



OR TAMBO DEBATE SERIES

WITS SCHOOL OF
GOVERNANCE
UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

 **planning, monitoring
& evaluation**
Department
Planning, Monitoring and Evaluation
REPUBLIC OF SOUTH AFRICA

 **OLIVER & ADELAIDE
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FOUNDATION**



Radical Economic Transformation and the National Development Plan

How far South Africa has progressed in terms of the economic landscape is open to debate. We have undoubtedly progressed, but how far, at what speed and at what point will the monopolistic tendencies in the South African economy be challenged.

The assumption has been that - if the economy grew at a sufficiently high rate it would address inequality, and would also somehow take care of the psychosocial impact of racism, violence and spatial dislocation created by apartheid.

While much has been done in many areas, South Africa cannot claim many developmental successes. Economic growth has been anaemic - unemployment has been rising consistently, and income inequality has been worsening.

This lack of economic progress has happened in spite of many national policy documents, with the most notable being the National Development Plan (NDP). The content and the projections in the NDP are hugely problematic, especially with regard to economic growth, with South Africa aiming to achieve an extremely conservative 2-3% growth.

This level of growth is dangerously unambitious, and far from delivering the levels of inclusive growth needed to address unemployment, inequality and poverty, will perpetuate the current status quo where the state is incapable of delivering on basic human rights to many of its people.

Opening

The event was moderated by Prof David Everatt, Head of School of the Wits School of Governance. Minister Malusi Gigaba was confirmed to deliver the keynote address, but unfortunately the school was informed on the morning of the event that he had fallen ill.

Prof Pundy Pillay, Research Director at WSG and author of the position paper written to inform the event, stepped up to present his paper as the keynote address.

This was followed by panellist presentations, where each panellist was given 10 minutes to present their views on Radical Economic Transformation, and its implications for the country.

After a moderated discussion between the panellists, the floor was opened for questions from the audience, leading to a vibrant and lively debate.

Opening address by Duma Nkosi



Duma Nkosi, the former Mayor of Ekurhuleni Metropolitan Municipality and current Deputy Chairperson of the Oliver and Adelaide Tambo Foundation opened the evening by highlighting how OR Tambo was unequivocal in the repudiation of any form of factionalism, corruption, patronage and greed. The Foundation has sought, in OR Tambo's centenary year, to use his incredible legacy to stimulate debate, research, education and action in an effort to resolve the longstanding challenges that South Africa faces.



Duma Nkosi delivering the opening remarks

The Moderator



Prof David Everatt

Professor David Everatt, Head of School at the Wits School of Governance. His opening remarks set the tone for the debate questioning whether Radical Economic Transformation can occur when we're still dealing with the legacy of apartheid.

The Panellists



Prof Pundy Pillay



Prof Imraan Valodia



Dr Caryn Abrahams



Dr Neva Makgetla

Professor Pundy Pillay, a Professor of Economics and Public Finance and the Research Director at the Wits School of Governance, co-authored the paper that informed the debate. He opened the panel discussion with a summation of the paper giving valuable insight into the various challenges stimulating economic growth in South Africa faces.

Professor Imraan Valodia, the Dean of the Commerce, Law and Management Faculty at Wits, brought his vast experience on developmental issues to the discussion, with some of his main points being about State Owned Enterprises (SOEs) and how these have failed to create value for the people of South Africa.

Dr Caryn Abrahams, a senior lecturer at WSG with a PhD in Social and Political Science, used her unique insight to focus on the content of the term "Radical Economic Transformation" and how if the term isn't carefully invested with a positive intent it could end up as an empty slogan.

Dr Neva Makgetla, a Senior Economist at Trade and Industrial Policy Strategies (TIPS) highlighted that South Africa's growth was comparable to other upper-middle income countries. We live in a very divided society, finding policies that are acceptable within government is an almost impossible task, and this ultimately leads to a lack of implementation.

The Discussion:

Why has it been so hard to transform South Africa's economy?

In any democracy, there are two centres to power - one is the elected state, the other is the power of the economy - and in every democracy there exists an uneasy relationship between the two.

The aim of democracy is largely to ensure that the state acts on behalf of the majority, but in South Africa the state has failed to do so, particularly with regards to economic transformation. This has happened for a number of reasons. For example, it is difficult for the state to coerce big business into meeting the needs of the voters, even without the endemic corruption that we all know about. Additionally, the way the state is structured makes it difficult to ensure alignment when it comes to policy making.

You cannot talk about
Radical Economic
Transformation, without also
talking about radical spatial
and social transformation

- Prof David Everatt

Private capital also has power - the power to create employment and to invest. We do not want them to close ranks but there needs to be consensus on how far are we willing to push them to get more benefit for society.

It is also evident that the private sector leads on economic policy and that government follows. The government needs to reverse this and take charge of economic policy, including macroeconomic policy.



Prof David Everatt and the Panel

Where is the “radical” in Radical Economic Transformation?

How do you define the “radical” in RET, what does it actually mean, what are its component parts?

The phrase “Radical Economic Transformation” evokes a number of reactions, from a radical notion of change, to a harbinger of racial tension, to a vague phrase used to rationalise state looting.

While the debate around RET offers the opportunity to put economic justice on top of the agenda, if the phrase is going to be a noble principle that guides South Africa's economic trajectory it needs to be invested with content.

Consensus should be reached on the kind of economy the country requires and should precede the practicalities of achieving transformation

- Dr Caryn Abrahams

Currently no deliberate investment into the content has been made, which could result in a ‘capturing’ of the term, to be used by unintended actors to unintended ends.



Dr Caryn Abrahams

Which elements of radicalism will help and which not?

The kind of content RET calls for is not just programmatic, but an ideological content or set of commitments that will be just, transformative and outlast auditable targets and terms of office. The commitments need to be rooted in a social compact where economy serves society and where relational equality guides necessary forms of distributive equality.

Can we jump from stagnation/recession to radicalism?

If Radical Economic Transformation is to serve the needs of the bottom 60% of the population, it needs to move past the catchy and convenient political slogans of nationalising the land, banks and mines and kicking out white people. It requires a rigorous analysis of why economic and social policy have not delivered growth and development.

The existing norm in South Africa is one where an uneven distribution of precarity is evident. The talk of simple, crude measures of redress would simply result in a greater number of people being inserted into the already untransformed, bipolar economic system which is fundamentally skewed by race and gender. This is neither transformative or economically just.

The way RET conversations are being had by certain parts of the cabinet is nothing but an excuse to loot

- Prof Imraan Valodia

What is called for here is the reformatting of the economy premised on a different, more just set of norms or values. Ideological norms must be built retrospectively, seeking to undo injustice from the past and prospectively seeking to produce more just futures.



Prof Imraan Valodia

Political scandals and their effect on Economic Growth

Recent political crises have provided the opportunity for mainstream economists to call for fiscal discipline, creating the impression that fiscal discipline is the only factor stifling growth in the country.

While fiscal discipline and political stability are clearly important for economic growth they are not the only factors.

In business and some parts of government, economic policy has essentially been reduced to the maintenance of macroeconomic stability.



Prof Pundy Pillay

Building a more equitable and inclusive society:

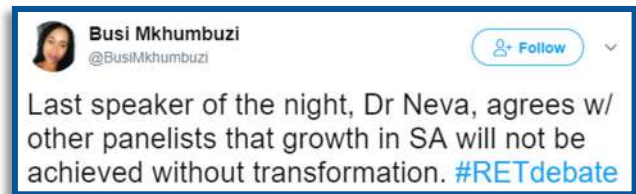
- Government must take charge of economic policy as opposed to being subservient to the private business sector, the credit rating agencies, the IMF and the World Bank;
- Industrial policy needs to be expanded as it is a key driver of economic development and South Africa needs a solution to its commodity dependence;
- Small business needs to be a critical component of any development strategy and the reasons why small business are failing in spite of funding from the State needs to be investigated and rectified;
- Monopolies and cartels need to be broken up;
- Ensure real Black Economic Empowerment by moving beyond the few empowered;
- Building a capable developmental state by examining international best practices — a developmental state does not mean going back to the socialism of yesteryear, but rather focusing on an appropriate mix of roles for the state and business sectors.

Examples of Audience Questions and the Panel's Responses:

Informal economies

Q - How can South Africa better activate its informal economies, with a focus on how good and bad policies has affected this.

A - Apartheid destroyed many small business. It was highlighted that the structures that exist to support small and micro enterprises in many other developing economies do not exist in South Africa.



In other countries people inherit structures like assets, existing production structures, sales structures, customer bases, and they know where to purchase things. They also have the market institutions to serve them as well as sites where they can function.

Those from the lower incomes that produce, do not get support from higher income groups as experienced in other countries

- Prof Imraan Valodia

In South Africa, people tend to start with nothing and we tell people to find a way to make a business work. We need to think more holistically about the issues that face small and micro enterprise owners, we need to get these business into the formal value chains and ensure that people have the skills to run successful businesses.

Ideology

Q - Can Ideology be removed from policy?

A - Ideology points you towards whose problems you want to address, how you analyse the problems and it points you towards solutions. Once you start talking solutions, ideology can point you in a general direction but the solutions need to make sense in the specific context.

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Tweets	Users	Potential Reach	Impressions