they are highly accountability to this group. Koetze (2000:11) argues that because none of the other parties, except the IFP and UDM and
PAC, can attract any noteworthy black support, means that “Mbeki must be able to defend and explain his policy to a great extent exclusively to black people.” Delivery of socio-economic rights to this group appears essential in order to restore legitimacy. The next chapter will discuss whether the socio-economic expectations are being fulfilled. What are the implications of this in relation to democracy?
6. Has democracy failed the poor?

6.1 Introduction

There were a lot of expectations when democracy was implemented in South Africa. Mattes (2002:31) suggests that people in South Africa have an instrumental view of democracy. He (ibid) argues that “an important aspect of South African’s attitudes toward democracy is their highly economic and substantive understanding of the concept.” 60 percent of the respondents regarded socio-economic goods as “essential” for a country to be called democratic. Only 35 percent said the same about procedural components of democracy (ibid). The Cosatu strikes also suggest that the economic expectations to democracy are not delivered. Cosatu claims that Gear has led to increasing levels of poverty and inequality in the country. These findings support Abrahamsen’s (2001) assumption that many Africans have an instrumental view of democracy.

According to scholars such as Abrahamsen (2001) democracy can be undermined if people’s socio-economic expectations are not fulfilled. This chapter aims to indicate whether people’s economic expectations to democracy are failed. In so doing, the complex socio-economic situation in South Africa will be assessed by examining a range of different indicators of development. There is no universally agreed definition of development. The Development Bank of Southern Africa (in Turok 1999:9) defines development as:

‘improving people’s quality of life through sustainable economic growth and an equitable distribution of the benefits of that growth’

This definition highlights the government’s emphasis on a sound macro-economy in order to alleviate poverty and inequality. Chapter 5.2 looks at the macro-economic aspect of the economic situation in South Africa.

The UNDP (1998 in ibid) has defined the same concept as the following:

‘Human development is a process of enlarging people’s choices. This is achieved by expanding human capabilities and functioning. At all levels of development the three essential capabilities for human development are for people to lead long and healthy lives, to be knowledgable and to have access to the resources needed for a decent standard of living’

‘Income is certainly one of the main aims of expending choices and well-being. But it is not the sum total of people’s lives’

The UNDP-definition emphasising development as capabilities underlies chapter 5.3 and 5.4. Chapter 5.3 looks at socio-economic indicators such as income and expenditure to locate changes. Chapter 5.4 assesses the delivery of socio-economic rights. The chapter looks at
delivery of education and welfare such as housing and electricity. These can all be seen as enlarging people’s capabilities.

6.2 The macro-economy

Gear aims to get the macro-economy in order, so that the goals set out in the micro-economic RDP can be implemented. Thus it is crucial to evaluate the macro-economy in order to predict the delivery of the socio-economic rights to the people. This chapter looks into the following aspects of the macro-economy in South Africa: The growth rate in GDP, the level of investment, real wage growth, employment, the budget deficit, inflation, interest rates and taxes. Some of these aspects are outlined in table 6.2a below.

Table 6.2a, Predictions and performance of some aspects of the South African economy in the years between 1996 and 1999

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Real GDP:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prediction</td>
<td>3.5</td>
<td>2.9</td>
<td>3.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Performance</td>
<td>4.2</td>
<td>2.5</td>
<td>0.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Private investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prediction</td>
<td>9.3</td>
<td>9.1</td>
<td>9.3</td>
<td>13.9</td>
</tr>
<tr>
<td>Performance</td>
<td>6.1</td>
<td>4.7</td>
<td>-2.9</td>
<td>-4.4</td>
</tr>
<tr>
<td>Real wage growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prediction</td>
<td>-0.5</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Performance</td>
<td>1.7</td>
<td>2.3</td>
<td>8.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prediction</td>
<td>1.3</td>
<td>3.0</td>
<td>2.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Performance</td>
<td>-0.7</td>
<td>-1.7</td>
<td>-3.7</td>
<td>-3.2</td>
</tr>
<tr>
<td>Conventional deficit/ GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prediction</td>
<td>-5.1</td>
<td>-4.0</td>
<td>-3.5</td>
<td>-3.0</td>
</tr>
<tr>
<td>Performance</td>
<td>-4.9</td>
<td>-4.6</td>
<td>-3.3</td>
<td>-2.6</td>
</tr>
</tbody>
</table>


*Economic growth* is a crucial aspect of Gear. Growth is seen as the key to combat poverty and inequality in South Africa. This thinking is in line with the World Bank and the IMF. An increasing growth rate is seen as the vehicle in order to create employment and to better the redistribution of wealth. “An inherent belief behind this approach has been that the benefits of growth would reach the poor through a trickle-down effect” (May 2000). The government predicted a considerable higher growth rate than what has actually been achieved. For instance, GEAR predicted an annual growth rate of 6 percent by year 2000. This was
thought to be required in order to decrease the unemployment rate to 17 percent. Even though the aimed growth rate has not been achieved, there has been a positive growth rate in the country. Table 6.2a showed a promising growth rate of 4.2 percent in 1996. However, it was a considerably lower growth rate than expected for both the years 1998 and 1999. In the years after 1999, there has been more positive results. According to Nedlac (2001), the recovery of the economy started in 1998. In the last few years the growth rate has been around 3 percent. According to the South African Reserve Bank (2001 in ibid), the GDP was 3.1% in 2000. This is the highest annual growth rate since 1996. This is still lower than that growth rate GEAR predicted, but this study will argue that 3 percent is overall a promising growth rate. Przeworski’s (1996) study concludes that democracies are more likely to survive when they grow faster than 5 percent annually than when they grow slower. According to this study, the positive growth rate in South Africa (even though it is not 5 percent) promises well for the survival of democracy.

The government sees the growth rate as the main obstacle in order to create employment and to alleviate poverty and inequality in the country. This view receives support in several reports. For instance, Nedlac (2001) concludes that the problem of unemployment in South Africa is a result of the fact that the annual growth in GDP has not kept pace with the increase in population. Yet there is disagreement on the emphasis on this growth mediated strategy. Heintz (1997:33) argues that “jobless growth seems to have arrived in South Africa.” May (2001) argues that growth is a necessary condition for the alleviation of poverty, but is not a sufficient condition. May (2001) says that “while economic growth does contribute to a reduction in absolute poverty, it may or may not lead to a reduction in inequality.” Studies have shown that because of the ‘deficiencies’ of a market, interventionist strategies are required in order to sustain development. May (ibid) argues that the success of the Asian Tigers was due to high growth rates combined with focus on more equitable human resource development. In the absence of for instance a comprehensive employment program, this suggests that an increasing growth rate in fact may not trickle down to the poor as the Gear framework suggests.

Integration to the global economic market is an important aspect of Gear. Thus increased trade and investments are crucial goals of Gear. Ramos (1997:31), representing the ANC, says “There is a growing body of research that shows countries that are most open to trade grow fastest.” Cosatu sees the force of globalisation to lead to more poverty and inequality in the country. Increased trade also means capital outflows because of increased
investments abroad. Imports of goods and services, increased from 19% of GDP in 1990 to 26% of GDP in 2000. Exports of goods and services also increased from 24% of GDP to 29%. Today, minerals make up just over half of South African exports. However, mineral production is argued to create few jobs and to strengthen big capital.

The government predicted increased investments to South Africa in order to secure a high growth rate. In fact, the government expected a boost in investments when they adopted market-oriented policies. The investment rate was said to be boosted when the government stabilised the economy. Only in the last two years have these expectations been proven in actual performance. There can be many reasons to this, probably the most important one is the global economic crisis in 2000. Another argument is that the fact that the economy is still at a transitional stage means that it takes time for the economy to recover and show results. It is also believed that negative media coverage of South Africa has had major impact on the investments to the country. Investments grew by 6.3 percent in 2002 (ANC 2003), which is a considerable increase. During the 1990’s the level of investments were much lower than the government had expected. Table 6.2a shows that the expected increase in investments was 13.9 per cent from 1998 to 1999, while the actual performance was a negative rate in private investment of -4.4 per cent this year. This was the lowest level since 1993. Statistics South Africa (2002) reports that there have been an increase in personal savings. For instance while the average spending on investments/ savings was 2 percent of the household in 1995, this was 4 percent in 2000. The number was doubled. This may indicate increased confidence in the country, and this is great news for South Africa.

There are also different views on the effects of increased investments. According to Gear, increased investments are required in order to boost the growth rate needed to create more jobs. Other scholars say that increased investments and growth may not lead to improved conditions to the poor. The prospect of increased investments in the future is difficult to predict. However, the tourism in South Africa is increasing, and this will most probably bring more investment to the country. South Africa was the only country in the world increasing their tourism despite war and turbulence. Przeworski (1996:40) argues that democracies are more attractive for international investments because it creates confidence in the country. A continuing working democracy in South Africa is, according to this theory, beneficial for increased investments.

The Gear framework suggests that a stabilised economy is crucial in order to attract more investments. Inflation targeting was therefore introduced in February 2000 as an
Has democracy failed the poor?

overriding objective of Gear’s monetary policy. Inflation targeting is seen as crucial in order to maintain price stability. According to the Minister of Finance, Trevor Manuel (2003:8), “We remain committed to inflation targeting and believe that price stability remains one of the cornerstones of sound economic management.” In fact, South Africa has been called an “inflation targeting regime” because of their efforts in this regard. The inflation rate has been around 6 percent the last years (Mattes 2002: 23). From 1996 to 1999 the inflation rate ranged from 5.2 to 8.6 percent (Nattrass and Seekings 2001b:13). According to Przeworki (1996:42), an inflation rate of between 6 and 30 percent promises best for the survival of democracy. A moderate inflation is especially crucial for developing countries in order to sustain democracy. Thus the low inflation rate promises well for sustaining South Africa’s democracy. Nattrass and Seekings (2001:61) in fact say that the strict fiscal policies, such as the inflation targeting, may have undermined growth. This view is also shared by Stiglitz (2003). Stiglitz (ibid) says there is reason to believe that inflation targeting can be an obstacle to growth and a cause of unemployment. In light of these arguments and also Przeworski’s findings about inflation rates (which is linked to growth) it is reason to believe that the government could have relaxed the inflation targeting in the country.

The government has in some ways managed to control inflation. However, inflation surged by over 15 percent in some months in 2002. This led to a marked price increase in South Africa. Price increases on food and petrol had highest impact on the poor. This created anger in Cosatu as they say Gear creates higher inequality between the rich and the poor. Also, due to the inflation, wages have increased. The government predicted a much lower annual real wage growth than was realised, because they thought that inflation would be low. Table 6.2a shows the wage growth in the private sector. We find the largest gap between predicted and actual performance in 1998; the predicted wage growth was 1.0 per cent, while the actual performance was 8.6 per cent. This is a very large increase; this was partly due to inflation. It was also a result of the increased participation in the wage setting machinery that was extended to all workers. Nattrass and Seekings (2001:62) argue that:

“Continued wage growth in the face of falling demand has no doubt also contributed to falling employment, as may have the tightening of labour-market regulation.”

Higher wages and higher rates of unemployment have also led to higher inequality between the employed and the unemployed in South Africa.

Decreasing the budget deficit has been another crucial aspect of the aim of stabilising the economy. The government has managed to decrease the budget deficit to around 2 percent
Has democracy failed the poor? (ANC 2003). This is a great achievement seen in light of the major debt problem inherited from the apartheid government. The budget deficit is also argued to have hampered the growth rate, resulting in a so-called ‘negative growth’ rate. Table 6.2a shows that the government from 1996 to 1999 managed to bring the budget deficit down to a lower level than they had originally predicted. For instance in 1999, the budget deficit was predicted -3 per cent, while the actual performance was -2.6 per cent. However, the government has also been criticised for bringing down the budget deficit too fast. This is argued to have led to job-losses. However, considering the debt burden left as legacies of apartheid, and the pressure from international business to stabilise the economy, bringing down the deficit seems particularly important. This is likely to attract more investments in the future.

In order to attract investments to South Africa the Gear framework encourages high interest rates. High interest rates make it more attractive to invest in ZAR. However, the high interest rates in South Africa have also made it difficult for small firms and people to lend money from the bank. This actually hampers development and creates higher inequality between the classes in society.

There is a clear relationship between unemployment and poverty and inequality (Nattrass and Seekings 2001a:34). Unemployment is probably the most important problem in South Africa today as unemployment is the biggest cause of poverty and inequality. The statistics on unemployment tend to differ quite a lot. This is due to the different definitions used and to whether people in the informal sector are to count as unemployed. Table 6.2c shows different surveys’ results on unemployment.
Table 6.2b, Mesebetsi and October Household Survey’s estimates of unemployment for people aged 15-65:

<table>
<thead>
<tr>
<th></th>
<th>Unemployed. Strict definition. (% of Labour force)</th>
<th>Unemployed. Expanded definition (% of labour force)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OHS 1996</td>
<td>19.3</td>
<td>33.0</td>
</tr>
<tr>
<td>OHS 1997</td>
<td>21.0</td>
<td>36.0</td>
</tr>
<tr>
<td>OHS 1998</td>
<td>25.2</td>
<td>37.5</td>
</tr>
<tr>
<td>OHS 1999</td>
<td>23.3</td>
<td>36.2</td>
</tr>
<tr>
<td>Mesebetsi 1999</td>
<td>31.9</td>
<td>44.9</td>
</tr>
</tbody>
</table>


The table shows that according to the Mesebetsi labour force survey, nearly 32 percent of South Africans were unemployed according to the strict definition of unemployment in 1999.\(^{36}\) 45 percent were to count as unemployed if those who are not actively seeking jobs are included as unemployed.\(^{37}\) Statistics South Africa’s two-yearly labour force survey (2000) reported that according to the official definition of unemployment, unemployment was at 29.4% in February 2002 compared to 26.7% in February 2000. According to the October Household Survey (SSA 2001), unemployment (when using an official definition of unemployment) rose from 20% to 23% from 1994 to 1997. When using an expanded definition of unemployment, the rise was estimated from 32 to 38 per cent. The Mesebetsi Labour Force Survey suggests far higher numbers. Figure 6.2.b shows estimated unemployment by the Mesebetsi survey compared to the OHS in various years. The important finding is, however, that unemployment has been increasing in South Africa.

The combination of rising incomes for those with jobs and falling employment has contributed to greater inequality in the distribution of incomes in society as a whole (Nattrass and Seekings, 2001a: 14). The ranks of the poor and the unemployed have increased as workers have lost jobs. Nattrass and Seekings (2001a:54) claim that the relationship between

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\(^{36}\) The strict or official definition of unemployment defines the unemployed as people without work, who are available and actively looking for work. The expanded definition of unemployment includes people who are without work and available for work, but have given up actively looking for work. The ILO accepts the expanded definition in countries where there are few jobs available or limited channels through which to look for work. In such countries, people may have given up looking for work. This is the case for South Africa (Tørres et.al 2001:1).
the lack of employment and poverty is much stronger in South Africa than in more developed countries, because of lack of a sustainable welfare system. Increasing unemployment is fallacious for the poorest of the poor in South Africa. One must remember that the majority of the poor do not live on grants from the state, but often from their relatives’ incomes. Considering increasing unemployment rates, we see that the prospects for the majority of the poor do not look very promising.

Unemployment is closely linked to race. Due to the “bantu education” and racial discrimination in the past, blacks are still being marginalised in the employment market. The most vulnerable of all are African women in the 15-30 age group who are living in non-urban areas. However, the government’s affirmative action policies have contributed to extensive changes. Unemployment is also increasingly problematic for the white population in South Africa. For many positions you need to belong to a “former disadvantaged race group” in order to get the job due to the “Equity Act.” The increasing unemployment amongst the white population has been strongly contributing to the large number of people leaving the country.

While there has been increasing unemployment, there has also been an increase in the number of employed. The number of employed people in both the formal and informal sectors gradually increased from 9.3 million in 1996 to 10.4 million in 1999 representing a net gain of 1.1 million jobs (SSA 2001). The increasing unemployment rate despite the creation of employment is thus due to the increasing number of people entering the labour market. The Mesebetsi labour force survey (Torres at.al 2001:6) estimates the labour force to be larger than initially estimated. This survey (ibid) estimates that nearly 70 percent of the population are in the labour force (working age). The reason for the increasing labour force is again population growth. The population of South Africa counted 43.3 million in October 1999. It had increased by 2.6 million since October 1996 (SSA 2001).

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37 The expanded definition of unemployment used in the Mesebetsi survey: The unemployed must not have worked at all during the previous 7 days, must be available for work in the next four weeks, and must have taken some specific action to find work in the four weeks before the survey (ibid).
38 The bantu education was different than the education for white people. It was less focus on maths and physics. It was all part of keeping the black population down. The South African youths have been called the “lost generation” because of the apartheid history.
39 Affirmative action policies are based on race, sex and gender. Affirmative action policy is very controversial. Because the relationship between race and class has been changing in South Africa, it has been discussed whether affirmative action policies should rather be based on class than race. Adam (1997) is one of those arguing that affirmative action should be based on class because the class/ race dichotomy has been changing in South Africa. Affirmative action policies based on race have created fear of losing white skilled professionals to other countries. The so-called ‘brain drain’ of skilled professionals is an immense problem to a country already suffering from a shortage of skills. This has heightened resentment towards the government’s policies, especially amongst whites who see themselves as “new victims of reverse discrimination” (Adam 1997: 2).

White males are
The job losses in South Africa has been in the formal sector. Table 6.2.c below shows the formal sector job losses in South Africa.

### Table 6.2c, Formal job losses between 1990-2001.

<table>
<thead>
<tr>
<th></th>
<th>Employment in thousands</th>
<th>Average annual % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5 420</td>
<td>4 676</td>
</tr>
<tr>
<td>Govt. services</td>
<td>1 320</td>
<td>1 443</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1 549</td>
<td>1 269</td>
</tr>
<tr>
<td>Wholesale, retail, hotels</td>
<td>812</td>
<td>878</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>705</td>
<td>412</td>
</tr>
<tr>
<td>-gold</td>
<td>499</td>
<td>211</td>
</tr>
<tr>
<td>-non-gold</td>
<td>206</td>
<td>201</td>
</tr>
<tr>
<td>Transport, storage,</td>
<td>364</td>
<td>209</td>
</tr>
<tr>
<td>communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>420</td>
<td>218</td>
</tr>
<tr>
<td>Financial inst.</td>
<td>185</td>
<td>197</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>51</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: Statistics South Africa, STEE,

The figure shows that government services, manufacturing, mining (gold), the transport sector and construction have seen the most dramatic fall in employment. There has also been a marked decline in the formal non-agricultural sector (Nedlac 2001). This trend began in the 1970’s. There was a decline of 2.5 per cent employees in this sector from 1999 to 2000. However, there has recently come good news regarding employment in manufacturing; employment in manufacturing was said to have risen in the June quarter for the first time in seven years (in Dasnois 2002). According to Trevor Manuel (2003), there has been created 23 000 new jobs in the formal sector.

There are various reasons for increasing unemployment in South Africa. According to Cosatu, the job-losses are due to Gear’s market-liberal policies aiming to adjust to the global economy. Yet, they do not dismiss that it is also due to an insufficient growth rate (Cosatu 2003). In their view the policies of trade liberalisation have contributed to job-losses as it has made South African goods and services particularly vulnerable to the global market. It is likely to believe that South Africa’s re-admission to the global community and scaling down of trade tariffs in 1994 led to dramatic job losses in electronics and manufacturing industries.
Has democracy failed the poor? (Ka’Nkosi 2002c). Nattrass and Seekings (2001:61) argue that that continuing trade liberalisation in the absence of labour-market reforms have contributed to employment losses. The ANC attributes the job-losses to an insufficient growth rate. However, in line with Przeworski’s (1991) theory ‘Valley of a Transition’, the job losses can also be seen as a result of costly reforms. Przeworski (ibid) argues that reforms are often necessary, but they are very often costly.

Surveys suggest that growth in informal work partially offsets the loss of formal jobs. The OHS (SSA 2002) has reported an increasing number of people employed in the informal sector. It needs to be mentioned that this can also be due to improved methods of measuring informal sector work. In 1999, it was estimated that of a total of 10.4 million employed people were in South Africa, 2.7 million of these worked in the informal sector (excluding agriculture but including domestic work) (SSA 2001:63). Informal work is dominated by Africans. Many of the immigrants to South Africa from other African countries work in the informal sector. Some two thirds of the informal workers in 2000 were peasants and hawkers. Common informal occupations for women are hairdressing and childcare.

It needs to be emphasised that the purported informal sector largely constitutes survival strategies rather than acceptable livelihoods. Almost 20 percent reported no income during the month, while another 43 percent said they earned under 500 Rand a month. In short, the growth in the informal sector promised neither to raise national productivity nor to support most workers in the sector. This is especially true for illegal immigrants who have no choice, but to take such jobs.

Most of the job losses have been in the public sector due to privatisation. For instance, it has been reported that a hundred thousand workers were consigned to unemployment by the former state owned Eskom, Telkom, Transnet and Denel since 1998. At the same time, new jobs have also been created in the public sector. The public service has been extended and this has created more jobs. “Black empowerment” policies have also created new businesses and opportunities for the formerly disadvantaged in both the public and private sector. While privatisation might cause job losses in the short-term, it is possible that privatisation again can lead to employment as the increased competition might lead to more companies coming into the country. However, these things are difficult to predict. Multinational companies based on shares are more vulnerable to the global economy than nationally owned companies.

Perhaps the weakest aspect of Gear has been job-creation. It was promised new jobs every year, but there has rather been job-losses every year. This chapter has showed that in
fact none of the goals outlined in Gear has been achieved. However, the macro-economy is said to be sound. An argument used against the government is that despite the successes in macro-economic growth, this growth has yet to be seen to be making an impact on people’s lives. Whether the macro-economic achievements have delivered socio-economic rights will be discussed in the following two chapters.

### 6.3 Socio-economic indicators

South Africa’s GDP per capita was $3160 in 1999 (Terreblanche 2002:452). South Africa is an upper middle income country with a per capita income similar to that of Botswana, Mauritius, Brazil and Malaysia (May 2001:2). According to Przeworski’s study (1996), the GDP per capita income indicates that democracy is likely to last for 33 years. According to Przeworski, a democracy is likely to last longer the richer the country is. The prospects of South Africa’s democracy thus look promising according to Przeworski’s study.

The striking factor about income in South Africa is the enormous income gap. This puts South Africa amongst the most unequal countries in the world. The income gap is still closely linked to race due to the apartheid legacies. According to the Mesebetsi labour force survey (2001:29), the average household income in 1999/2000 was, in mean amounts, for whites, 10 500 Rand whilst for Africans it was about 1800 Rand per month. 12 percent of households in South Africa are estimated to belong to a so-called “upper class”. These households account for 45 percent of total income (UNDP 2001). Most of this class is white and it is in this respect that race has the greatest salience (Nattrass and Seekings 2001a: 5).

The Mesebetsi labour force survey (Tørres et.al 2001:34) also reveals that the average monthly employment income for professionals with tertiary education is above 8000 Rand per month for whites, while for Africans it is just above 4000 Rand. This illustrates that race is still very important in South Africa’s labour market. However, the racial inequality in South Africa is undergoing change. For instance, between 1975 and 1996, the share of total income received by black people rose from 20 to 36 percent, while the share received by white people fell from 71 to 52 percent (Nattrass and Seekings 2001a:49).

Alderman et al. study\(^{40}\) found that expenditure is a more reliable measure than income in estimating economic well-being (Hirschowitz et al, SSA 2001:55). There are several reasons for this, but the most important one is that surveys on expenditure also take into account a household’s dependency on gifts etc. from relatives. Measuring poverty on the basis

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\(^{40}\) Alderman, H. et al. (2000). *Combining census and survey data to construct a poverty map of South Africa.*
of expenditure is a typical example of a subsistence definition of poverty. Such definitions focus strictly on physical needs, and it is measured in either money or calories. You are poor if you do not have the ability to get enough calories to survive physically and sustain physical activities. In this narrow sense, hunger and endemic malnourishment, more or less, define poverty (Varshney 1999:7). When using the dollar-a-day measure of poverty, we find that in the period 1983-2000, it was estimated that 35.8 percent of the population lived for less than two dollars a day, whilst 11.5 percent of the population lived for less than one dollar per day (UNDP 2002:158).

According to a five-year income and expenditure survey by Statistics South Africa, the average household in South Africa had less buying power in 2000 than it did in 1995. Studies by SSA (2002b) suggest that the poor in South Africa have been poorer. SSA divides the population into five groups, ranging from highest to lowest income groups, each representing 20 percent, or a quintile. The highest or most wealthy is quintile one, the lowest quintile five. The average spent by households on food as a percentage in Q5 for 1995 was 50 percent; were as for 2000 it was 57 percent. For Q4 in 1995, 41% was spent on food whilst in 2000, 52 % was spent on food (ibid). All the quintiles spent a comparatively higher share on food in the more recent years. High food prices have especially high impact on the poorest quintiles. These findings support the view that the poorest have been poorer in South Africa.

There are still major differences in way of living between black and white households. Table 6.3 below reveals major differences in way of living between white and African households. While 71.1 percent of the white households spend 3 501 Rand or more per month, only 4.4 percent of African household do the same. While 32.4 percent of African households spend 600-1000 Rand a month, only 1.3 percent of white households do the same.
Table 6.3. Monthly household expenditure by population group. (percent) 1996.

<table>
<thead>
<tr>
<th></th>
<th>R0- R600</th>
<th>R601- R1000</th>
<th>R1001- R1800</th>
<th>R1801- R3 500</th>
<th>R3501 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>21.5</td>
<td>32.4</td>
<td>27.5</td>
<td>14.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Coloured</td>
<td>7.8</td>
<td>13.6</td>
<td>25.8</td>
<td>32.7</td>
<td>20.2</td>
</tr>
<tr>
<td>Indian</td>
<td>0.8</td>
<td>1.7</td>
<td>9.3</td>
<td>37.0</td>
<td>51.1</td>
</tr>
<tr>
<td>White</td>
<td>1.4</td>
<td>1.3</td>
<td>5.8</td>
<td>20.4</td>
<td>71.1</td>
</tr>
<tr>
<td>Total</td>
<td>16.5</td>
<td>24.9</td>
<td>23.3</td>
<td>17.4</td>
<td>18.0</td>
</tr>
</tbody>
</table>


Recent estimated values of South Africa’s Gini coefficient\(^{41}\) range from 0.58 to 0.68 depending on the data set used (McGrath and Whiteford 1994; Whiteford, Posel and Kelatwang 1995; Whiteford and Van Seventeer 2000; World Bank 1995 and 1996 in Nattrass and Seekings 2001a). It has been estimated that the gini fell from 0.7 in 1993 to 0.51 in 1995 (ibid:56). This is thought to be due to redistribution through the budget (ibid). It has been estimated that taxation and social spending in 1993 reduced the Gini coefficient by between 10 and 20 percentage points (McGrath et al. 1997; Van der Berg 2000a). Yet, the high gini-coefficient places South Africa amongst the most unequal countries in the world.

Nattrass and Seekings (2001a) argue that even though the gini-coefficient in South Africa has remained at a stubbornly high level, there have been major changes in the pattern of inequality in South Africa. They (ibid) say it is fallacious to conclude that an unchanged gini-coefficient means that deracialisation and democratisation have had no impact on inequality. Wage and job discrimination have been declining, there have been an upward occupational mobility, and increased bargaining power through legal trade unions. This has resulted in increases in real wages for African people and a steady fall in inter-racial inequality. This however, was not reflected in measures of overall inequality, because declining inter-racial inequality was matched by rising intra-racial inequality, especially

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41 Economical inequality is usually measured by a Gini-coefficient. The coefficient goes from 0 to 1. 1 means complete economical inequality, whereas 0 means complete equality. The nearer to zero a Gini measures, the more evenly wealth is spread in society. The nearer to 1, the more unequal is the spread of wealth and the greater the class differences. A gini coefficient of 0.25 is an indication of a reasonably even spread of wealth, while one of 0.75 points to extreme inequalities in wealth in a society (Venter 1998: 5).
within the majority African population (Whiteford and McGrath 1998 in Nattrass and Seekings 2001:3).

The Human Development Index reflects some of the indicators used in this chapter. According to HDI, South Africans are now worse off than they were before democracy was implemented. The HDI and Human Poverty Index (HPI) are examples of a basic needs definition of poverty. HDI are based on the following factors; Life expectancy at birth, adult literacy rate, education and GDP per capita (UNDP 2002:151). The trend has shown that the HDI was at 0.649 in 1975, 0.663 in 1980, 0.683 in 1985, 0.714 in 1990, 0.724 in 1995 and respectively 0.695 in 2000 (UNDP-report 2002:151). We see that the HDI showed a marked increase in 1990, but that it has again dropped in the new millennium. The UNDP report (2002:151) shows that South Africa has fallen 56 places on their ranking list to number 107.

High rates of income and expenditure inequality challenges democratic theory that suggests that once democracy is implemented, there will be more equal redistribution of wealth because the policies are representative of the people. Research has also found that high rates of inequality may have negative impact on growth. Thus the high inequality rates in South Africa hamper the prospects of South Africa’s economy. Przeworski’s study also found that countries with declining inequality rates were more likely to sustain.

6.4 Delivery of socio-economic rights

This chapter aims to find out what has actually been delivered of socio-economic rights. Social expenditure is an important tool that Governments utilise to allocate resources to meet the conflicting demands with which they are confronted. Fighting poverty is a major priority in the 2001 budget for South Africa. Accordingly, spending on social services, that is education, health and welfare, housing and other social services accounts for 46.5% of total expenditure in 2000/2001 (Nedlac 2001). This is a comparably high percentage of the budget. Over the past ten years government spending on social services has increased by 35 percent in real terms (ANC 2003). This chapter aims to look into the various aspects of social spending in South Africa.

One of the major challenges the government inherited from the apartheid regime was the racial bias in the education system. This is still an important challenge facing the

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42 A basic needs definition of poverty goes further than the subsistence level definition of poverty. This definition includes a minimum of what is defined as necessary in terms of consumption as food, clothes and shelter, access to clean water and education. HDI and HPI are examples of how such definitions can be
Has democracy failed the poor?

The overall level of education in the country is increasing. Thus we know that more African people are getting education. Formal education in South Africa is presently reaching the vast majority of children between the ages of seven to fifteen years old. According to the UNDP-report (2002:151), the “combined primary, secondary and tertiary gross enrolment ratio” is 93 percent. However, the actual educational attainment among school goers (as well as adults) tends to be rather low. Children seem to be struggling to complete both primary and secondary school. Relatively few people attend tertiary educational institutions (SSA 2002a).

The public spending committed to education was 6.1% of GDP in 1985-1987, and increased to 7.6% of GNP in 1995-1997. This is a fairly high percentage of the budget being operationalised. These two absolute definitions of poverty make it possible to compare poverty between

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Table 6.4.a The highest education level of those aged 20 years or more by population group. in October 1999.

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>African</td>
<td>Coloured</td>
</tr>
<tr>
<td>Higher</td>
<td>5.2</td>
<td>6.3</td>
</tr>
<tr>
<td>Matric</td>
<td>16.5</td>
<td>17.7</td>
</tr>
<tr>
<td>Some sec.</td>
<td>34.8</td>
<td>39.4</td>
</tr>
<tr>
<td>Complete primary</td>
<td>8.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Some primary</td>
<td>22.3</td>
<td>20.0</td>
</tr>
<tr>
<td>None</td>
<td>13.2</td>
<td>7.2</td>
</tr>
</tbody>
</table>

spent on education. In comparison, Norway spent 7.7% of GDP on education in 1995-1997 (UNDP 2002:178-180). However, it needs to be noted that it is difficult to compare South Africa with Norway as the GDP is much higher in Norway than in South Africa. Money being spent on education saw a further increase the last year (ANC 2003). The government is spending quite a lot of money on education. It remains to be seen what this will lead to of changes in the country.

The UNDP (2002:151 and 184) has estimated that the adult illiteracy rate in South Africa in 2000 is 14.7%. In October 1999, 16 per cent of South Africans aged 20 years or more said that they could not read in at least one language. The highest proportion of non-readers was found among the 4.5 million African women aged 20 years or more, living in non-urban areas (26.6%). Literacy is crucial for development.

Housing is one of the major social and developmental problems in South Africa. By 1990, the housing backlog was put at a conservative estimate of three million units (ANC 1994). Housing delivery has been one of the major development priorities of the government. Between 1994 and 2001, more than a million low-cost houses have been built (Mattes 2002:23). Table 6.4b shows that there was a rather gradual increase in formal housings between 1995 and 1999. At the same time, the table shows that an increasing number of people live in informal housing, from 7.5 percent of the population to 12.3 percent. The increase in informal housing can be attributed to the population growth in South Africa. It can also be attributed to the decrease in traditional and other forms of housing (see figure). An increasing number of illegal immigrants to South Africa have settled in informal housing.

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</thead>
<tbody>
<tr>
<td>Formal</td>
<td>65.8</td>
<td>63.8</td>
<td>70.9</td>
<td>66.7</td>
<td>69.9</td>
</tr>
<tr>
<td>Informal</td>
<td>7.5</td>
<td>11.8</td>
<td>11.3</td>
<td>10.9</td>
<td>12.3</td>
</tr>
<tr>
<td>Traditional</td>
<td>15.3</td>
<td>18.7</td>
<td>13.6</td>
<td>13.3</td>
<td>10.9</td>
</tr>
<tr>
<td>Other</td>
<td>11.4</td>
<td>5.7</td>
<td>4.3</td>
<td>9.2</td>
<td>6.5</td>
</tr>
</tbody>
</table>


Type of housing is, as table 6.4c shows, closely linked to race. We see that the table reveals major differences in access to housing among white and Africans. Only 51.5 percent different regions and countries.
of Africans have access to formal housing, whilst 97.8 percent of whites have the same access.

Table 6.4c, Access to housing by population group (percent) 1996.

<table>
<thead>
<tr>
<th></th>
<th>Formal</th>
<th>Traditional</th>
<th>Informal</th>
<th>Room/flatlet</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>African</td>
<td>51.5</td>
<td>24.9</td>
<td>21.5</td>
<td>1.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Coloured</td>
<td>88.0</td>
<td>1.9</td>
<td>7.8</td>
<td>1.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Indian</td>
<td>97.2</td>
<td>0.5</td>
<td>0.8</td>
<td>1.3</td>
<td>0.1</td>
</tr>
<tr>
<td>White</td>
<td>97.8</td>
<td>0.7</td>
<td>0.1</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>63.4</td>
<td>18.4</td>
<td>16.2</td>
<td>1.5</td>
<td>0.4</td>
</tr>
</tbody>
</table>


Despite the building of 1 million new houses, the housing backlog still remains a major problem in the country. Millions of people living in shacks represent a major problem for the government. This study will argue that the housing problem is one of the most important problems facing the South African government. Human dignity requires this problem to be solved! The housing situation with the squatter camps in South Africa, is a classic example of the theory relative deprivation. Marx (in Østerud 1991:161) said that the strain of living in a shack only becomes a real problem when a palace is built next door. According to this theory, the expectations and the perceptions of the surroundings can lead to aggression which, again may lead to revolution. So according to this theory, it seems imperative that the problem be solved.

Since 1999, 1.7 million people have been connected to clean running water through the community water-supply project (Fraser-Moleketi 2002). Table 6.4d also shows that there has been an increase from 78.5% of people in 1995 to 83.4 percent in 1999 having access to clean water. Nedlac Annual Report (2000-2001) has estimated that there has been an increase in the percentage of households that have access to running water in the dwelling or site from 62.2 % in 1996 to 65.9 % in 1999. According to the UNDP, 14 percent of the population were not using improved water sources in 2000 (UNDP 2002:158).
Table 6.4d, Access to water. (percent).

<table>
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</thead>
<tbody>
<tr>
<td>Clean Water</td>
<td>78.5</td>
<td>82.0</td>
<td>82.4</td>
<td>81.0</td>
<td>83.4</td>
</tr>
<tr>
<td>Borehole/rain water</td>
<td>10.0</td>
<td>5.9</td>
<td>5.4</td>
<td>5.5</td>
<td>4.7</td>
</tr>
<tr>
<td>Stream/dam/well/spring/other</td>
<td>11.4</td>
<td>12.1</td>
<td>12.2</td>
<td>13.5</td>
<td>11.8</td>
</tr>
</tbody>
</table>


Table 6.4e below shows the increase in the use of electricity as a source of energy used for lighting in households between October 1995 and October 1999. Access to electricity has been an important aim of the government’s welfare plans. More than 2 million houses have received access to electricity (Mattes 2002:23).

Table 6.4e, Access to electricity

<table>
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</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>63.5</td>
<td>62.2</td>
<td>65.3</td>
<td>65.3</td>
<td>69.8</td>
</tr>
<tr>
<td>Paraffin</td>
<td>13.6</td>
<td>12.6</td>
<td>11.1</td>
<td>12.6</td>
<td>9.8</td>
</tr>
<tr>
<td>Candles</td>
<td>22.9</td>
<td>24.9</td>
<td>23.2</td>
<td>21.8</td>
<td>21.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.3</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>


Table 6.4f below shows that from 1995 to 1999, there was an increase in people having access to telephones in their own homes. We see that the proportion of households with access to telephones increased from about 29.1% in 1995 to 34.9% in 1999. The proportion of households who had to seek this service outside the home environment has, consequently, decreased.
Has democracy failed the poor?

### Table 6.4f, Access to telephones

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</thead>
<tbody>
<tr>
<td>In dwelling/ cell</td>
<td>29.1</td>
<td>31.1</td>
<td>29.7</td>
<td>28.4</td>
<td>34.9</td>
</tr>
<tr>
<td>Distance 15 min or less</td>
<td>40.8</td>
<td>35.2</td>
<td>36.0</td>
<td>38.1</td>
<td>36.2</td>
</tr>
<tr>
<td>Distance 16 min or more</td>
<td>30.1</td>
<td>33.7</td>
<td>34.3</td>
<td>33.5</td>
<td>29.0</td>
</tr>
</tbody>
</table>


Following the privatisation of Telkom there has been some changes regarding prices. For instance, Telkom has increased the cost of local calls by about 35 per cent in real terms, while the price of international calls dropped by 40 per cent. It also raised the basic rental for fixed lines (Makgleta 2002). In March 2003, the government fully privatised Telkom. This gave indications that the government is serious about the privatisation plans and following policies of neo-liberalism. The price changes make it more expensive for the poor and less costly for business and multinational companies. Cosatu is correct on this point when they claim that privatisation leads to price increases, and that it gets more expensive for the poor.

The government has extended public health facilities. For instance, health care for pregnant women has now become free. There has also been built 700 new clinics (Mattes 2002:23). The government has implemented several services in the interests of the poor. For instance, the child care grant has been extended to all children up to 6 years old, about 3 million people get one or the other form of social grants from the government.

A theoretically important aspect of Gear is the land reform. The government sees access to land reform as an important strategy in order to enhance productivity and poverty reduction. However, the government admits that there have been insufficient progress on this front. Manuel (2001) attributes this to policies and service inadequacies.

### 6.5 Conclusion

This chapter has drawn up a picture of the economic situation in South Africa. It has shown that some aspects have become better whilst other aspects have got worse. In light of people’s immense expectations to the implementation of democracy, there is reason to believe that their expectations have not been fulfilled. Herbst argued (in Nattrass and Seekings 2001b:15) that the ANC faced ‘an enormous expectations crisis’ due to all these expectations following
Has democracy failed the poor?

the introduction of democracy. The Cosatu strikes can also be seen as one indication that there are many failed expectations to democracy. In the sense of people’s expectations this study will argue that democracy has failed the poor. However, I will argue that whether these failed expectations may lead to a threat to democracy also depends on other factors. The real picture of the economic situation in the country might give us an indication. This chapter has been looking at several economic indicators in order to determine whether the economic situation in South Africa is critical.

Despite lack of fulfilment of any of the goals outlined in Gear, this study will argue that there are also some positive achievements following the introduction of Gear. The macro-economy appears to be on the right track; the government has managed to bring down the budget deficit, at the same time, the growth and investment rates are increasing slowly but steady. Considering the debt burden left as legacies of apartheid, this aspect seems particularly important. A stabilised economy is likely to attract more international investments because it will create confidence in the country. It is always difficult to predict the prospects for the economy. Tourism to South Africa has expanded and this is also most likely to attract more investments in the future.

The government has seen it as crucial to increase the growth rate in the country in order to alleviate poverty and inequality. The market is supposed to be the main driver in this process. This ideological view by the government has created anger in Cosatu, although they agree that an increased growth rate is crucial in order to develop the country further. They require more state-intervention in order to challenge the many problems facing South Africa. The scholars disagree on whether the government’s growth-mediated strategy is the right way to go in order to alleviate poverty and inequality. The critics of Gear also say the government’s orthodox fiscal policies have been too strict, and the cost of this is failed delivery of socio-economic rights.

The government seems to have found themself between ‘a rock and a hard place’ or between ‘the market and the hard place’ as Pillay (2002) suggests. Mayekiso (2002) argues that “the party has had to contend with the fact that it took power at a time when the predominance of economic globalisation was forcing nation-states to relinquish their active role in promoting and protecting local economic development programmes and sustain communities.” The notion of neo-liberalism and globalisation is to leave the economic market to its devices without too much state intervention. Mayekiso (2002) argues that this was the reality confronting the government when they took over in 1994. Global changes has
Has democracy failed the poor?

had profound impact on the nations of the South (Kagee, 2003). The government seems ‘forced’ to follow neo-liberal policies in order to restore investor confidence in the country. At the same time the government needs to deliver to the electorate in order to maintain their ruling position. Increased investments are necessary in order to higher the growth rate. The government says there is ‘no choice’ but to adjust to an increasingly globalised world. States trade across national borders so they all get dependent on each other to supply certain goods or to serve as markets for its surplus production. This situation also influences the policies being made by the government. Abrahamsen says that this situation of globalisation has gradually eroded or weakened the integrity of the nation-state as an autonomous and independent actor (Abrahamsen 2000:8). Globalisation is informed by a set of ideas which is free-market capitalism or neo-liberalism. The key principle of free market capitalism is that business is the most important force for a country’s development. According to free market capitalism, if business makes large profits, the benefits will ‘trickle down’ to everyone. According to the ideology of the free market, the role of the state is to promote increased profits for business. The government needs to have a sound macro-economy in order to maintain investor confidence in the country. We see how the government is pressurised from international business and its people at the same time. The government also receives pressure by a range of different interests inside the country. The rich have certain demands, while the poor have theirs. Yet, affluence and power usually go hand in hand.

In a globalised world it is also difficult to say to which extent poverty is a result of external versus internal factors. Whether Gear leads to poverty as Cosatu claims is difficult to assess, because poverty is a complex problem originating from many different sources. One may ask whether an alternative would have achieved better economic results?

The lack of job-creation is probably the most disappointing aspect of Gear, as there is a strong link between unemployment and poverty. The government has also restricted their expenditures in order to ensure a stable and sound macro-economy. These are important reasons to why there are still immense problems of poverty and inequality in the country. The many squatter camps are a constant reminder of the poverty situation in the country. Yet, there are also positive achievements when it comes to delivery of socio-economic rights. For instance, the level of education has increased for the whole population, more importantly it has become more equal between the races. This is promising for the future. There have also been improvements in access to basic services in South Africa. In fact, one million houses have been built, more houses have had electricity and telephones installed and more houses
Has democracy failed the poor?

The government continues to spend a large amount of money on welfare and education. Yet, while the access to basic services has improved, the prices have also increased. The developments have improved the situation for those with some money, whilst the situation has been worsened for the poorest of the poor.

The GDP per capita also promises well. According to Przeworski, this indicates that the South African economy is not at a critical level. The high levels of inequality in income and expenditure persist. There are still large racial differences even though there has been changes. The emergence of the black elite in South Africa indicates that class and race are no longer synonymous with one another. This has led to an increasing intra-racial inequality whilst the inter-racial inequality has decreased (Nattrass and Seekings 2001a). This situation means that Mbeki’s famous “Two Nations” speech is no longer valid. During a speech in Parliament in 1998, then deputy President Mbeki described South Africa to be divided into “Two Nations”, the one rich and white and the other poor and black (Nattrass and Seekings 2001). When Mbeki spoke of black South Africans as comprising one poor nation, he failed to acknowledge that the black population is also extremely unequal in terms of wealth. In fact, the inequality within the African population is among the highest in the world. The African population comprise of a diversified group in terms of wealth and other matters such as education. Even if black and white, rich and poor are not synonymous any longer, a strong correlation between race and class in terms of household income still exists. To a large extent, race and class are still coterminous in South Africa’s society. Most of the rich people are white and most of the poor people are black. The important thing must however be that we have seen some positive changes for the African population.

Increasing inequality is contradictory to what the logic of democracy suggests. When democracy was implemented in democracy, many people thought that the civil and political rights would ensure higher economic equality amongst the people. In fact, in a country such as South Africa where race and class to a large extent overlap, the government is thought to receive even more pressure to ensure more equitable social and economic rights (Varshney, 2000). However, it is useful to bear in mind that high levels of inequality are global problem. The global inequality is not only increasing between rich and poor countries, but also between the rich and the poor within countries regardless of regime-type (UNDP 2002:19). There seems to be no guarantee that democracy ensures socio-economic rights. Yet, Przeworski says
there will always be a link between democracy and poverty, because most rich countries are
democratic and most poor countries are autocratic.

An argument by the government is also that GEAR is a long-term project and that it
takes time to give results. It is argued that South Africa is still at a transitional stage and that
the expectations thus should be allocated accordingly. Kagee (2003) argues that “The nature
of 360 years of brutal oppression cannot and will not be erased within one or two decades of
freedom.” He (ibid) argues that the government has correctly spent the first decade of
freedom to put the framework into place in order to deliver to the most vulnerable. Hence,
Kagee (ibid) says it is unreasonable to call the government anti-poor or pro-capital. The
Nedlac Annual Report (2000-2001) concludes that the major trends in the macro-economics
show that the economy is on the path to recovery. An interpretation of the failed delivery of
Gear can also be seen as a costly economic reform following democratisation in South Africa.
Przeworski’s (1991) theory ‘valley of a transition’ says that newly democratised countries
often experience a deterred economy for some time because of the costly economic reforms.
The costs can for instance be interpreted as loss of employment in as a result of an economic
reform. The job losses in manufactured is said to be due to the trade liberalisation. Thus this
can be seen as an effect of a costly economic reform.

Even though it is likely that people’s expectations are not fulfilled, this study will
argue that the South African economy is not at a critical level. Some things have become
better whilst other things got worse. It is also crucial to note that South Africa’s poor has
‘always’ been poor. Also, most people will say that South Africa today is a much better place
than South Africa ten years ago. Whether this indicates that democracy in South Africa is
threatened will be further discussed in the next final chapter.
7. Conclusion

This chapter aims to answer the research question whether the tension between the ANC and Cosatu indicates that South Africa’s democracy is threatened. More specifically, the chapter asks whether the economic situation in South Africa and the nature of Gear represent a threat to the country’s democracy. This thesis has defined a threat to democracy as low rates of participation and contestation to such an extent that the regime can no longer be called democratic. Thus a threat to democracy is not necessarily a regime change. Low rates of participation and contestation are indications of a non-working democracy.

This study argues that there is a gap between what many people prefer in terms of economic policies and Gear, despite the fact that Gear is democratic. The ANC’s dominant position seems to have given them space to manoeuvre as they want. However, people’s perception of Gear is dependent on its ability to deliver economic results. If people’s economic expectations are not delivered, people may become disillusioned with politics. This may threaten the legitimacy of the regime. There are two likely scenarios if people’s expectations are not being delivered; People may simply stop participating in politics as they have become disillusioned with politics, or they may participate to such an extent, as defined by Madisha (in Ka’Nkosi, 2002), that “there will be political instability in the country.” Both scenarios are indications of falling legitimacy to the regime. What has actually happened in South Africa since democracy was introduced?

Many people feared that South Africa would lapse into civil war and bloodshed when democracy was introduced. South Africa did not follow that path but moved forward with dignity and hope to what Nelson Mandela called the “Rainbow Nation.” South Africa entered the democratic era in a promising way despite the multiple challenges facing the country. The concern of this thesis has been the extensive socio-economic problems inherited from the apartheid regime. Apartheid left a state with an enormous wealth gap between the race-groups, massive unemployment, wide-spread poverty and a troubling macro-economy. For instance, the government still repays debt in the name of the apartheid regime. Repaying debt for a regime which was declared as a ‘crime against the humanity’ by the UN (Sommerfelt 2003) shows the cruel conditions in an increasingly globalised world based on profit and strict economic conditions. The emerging markets are also the most vulnerable when there is economic crisis in the world, such as the one we saw in 2000. Jacobs and Calland (2002:15) note in this regard that:
"It is crucial to note that South African democracy arrived precisely at the moment when globalisation emerged as the driving force in world politics, with far-reaching consequences for the third world."

This study will argue that the ANC has made promising efforts in order to re-integrate to the global market. The introduction of Gear symbolises the government’s emphasis on the importance of sound macro-economics in order to achieve high growth and hence to alleviate poverty and inequality. This study will argue that there has been several promising macro-economic results. Firstly, the growth rate has been increasing despite the “negative growth” due to the debt burden. The budget deficit has also been brought down, the inflation has been held at a competitive level and the investments have increased in recent years. Yet, there are also critical aspects of the macro-economic strategies. Sound macro-economics involve a fine balance between different strategies. For instance, the critics argue that the inflation targeting has been too strict, and the interest rates are too high etc. It is a difficult task coming up with the right solution here! This is especially difficult when there are a range of different interests to considerate. The ANC is accountable to the electorate, at the same time as they are dependent on the “good-will” from national and international business.

When evaluating Gear it is also crucial to note that South Africa is still at a transitional stage and the expectations should thus be allocated accordingly. Structural reforms are very often costly in the short-term perspective! This study will argue that the government has put the economy on “the right track” in the sense that it is likely to attract international investments to the country and hence to increase the growth rate.

Despite the positive macro-economic achievements, the critics argue that it has yet to deliver to the people. Perhaps the sorest point of Gear is the high rates of unemployment. Gear promised the creation of new jobs every year. We have rather seen a loss of jobs every year. It is worth noting that the unemployment rate is increasing all over the world. The job-losses can also be seen as an effect of a costly economic reform. The privatisation of former state-owned companies has resulted in loss of jobs for many Cosatu-members. Other aspects of the economy indicate that some things have become better, whilst other aspects have got worse since democracy was introduced. An important aspect when discussing the high rates of inequality in South Africa, is that the pattern of inequality has changed. The gini-coefficient might not have changed much, but the intra-racial inequality has risen on the cost of the inter-racial inequality. This is due to the emerging black elite due to democratisation and affirmative action policies. Affirmative action policies have also been issue for massive
critique. The black elite might be small, but this study will argue that this is a crucial aspect considering the mental impact of apartheid. Bridging the high level of inter-racial inequality inherited from the apartheid regime is also crucial in the process of further nation-building.

There are also major improvements in the welfare sector; The government has built one million new houses, there are improved water, sanitation and electricity facilities. Educational possibilities have also increased. However, there continues to be enormous problems facing the government. Even though the basic services have improved, privatisation has also led to price increases which have resulted in increased poverty for many. A large part of the population suffers from poverty and the poorest of the poor has, if possible, become even poorer. The squatter camps are also a constant reminder of further challenges for the government.

It is pertinent to ask about the future aspects of the economy in order to predict the future democracy in South Africa. A decisive challenge is the high rates of HIV and aids in the country. The vicious circle is that HIV causes poverty and poverty causes HIV. Together with poverty comes crime. The impact of these issues is difficult to say anything about here.

Loss of jobs and poverty mean that people’s economic expectations have not matched their political freedom. Studies have shown that revolutions often occur when people’s living conditions decline after improvement. This is also the point in Davies J-curve (Østerud 1996: 160). This leads to the question whether the strikes indicate political instability?

Webster (in Battersby 2002a) argues that it is only natural that Cosatu protests to privatisation, higher prices on basic services and high interest rates. As a trade union movement Cosatu’s mandate is to ensure that its members’ interests are guaranteed. It can be argued that Cosatu struck the right cord when it raised demands around access to water, electricity, housing, schooling, health and sanitation. Cosatu is raising the kind of demands that organised labour have won in social democracies elsewhere in the world (ibid). According to Webster (ibid), Cosatu is fighting for their interests, as any other labour organisation in the world would have done. In fact, we saw the exact same situation played out in other Western countries, especially in the UK, after the Second World War. Hence, the strikes can be seen as a conflict of interests more than anything else. Comparing the strikes in South Africa with those we found in Europe in the 60’s and 70’s can also be seen in light of Lipset’s (in Przeworski 1996:41) assumption that distributional conflicts, such as a strike by the trade unions, is lower at higher income levels. Thus the strikes can be seen as a natural
Conclusion

part of a democracy where there is insufficient economic development. Europe also
“abolished” their distributional riots in parallel with the economic development.

The tension and strikes are also coming up at a time when there is room for it. During
the struggle there was “no time” to discuss ideologies and economic programmes. The fight
against apartheid was keeping the organisations together. Instead of interpreting the tension as
regime instability, this study will argue that it is rather a symptom of a functioning democracy
where people in fact have the freedom and courage to claim their interests. It can be seen as a
natural part of a democracy, and we have seen the same in other functioning democracies
some years back. Yet, there is no doubt that there is a lot of frustration behind Cosatu’s
claims. In light of the fact that other functioning democracies have been through comparable
conflicts of interests, this study will argue that the strikes can be seen as a “child’s disease” of
a democracy.

Nattrass and Seekings (2001b) argue that if people’s expectations to the government
are not delivered, the voters might hold the ANC accountable for the poor performance of the
 economy and the lack of job creation. Such a change would require ANC voters to have
available an alternative to the ANC. In the absence of any such alternative, poor voters are
likely simply to abstain from voting (ibid). Have people become disillusioned with politics
because of their failed economic expectations? The high voting rate at the national elections
suggests the opposite. However, there has been a low participation rate at the local elections.
Only a third of the citizens with the right to vote, participated in the local elections in 1995.
Considering that the local government is usually responsible for delivery of welfare and thus
combats poverty and inequality in the country, the low participation rate at the local
government might indicate disillusion with democracy. Yet, there are reasons to believe that
this is not the case. Participation at the local government is usually low in most countries.
This is due to several reasons. In South Africa, the electoral procedures were very different in
the two different elections, and this is likely to have impacted upon the turnout rates.

The high rate of participation in the country suggests that people have not become
disillusioned with politics. Despite the fact that many people’s high economic expectations to
democracy may not have been fulfilled, this study believes that most people are now better off
than they were during apartheid. When discussing whether the economy reveals a critical
situation it is also important to remember that many of the poor in South Africa have
“always” been poor. The high electoral turn-out at the national elections is also likely to
reveal that people look back with fear to the old apartheid regime. This study will argue that
people’s support to democracy is particularly strong in light of the disgrace of the old regime with the ‘pass-laws’ and restricted ‘whites only areas’. The civil and political freedom seem to have had immense importance to people’s lives. The high valued civil and political rights in South Africa are closely linked to the dreadful history of apartheid. This suggests that people not only have an instrumental view of democracy. The importance of civil and political rights in South Africa also shows the importance of the intrinsic value of democracy. This is in line with Sen’s broad understanding of poverty; the concept of “well-being” includes more than merely a strict poverty-line (1999:156). Sen says people in authoritarian countries are deprived as they lack civil and political rights.

Another likely outcome of the implications of the tension for South Africa’s democracy is a change in the current alliance. If the alliance partners cannot meet on the economic policies it is likely that the alliance will break. In the ongoing debate in South Africa it has been argued that the ANC will lose a major part of the electorate if Cosatu breaks out from the alliance because most Cosatu members vote for either the ANC or the SACP. It is argued that Mbeki is “gambling on the poor.” Yet, this study will argue that it is likely that the ANC will continue to hold an important position in the power of being the liberation party as long as “economic apartheid” exists, and there is no credible alternative to the ANC. Thabo Mbeki said in 1995 that:

“the ANC would dissolve only after the effects of racial supremacy and division were eradicated” (The Star 27/4/95).

Robert Mattes, Amanda Gouws and Hennie Kotze (in Koebble 1998:167) suggest that the psychological bonds created by the experience of opposing apartheid are likely to be strong and hold together the ANC for some time after the next election. Koebble (ibid) has predicted that “The ANC’s glue, the solidarity against racism, colonialism and apartheid, and Mandela’s charisma is likely to work against breakaway parties until well into the next decade.” Considering that there now seems to be space to claim different ideologies and interests, and the fact that the ANC consists of a range of different interests, it is likely to believe that the ANC may split. The ANC is fragmented and consists of various interests and groups. These groups may go their different ways. Theory on regime transitions suggests that liberation-parties often split in the transition from liberation movement to an actual political party (Holme 1999:131). Holme (ibid) argues that this is an argument against the predictions of a one-party state in South Africa.
In force of being the biggest labour organisation in South Africa, Cosatu is in a situation where they have the ability to stop the society working. It is likely that they are not using this strategy because they do not want to loose their position within the alliance. As part of the tripartite alliance they are in a position where they can react both outside and inside the alliance. Cosatu seems to need the ANC more than the other way around. It has also been presented thoughts that if there will be a competing party fighting for the rights of the poor, this is likely to come from a party that does not exist at present; “The left protest at the World Summit on Sustainable Development (WSSD) in August 2002 showed that there are growing links between the left outside the alliance and elements within which see their future in opposition to government” (Battersby, 2002b). On the basis of the characteristic of the debate, it has also been speculated whether Cosatu-members in fact will start their own party. Koelble (1998:167) argues that “the threat of a leftist party or movement outside of the ANC as a result of a breakaway occasioned by GEAR is, at this point, just that- a threat.”

Schrire (2001:7) argues that South Africa’s fragile democracy would paradoxically be weakened by a stronger opposition. He assumes that the dominant position the ANC holds contributes to unite the population despite the heterogeneous nature of the country. He (ibid) predicts that ethnic conflicts would be an inevitable consequence of a split in the alliance and argues that the ANC, after the long struggle for power, “would play every card in its hand to retain its support base. The race card, and worse, would undoubtedly be brought into play”

This thesis will end with a much more positive prediction of South Africa’s hard-won democracy; A break in the alliance might lead to the emergence of several new parties, all competing for power. Does this mean that we will finally get a viable opposition in South Africa?
Appendix: The ANC’s Freedom Charter, 1956

South Africa belongs to all who live in it, black and white, and no government can justly claim authority unless it is based on the will of the people:

- Every man and woman shall have the right to vote for and stand as a candidate.
- The rights of the people shall be the same regardless of race, colour or sex.
- All people shall have equal rights to use their own language and to develop their own culture and customs.
- All apartheid laws and practices shall be put aside.
- The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole.
- Restriction of land ownership on a racial basis shall be ended.
- Freedom of movement shall be guaranteed to all who work on the land.
- No one shall be imprisoned, deported or restricted without fair trial.
- The courts shall be representative of all the people.
- All laws which discriminate on ground of race, colour of belief shall be repealed.
- The preaching and practice of national, race or colour discrimination and contempt shall be punishable crime.
- The law shall guarantee to all their right to speak, to organise, to meet together, to publish, to preach, to worship and to educate their children.
- All shall be free to travel without restriction from countryside to town, from province to province, and from South Africa abroad.
- Pass laws, permits and all other laws restricting these freedoms shall be abolished.
- The state shall recognise the right and duty of all to work and to draw full unemployment benefits.
- The aim of education shall be to teach the youth to love their people and their culture, to honour human brotherhood, liberty and peace.
- Education shall be free, compulsory, universal and equal for all children.
- The colour bar in cultural life, in sport and in education shall be abolished.
- A preventive health scheme shall be run by the state.
- All people shall have the right to live where they choose, to be decently housed and to bring up their families in comfort and security.
- Peace and friendship amongst all our people shall be secured by upholding the equal rights, opportunities and status of all.
- Let all who love their people and their country now say: These freedoms we will fight for, side by side, throughout our lives until we have won our liberty.


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