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FLASHES OF COMMON SENSE BRING OUT CONTRADICTIONS
IN THE ANC'S LATEST POLICY DOCUMENTS

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The power of ideas

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THE BROAD THRUST OF CURRENT AFRICAN NATIONAL CONGRESS (ANC) POLICY THINKING

Flashes of common sense bring out the contradictions in the ANC's latest policy papers

In June, the African National Congress (ANC) will convene a conference to debate its future policy direction. As is its practice, the ANC has released a series of policy discussion documents that will form the basis of its conference deliberations. We have much experience of studying ANC policy documents and find the most recent set of nine documents interesting, in the sense that some of the more rabid Marxist dogma has been very clearly toned down, while flashes of economic common sense shine through here and there.

Take, for example, the following paragraph drawn from the economic policy document:

“The possibility of mass-based economic transformation is severely retarded by low levels of economic growth. Therefore, growth-enhancing elements, such as reduced red-tape, increased investor confidence, the maintenance of an investment-grade rating, the limiting of monopolistic practices and structures and policy certainty in key areas, such as, mining and infrastructure expansion, should be regarded as necessary components of South Africa's overall transformation programme.”

That sentiment could have come straight out of the IRR, which is remarkable considering that the IRR is a resolute proponent of investment-driven economic growth and that the IRR and the ANC have shared little policy common ground – particularly since the latter caused the government to abandon its Growth Employment and Redistribution or GEAR policy. Our research has long revealed a close correlation between economic growth, job creation, family income levels, and confidence in the government. Between 1994 and 2003 South Africa averaged GDP growth rates of around 3%. Between 2004 and 2007 that number picked up to over 5%.

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The combined effects of the ANC's 2007 Polokwane conference, the global financial crisis, and the commodity price pullback have seen growth levels subsequently average around 1.5%, with last year's growth rate bottoming out at 0.3%. When growth levels rose, popular confidence in the future peaked, but when they fell, confidence bottomed out while opposition parties grew and protest levels escalated.

The ANC goes on to argue that the "state's most important task is to grow the South African economy as rapidly and as inclusively as possible".

You could again have pulled that statement, virtually verbatim, out of any one of a number of IRR policy papers. The single most important measure of any policy must be its capacity to drive economic growth. It should be a simple exercise to comb through policy as it relates to mining, manufacturing, IT, tourism, pharmaceuticals, healthcare services, banking and financial services, labour, empowerment, and property rights and identify those laws and regulations that deter investment and impede growth. Scrap the obstacles to entrepreneurship, employment and investment, and South Africa is again in a position to achieve substantive social and economic transformation. The economic growth rate is the greatest change agent in the country and the only means through which substantive social and economic transformation will take place.

The ANC makes this point:

"A low rate of economic growth puts severe pressure on the ANC's programme of social and economic transformation. A higher growth rate, combined with structural reforms, would assist in accelerating transformation and would be associated with the movement in the right direction of key transformation indicators, such as reduced unemployment, reduced income and asset inequality, increased active economic participation by a larger proportion of South Africa's population and improved levels of human development."

The ANC also goes on to warn itself about the consequences of not achieving higher levels of growth.



The ANC goes on to argue that the "state's most important task is to grow the South African economy as rapidly and as inclusively as possible".

"Falling into a debt trap would mean that South Africa's policy sovereignty would be compromised, an eventuality that would have the potential to jeopardise the ANC's programme of radical economic transformation. In fact, if South Africa's democratic state were to run into financial difficulty, this would strengthen the hand of internal and external forces who oppose the ANC's transformation agenda."

This is probably the thing that now scares the ANC the most – to lose policy control of the country as a consequence of running out of money and having to accept foreign bailouts.

Between accepting that economic growth must be the primary objective of government policy and that the failure to achieve such growth will see the ANC lose policy control of the country, the party's latest set of policy documents makes for interesting reading. It is not correct, as a number of writers have suggested over the past week, that there is nothing new to the ANC's latest set of policy discussion documents. The inflection is clearly more pragmatic, while an effort seems to have been made to tone down the Marxist rhetoric of past years.

The international relations document, for example, while containing the odd throwaway comment – such as blaming the G7 for obstructing the development of poor countries – is largely free of the rabid attacks on Western democracies that commonly featured in some previous documents.

However, there is little in any of the nine documents to suggest that the ANC is prepared to accept the structural reforms necessary to actually achieve higher levels of growth. In places, the party writes of the necessity for structural reforms, but fails to spell these out in any detail. This could be a function of political discretion, as spelling out such reforms would open deep splits within the party. If that is the case, it means that any move towards reform will be stillborn.

Two of my colleagues have suggested that the more pragmatic tone of some of the documents is simply tactical and that the ANC is trying to calm investor sentiment before proceeding with a series of even more damaging interventions. They also make the point that isolated pragmatic paragraphs could have been picked out of several ANC policy documents of the past decade – but that these have never come to determine actual policy decisions.

While these more sceptical assessments have been proved right repeatedly over the past decade the likelihood is also that some prominent ANC leaders have come to suspect that the policies adopted after its Polokwane conference have done such economic harm that they now threaten the survival of the party, even as those same leaders are not yet willing to accept the solutions. They sit in an odd policy no-man's land between knowing that what they are doing can never work, while not being prepared to do things differently.

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For the time being, we think those internal contradictions, and the splits they give rise to, will remain the defining feature of ANC policy thinking.

The contradictions come through very strongly across all nine documents. The ANC writes that it desires much higher levels of private sector investment, but it also wants the state to play a dominant role in the economy. It writes about the importance of policy certainty, even as policy across a range of industries becomes more uncertain. It writes of internal renewal, even as scandals of corruption and government inefficiency become a mainstay of media reporting. It writes about removing obstacles to investment, but also of the need to impose racial policy dictates on the private sector. It writes clearly in places about the importance of market-driven economic growth, while, in others, of the failure of neo-liberal economics.

It flits almost effortlessly between endorsing both the National Development Plan, ostensibly a plan to free the economy, and the National Democratic Revolution – a strategy to secure state control over all levers of power in society. One of the documents goes as far as stating that the National Democratic Revolution must be executed through the National Development Plan.

These are just some of the contradictions typical of the latest nine discussion papers, and this before even considering the instances in which many Cabinet ministers and directors-general continue to directly contradict the thrust of some of what appears in those papers. Consider just one of the more prominent current examples, where, over the past month, the President, the ANC Chief Whip in Parliament, an ANC spokesperson, the treasurer of the ANC, the land affairs minister, the ANC youth league, and the Deputy President have all contradicted one another on what the ANC's policy on expropriation is. If you cannot agree what your stance on property rights is, you are in no position as a government or ruling party to think you can attract higher levels of investment-driven economic growth. What do the nine discussion documents say on the subject of property rights? They vacillate between the importance of tenure security and policy certainty on the one hand and the need to redistribute land and assets more rapidly on the other.



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On the above paragraph one of my colleagues remarked that the contradiction between some of what the party writes in its policy documents and some of what the government and the Cabinet are doing does beg the question whether there are informal think tanks within the ANC that are more willing to embrace reform than the government is. This is an intriguing proposition.

A sophisticated government with a very high-calibre civil service might be able to navigate around those contradictions and achieve a degree of balance

between state and private-sector interests in the economy (as the Asian Tigers did) – and it comes through in the ANC's latest documents that such a balance is something it would greatly desire. But it does not have the calibre of civil service to achieve this nor the requisite degree of integrity in the Cabinet. The unfortunate likelihood is that the state's intrusions into the economy and the regulatory efforts of the government will continue to drive out investment and entrepreneurship. In any event internal splits, factionalism, and plain ineffectiveness will, for the time being, in and of themselves, stall any sincere attempt at reform.

Our sense is that the moment of reformation is therefore not yet upon us. The flashes of common sense are heartening, but these are fatally compromised by the contradictions that continue to run through ANC policy thinking. Whether this is likely to become a new long-term characteristic of ANC policy, or whether the political consequences of continued economic underperformance will see the ANC one day resolve those contradictions, is difficult to say. Time is, however, not on the party's side and, unresolved, the contradictions may well bring about the ANC's political demise.

Frans Cronje is a scenario planner and CEO of the IRR – a think tank that promotes political and economic freedom.