



Radical socio-economic transformation is bigger than inclusive growth

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It is becoming clear that radical socio-economic transformation is bigger than inclusive growth. The government and the African National Congress (ANC), at least as far as the rhetoric is concerned, are also making clear that what is at stake is not just economic transformation as has largely been the case since 1994. Arguably, inclusive growth – even inclusive development – is a component of radical socio-economic transformation. As explained previously, economic transformation is about structural changes in an economy in order to achieve sustainable economic growth and improve the standards of living of the people.

President Zuma has described radical economic transformation as “fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and women” while GwedeMantsheng says radical economic transformation is an effort to ensure that “the majority of South Africans must have access to ownership and control of the South African economy, and the State must facilitate that...” The ANC, as captured in the 2017 Strategy and Tactics discussion document, makes a point that “the campaign for radical economic transformation should encompass efforts to change the structure of the economy to advance manufacturing and beneficiation, investment of more resources in productive activities, and comprehensive broad-based economic empowerment.” Seemingly, what is envisaged is something better than just economic participation – and it has to be more than just expanding ownership – for the previously disadvantaged.

As we unpack radical economic transformation it might be useful to start by revisiting what the ANC has said about creating and strengthening a capable developmental state. We must also revisit the National

Development Plan (NDP), as imperfect as it might be, and the 2014-2019 Medium Term Strategic Framework (MTSF). Among other things, the NDP says “South Africa requires both a capable and developmental state, able to act to redress historical inequities and a vibrant and thriving private sector able to invest, employ people and penetrate global markets.” And the ANC has been saying, since 2007, that it aims to “put in place [that which] approximates a combination of the best elements of a developmental state and social democracy.” To jog our memory, a democratic developmental state is a state that pursues higher levels of socio-economic development, in a participatory manner, guided by a robust long-term plan and that the state has requisite capacity, the elite is developmental in its approach influenced by a developmental ideology, and the state is appropriately organized for predetermined goals.

So, what is entailed in radical socio-economic transformation? Many are grappling with this question from different perspectives. For Mcebisi Jonas, at the recent Mapungubwe Institute Annual Lecture, “we need to recast radical economic transformation as a genuine programme of inclusive growth around which society can be mobilised – embedded in a consensual vision...” And Jonas calls for an ‘economic charter’, probably similar to what some have called an ‘economic CODESA’. This might be similar to the social pact on the economy that some of us have been supporting, because it seems that it is only through a social compact that any meaningful transformation in the economy can take place.

Given what the ANC is saying, as far as the structure of the economy is concerned, I think it is clear what needs to be done. Of course it could be clear what needs to be done but it could be difficult to do what most people think must be done. Besides the issue of sectoral distribution of output, the South African economy remains predominantly capital intensive and the mineral-energy-complex is a constraint to inclusive growth. Changing the structure of the economy must be accompanied radically transforming the linkages between minerals and energy sectors so that beneficiation happens and more players join those sectors. This is an obvious area for more robust anti-trust policy and legislation.

The more complex part of radical socio-economic transformation has to do with the deracialization of the economy by significantly transforming systems and institutions that frustrate the socio-economic transformation agenda. It is here where the scale, speed and depth of transformation have to be expedited and expanded. The systems and institutions must be transformed in such a way that redistribution can occur. Inevitably, social

policy has an important role to play. It is surprising that there is no discussion of social policy in the documents for the forthcoming ANC policy conference.

For changing the patterns of ownership, management and control, over and above the obvious restructuring of the economy, the government can intervene in the economy to ensure that there is indeed “access to ownership and control of the South African economy” as Mantashe explains. Government has been doing this to a large extent. I would argue that government needs to focus on a few major interventions, alongside broad-based economic empowerment instruments. The one area that comes to mind for bringing about major changes in the ownership, management and control of the economy in South Africa is: preferential procurement. The Preferential Procurement Policy Framework Act, just like the Insurance Management Bill, can be reformed in such a manner that more Black entrepreneurs play a bigger role in the economy. Government would need to listen to those involved in these two areas.

Then there are obvious policy reforms that should be pursued. For some policies, particularly macroeconomic policies, the issue is more about better coordination and policy clarity. For specific policies and legislation around taxation, state-ownership, industrialization and the labour market, a lot more thinking is necessary in the context of radical socio-economic transformation. Taxation can be more progressive, state-ownership can ensure that the State has control over strategic sectors and enterprises, industrial policy can assist that the State picks the correct winners and labour market policy can prioritize active labour market interventions. Of course there are other much more complex policy issues such as in relation to land and agrarian reforms. These should be informed by a clearer sense of the kind of society we want. For instance, what kind of farming would be ideal for South Africa going forward?

To gain traction, government needs to work with all the partners in the radical socio-economic transformation programme hence the call for a social compact around the economy. Of course government needs to lead, coordinate etc. This is where the challenge appears to be: the leadership question must be tackled. Similarly, the issue of the approach to social and economic development in South Africa must be tackled. The State must facilitate access to ownership and control of the South African economy for the majority of South Africans, according to Mantashe. This poses a question whether in the current economic system can the State be effective in facilitating the said access.

