

OPINION | Is it time to adopt a new developmental model?

PLANNING THE STATUS QUO? A SUSTAINABLE DEVELOPMENT MODEL NEEDS NEW THINKING

Patrick Bond

The move by the world's bottom 99 per cent to challenge the top 1 per cent's economic and ecological destructiveness is why, over the next decade, the hope for the continent will jump from Tunisia and Egypt to the main cities and even *dorpiés* of South Africa.

More than ever since the country's transition from racial apartheid, the neoliberal developmental model – understood as 'class apartheid' – will come under fire. After all, no other major country is more unequal.

Over the past decade, only China seems to have had as many protests per person, according to available police statistics. In no other country is the word 'nationalisation' bandied about so regularly, and this will continue even without the hyperbole of the now-banished leader of the African National Congress Youth League (ANCYL), Julius Malema. No major society has such a strong trade union movement, winning not only above-inflation wage increases thanks to regular strikes but also expressing visions that transcend the proletariat's needs, to support what is being termed the 'precarariat' (precarious informal-sector workers and the unemployed).

Although currently losing its battles against labour brokers and the pro-corporate state-subsidised lowering of the minimum wage for younger workers, the Congress of South African Trade Unions (COSATU) remains this society's single largest coherent citizens' power bloc.

Moreover, unions and the independent left have come together more than in any period since 1994, with the world climate summit in Durban featuring a joint march for 'system change, not climate change'. Equally encouraging is the One Million Climate Jobs campaign, launched in early 2011. The campaign suggests ways for activists to co-operate towards a 'just transition' out of South Africa's fossil fuel addiction, which manifests itself in the country's status as one of the world's highest carbon dioxide emitters.

Tracing the money

After predicting a 'Tunisia Day' for South Africa in 2020, former president Thabo Mbeki's younger brother, Moeletsi, remarked recently, 'Big companies taking their capital out of South Africa are a bigger threat to economic freedom than Malema'.¹ We could argue that he did not do the argument full justice, asserting that 'Capital flight means there is no capital for entrepreneurs in South Africa'. That is probably not true, for local financial markets are as speculative and liquid as ever, especially now that the real estate bubble is gradually deflating. More pervasive problems that prevent both entrepreneurship and job creation include constrained consumer buying power, the market dominance of monopoly capital in most industries, and excessive trade liberalisation.

Consumption is stagnant, due largely to over-indebtedness; the banks' 'impaired credit' list now has 8.5 million victims, representing nearly half of all South African borrowers. That would include many of the 1.3 million who lost and did not regain their jobs as a result of the recession. There is very little scope for local entrepreneurs to open up manufacturing facilities, which President Jacob Zuma unhappily observed in August were virtually all in white hands. Waves of East Asian goods continue to descend on South Africa because of the still-overvalued rand, as many more local industries will understand once Walmart begins with cheap imports in earnest. Asked about the entrance of that US retailing behemoth, Mbeki was correct to ridicule the neoliberal agenda that his brother's government so decisively implemented from 1994: 'In South Africa we think we will just open the doors and everything will be hunky dory. Of course it won't.'

The doors swung open not only to East Asian imports but also the other way – for rich South Africans and our biggest companies to exit with apartheid's ill-gotten gains. In 1995, they lobbied hard for the abolition of the 'financial rand' dual exchange rate and for permission to relocate financial headquarters from Johannesburg and Cape Town. Mbeki

complains that there was never 'an explanation for why companies like Anglo American and Old Mutual had been allowed to list in London. On what basis did they allow them to go, to move their primary listing from South Africa to London? Why did they approve it? What did they get out of it?'

These are tough questions, especially because the outflow of profits, dividends and interest payments to Anglo, De Beers, Old Mutual, SAB Miller, Mondi, Liberty Life and BHP Billiton is the main cause of South Africa's dangerous current account deficit (far worse than the trade deficit) and, in turn, our soaring foreign debt. Answers will not necessarily be found in the implied backhanders of corruption. We need to look much deeper, for ideology is now at stake.

Ideology in flux

This was made abundantly clear in a report released in August 2011 by the International Monetary Fund (IMF 2011). Every year, the IMF provides South Africa with an 'Article IV Consultation' and, even in mid-2011, it became evident that last-century orthodox ideology prevails. In its meetings with Treasury officials, the IMF recorded how 'Discussions centered on the timing and strength of the required exit from supportive policies', which translates into cutting the budget deficit. 'Staff recommended stronger fiscal consolidation beyond the current fiscal year than currently being considered'. Orthodox ideology typically blames workers, and the IMF (as could be expected) advocated policies to moderate any real growth in wages.

As for capital flight, the IMF Article IV report noted that 'Relatively low public and external debts, mainly denominated in domestic currency, and adequate international reserve coverage offset risks from currency overvaluation and current account deficits funded by portfolio flows' (IMF 2011). Relatively low? South Africa's US\$100+ billion foreign debt is, in reality, a very high proportion of GDP, which financial sector economists have observed now approaches mid-1980s crisis levels. The increase in foreign reserves from US\$40 billion to US\$50 billion over the last 18 months offsets only half of the rise in foreign debt over the same period.

Recent experience raises questions about the IMF's judgment on debt crises. Orthodox thinking left the institution utterly unprepared in 2008 for the world's worst financial crisis since 1929. Neither have ideologies shifted much in Pretoria under President Zuma. Despite replacing Mbeki with Zuma, Trevor Manuel with Pravin Gordhan, and Tito Mboweni with Gill Marcus, the country's labour movement failed to replace neoliberalism with a genuinely social democratic ('Keynesian') ideology.

Deregulatory tendencies continue, as witnessed by our extremely volatile currency, which has experienced more crashes since apartheid ended than any other except, possibly, the Zimbabwean dollar. The relaxation of exchange controls on nearly 30 separate occasions since 1994 is the main reason, and Gordhan is hastening the trend. True to form, the IMF is oblivious to this, and its Article IV report praises the Reserve Bank's 'prudent' policies, 'together with a flexible exchange rate', which allegedly 'helped dampen the adverse effects of those global cycles'. The opposite is true: South Africa's vulnerability has been amplified by capital control relaxation.

In an equally puzzling utterance, the IMF observed: 'Although the government's borrowing requirements remained large, they were easily met through the issuance of rand denominated bonds and bills at low interest rates against the backdrop of large capital inflows'. This statement ignores a recent Reserve Bank admission that of 50 major countries, only Greece has higher nominal rates.

The implications of IMF logic are now clear; when it comes to the exchange controls, we need to heed Moeletsi Mbeki's concerns. If even a 'small tax on inflows to try to curtail inflows or at least change their composition' is suggested, IMF staff point out 'significant drawbacks', so as to dissuade Pretoria bureaucrats. According to the IMF Article IV consultation, even mild-mannered exchange controls 'likely would raise the government's financing costs'. Not surprisingly, the financial institution also reiterates its call for 'wage restraint', in order to 'enhance competitiveness'.

The rebuttal is easy. Impose exchange controls on outflows of capital, to address capital flight, and then systematically lower interest rates and manage the appropriate decline in the rand's value, to the point at which workers can return to at least the wage/profit share they had won by the end of apartheid – 54/46 (compared to just 43/57 today).

The status quo is untenable, and more crises loom. As South Africa again barely broke into the World Economic Forum's top 50 countries in business competitiveness in July, the prevailing neoliberal ideology is clearly both ineffectual and inhumane. Control of capital flight is the first step away from this perpetual crisis, and is gaining pace across the world as more than a dozen countries have put 'speed bump' controls of various sorts on hot money inflows. The search is intensifying for ways to properly regulate financial capital, with even the November 2011 G20 meeting in Cannes witnessing 'financial transactions tax' advocacy led by France's Nicholas Sarkozy and supported by Zuma. However, with Italy joining Greece in the latest system-threatening debt crisis, we have

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to continue subjecting economic policy rhetoric to much more careful critique.

World trends in SA

Recall the context. The 2008/09 financial meltdown was supposedly solved by throwing money at bankers in Wall Street, the City of London, Frankfurt, Paris and Tokyo. It did not work, though, and on BBC's *Newsnight* in October 2011, Robert Shapiro of the Georgetown University Business School blew the whistle on the European debt crisis.² 'If they cannot address it in a credible way I believe within perhaps two to three weeks we will have a meltdown in sovereign debt which will produce a meltdown across the European banking system,' warned Shapiro. He cautioned that not even the largest banks in Germany and France would be immune to this, and that the United Kingdom and the rest of the world should prepare itself for contagion.³ As if to respond to Shapiro, the European Union's leaders cut a deal with banks to whittle down Greek debt in the hope that this would pacify society.

The banks didn't crash on Shapiro's schedule, although many expect them to do just that when more countries cannot make their debt repayments. Reflecting the inexorable tensions between bankers' and people's interests, George Papandreou's government fell in early November 2011, after promising – and then withdrawing – a democratic option for voters to approve the austerity plan. A few days later, Italy's Silvio Berlusconi was also compelled to resign as financial pressure and rule by IMF and EU technocrats replaced his profligate corruption.

Replacing venal politicians with Washington/Brussels bankers is no solution, of course. South Africans should pay attention, because in early October 2011 Finance Minister Pravin Gordhan offered their tax monies as an emergency R2 billion bailout loan from Pretoria via the IMF. This came on the heels of his R2.4 billion bailout offered to Swazi dictator King Mswati, in spite of widespread opposition by civil society in Swaziland and South Africa.

What Gordhan explained to SAfm listeners about the European emergency credits was chilling. The radio station's Alec Hogg asked Gordhan: 'Even if it is only a small amount, relatively speaking, that we are putting in, many African countries went through hell in the seventies and eighties because of conditionality according to these loans. Are you going to try and insist that there is similar conditionality now that the boot is on the other foot, as it were?'

'Absolutely,' replied Gordhan, 'The IMF must be as proactive

in developed countries as it is in developing countries. The days of this unequal treatment and the nasty treatment, if you like, for developing countries and politeness for developed countries must pass.'⁴ Gordhan's call for more proactive nastiness by the IMF and its Brussels allies against the Italian, Greek, Spanish, Portuguese and Irish poor and working people throws ANC traditions of international solidarity into disrepute.

These sentiments were also the subject of political wit amidst the World Cup hoopla of a year and a half ago, when one of the greatest losers, team Argentina, was consoled by a Buenos Aires magazine, which congratulated the victors, Spain, thus: 'Crisis, unemployment, poverty, the end of welfare, submission to the International Monetary Fund and sporting success: the poor countries of the world salute the Spanish – *Welcome to the Third World!*' Rodrigo Nunes (2011) of the magazine *Turbulence* notes that 'Apart from being a brilliant joke, the headline made an excellent point: why is it that what is crystal clear for people in the global North when talking about the global South seems so difficult to process when it happens "at home"?'.

Continued Nunes, 'Ask any relatively well-informed British citizen about violence in Brazil, and they are likely to tell you something about unequal wealth distribution, lack of opportunities... how the police make matters worse by being widely perceived as corrupt and prejudiced, and how the political system mostly reproduces this situation'. In England, too, the productive economy wallowed in recession following the country's biggest-ever bank bail-outs and accompanying state fiscal crisis, with bankers receiving massive bonuses and inequality soaring. Top police officials in league with Rupert Murdoch's phone-tapping 'journalists' resigned in disgrace and the Tory-Liberal government took the axe to social programmes, raising tuition fees at nearly 40 per cent of universities to £9 000 per year. Why was anyone surprised at the logical consequences: an anarchic insurrection of multiracial, working-class, supremely alienated youth from Tottenham to Birmingham?

Establishment reality check: a national plan?

That scream from the margins, at the time Standard & Poors was downgrading the US credit rating, with a subsequent loss of \$5 trillion of paper wealth in the world's stock markets in the first week of August alone, shocked establishment observers. Except for one: a man nicknamed 'Dr Doom' because of his prescient warnings about the financial meltdown of 2008, Nouriel Roubini. The *Wall Street Journal* asked the New York

University business professor, 'What can government and what can businesses do to get the economy going again or is it just sit and wait and gut it out?'

'Businesses are not doing anything,' replied Roubini, referring to the US, Europe and Japan, but also South Africa. 'They claim they're doing cutbacks because there's excess capacity and not adding workers because there's not enough final demand, but there's a paradox, a Catch-22. If you're not hiring workers, there's not enough labour income, enough consumer confidence, enough consumption, not enough final demand.'

According to Roubini, 'In the last two or three years, we've actually had a worsening because we've had a massive redistribution of income from labor to capital, from wages to profits, and the inequality of income has increased. And the marginal propensity to spend of a household is greater than the marginal propensity of a firm because they have a greater propensity to save, that is firms compared to households. So the redistribution of income and wealth makes the problem of inadequate aggregate demand even worse.'⁵ Add to this that the supposed prosperity of the middle class was ultimately a fiction based on consumer debt.

Are South African elites paying attention to these underlying economic dynamics? They are not, judging by this year's long-range response from the talented technical, political, civil society and business thinkers of the National Planning Commission (NPC). Its fascinating diagnostic analysis of why South Africa is beginning to slide off the rails is negated by the screaming silences on economic management. To be sure, the NPC's main revelation was striking: 'State agencies tasked with fighting corruption are of the view that corruption is at a very high level. Weak accountability and damaged societal ethics make corruption at lower levels in government almost pervasive. Corruption in infrastructure procurement has led to rising prices and poorer quality' NPC (2011a)

This is an easy critique, however. The NPC diplomatically deferred from analysing the deeper corruption of the economy, the wasting of productive capacity in favour of what is now regularly termed 'financialisation'. Perhaps such a diagnosis would have implicated the minister in charge of the NPC, Trevor Manuel, who was finance minister from 1996 until 2009. Thus, in the NPC's diagnosis, capital is incorrectly said to be 'scarce' when, in reality, we have the opposite problem of excess liquidity in ultra-speculative markets. South African real estate was the world's biggest bubble by far before the price crash began in 2008. The NPC actually applauds some of the most misguided features of economic management. To claim that 'South Africa today has much to celebrate on the economy and infrastructure' would mean pretending that debilitating bubbles – such as the JSE and middle-class consumption based on excessive consumer debt – are actually strengths.

The JSE is attracting speculative financial funding that simply is not being turned into brick-and-mortar investments

and machinery. South Africa's corporate fixed investment rates remain very low by historical standards, especially in manufacturing, and levels of consumer debt are at an untenable level. With house prices *still* falling (after a brief uptick in 2010), the inability to liquidate those assets has turned consumer credit opportunities into debt slavery for millions more South Africans. Amazingly, the NPC did not notice the ongoing job massacre, with its claim that 'Unemployment levels are decreasing since 2002'.

Upon launching the NPC in June, Manuel remarked, 'When you can't locate where you are, your ability to reach your destination will be constrained. Last week the centenary of the Titanic was marked. If there are going to be icebergs on the route then you'd better know' NPC members did not want to see the world financial iceberg looming immediately ahead. Had they wished to, there was an old navigator they could have turned to. At the end of the Wall Street Journal interview, Roubini reminded us: 'Karl Marx had it right. At some point, capitalism can destroy itself. You cannot keep on shifting income from labour to capital without having an excess capacity and a lack of aggregate demand. That's what has happened. We thought that markets worked. They're not working.'

Instead, democratic planning will be needed, and the seeds of this are found outside the NPC's November report, in the struggles of ordinary people for a better life.

Planning the status quo?

The NPC's inability to diagnose economic problems is matched by its disjointed approach to broader socio-environmental decay. On the one hand, the NPC lists atop its infrastructure priority plan two objectives: 'The upgrading of informal settlements' and 'Public transport infrastructure and systems' but, on the other hand, inveighs that 'users must pay the bulk of the costs, with due protection for poor households'. How can this contradiction be reconciled, when the vast bulk of state investments in commuter rail are being made in luxury Johannesburg-Pretoria train lines that are affordable only to a tiny fraction of the public, and when the e-tolling system is so onerous for ordinary people that COSATU and its allies have forced a rethink on the matter?

Likewise, in supplying electricity, the source of so many service delivery protests, Eskom's huge price increases – 127 per cent between 2008 and 2011 already, with many more years of 25 per cent annual rises still to come – apply to poor households but not to BHP Billiton and the Anglo American Corporation. These two were recipients of special pricing agreements made with apartheid officials two decades ago (two such officials, Finance Minister Derek Keys and Eskom Treasurer Mick Davis, promptly joined BHP Billiton after apartheid). The agreements will be valid for another two decades, supplying power to smelters (transforming imported bauxite into aluminium that is priced too high for local

consumption) at R0.12 per kilowatt hour, around a tenth of what poor households pay via self-disconnecting pre-payment meters. The NPC report is silent on such contradictions.

Its third and fourth infrastructure priorities are also contradiction-ridden: the 'development of the Durban-Gauteng freight corridor, including the development of a new dug-out port on the site of the old Durban airport' (part of a R250 billion 'back of ports' strategy to expand the notorious petrochemical industry) and the 'construction of a new coal line to unlock coal deposits in the Waterberg' and 'extension of existing coal lines in the central basin', in spite of the vast damage (not acknowledged) done by coal to local and global ecologies.

Ironically, though, the very next paragraph begins, 'South Africa needs to move away from the unsustainable use of natural resources', but optimistically asserts that 'South Africa can manage the transition to a low-carbon economy at a pace consistent with government's public pledges, without harming jobs and competitiveness'. What the NPC report demonstrates, in reality, is that we are locked so deeply into the minerals-energy complex tyranny that no change to status quo climate-destroying politics is on the cards. The new climate white paper also fails to grapple with the fact that South Africa ranks 20 times worse than even the United States when our energy-related CO₂ is corrected for per capita GDP growth. Our economy is diabolically coal-addicted with no real prospect of changing. As the NPC argues, as its top priority for economic growth, we must 'Raise exports, focusing on those areas where South Africa has the endowments and comparative advantage, such as mining', even though this status quo strategy has been utterly destructive to economy, society, polity and ecology (see NPC 2011b).

Pressure from below and above?

Given that Durban hosted the 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change in December, these are the contradictions that Pretoria could have set out to resolve in the interests of the planet and the people. This could have been a moment to reject the Kyoto Protocol strategy of emissions markets – a 'privatisation of the air' scheme to allow Northerners to continue polluting – to address humanity's most crucial survival challenge, at a time when financiers are indisputably wrecking the world economy. The carbon markets were, after all, still crashing from a high of more than €30 per ton of carbon to around €8 per ton as the COP17 began, with the UBS bank in Switzerland predicting a further fall to €3 per ton in coming months. Yet, even the vast Green Climate Fund, co-chaired by Manuel, ultimately gave credence to the idea that markets would save the day.

Instead of saving the planet, profit prevailed above all else, especially for carbon traders and huge mining conglomerates, the latter linked to the ANC not only through murky campaign

contributions and black economic empowerment (BEE) deals, but also via Eskom. The ANC, in turn, will look forward to the pay-off of its 25 per cent share in the local arm of the Hitachi corporation, which will be supplying multi-billion rand boilers to the new Medupi and Kusile coal-fired plants. The electricity from these plants will be used overwhelmingly by big business, in view of the inability of poor people to afford the perpetual 25 per cent annual price increases.

Such highly questionable relationships, associated with the economy's reliance upon coal-based energy and mining, are nothing new. The role of actors such as former Environmental Affairs Minister Valli Moosa (a carbon trader whose conduct as Eskom Chairperson prior to 2010 was deemed 'improper' by the Public Protector, when he failed to recuse himself during the process that saw Hitachi win the tender) continues to entrench neo-apartheid's deep power relations. Behaviour such as this will leave the masses powerless due to excessive price increases, while the world's two biggest mining and metals houses will continue to benefit from the world's cheapest electricity. The rising rage of protesters, who cannot get access to electricity, will never be understood, much less resolved, given the prevailing power relations.

This state of affairs is untenable, however. Regardless of formula or calculation, South Africa's developmental data remain dismal. Current policy continues to perpetuate this in the face of crisis. In Tunisia and Egypt, the Ben Ali and Mubarak regimes could not forever operate with the Bretton Woods Institutions, the US government and local capital in exploiting their societies. Justice can, and will, be done – and hopefully well before Moeletsi Mbeki's 2020 predicted deadline. What remains to be seen is whether, from below, the activists of leading trade unions, community groups, women's organisations and environmental lobbies are going to guide this revolution, or whether right-wing populist currents will prevail. This is the struggle of the period ahead, making Mangaung manoeuvres pale in political comparison.

Notes

1. *The New Age*, 5 September 2011. Available at: http://thenewage.co.za/27987-1007-53-Capital_flight_a_threat_to_economic_freedom_Moeletsi_Mbeki.
2. BBC Newsnight interview, 2011. Available at: www.youtube.com/watch?v=6UGDTtqkISo.
3. *Business Insider*, 6 October 2011. Available at: http://articles.businessinsider.com/2011-10-06/markets/30250050_1_british-banks-significant-bank-largest-banks.
4. *Moneyweb*, 29 September 2011. Available at: <http://www.moneyweb.co.za/mw/view/mw/en/page295799?oid=553257&sn=2009+Detail&pid=299360>.
5. *Wall Street Journal*, 15 August 2011, republished by Global Research, 15 August 2011. Available at: <http://www.globalresearch.ca/PrintArticle.php?articleId=26031>



SOCIAL AND ECONOMIC INCLUSION IN POST-APARTHEID SOUTH AFRICA

Vusi Gumede

Introduction

South Africa's democracy is founded on one of the noblest constitutions in the world. Forged against the backdrop of struggle and dispossession, it not only enshrines political freedom, but also sets itself apart in terms of the provision that it makes for the material dignity of the country's people. The state is obliged to 'respect, protect, promote and fulfil the rights' of everyone in the country (Constitution of South Africa 1996: Section 7(2)). This is as true of economic freedom as it is for political liberty. Yet, the former has been more challenging to achieve than the latter.

Since the country's political transition, much of the state's efforts, and those of other social partners, have been devoted to devising policies and programmes that seek to bring to life the ideals of human dignity, non-racialism and non-sexism, universal adult suffrage and a prosperous nation. Development, in a nutshell, has been the *raison d'être* of the post-apartheid state. The public policies and legislative interventions that have been implemented since 1994 can be said to have been deliberate attempts to broaden the concept of liberty to include human development and socio-economic justice.¹

However, as protests in democratic and non-democratic countries alike over the past year have shown, states are increasingly challenged by their citizens if their founding objectives become deferred to the point that ordinary people lose faith in the likelihood of them being realised. For this reason, among others, it remains fundamentally important to track change and to be transparent about progress or lack thereof. In the absence of critical assessment that reflects reality, people lose faith because their plight comes to be perceived as unacknowledged and unimportant.

This article explores South Africa's progress in advancing human development, especially for the previously disadvantaged and those groups that often bear the brunt of poor performance by the government, the economy and society broadly. The analysis also reflects, given what the data suggests, on the much-debated issue of whether South Africa is a developmental state or not. The article uses the latest available developmental statistics to tell the story. The statistics presented and discussed below are unambiguous in showing that despite significant progress on certain scores, socio-economic development in South Africa is highly unequal. It benefits those that have always been at a structural advantage, and

condemns the majority of the historically marginalised to lives that are still far removed from the promise of material dignity contained in the Constitution. Essentially, poverty remains very high and, along with underdevelopment, largely biased towards the country's black population group.

The various indicators and indices presented confirm that race, gender and spatiality have not been sufficiently redressed. Indeed, as observed by Borat and Van der Westhuisen (2010), little progress has been made in South Africa as far as eradicating household poverty is concerned. For example, the black population group is still, on average, worse off in all the measures of human development, and in relation to human poverty. Women bear a disproportionate load. Rural areas continue to have lower Human Development Index (HDI) scores and higher Human Poverty Index (HPI-1) scores. Also, the findings imply that the government has not yet succeeded in ensuring a more egalitarian society. In essence, the conclusion reached is that remnants of South Africa's unfortunate political history are still prevalent in the country's poverty and human development dynamics.

Methodology

These findings and the discussion below are based largely on the National Income Dynamics Study (NIDS), which is a nationally representative household survey that was conducted in 2008.² The NIDS is intended to become a longitudinal dataset with revisits to the sampled households every two years – the households visited in 2008/9 were visited again in 2010/11. The NIDS, importantly, allows for the calculation of various significant estimates that other datasets do not readily allow for. For instance, for the first time ever, South Africa would have HDIs by income quintiles. The NIDS dataset also permits an estimation of comparative human development and poverty across subgroups, as well as the calculation of relative human development at different points in the income distribution – something that has not been done in South Africa before. However, like most datasets, there are caveats. In particular, the Indian subsample is relatively small and likely to be imprecise for any inference specifically focused on this population group; hence, the focus of this analysis is largely on the black and white population groups.

This article focuses on two primary indicators to state its case. Besides the standard measures of poverty, human

development is measured through the HDI, which is calculated by first creating an index of all three dimensions (life expectancy, education and income). The second indicator is the HPI, which was introduced in 1997 in an attempt to build a composite index from the different features of deprivation in quality of life to arrive at an aggregate judgment on the extent of poverty in a community. The HPI is calculated separately for developing and developed countries to better reflect socio-economic differences. For developing states, the annotation HPI-1 is used to distinguish the poverty measurements from those of the developed states that are measured in terms of HPI-2. South Africa falls in the former category.

Human development indicators

The HDI has three components: longevity, knowledge and income (Haq 1995, in Fukuda-Parr & Kumar 2003). In essence, it is a synopsis of a country's human development, and combines statistics on life expectancy, education and income. With regard to the HPI-1, Anand and Sen (1994: 229, in Fukuda-Parr & Kumar 2003) indicate that 'both [the HDI and the HPI] have to use the rich categories of information that are associated with human development: characteristics of human lives and the quality of living that go much beyond what income information can provide'.

In summary, therefore, human development is the process of enlarging people's choices and raising their levels of well-being. Sen (1993: 35) describes well-being as a 'person's being seen from the perspective of her own personal welfare'. The pursuit of human development in South Africa, therefore, is about seeking improvement in the quality of life of the people of this country. The human development measures are better placed to capture the desired improvement in quality of life. There is ongoing work to improve human development and human poverty measures, because the HDI and gross domestic product (GDP), in particular, have been recognised as falling short in comprehensively quantifying 'human progress'.³ That said, the HDI and HPI-1 remain useful measures of human development. Unlike conventional poverty indicators that focus narrowly on household income or consumption data, the various components of the HDI and HPI-1 indicate progress in the various social and economic indicators.

The major thrust that underpins HDI and HPI-1 calculations is life expectancy. The estimated life expectancy rates and probabilities of South Africans living to the ages of 3, 40 and 60 years are reported in Table 4.3.1. The estimates show that, on average, South Africans live up to the age of 50 years. Women live, on average, three years longer than men do and have an average life expectancy of 51 years compared to 48 years for men. There may be various reasons for this. It could be ascribed to the fact that women generally live much healthier lifestyles than men. Women are, for example, less likely to engage in life-threatening behaviour (smoking, crime, car racing, etc.) than are men. The data further suggest that

Table 4.3.1: Estimates of life expectancy – national, gender-, race- and province-specific estimates

	Life expectancy (years)	Prob. (not 3) (%)	Prob. (not 40) (%)	Prob. (not 60) (%)	N
Total	49.5	7.9	38.8	65.8	28 845
Male	47.8	10.3	37.1	69.1	13 311
Female	51.1	5.6	40.2	63.3	15 534
Black	45.2	9.0	44.7	73.4	22 318
Coloured	62.4	1.6	14.6	44.7	4 519
Indian	76.5	0.0	0.0	28.6	495
White	74.1	0.0	14.5	16.7	1 513
Western Cape	59.1	2.4	20.7	41.9	3 680
Eastern Cape	50.1	2.9	31.7	69.4	3 711
Northern Cape	53.0	2.6	38.7	61.7	1 972
Free State	38.8	17.8	53.7	75.9	1 694
KwaZulu-Natal	37.2	9.1	69.1	88.8	8 155
North West	51.2	11.9	36.3	60.7	2 374
Gauteng	62.5	5.6	14.5	49.4	2 638
Mpumalanga	45.1	16.0	58.2	65.3	1 915
Limpopo	52.9	8.0	26.2	54.4	2 706
Poorest 20%	39.6	7.7	57.2	84.2	5 652
20–40% poorest	45.8	5.4	51.87	74.5	5 650
40–60% poorest	44.5	7.0	46.25	77.8	5 653
20–40% richest	51.2	12.6	29.33	60.4	5 653
20% richest	64.9	11.1	24.05	39.9	5 647

Source: Author's calculations, based on NIDS 2008



It is a persuasive argument that the legacy of apartheid remains profound and/or that the government (perhaps understandably) has not succeeded in redressing racial inequalities.

males are also almost twice as likely to die within the first year of their lives than are their female counterparts.

Given the inequalities in South African society, the country's developmental story cannot be told without referring to the differential development of its constituent groups that historically have been categorised by race and geographic location.

In this context, black people have the lowest life expectancy rate of all population groups. On average, black people live for 45 years, while coloured and white people live for 62 and 74 years, respectively. The estimate for Indians is imprecise for the reasons given above. The urbanised provinces of Gauteng and the Western Cape have higher life expectancies; Gauteng with 63 years followed by the Western Cape with 59 years. There is substantial variation among the other provinces, such as KwaZulu-Natal and the Free State, with the lowest life expectancies at 37 and 39 years, respectively. The highest child mortality rate – children not living beyond the age of 3 years – occurs in the Free State (18 per cent), followed by Mpumalanga (16 per cent). KwaZulu-Natal has relatively lower child mortality rates, but 70 per cent of the population do not live beyond the age of 40 years. The mortality patterns in KwaZulu-Natal and the Free State have been ascribed largely to a significantly higher incidence of HIV/AIDS in these provinces.

Progress in education is measured by two statistics: adult literacy rates and gross school enrolment (for primary, secondary and tertiary education). As Table 4.3.2 shows, almost 10 per cent of adult South Africans cannot read. Illiteracy amongst women is 2 percentage points higher than amongst men, and is more prevalent in the black group than the other population groups. Limpopo and KwaZulu-Natal have the highest illiteracy rates, followed by the Eastern Cape, the Northern Cape and the North West. Gauteng (3.5 per cent) and the Western Cape (4.3 per cent) find themselves at the other end of the spectrum. Another striking feature of this data, of course, is the concentration of illiteracy amongst the poorest South Africans.

In addition to education, measurement of the access component of poverty includes basic amenities such as clean drinking water and the weight of children. Again, similar patterns reveal themselves. As Table 4.3.3 indicates, about 7 per cent of all South Africans rely on springs, streams, pools or dams for household water. Black people are by far the most likely to lack access to improved water sources. The backlog is most severe in the Eastern Cape, where 23 per cent of South Africans live without an improved water source, and KwaZulu-Natal (14 per cent). With regard to the weight

Table 4.3.2: Estimated literacy and illiteracy rates for all adults

	Adult literacy rates (%)	Adult illiteracy rates (%)	N
Total	90.6	9.4	18 630
Male	91.9	8.1	8 124
Female	89.4	10.6	10 506
Black	88.8	11.2	13 988
Coloured	92.6	7.4	3 048
Indian	93.8	6.2	366
White	99.7	0.3	1 228
Western Cape	95.7	4.3	2 657
Eastern Cape	87.1	12.9	2 287
Northern Cape	87.6	12.4	1 317
Free State	93.4	6.6	1 141
KwaZulu-Natal	85.6	14.4	4 861
North West	87.3	12.7	1 556
Gauteng	96.5	3.5	1 928
Mpumalanga	90.9	9.1	1 234
Limpopo	85.5	14.5	1 649
Poorest 20%	86.9	13.1	3 273
20–40% poorest	86.0	14.0	4 059
40–60% poorest	87.6	12.4	4 310
20–40% richest	91.2	8.8	4 073
20% richest	98.5	1.5	2 915

Source: Author's calculations, based on NIDS 2008

of children, Body Mass Index (BMI) results show that under-nourishment amongst children aged 5 years and younger is a particular problem for the coloured group (14 per cent). Black and white children, with 8 per cent and 7 per cent, respectively, measured to be underweight, are less at risk. Girls are more than twice as likely to be underweight than boys. The Northern Cape and Mpumalanga have the highest rate of underweight children, while KwaZulu-Natal has the lowest rate, at just 5 per cent.

Human development and poverty

Calculations based on NIDS give an aggregate national HDI of 0.69 for 2008. Again, it makes more sense to break down the aggregate figures into constitutive groups. While there is little gender distinction in terms of HDI scores for women and men, there is a distinct racial pattern. Black South Africans recorded the lowest HDI score at 0.63, compared to that of the white group at 0.91. As such, the human development of black South Africans is more or less on a par with aggregate scores of countries like Bhutan. White South Africans, conversely, enjoy development standards that are comparable to the levels of Cyprus and Portugal. Table 4.3.4 shows estimates of the HDI and the HPI-1.

Gauteng, the most industrialised of the country's nine provinces, has the highest average HDI and KwaZulu-Natal the lowest. At 0.81, Gauteng can be compared to countries like Turkey and Mauritius, while KwaZulu-Natal with 0.60 would rank next to Congo.

There is a finding that requires further reflection: income poverty, the data implies, is not the only cause of human poverty. As Table 4.3.4 indicates, the HPI-1 is higher on average in KwaZulu-Natal than the average for the poorest 20 per cent of households, which suggests that households in KwaZulu-Natal experience lower human development on average than can be expected from provinces with a comparable income status. The HDI of the white group (and of Indians) is better than the average for the richest 20 per cent of all South Africans, which suggests that there are factors in addition to household income that determine inter-racial differences in human development and which are probably captured in much lower life expectancy rates for black South Africans. In this context, it is a persuasive argument that the legacy of apartheid remains profound and/or that the government (perhaps understandably) has not succeeded in redressing racial inequalities.

Table 4.3.3: Access to safe drinking water and child nutritional status

	Share of population lacking access to clean drinking water (%)	Share of under-5s who are underweight (BMI) (%)
Total	6.7	8.2
Male	6.3	4.7
Female	7.1	11.5
Black	8.4	7.7
Coloured	0.7	13.5
Indian	0.0	10.0
White	0.0	6.7
Western Cape	0.2	8.8
Eastern Cape	23.1	9.4
Northern Cape	0.2	12.6
Free State	0.0	6.8
KwaZulu-Natal	13.7	4.9
North West	0.3	9.4
Gauteng	0.0	9.0
Mpumalanga	0.4	12.5
Limpopo	6.0	8.5
Poorest 20%	14.0	9.3
20–40% poorest	11.9	9.1
40–60% poorest	4.4	7.1
20–40% richest	2.3	8.3
20% richest	0.9	5.2

Source: Author's calculations, based on NIDS 2008

State capacity and organisation are arguably the primary constraints to South Africa becoming a fully fledged developmental state.



South Africa as a developmental state

Given the ongoing debates about South Africa as a developmental state, this subsection presents preliminary conclusions drawing from the aforementioned findings. An analysis of the extent to which the South African state is indeed developmental has significance, because it has on numerous occasions indicated that it is pursuing such a model.⁴ It is useful to examine the notion of a developmental state comparatively, hence some reference to India, Brazil, Botswana and Mauritius – countries that are broadly viewed as (emerging) developmental states.

This article defines a developmental state in terms of its institutional attributes, objectives and capacity to deliver on economic growth and human development. The working definition used here is that a developmental state 'is active in pursuing its agenda, working with social partners, has the capacity and is appropriately organized for its predetermined developmental objectives' (Gumede 2011: 180). Examining the various aspects of a developmental state encapsulated in this definition, South Africa is not yet a developmental state.

State capacity and organisation are arguably the primary constraints to South Africa becoming a fully fledged developmental state. The slow progress towards effectively reducing poverty and expanding human capabilities may be attributed largely to poor state capacity. State capacity can be conceptualised on four dimensions: ideational, political, technical and implementational (Cummings & Nørgaard 2004). Ideational capacity refers to the degree to which the state (its actors, role and policies) is legitimated and embedded in state institutions. Political capacity refers to the effectiveness of state institutions. Technical capacity involves an understanding of the policy context and the ability to devise policy options for a particular policy challenge. Implementational capacity entails the technical know-how for a particular policy action that has to be undertaken to implement a programme. Mkandawire (2001), on the other hand, emphasises the importance of the 'ideology-structure nexus' for a state to be considered developmental. He differentiates between two core components of such states: the ideological and the structural. It is a matter of debate whether the South African government is appropriately organised/structured for its predetermined developmental objectives.

As presented above, findings on human development and human poverty suggest that South Africa has made some headway in terms of improving its HDI score, peaking at 0.69 in 2008. There has been a downward slide, however, and the country recorded a far lower 0.61 in 2011.⁵ The country's performance, therefore, has been inconsistent and is vulnerable to external shocks. It is against the background of this vulnerability that South Africa, arguably, should be classified as a 'developmental state in the making'. In other words, although the country still has some way to go in this regard, it has some key attributes of such a state, which, if strengthened, could see it emerge fully as one.

Table 4.3.4: Estimates of the Human Development Index and the Human Poverty Index

	HDI	HPI-1
Total	0.691	27.1
Male	0.693	25.8
Female	0.689	28.2
Black	0.630	31.2
Coloured	0.752	10.9
Indian	0.886	5.0
White	0.914	10.1
Western Cape	0.760	14.4
Eastern Cape	0.646	23.4
Northern Cape	0.695	27.2
Free State	0.630	37.3
KwaZulu-Natal	0.599	48.1
North West	0.677	25.5
Gauteng	0.806	10.2
Mpumalanga	0.676	40.4
Limpopo	0.677	19.3
Poorest 20%	0.488	40.0
20–40% poorest	0.563	36.3
40–60% poorest	0.586	32.9
20–40% richest	0.675	22.2
20% richest	0.868	17.3

Source: Author's calculations, based on NIDS 2008

At this stage, however, the country needs to make more gains, faster. In a broad, comparative context, South Africa is lagging behind its peers. HDI scores in the *2011 Human Development Report* show that the country, with its score of 0.61, trails other modern or emerging developmental states, such as Brazil (0.71), Botswana (0.63) and Mauritius (0.72). Although the HDI score for India, another of South Africa's developmental peers, is even lower at 0.54 in 2011, this represents a significant 21 per cent gain on the 0.387 it recorded in 1999 (UNDP 2011). One possible explanation for South Africa's lagging behind its peers is that the country's economy has not expanded to the same degree as those of Brazil, India, Mauritius and Botswana. Another important feature of these economies has been that they have managed to reduce income poverty and income inequality at a much faster rate. Both scenarios relate to the monopolised structure of the South African economy, with its strong dependence on the resource-export and financial sectors and its exceptionally high levels of unemployment. The transformation of the South African economy has been slow and, consequently, it has failed to create a sufficient number of jobs. Obviously, context-specific policies in particular countries account for some of the differences in economic and developmental outcomes, but it is possible to implement such policies more easily in environments where there is greater cohesion between major policy stakeholders.

Concluding remarks

South Africans today enjoy not only the benefits of political freedom but, on average, a better standard of living. However, statistics can be misleading if not properly interrogated. Deeper analysis reveals the discomfiting truth that improvement generally only holds true for South Africa in aggregate terms. As demonstrated above, the immense structural socio-economic inequalities of the apartheid era are still very much alive today.

The findings presented above suggest that – almost two decades into a politically liberated South Africa – it is important to revisit the strategies that have informed our developmental trajectory. If anything, the data appear to demonstrate that the current path is unsustainable. Although some progress has been made in addressing human development and poverty, the pace has been slow and, in both the quantitative and qualitative sense, it has been insufficient. Poverty and inequality remain at intolerable levels.

The analysis underscores two fundamental points, namely that the black population group has the lowest HDI, and that inter-racial differences in HDI continue to be significant. It shows that economic transformation (and consequent social and economic inclusion) has been slow. It is in this context that we cannot yet refer to South Africa as a fully fledged developmental state. For it to be one, state capacity and systems have to be strengthened to the extent that the country's

developmental trajectory becomes less vulnerable to economic fluctuations. Until such time as it consolidates its position on both counts, South Africa will remain a developmental state in the making.

Notes

1. For instance, since 1994, a multitude of legislative and policy instruments have been introduced to improve the situation of targeted groups. These include the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000, the National Policy Framework for Women's Empowerment and Gender Equality of 2000, the Children's Act 38 2005 (amended in 2008), the National Policy for the Advancement and Co-ordination of Children's Rights in South Africa of 2003, the National Empowerment Fund Act 105 1998, the Integrated National Disability Strategy White Paper of 2000, the National Youth Development Agency Act 54 of 2008, the National Youth Policy 2009–2014 and the Integrated Strategy for the Treatment of HIV and Aids (which has been updated for the period 2008–2012).
2. The NIDS dataset contains information on more than 28 000 individuals in 7 305 households across South Africa, and has detailed information on expenditure, income, employment, schooling, health, social cohesion, etc. (see <http://www.nids.uct.ac.za/home>).
3. Stiglitz, Sen and Fitoussi (2010) contend, for instance, that new and more inclusive parameters for measuring economic growth are critical if countries are to achieve the overall goal of improving the quality of life.
4. The 'declaration' that South Africa wants to be a developmental state is succinctly captured in the revised 2007 Strategy and Tactics document of the ruling party, the African National Congress (see <http://www.anc.org.za/docs/pdf>).
5. It should be noted that the 2008 HDI is not directly comparable with the 2011 HDI, because of the two different sources of data from which the two indices are calculated. That said, it would seem that the various components of the HDI are declining.



Perceptions of Well-being

The lesson of 2011 should be that the citizenry, especially when under material strain, will have no patience with those who offer timid responses or abuse their trust.

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**ECONOMIC SECURITY IN A TIME OF UNCERTAINTY:
A SOUTH AFRICAN PUBLIC OPINION PERSPECTIVE**

Jan Hofmeyr & Lucía Tiscornia