

**Elite Attitudes and the ANC's shift from Nationalization to Privatization: 1990-2000.**

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University of Stellenbosch**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and I have not previously in its entirety or part submitted it at any university for a degree.

**SIGNATURE**

**DATE**

## **Abstract**

The period prior to the 1990's marked the ANC as a liberation movement, perceived by many as being in favour of nationalization and a state controlled economy. The advent of democracy and the ANC's assumption of political power have, however, seen a change in the ANC elites' policy rhetoric, practice and approach to policy formulation. This essay examines the extent to which elite views and attitudes have shifted from nationalization to privatization. It notes that while the ANC government has been pursuing and implementing Gear and its privatization component, its elite seems to be less supportive and to some extent ambivalent on the question. In addition, continued implementation of Gear and its privatization elements, in spite of reservations by the majority of the elites supporting the ANC, reveals a technocratic nature in approach to policy-making on the part of the ANC-led government.

## Opsomming

Voor 1990 was die ANC oor die algemeen beskou as 'n bevrydingsorganisasie, ten gunste van nasionalisering en 'n staatsbeheerde ekonomie. Met die totstandkoming van demokrasie en die ANC se aanname van politieke mag, het daar 'n verandering plaasgevind onder ANC elite ten opsigte van beleidsretoriek, praktyk en hulle benadering betreffende beleidsformulering. Hierdie studie ondersoek tot hoe 'n mate die elite se sieninge en houdings verskuif het vanaf nasionalisering na privatisering. Terwyl die ANC regering GEAR implementeer met sy privatiseringkomponent, is die ANC elite al minder ondersteunend t.o.v die privatiseringskwessie; om die waarheid te sê, hul standpunt hieroor is tot 'n mate dubbelsinnig. Verder toon die implementering van GEAR, en sy privatiseringselement, ten spyte van bedenkinge onder die meerderheid van die elite wat die ANC ondersteun, 'n toenemende tegnokratiese benadering tot beleidsmaking aan die kant van die ANC regering.

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## Chapter One

### Background and the Problem

#### 1.1 Introduction

*In 1996, Raymond Louw (1996:2) asserted with reference to Mandela's views (that "privatization is the fundamental policy of the ANC and it is going to be implemented") on economic policy, "the South African president (Nelson Mandela) has undergone the political equivalent of a religious conversion, comparable in its profundity – though not in its time scale – with that experienced by Saul on the Road of Damascus".*

Louw's assertion serves to summarize and shed some light on the theme of this assignment. The objective here is to explore how the actions, views, utterances, and attitudes of persons such as Mandela, impact on and affect public policy. The focus will be on economic policy shifts on the part of the ANC in particular and government in general. The reader will be drawn into the role played by elites supporting or belonging to the African National Congress in policy transformation within both the government and the African National Congress. Such an exercise will be both descriptive and evaluative in form.

For the purpose of clarity, since the focus is on the role played by elites on policy transformation, it is necessary to provide a definition of elites (An in depth discussion and explanation of the concept will be done in another part of this assignment). Elites are, as defined by Higley (quoted in Kotzé, 1992:viii), "those persons who hold authoritative positions in powerful public and private organizations and influential movements, and are therefore able to affect strategic decisions regularly". This means that elites are not only found in political circles but also in other societal sectors such as amongst others the business sector, the media, non-governmental organizations and the trade union movement.

The focus here is not the elite *per se*, but how the elites supporting the ruling ANC, moved with the ANC's policy shift from nationalization to privatization. The ANC, as a ruling party, is the major influential institution in policy matters in South Africa. Therefore, it is important to focus on its opinion-leaders or elite. The assessment will focus mainly on the period from 1990 to 2000. Because it is the period that can, arguably, be said to have witnessed a noticeable shift from the rhetoric of nationalization to actual implementation of privatization measures. As to how this change on economic stance has come about, will be explored in this assignment.

The period prior to the 1990s and the early part of the 1990s mark a phase in which nationalization seemed to be the central aspect of the ANC's economic policy. No one attests to this more clearly than Mandela<sup>1</sup>. Upon his release in 1990, Mandela declared, "the nationalization of mines, banks, and monopoly industry is the policy of the ANC" (Marais: 1998:146). For Mandela, any shift of position with respect to nationalization was "inconceivable at that time (Marais: 1998:146). However, in the latter part of the 1990s, the "religious conversion" alluded to by Louw began to emerge. In May 1996, Mandela claimed that "Privatisation is the fundamental policy of the ANC and it is going to be implemented" (Louw: 1996:2). Both of the above statements were made by one man but when compared seemed like diametrical opposites. With reference to the above, one can say that the ANC was faced with economic policy dilemmas, first as a liberation movement and later as a governing party.

In tracing the ANC's economic policy, one must analyze the above statement made by Mandela relating to the nationalization of mines banks and the monopoly industry and certain clauses within the Freedom Charter dealing with the same aspects.

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<sup>1</sup> Mandela was then the deputy president, just recently released from twenty-seven years in jail for his opposition to apartheid. And because of that, Mandela was a political icon among the black South Africans.

Here Mandela virtually replicated the relevant clause in the Freedom Charter, which said, in part that: “the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole” (Davies: 1987:85). The Freedom Charter does not actually use the word “nationalization”, but (the above) sentence in the Charter dealing with the “transfer to the ownership of the people as a whole”, has been generally understood to mean nationalization (Malinga: 1990:23).

To substantiate this point further, in a comment on the Freedom Charter written in 1955 Mandela said: “It is true that in demanding the nationalization of the banks, the gold mines and the land the Charter strikes a fatal blow at the financial and gold mining monopolies and farming interests...But such a step is absolutely imperative and necessary because the Charter is inconceivable until the monopolies are first smashed and the national wealth of the country turned over to the people” (*African Business*, Sept/Oct:1990:21).

Prior to its coming to power (through its historical election victory in 1994), the ANC did not have an official economic policy, except for a range of widely interpreted statements on this section of the Freedom Charter. The reason why that was the case, is most probably because in 1955 nationalization was a more respectable form of economic policy than it is today. Secondly, the ANC has for a long time been an organization representing a broad range of interests and opinions. Lastly, the ANC has had little time to formulate an elaborate and coherent economic policy for the post-apartheid dispensation (Fine: 1990:14).

When the ANC began to seriously consider formulating an economic policy, it published its 1988 Constitutional Guidelines, where it states the following provisions for the economy: “The state shall ensure that the entire economy serves the interests and well-being of all sections of the population.

The state shall have the right to determine the general context in which economic life takes place and define and limit the rights and obligations attached to the ownership and use of private productive capacity.

The economy shall be a mixed one, with a public sector, a private sector, a co-operative sector and a small family sector. Co-operative forms of economic enterprise, village industries and small-scale family activities shall be supported by the state.

The state shall promote the acquisition of managerial, technical and scientific skills among all sections of the population, especially blacks. Property for personal use and consumption shall be constitutionally protected”(ANC, Constitutional Guideline: 1988 in Holdt: 1990:45).

Immediately after the ban on the ANC was lifted in February 1990, senior ANC leaders proposed nationalization as part of its economic policy (Scheidman: 1990:2). However, they were cautious. For example, on 25 April 1990, Mandela said that thorough research would be undertaken before the ANC adopts a firm stance on nationalization. Thabo Mbeki (then the ANC’s Director for International Relations), on the other hand, acknowledged that nationalization was a legitimate mechanism for addressing the distribution of wealth, he said “nationalization is only one option that has to be considered in the context of a host of other issues, including tax and fiscal policy, regulation of the markets and international economic relations” (Scheidman: 1990:4).

The process of economic policy formulation was evident when the ANC, in its 1991 congress, decided to set aside a session for economic policy formulation to take place in 1992. The 1991/92 economic policy resolutions appeared to be flexible and pragmatic on issues of the role of the state in economy (see Lodge: 1992:71 and ANC, Draft Resolution on Economic Policy: 1991:3).

The Reconstruction and Development Programme (RDP) (which was formulated mainly by the Congress of South African Trade Unions and adopted by the ANC as its manifesto just before the 27 April 1994 elections) was not different from the earlier (1991/92) ANC economic proposals. The RDP suggested that the public sector would need to “strengthen the ability of the economy to respond to inequalities” and to promote growth.

It might even have to be enlarged, the RDP speculated, “through, for example nationalization,” or it might have to be reduced “through privatization”. Privatisation measures might promote efficiency, affirmative action, and in general empower the historically oppressed (Lodge: 1999:11). It was only with the introduction of Gear, in 1996, did the real signs of policy shift became visible. The key element of Gear policy framework is full or partial privatization.

## **1.2 Why Elites?**

This research assignment focuses on the perceptions of the elites, supporting the ANC, on economic policy-making. In this assignment the author will in particular look at the perceptions of the elites and their rating of economic policy matters within the government. However, before we look at that, it is important to know who the elites are? Elites are “those persons who hold authoritative positions in powerful public and private organizations and influential movements, and are therefore able to affect strategic decisions regularly” (Higley in Kotzé: 1992:vii). In other words elites are persons with power that individually, regularly, and seriously act to affect political outcomes (Higley *et al*: 1976:60).

It is through studying elite perceptions and attitudes that studies like this one hope to shed light onto the South African political process, as elites occupy legitimised positions of authority (Van der Merwe and *et al*: 1974:1). In terms of public policy, Anderson (1984:28-29) argues that public policy could be regarded as reflecting the values and preferences of the governing elite.

The essential argument of elite theory, a theory which is used as point of departure in this study, is that public policy is not determined by the demands and actions of the people or the masses but rather by a ruling elite whose preferences are carried into effect by public officials and agencies. Lasswell and Lerner (1965:20) however, argued that the public also exercises influence on group policy, even though their influence is presumably far less compared to the elites.

Apart from theoretical insights, which studies such as this can provide on the nature of the ANC and elite *per se*, this study is an attempt to demonstrate how the ANC elite drove the policy shift from nationalization to privatization. It can be contended that the ANC elites (leaders) and those who held high positions in the government are the ones who drove the process of shift from nationalization to privatization.

Political and economic analysts such as Natrass (1992 and 1994), Lodge (1999), support the above assertion and they argued that the grassroots members of the ANC and its allies (COSATU, South African Communist Party (SACP) and South African National Civic Organization (SANCO) were in favour of nationalization and totally opposed to privatization, but the powerful elites within the ANC drove the process of change in the opposite direction. The following section will present the research problem and design. Brief overview of the economic policy evolution and transformations within the ANC will be presented in Chapter Two.

### **1.3 Research problem**

The research problem that this project seeks to investigate is the extent to which the ANC elite has moved away from nationalization to privatization policies during the 1990s. This will be investigated by looking at the attitudes of the elites on the state versus the market; Gear and Privatization, all key economic policy issues.

## 1.4 Research Design

The best way to address the research problem that has been identified is to do a descriptive study. Descriptive studies help to describe situations and events. According to Babbie et al (2001:80), the researcher describes what was observed.

Because scientific observation is careful and deliberate, however, scientific descriptions are typically more accurate and precise than casual ones. It is possible to do an in-depth description of an ANC elites attitude on nationalization and privatization issues.

A descriptive study design would enable the study to:

- document an accurate profile of the ANC economic policy background;
- clarify a sequence, set of stages, or steps in the change of the ANC elite attitudes on nationalization – steps that marked the policy shift;
- describe the shift in elite attitude on the privatisation issues

In order to accurately describe the ANC elite shift from nationalization to privatization, this assignment will employ both qualitative and quantitative techniques of data collection and analysis, because both of them can be used in descriptive study designs (see Babbie et al, 2001: 85 and Neuman, 2000:33). According to Neuman (1999:30), the quantitative technique is a technique of collecting data in the form of numbers. The qualitative technique, on the other hand, is a technique of collecting data in the form of words or pictures.

In chapter two, this assignment will employ qualitative techniques of data gathering. Qualitative techniques are very good in describing and documenting the historical events. The primary goal of Chapter Two is to describe the evolution of the ANC economic policy and the role that has been played by its leaders in policy formulation.

There are different types of qualitative methods (for example Field Research and Historical-Comparative Research) (see Neuman, 1999). Qualitative studies, particular in this assignment, will typically use qualitative methods of gaining access to research subjects (for example books, academic journal, and newspaper articles). Secondary sources will be used in chapter two, where an in-depth description of the ANC elite's attitude on nationalization and privatization will be thoroughly investigated and presented.

A quantitative approach has many techniques of data gathering, and arguably the most important one is that of surveys. According to Babbie et al (2001:33/4), a survey researcher asks people questions in a written questionnaire (mailed or handed to people) or during an interview, then records answers. The researcher manipulates no situation or condition while people simply answer questions. In survey research, the researcher asks many people questions in a short time period. The researcher typically summarizes answers to questions in percentages, tables, or graphs. Surveys give the researcher a picture of what many people think or report doing.

A survey often uses samples of selected people, but generalizes results to a larger group from which the smaller group was chosen (see Neuman (1999 and 2000). Quantitative methods will be used in a slightly different form in chapter three. Although, in this case there will be no generalization to a larger group because the chosen elites are fairly representative of the South African elite.

This study will employ a process of secondary data analysis. The Centre for International Comparative Politics at the University of Stellenbosch (CICP) has done elite surveys from 1990 up until 2000 on important policy issues including nationalization and privatization. In chapter three of this assignment, the researcher will use that data, to look at when and to what extent the ANC elite attitude has changed from nationalization to privatization policies. Lastly, chapter four will be the overall conclusion of the entire assignment.

## **Chapter Two**

### **From Nationalization to Privatization**

#### **2.1 Introduction**

This chapter will mainly discuss the perceived shift of the ANC from nationalization to privatization. The first part of the chapter will explain some of the concepts that form an integral part of this study and in the second part of the chapter these concepts will be used to qualitatively analyze the shift in rhetoric from nationalization to privatization among the ANC policy elite.

#### **2.2 The Concepts**

The larger conception of how best to explain or understand the problem that has been identified is to investigate its origin. In this case it is to investigate the theoretical origin of elites, nationalization and privatization, so that one can be able to get a comprehensive understanding of the concepts. This will be useful for the purposes of operationalization and measurements of the concepts in the following chapter. Therefore, this section will consist of three sections in the following format:

- Elites
- Nationalization
- Privatization

### **2.2.1. Elites**

In some of the first explanations of the concept 'elite' both Pareto and Mosca (in Battomer, 1964: 1-9), have defined it narrowly as "... a minority which rules over the rest of the society... the political class or governing elite and more vaguely as those who can directly influence political decision". Later studies such as those of Van Wyk (1987: 65), have extended Pareto and Mosca's narrow parameters considerably. The term 'elites' is now generally applied to mainly occupational, groups, which have a high status in the society. Furthermore, elite groups are composed of a number of groups, which may be engaged in varying degrees of co-operation, competition or conflict with each other.

Roberts (1971: 72-72) elaborates on this by saying the minority within a social collectivity (for example society, state, a religious institutions, political party), which exercise preponderant influence in that collectivity can be called elite?

#### **2.2.1.1. Elite Approaches**

Although, there are differences in approach and focus, the definitions of elite convey essentially the same content, namely, that largely through their own efforts a minority of individuals fill socially valued positions related to the functioning of society which enable them to exert social power (Dreyer: 1989: 8). It is sufficient for this assignment to regard the elite supporting the ANC as the incumbents of functionally important positions in the ANC and in broader South African society. They gained their elite status through achievement in various sectors within and outside the ANC and then became opinion-leaders or elite (these two terms will be used interchangeably in this assignment) to the broader South African society. According to Putnam (1976:15-17), there are three main procedures for the identification of individuals in the elite positional approach, reputational approach and decision-making approach.

### **2.2.1.2. Positional Approach**

According to Dreyer (1989:8) the positional approach has its origin in the work of Mills. This approach suggests that the only way to identify elites is through the formal institutions of government and in society at large. According to this approach only those that hold high position in important societal institutions are regarded as elites.

Because formal institutions usually keep good records, positional analysis is the easiest and most common technique for finding the powerful elites (Putnam: 1976:16). Criticism of this approach mainly concerns the assumption that all social power is found in organizations while informal power is negated.

### **2.2.1.3 Reputational Approach**

According to the reputational approach, elites are not identified on the basis of their status on formal organization, but on informal reputations in the society in which they live in. Some researchers set out to discover who has power by querying informants who are presumed to have observed political machinations from close up. It does allow the analyst to discover powerful persons with indirect influence. However, reputational analysis also has grave weaknesses, for a researcher using this method must decide whom to ask and what to ask. Errors in choosing informants may irreparably bias results (see Putnam, 1976:17; Dreyer, 1989:9).

### **2.2.1.4 Decision-Making Approach**

This method, sometimes also called event analysis, is based on the assumption that if political power is defined in terms of influence over government activities, we can detect it by studying how specific decisions are reached and, in particular, by noting who successfully initiates or vetoes proposals. This technique comes closer than either of the other two to capturing the realities of power as defined.

Critics, however, have discovered several significant flaws. First, as a practical matter, only a few important decisions can be studied in detail, and analyst must infer the broader structure of power from his sample of cases (Dreyer: 1989: 9). Yet, controlling what is placed on the agenda for decision is itself clearly an exercise of political power. If the powerful are able to keep certain controversies off the agenda, their power is harder to detect by the decisional method (Putnam: 1976:17).

Because none of these methods for finding the powerful is without defects, some analysts have merged several different approaches. But in the case of the problem that this assignment is investigating the secondary data analysis is being done on data gathered by the positional approach. The elites or opinion-leaders are identified according to the positions they occupy in the different sectors of society. The focus is in particular on those elites that indicated that they support the ANC. Therefore, in the next chapter, this assignment will present the attitude of the elite supporting the ANC on the economic policy issues.

## **2.3 Nationalization**

### **2.3.1 Brief History of Nationalization**

Coleman (1991:1-2) states that: "Politicians of all shades have advocated nationalization - communists, socialists, social-democrats, liberals, conservatives, fascists. Stalin nationalized, and so did Mussolini, Attlee, Roosevelt, and Edward Heath. Nationalization has meant different things to different people. One man's confiscation, it has been found, is another man's redistribution".

Some scholars like Hanson (1963:23), argued that nationalization is often treated as an end, indeed, more or less identical with socialism, because it has been regarded not as a means to achieve the ideals of socialism but as the only possible means which could not fail to produce the desired ends.

Coleman (1991:8) agrees with Hanson, that nationalization, public ownership and state intervention may be necessary means for socialist ends but, it becomes clear, such means may also be employed for capitalist ends.

### **2.3.2 Definition of Nationalization**

Nationalization refers to a process of take over of industries by the state that were previously under private enterprise; it is done on a compulsory basis. Though the owners of an undertaking may well be reluctant to see it taken over by the state for various reasons, they sometimes receive some compensation, mere expropriation does not always occur, but it happens. In other words nationalization may be defined as government take-over of the ownership and operation of an industry or business previously in the hands of private citizens, with or without the consent of the former owners and with or without fair compensation (Schroenn: 1993:559).

Nationalization of “commanding heights” is the term introduced in 1945 by the British Labour Party. It developed criteria to assess which companies fell within the ambit for possible nationalization. Initially this approach identified key companies in the most important sectors of the economy. Usually, the commanding heights were occupied by one sector of the large companies, which could, by virtue of the strategic position, influence the entire economy and its redistribution patterns (Coleman: 1991:27).

An important purpose of nationalization is to ensure that services, on which general welfare depends, shall be provided with the single objective, under authorities accountable for their proceedings to the public (Pryke: 1971:3). Its success depends, therefore not on mere change of ownership, but on the degree to which private enterprise was unable or unwilling to undertake, and to enlist the active co-operation of employees increasing production (Pryke: 1971:45).

According to Davies (1987: 86), the term “nationalization” has been used to describe such diverse situations as that where a state:

- Takes a minority shareholding in an enterprise (usually termed partial nationalization);
- Takes a majority shareholding, but leaves managerial control in the hands of the private minority shareholder (s);
- Takes over, with or without compensation, 100% ownership of an enterprise but enters into a management contract handing over management to private capital;
- Takes over the management of an enterprise, which continues to have a minority or majority private shareholding.
- Takes over, with or without compensation, both 100% ownership and management of an enterprise.

Peston (1980:68), argued that the heterogeneity of experience suggests that there have been many reasons for nationalization, and that some of them may be peculiar to the countries in question, and to some are motivated by mere fulfillment of explicit political programme, to some a clear commitment to economic restructuring and planning.

### **2.3.3. Rationale behind ANC’s Nationalization Programme**

In South Africa the aims of nationalization appear to coincide with those encountered in semi-industrialized countries. Evidence is drawn largely from the debates in South Africa. Ideological consideration has been important in the analysis of the ANC objectives for nationalization. This point has been discussed in the previous section, but it needs to be revisited. Socialist ideology enters the debate through the ANC’s links with the SACP (Le Roux: 1992: 224).

Although the ANC justified its nationalization proposals on social and economic grounds, the SACP objectives, couched in terms of classical Marxism/Leninism were to end the system of capitalist exploitation in South Africa and establish a democratic socialist society based on the common ownership of and participation in and control by producers of the key means of production (Schroenn: 1993:560). The SACP's understanding of democratic socialism was that the greater part of the economy must be placed under public ownership and control. This ownership and control had to be designed to progressively change the relations of production and distribution with the objective of eventually eliminating all economic exploitation (SACP, 1991b: 14 in Schroenn:1993:560).

Here is the summary of the reasons for nationalization as they are discussed in the literature (see Schroenn, 1992, 1993; Roussos, 1990 and others that are cited in the summary):

**Strategic and market failure:** Small or weak national private sectors have also given rise to the establishment of public enterprises in areas perceived as strategic, such as communication, transport and certain branches of heavy industry, where private sector initiatives would not be forthcoming. The establishment of public enterprises in these cases is a response to failures of the market mechanism; nationalization has been used in efforts to improve efficiency (see Schroenn, 1992 and 1993). In South Africa, similar arguments center on the provision or extension of basic services and infrastructure. Nationalization calls made on these grounds may be seen as a response to the state's privatization initiatives.

The calls for state intervention in 1992 were not for the nationalization of the existing private firms but for the state to halt the privatization of essential goods and services, and have given rise to threats to renationalize any privatized parastatals (see Schroenn, 1992 and 1993). State control of 'strategic' industries is also put forward as an objective in South Africa, although the means of identifying such industries have not been made clear.

It is argued that where the balance of evidence suggests that it would be advantageous to have public corporations operating in these areas, these would be established by voluntary or (more rarely) compulsory state purchase of existing enterprise or the creation of new public enterprise (see ANC Department of Economic Policy: 1990:14). Gold has been suggested as an example of a strategic industry 'too sensitive to be left in private hands', because of its crucial role of foreign exchange earnings (see Roussos: 1990:53).

**Increasing savings and investment:** According to the ANC, nationalization of key sectors would facilitate the planned channeling of investment, to direct growth of the economy into areas 'beneficial to the entire community' (Rouses, 1990: 53). In addition to this argument, Schroenn (1993: 561) argues that it is essential to recognize the immense symbolic value of calls for nationalization here. He continued by stating "the concept of nationalization represents a solution for an array of problems and frustrations for economically disadvantaged people within the ANC's constituency. Nationalization in a black-controlled, democratic South Africa is seen as making some amends for past economic injustices while serving as a guarantee against similar injustices in the future".

**Redistribution of wealth:** To many leaders of the ANC nationalization was viewed as a means to redistribute wealth. This belief has been stated repeatedly by prominent ANC leaders and in particular Nelson Mandela (Schlemmer: 1990:17).

**Employment creation:** To some in the ANC, nationalization was viewed as a tool to create employment opportunities for the hundreds of thousands of people within the black community.

According to Schlemmer (1990:17) "the control over employment policy which nationalization would afford the state, would facilitate the implementation of affirmative action programmes to remedy the gross under-representation of black senior management".

**Reducing the concentration of economic power:** The concentration of the economic power to the white minority has always been a concern of the ANC, since its formation. In South Africa, nationalization has also been seen as a means of reducing the concentration (monopoly) of economic power (Schroenn: 1993:562).

Coleman (1991:19) studied what the main reasons were behind a proposed nationalization policy by the ANC leaders in the early 1990s. The following table is the summary of the findings. The first column indicates the reason for nationalization; while column two is the response and the last column represents the, i.e. the ANC and its allies.

**TABLE 1:** A comparative analysis of the aims of nationalization in South Africa

<b>Aims of nationalization</b>	<b>Include In SA</b>	<b>Source</b>
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<b>IDEOLOGICAL:</b> The new socialism Mixed economic	Yes Yes	SACP, COSATU ANC,
<b>POLITICAL:</b> Industrial democracy Shifting decision making to a group responsible to the public To achieve national self-determination	Yes Yes Yes	SACP, COSATU ANC,
<b>ECONOMICS:</b> Redistribution of wealth (incomes) Redistribution of wealth (services) Correcting the failures of the market	Yes Yes Yes	ANC, COSATU, SACP ANC, COSATU, SACP ANC

Filling investment gap	Yes	ANC, COSATU
Preserving and creating employment	Yes	ANC, COSATU
Increasing productivity	Yes	COSATU
Changing employment practices	Yes	COSATU
To assist economic planning by the state	Yes	ANC, COSATU
Stabilizing and macro-economic objectives	Yes	ANC, COSATU, SACP,
Correcting racial imbalances	Yes	ANC, COSATU, SACP
Control over monopoly power	Yes	ANC, COSATU, SACP
Re-nationalization	Yes	ANC, COSATU, SACP

Source: (Coleman : 1991 :19)

It can be seen that, the ANC and its alliance partners viewed nationalization as means to correct past political, social and economic injustices (see Table 1). However, at an ideological level the SACP and COSATU viewed nationalization as some form of new socialism whilst for the ANC, nationalization had to occur within the framework of a mixed economy.

## 2.4. Privatization

### 2.4.1. The roots of Privatization

In the discourse around Growth, Employment and Redistribution (Gear), various analysts confirmed that Gear with its stress on privatization is a neo-liberal policy measure (see Lehurelere, 1997; and Bond 1999).<sup>2</sup> According to Lehurelere (in Meyer 2000), the key elements of neoliberalism are, "wage restraint, deregulation of labour market, lowering of tariffs, introduction of constraints to weaken the trade union collective bargaining powers, and privatization. Furthermore, an important element of neo-liberalism focuses on the role of the state, wherein the state must not operate at a loss – it must not have a substantial budget deficit. This implies, inter alia, extensive cuts on social expenditure".

In other words, privatisation emanates from the free market economic or capitalism theory (Schlemmer: 1990:18). Private capitalism advocates that individuals take charge of the means of production so that the state can have a lesser role to play in the economy (Tangri: 1999:40). Feigenbaum *et al* (1998:3) argues that privatization leads to the shrinking role of the state in the economy.

Like nationalization, privatization can be linked to an ideological agenda, as it was the case in Great Britain, after the Conservative Party took over in the 1980s.

However, both Capitalist and Socialist political ideologies do privatize. A good example of this point can be found in France, where even the Socialist governments in the latter part of the century were willing to privatise public assets (Feigenbaum *et al*: 1998: 5). In Tangri's (1999:41) words, "privatization is a policy instrument whose time has arrived, not just in South Africa, but also in a global context.

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<sup>2</sup> Neoliberalism is an economic philosophy, with its roots in the free-market ideals of Adam Smith and popularized by John Keynes during the 1930s (Martinez and Gracia: 1999:1).

It is said that in both the East as well as in the Capitalist West, “privatisation is associated with increased release of market forces as an antidote to the over-extension of state economic intervention and expenditure”. With brief history and theoretical underpinnings of privatization outlined, it appears appropriate to delve into its definition and that will be carried out in the part hereunder.

#### **2.4.2 Definition of Privatization**

Leach and Vorhies (in Vorhies: 1990:23) argued that privatisation *per se* involves the sale or transfer of state assets to the private sector. In other words, privatization involves the selling-off of state-owned assets to private sector or the withdrawal of the state from certain areas of economic activity to allow the private sector to take them over. A typical example might be the selling of shares in a state-owned company, or the company as a whole, or the ending of state provision of services such as education, health, cleaning and catering (Fine: 1998:1).

The capital that will be acquired as the result of privatisation will be used in reducing the cost of the government debt, encourage direct foreign investment, broadening ownership within the economy, encourage black empowerment, and improving productivity and efficiency of vital services such as communication and transportation (Ginsberg: 1998:220). The definition of privatisation leads us to the rationale behind it, and it is discussed in the following paragraph.

#### **2.4.3. Reasons for Privatization**

According to Leach and Vorhies (in Vorhies: 1990:23), the main reason that governments around the world are privatising is to raise revenue. An example of this has been the privatization of Iscor in South Africa in the late 1980s. This gave a large boost to the economy.

A state can profit from privatization in at least three ways: (reference?)

- It can collect proceeds from the sale of state-owned firm
- By turning a losing government firm into a profiting private firm, it can eliminate subsidies; and
- It can tax the privatized firm and any new entrants into deregulated industry. Privatization, by bringing about a more-efficient use of resources, promotes economic growth and development.

At ideological level, the supposedly beneficial forces of the market and individual incentives are set against the presumed corrupt and inefficient bureaucracy of the state (Fine: 1994:23).

Privatization depoliticises managerial decision-making. In state monopolies, management gets its authority from the state – so it must do what the state wants, not what its customers want. In conclusion, the motivation for privatisation is that it leads to the reduction of costs, improved delivery, a stimulus to private sector, and better managerial practices associated with private corporations (Vorhies: 1990: 22).

## **2.5. From Nationalization to Privatization: A chronology of the ANC Shift in Economic Policy in the 1990s.**

In tracing shifts in the ANC economic policy (from nationalization to privatization) since 1990, this assignment outlines theoretical underpinnings and indicates political dimensions of policy formulation where appropriate.

Of course, this is not only a matter of reporting; it is not enough to merely point out shifts. It is imperative to analyze the changes in ANC policy and to establish their substantive content. Instead of presenting a simple chronological exposition (1990-2000), changes in the ANC nationalization policy will be considered in terms of five broad themes namely:

- The Freedom Charter: ANC position prior 1990;
- The process of policy shift (1990 to 1994);
- Privatization policy of the ANC (1994-1996);
- The extent of privatization policy;
- The reaction to privatization policy in the post-apartheid era.

The intention of such analysis is not simply to demonstrate the extent and the nature of policy reformulation. Analyzing the nature of the changes also establishes a specific question regarding the shifts (for example: What role did the elite supporting the ANC play in the party's change of heart on economic policy?). Before one begins to analyze the ANC policy shifts, it is important to stress two related points.

- Firstly, the changes in ANC policy were not linear and uni-directional. Although there was a clear trend in the direction of policy changes (which this chapter aims to expose), it did not develop in a simple, unproblematic and consistent manner. It was not uncommon, especially in the press, for individuals in the ANC to adopt significantly different positions on the question of nationalization or, for that matter, a single individual to adopt different, conflicting positions over a period of time –

sometimes softening their positions, but at other times backtracking to a harder position.

- Secondly, the shift in policy did not happen overnight. Its development was a complex process, impacted on by variety of factors (Ceruti: 1996:12).

### **2.5.1 Freedom Charter: ANC position pre-1990**

Although the focus of this chapter is the period from 1990 to 2000, it is useful to briefly consider the clause of the Freedom Charter (adopted by the Congress of the People on 26 June 1955), which many accept as the ANC's earliest statement on nationalization. The word nationalization is not actually used in the Charter document, but the sentence, "The mineral wealth beneath the soil, the banks and the monopoly industry shall be transferred to the ownership of the people as a whole..." is generally being interpreted by Charterists as referring to it (see Davies: 1987:85). For example, McMenamin (1992:246) argued that the economic clause of the Freedom Charter has been interpreted as meaning that the liberation movement advocates a mixed economy in which there is an active role for the state to confront the legacy of apartheid.

According to Liebenberg (1994:15) The Freedom Charter clause on the economy "unleashed an ideological and semantic controversy". In an attempt to deal with this ideological controversy, Pallo Jordan (then ANC information officer), argued that "there are two trends with regard to nationalization: one is the socialist/communist trend, which sees nationalization as policy. The other is the ANC's – nationalization is a form of redistribution...so the first is ideological, the second is concerned with how we redistribute...therefore the nationalist trend would look to other means since nationalization is merely a means to an end" (Interview, 1993 see Ceruti, 1996).

Nevertheless, for the purpose of this assignment, what is important about the clause is that for the ANC elites it is certainly a call for nationalization of central industries or the commanding heights of the economy.

While nationalization, either as a policy or a means, employed to obtain redistributive objectives, implies to a greater extent state involvement in the economy, privatization implies mainly the erosion of such a role in the economy. Given the centrality of ANC elites views on policy options such as nationalization and privatization on this assignment, nationalization as redistributive means or policy options becomes a focal point of analysis.

However, according to Boraine (quoted in Liebenberg: 1990:13) the Freedom Charter is not a "socialist document, it suggests a democratic demand for an abolishment to exclusive control of the country's economy by monopoly capital, both national and international". During the greater part of the liberation struggle, enquirers of the economic policy were referred to the Freedom Charter. According to Maslam (in Liebenberg: 1994:15), the Charter was an attempt at ideological reconciliation. It tried to link liberal, non-racial capitalism with socialist orientation. This vagueness left the charter open to wide interpretation, but it did have the advantage that, as a conciliatory document, it could mobilize support over a broad spectrum (Adam and Moodely: 1986:95-96). McKinley (1997:xi) argues that the ideological orientation of the ANC has followed a pattern of what can be called incorporation. This represents strategic ideological choices on the part of the ANC rather than undulating and self-propelled tactical terrain (McKinley: 1997:1).

The Charter did not identify the extent of monopolization of the economy nor did it discuss the implications of transferring to public ownership. According to Davies (1987:85) "transferring the ownership of the monopolies to the people is sometimes regarded as equivalent to a call for nationalization. However, nationalization is in itself only a change in the legal property. More precisely it is a transfer of legal property rights to a state.

As such, a variety of forms, occur under different forms of state, and in the context of several possible patterns of social relations of production".

Though the ANC could be characterized as a progressive movement, nationalization has been interpreted differently by its elites. To some, nationalization was the means to an end, to others it was the end itself (see Jordaan, in Ceruit 1996).

## **2. 5.2 The shift from nationalization to privatization (1990-1994)**

The uncompromising ANC stance on nationalization in the early 1990s opened up great economic policy debate not only within the ANC circles but also to a broader South African society. In the period from 1990 to 1994, the ANC economic policy shifted away from nationalization. In 1990, the ANC leadership proposed a compromising stance on the issue of nationalisation. For example Sisulu proposed the dismemberment of key corporations and the diffusion of power in industries. In June, Joe Slovo argued that it was "time to abandon the old clench of nationalization" (although in August the same year, he said that nationalization of some industry and financial concerns was certain); in October 1990, Mbeki said: "nationalization is not essential; it was never part of the ANC policy", adding that the ANC had "dumped" nationalization as an essential part of economic restructuring (Ceruti: 1996:19).

At the end of 1990, the first changes in nationalization policy appeared in the ANC documents. The Economic Policy Discussion Document maintained that the ANC would only nationalize "whatever is strategic", suggesting welfare services, housing and health as likely sectors. But it did not mention banks and monopolies that were previously mentioned by ANC elites.

The draft economic manifesto (DEM; published as the Draft Resolution on ANC Economic Policy, May 1991) continued to argue for “an efficient public sector”, specifying that such a public sector was necessary to “orientate production to meet basic needs” (see Mayibuye, 1991).

The Discussion Document of the Department of Economic Policy sparked off intense debate in the ANC. Three main contesting parties as identified by Natrass (1994:350) were the moderate national leadership supported by most economists in the ANC; more grassroots oriented activists; and trade unionists. Natrass (1994:350) stated that the moderate national leaders were acutely aware of the need to compromise on economic policy and to start bringing about the conditions necessary to restore growth by mollifying potential investors. International pressure on these leaders to drop any apparent lingering attachments to nationalization or to socialism accentuated this. Over the course of 1991, the ANC national leadership started projecting more moderate, business-friendly policies (Natrass: 1994:350-1).

Grassroots activists, who for years had mobilized support for the SACP, the United Democratic Front and ANC on the basis of the Freedom Charter, were unhappy with this process. These militant populists felt uneasy about the demise of radical rhetoric and deeply skeptical about the conventional technical economic explanations. Disturbed by the ANC’s top-down approach to negotiations and policy formulation, they demanded greater democratic accountability (see Lodge: 1999 and Natrass: 1994).

The perceived shift triggered angry reaction within the ANC’s constituencies and COSATU. At the May 1992 ANC Conference they pushed privatization off the agenda. The Policy Guidelines (“Ready to Govern”; May 1992), which were adopted at the ANC’s national conference, manifested similar tensions.

On one hand, there was an apparent recommitment to (limited) nationalization: "the document stated that the democratic state would have primary responsibility for the provision of welfare and infrastructure, and went on to say that this state: will therefore consider: increasing the public sector in strategic areas through, for example, nationalization, purchasing a shareholding in companies, establishing new public corporations, or joint ventures with the private sector..."(Lodge: 1992:10).

According to Nattrass (1994:353), the gist of the post-1990 retreats were endorsed, thanks partly to the presence of Mandela, Sisulu and Ramaphosa<sup>3</sup> in the economic policy debate at the conference. However, McMenamin (1992:252) asserted that ANC economic thinking came to reflect a "shift away from policies which may be morally and politically correct, but which will cause strong adverse reaction from powerful local and international interests".

Nationalization was severely criticized by the media. According to (Marais: 1998:149) criticisms varied from 'socialist' perspectives to a more sophisticated set of objections to macro-economic capitalist debates. It is difficult to pinpoint factors that led to the ANC elites shift from nationalization to privatization. But, as Bond (2000:17) has suggested, "the plethora of corporate scenario planning exercise unleashed after 1990 had a telling impact".

The first corporate scenario planning was Nedcor/Old Mutual's Platform for Successful Transition, launched in late 1990 and completed in 1993. This was followed by Sanlam's Platform for Investment Scenarios. Meanwhile, other documents, like the South African Chamber of Business's (SACOB) Economic Options for South Africa documents were also presented to the ANC leadership in the mid 1990s (Marais: 1998:150).

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<sup>3</sup> Mandela, Sisulu and Ramaphosa were all members of the ANC National Executive Committee and National Working Committee and they were also President, Deputy President and Secretary General of the ANC respectively.

In Bond's (2000:15) view, "the scenario exercises reflected the desire of the masters and carefully handpicked participants to come up with a deal rather than with good analysis. Understanding that the process was a set of elementary truisms notably the need for macroeconomic stringency, restraint in efforts at social restructuring, an outward oriented economy and a facilitating (as opposed to regulating) state".

According to Marais (1998:50), when analyzing the corporate scenario planning it is equally important to analyze the form of the exercises and the activities that accompanied the process of scenario exercises that the ANC elites were engaged in with the business leaders. The workshops were in the form of "books, videos, multi-media presentations, and newspaper supplements". Their impact was guaranteed by "seminars, conferences, workshops, briefings, international fact-finding trips and high-profile visits by carefully chosen foreign experts – financed by business and foreign development agencies". The ANC was severely attacked by the media when any of their leaders were heard mentioning anything close to nationalization policies.

To take this point further, the ANC was perceived, by many, as having a "left wing pedigree" run by activists rather used to planning how to bring down power cables than holding down inflation (Scheidman: 1990:10). More specifically, the business world's fears were that like so many African governments it would attempt to run the economy by promoting the public sector jobs whilst destroying private sector ones with protection and labour regulation. Therefore, the merest hint to nationalization during the ANC's election campaign sent business into a frenzy (Ajulu, 1993). For example, De Beers announced that it was relocating a substantial portion of its diamond operations to Switzerland immediately after Mandela announced that he was still in favour of nationalization of the mines.

This caused a radical rethink by the ANC, As Herbst (1994:159), puts it, the ANC leaders then "beat a hastily retreat" and the Congress began a difficult rethinking of policy, which resulted in the subsequent rejection of nationalization as a viable option.

This was confirmed by Mandela's speech to the United Nations in 1994, which clearly expressed pro-business views, he confirmed to the Confederation of British Industry that the ANC was committed to a generally free-market economy. In an address to South African Business community the following month, he declared that in order to avoid losing overseas investment the ANC would be abandoning its ideological commitment to "nationalization" of the mines and banks (Murray: 1994:10).

As a consequence, the twin objectives of restoring business confidence and attracting foreign investment seemed now to dominate. Most significantly, the ANC seemed to accept that the sums in the RDP would not add up; well at least not without substantial injection of money from the outside institutions like the International Monetary Fund and the World Bank. All the above factors led to the adoption of privatization as the policy of the ANC.

### **2.5.2 Privatization Policy of the ANC (1994-1996)**

Michie and Padayachee (1997:21) argued that the ANC, which had long objected to privatization appeared to be convinced that privatization might deliver major benefits including the use of proceeds generated from the process to fund the RDP. This happened despite of continuing objections from its alliance partners. According to Brynard (1995:35) the ANC government needed to improve the quality of life of South Africans, particularly the disadvantaged and it viewed privatization as an instrument for funding the RDP. For privatization purposes the emphasis falls on the reprioritization of the expenditure for the RDP and the fundamental restructuring of the public service.

Reprioritization includes a redeployment of personnel and resources that will increase the overall efficiency of the public sector. Government departments were asked to cut their budget by four per cent to fund an initial allocation of R2, 5 billion to the RDP in 1994.

The South African government was considering full and partial privatization of state assets. Funds obtained from the selling of state assets would be used to reduce debt and to support the RDP. The government would invest the income from privatization in such a way that the physical results of these investments would be seen for example in schools and medical clinics. This would provide the government with a legitimate base for implementing its RDP (Meyer: 1997:71).

The former Minister for Public Enterprises, Ms SN Sigcau, mentioned six enterprises in Parliament (on the 14 June 1997) that could be privatized, namely Eskom, Transnet, Alexcor (Government diamond mine), Aventura (a chain of holiday resorts), Safcol (South African Forestry Company Limited), and Denel (Commercial branch of the Armament Corporation of South Africa). She also said that the government was careful with the privatization of state assets to ensure that the population will benefit from these sales. She said that the government is interested in methods where power could be transferred to the survivors of apartheid through the process of privatization (Coetzee, 1997:43). Power distribution among workers and the generation of funds are two of the most important requirements for privatization (Coetzee, 1997:43).

On 31 October 1994, Mbeki outlined the South African government's policy on privatization in Parliament. He said that part of the process should involve looking at what assets the government has, and whether they are contributing to the process of achieving the RDP goals. The assets vary greatly from tea plantations to nuclear power stations. First, the government would like to have a comprehensive audit of the value of parastatals (Meyer, 1997:72).

This implies that the government needs to find out exactly what assets it has and whether those assets are candidates for successful privatization. If those assets are privatized, funds will be used for the RDP (Meyer: 1997:71).

From the above discussion, it is evident that the privatization process was a top-down approach, meaning it was driven by the elites. According to Shabalala<sup>4</sup> (1998: 17), “the programme for privatizing State Owned Enterprise was not derived from the transformation of the totality represented by the South African economy; let alone the political economy.

No legislated instrument has been prepared and promulgated both as a means of encouraging debate and of allowing public (voters) representatives in Parliament to participate in the conceptualization and concretization of the programme. The programme has been driven largely by sector ministers as well as a sub-committee of the Cabinet, known as the Inter-Ministerial Cabinet Committee”. The reason for that probably was the fear that the public, of which the majority is the black working class, may successfully reject privatization.

### **2.5.3 The extent of privatization**

After the government had endorsed privatization in the macro-economic strategy (i.e. Gear in 1996), it had to be implemented. Although the new government had committed itself to privatization, not much in this direction actually occurred, except for the partial sales of 30% in the state telecommunications parastatal, Telkom (still a monopoly), to Malaysian Company and the South-western Bell Communications (USA) on the 14 March 1997. The government also promised to consider the possibility of offering shares in Telkom to the general public and that it could be listed on the Johannesburg Stock Exchange within five years.

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<sup>4</sup> Professor Sipho Shabalala is a Special Advisor in the KwaZulu-Natal Premier’s office. He was formerly Deputy Director-General in the Department of Public Enterprise.

Government will soon offer 10% of its shares in Telkom to black investors through the envisaged National Empowerment Fund (providing easier access to credit for taking up the shares). This leaves 60% of the shares that could potentially be offered to the public (Du Pisanie: 1997:17).

Secondly the partial sale of South African Airways to Swiss Air took place in the following year. The sale of SABC radio stations and the partial privatization of Telkom gave the process a solid start, but since then only four privatization deals have gone through, three of which are relatively minor: Aeroporti Ci Roma has bought a stake in the Airports Company, and Sun Air, Aventura (since delayed) Denel's Sybase have been sold to local buyers and a stake in the South African Airways to Swiss Air OCDE: (1999:90). Table 2: provides the summary of the extent of privatization from 1996 to 1998.

Table 2: Selection of Privatization deals from 1996 to 1998

<b>YEAR</b>	<b>COMPANY</b>	<b>BUYER</b>	<b>PRICE</b>
1996	6 radio stations	Various media consortia	R520 million
1996	Transkei Airways	Liquidated	N/A
1997	30% Telkom	SBC Communications, Malaysian Telkom	R5, 6 billion
1997	Sun Air	Rethabile-Comair	R97 million (incl. debt)
1998	20% Airport Co SA	Aeroporti di Roma	R819 million
1998	Aventura	COSATU led consortium	R93 million (incl. debt)
1998	49% Sybase S.A.	Elexir	R38 million

Source: *Sunday Times Business Times*, July 1998, (Shabalala, 1998: 17)

## 2. 5.5 Reaction to the privatization initiatives

Government's privatizations sparked-off outrage and emphatic denunciation from groupings with leftist leanings and sparked simmering tensions within the ANC-SACP-COSATU alliance. SACP and COSATU tended to adopt a similar stance in their reaction to privatization. COSATU's reaction to privatization has assumed two different but complimentary positions.

Firstly, COSATU rejected privatization from the position of the labour movement concerned with the impact that privatization might have on its general membership in terms of retrenchment and downsizing associated with restructuring. Secondly, COSATU rejected privatization as a civil society organization and thus taking the government to task on the policies the latter formulates.

However, analysts such as Meyer associated labour's opposition to privatization with the legacy bequeathed by the anti-Apartheid struggle- that of politicized and militant Labour union, and as such "oppose restructuring from various assumptions and ideological perspectives" (Meyer, 2000:15). Labour unions challenged every aspect of Apartheid legislation whether such aspects related to labour or to the general public by employing means such as strike action. But, what Meyer fails to note is that workers, whose interest the labour federation represent, are part of civil society and thus affected by government policy. And for that reason, like every citizen, have a right to voice their reservations in respect of certain policies pursued by the government.

Political groupings at the centre and to the right of the South African political continuum, such as Democratic Party (DP), Inkatha Freedom Party (IFP), and the National Party (NP), were pro-privatization (*Financial Mail*, 18 August 1995). Organized business appeared to be in general agreement with the GNU's privatization drive (SA Foundation, 1996) and therefore, not surprisingly, disagreed vehemently with union privatization interests.

In a press statement the South African Chamber of Business (SACOB) reiterated its pro-privatization stance, prompting government to: "... get on with privatization" (*Business Day*, 16 September 1996).

The Afrikaanse Handelsinstituut (AHI) also supported the government's privatization drive. The AHI asserted that: "... privatization must form part of an integrated and coherent strategy to put the South African economy on the road to robust and coherent growth as soon as possible" (*The Star-Business Report*, 26 March 1996).

## **2. 6. Conclusion**

The discussion above depicts an eventful retreat from strong socialist principles embedded in the Freedom Charter to a compromise mixed economy and growth through redistribution and later Gear and privatization. It appears strange that privatization policy, which was subject to extreme opposition by the ANC leaders and its present social and political partners COSATU and SACP, during apartheid years is now actively pursued by the ANC, even in the light of present opposition from its social partners.

## **Chapter Three**

### **Data Analysis and Discussion**

#### **3.1 Introduction**

In the previous chapter, this assignment discussed the economic policy evolution of the ANC. It has concluded that the ANC has moved away from its nationalization rhetoric of the early 1990s to concrete privatization policies (in Gear) of the late 1990s. Even though it is clear that the ANC's economic policy has shifted, the transition process itself was not simple and consistent. The ANC's alliance partners have, since the inception of Gear opposed the economic shift, and specifically privatisation, the cornerstone of the new economic course that was taken by government. As has been stated in the preceding chapter, the author takes the centrality of elites in the policy-making process as his point of departure. It therefore follows that a study of the positional attitude of elite supporters of the ANC is crucial for a more complete understanding of the apparent turn of the ANC with regard to economic policy.

It is the aim of this chapter to report on the attitudinal position on selected economic policy issues of those members of the South African elite supporting the ANC. This chapter will describe the attitudinal shift amongst ANC elite supporters on the economic policy issues, such as nationalization and privatisation. This will be done by presenting and analysing secondary empirical data collected from 1991 up until 2000 by the Centre for International Comparative Politics at the University of Stellenbosch.

Cameron (1993:134) contends that, "public policy is the preferences and values of a governing elite. The elite shape the mass opinion on policy questions more than masses shape the opinion of the elite; policy therefore does not arise from mass demands".

This is why Van Wyk (1987: 65), justifiably states that decision-makers operate (or should operate) on the assumption that “elite support expressed or tacit is a prerequisite for successful policy”.

If the above is transposed to the South African context, it can be argued that ANC elite attitudes, beliefs and values may help us to describe the shifts in economic policy from 1990 up until 2000, and may also assist in predicting the policy actions that the incumbents are most likely to adopt in the future. This means that their beliefs and attitudes on nationalization and privatization might shed some light on whether the current economic regime is a product of elite consensus over the past decade, and whether the ANC political elite will adopt either of the mentioned economic policies or a fusion of the two.

This chapter will consist of two sections. The first section will focus on the research strategy that was used to gather the elite data, while the second section will look at the results of our data analysis.

## **3.2. Research strategy**

### **3.2.1. Criteria of selecting the elites and sectors**

From 1991 to 2000 the Centre for International Comparative Politics (CICP) have employed a positional sampling method, by means of which leaders in various socio-economic and political institutions were selected as respondents. These institutions must be deemed to be influential in the matters of public policy-making. Kotzé (1991:7) states that the primary criteria of the elite surveys are based on the following assumptions:

- “The sector must be regarded as an important sector by experts in terms of power and influence it has in national affairs (for example bureaucracy, the business sector); and

- The sector is regarded as important if it fulfils some or other formal representative function (for example, the political movements within and outside of parliamentary politics, churches, trade unions, business organizations, media organizations)".

### **3.2.2 Sample size**

The data that we have analysed for the purposes of this paper comes from the six elite surveys that were conducted in 1991, 1992, 1993, 1995, 1998 and 2000 by the CICP.

The 1991 sample drawn from 1181 respondents, of which 51 (4.3%) identified themselves as ANC supporters. In 1992, the number of the respondents decreased to 1113, while the number of the ANC supporters increased to 75 (6.7%). In the third survey, which was conducted in 1993, the respondents decreased considerably to only 471, while the elites who regarded themselves as ANC supporters increased to 54 (11.5%). In 1995 the sample increased to 635, and about 134 (21%) identified themselves as ANC supporters. In 1998, the sample size decreased again to 476, with 186 (39%) ANC supporters. In 2000, the elite size decreased to 387, of which about 207 (56%) were ANC supporters. (The differences in the number of respondents are mainly due to the initial size of the sample and the response rate, which varied between 36% and 48%, as these were all postal surveys).

For obvious reasons, the ANC was not well represented in the survey samples of the early 1990s. Before 1994 the ANC was not represented in the most influential institutions in South Africa, due to its opposition to the apartheid policies of the National Party government. However, from mid to late 1990s ANC elite supporters were better represented.

This is the direct result of the black representation in the government and in the private sector since 1994. The ANC supporters were now in prominent positions that were regarded as powerful and influential in the country.

### **3.2.3 Data Analysis Procedure**

In this section, the author will discuss the findings of this investigation. Therefore, this section will consist of the following sub-sections:

- Attitudinal position of the ANC elites on what should be the role of the state in the South African economy.
- Analysis of the available data

#### **3.2.3.1 Attitudinal position of the ANC elites on what should be the role of the state in the economy.**

The first issue that will be addressed is the position of elite supporters of the ANC on the role that the state should play in the economy. In as far as the economic policy was concerned, the debate centered on the preferences for socialism (state controlled economic system) or capitalism (free market economic system). Respondents were asked to indicate their attitude to this variable on a 1 (strong state intervention in the economy) to 100 (completely free market economy) point scale. The question put to respondents was as follows: "There are different views on the role of the state regarding the economy. An important aspect is the extent to which the state in a new constitutional dispensation should be allowed to control the economy. Views on this vary from those, which indicate total control of the economy to complete free market. Please indicate your opinion by marking the scale accordingly". This variable is coded in units of 10. We have recorded it into five categories, of which 1 represents "a strong state controlled economy", 2 represents "a moderately state controlled economy", 3 represents a "mixed economy", 4 "a moderately free market economy", and 5 a "completely free market economy".

An analysis of the data at hand appears to point to consistently strong support for a mixed economic system over the past ten years (See Table 3).

Another significant observation is that the number of the ANC elite supporters who support a state-controlled economy is below 20% in all the surveys. Albeit slow, support for a free market economy, on the other hand, has consistently been increasing over the measured period.

Table: 3 Support on an economic spectrum of elites supporting the ANC, 1991 to 2000.

<b>Years</b>	<b>Strong state economy</b>	<b>Moderate state controlled economy</b>	<b>Mixed economy</b>	<b>Moderate free market economy</b>	<b>Complete free market economy</b>
1991		20%	61%	10%	8%
1992		16%	57%	13%	10%
1993		20%	41%	24%	13%
1995		16.5%	57%	16%	11%
1998		14 %	47%	14%	12%
2000	3%	17%	53%	23%	4%

From 1995 onwards Cosatu members were included in the survey which may have shifted the pattern more towards the "state control" of the spectrum. This support for "a mixed economy" came as a surprise to many people who thought that the ANC would opt to use political power to facilitate the distribution of resources in favour of Blacks, its larger

constituency of voters. This expectation was created by ANC leaders in the early 1990s, which publicly advocated state control, nationalization of industries, and the redistribution of wealth on various levels (Kotzé, 1992:71). However, the results are showing a different picture of the attitudes and beliefs of the ANC elites on economic policy issues.

This is consistent with Kotzé's (1993:70) observations and description of the ANC elite shift from their strong state advocacy for state-controlled economy. He argued that the consistent low number of those who support a state-controlled economy within the ANC elite, signify a shift. So, the shift that Kotzé noted is from the left to the centre, because the majority of the ANC elites preferred a mixed economy to other options.

This shift from the left to the centre can most probably be attributed to the impact of meetings and workshops that were conducted by the private sector organizations, and by the International financial institutions whereby ANC elites were invited to participate. Kotzé (1992:69) also acknowledges this point, when he argued that economic policy issues were mostly often discussed in a "political inclusive way at conferences, scenario discussions, workshops and indabas". For example, the corporate scenario planning by Nedcor/Old Mutual's Platform for Successful Transition, Sanlam's Platform for Investment Scenario, and the South African Chamber of Business's Economic Options for South Africa (Marais, 1998:150). These various economic forums that have already been created on national (for example National Economic Forum) and regional level served as a useful function in this regard. Therefore, these activities made it possible for many elites in the ranks of the ANC to change their views on economic policy issues.

### **3.2.3.2 Attitudinal position of the ANC on Gear (macro-economic strategy)**

This section attempts to assess the level of support, which the ANC elites offer to its macro-economic policy framework, Growth Employment and Redistribution strategy. As it has been mentioned earlier on, Gear was adopted in June 1996, and was declared non-negotiable by the Minister of Finance Mr. Trevor Manuel (OCDE: 1999:103).

Its core component is the sale of non-strategic assets and the creation of private public partnerships (PPP's). Gear as a macro-economic policy framework has its own target projections that have been set, and they are the following:

- GDP growth of 6% by the year 2000;
- Accelerated employment growth, reaching 409, 000 jobs annually after the year 2000 and reversing the arch of unemployment;
- An inflation rate below the 10% barrier throughout the period;
- Average annual real non-gold export growth of 8.4% during the five year period;
- A rise in gross domestic savings, from 18% to 22% of GDP;
- Increase gross domestic investment, from 20% to 22% of GDP in the year 2000 with an average annual real private investment growth of 11.7%;
- Inflows of foreign investment equivalent to almost 4% of GDP (Adelzadeh: 1999: 3).

It becomes important for studies like these to find out whether the elite supporting the ruling party (ANC) gave its consent to this, essentially neo-liberal, macro-economic policy. Because Gear was introduced in 1996, support for it, has only been measured in the 1998 and 2000 surveys. The following questions pertaining to Gear were included in both surveys:

- The lowering of tariffs on imported goods should be done more rapidly
- Increases in wages and salaries must be limited
- The labour market must be more flexible
- The budget deficit must be reduced
- The government sector employment should be limited
- Exchange controls should be done away with.

The above questions were, furthermore, employed to create a "Gear Index" which can be used as a composite measure to fathom the extent to which ANC elite supporters acceded to the organization's liberal economic paradigm of the late 1990's.

For the original questions five response categories (Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree) were offered to respondents. In the following paragraphs we report the first and last two categories respectively as combined entities.

Both the 1998 and 2000 indices recorded high reliability scores. The respective Cronbach's Alpha scores – a reliability measure for index construction - were .7448 (1998) and .7468 (2000). An Alpha of .7 is in most instances an “acceptable” reliability score (George and Mallory, 2000:279).

For the 1998 index the results as reflected in Table 4 below were obtained. The Gear policy points of departure received an overwhelming support from the ANC elites, for instance about 75 percent of the ANC elite supported the Gear policy framework. In contrast to Cosatu's only 8.2 percent that supported Gear strategy. Only 5.1 percent of the ANC were uncertain, compared to 20.4 percent of Cosatu's elites. While 72 percent of Cosatu elites were opposed to Gear compared to only 8.7 percent of the ANC elites.

If one looks at the 2000 results in the Table 3, one would notice that there is a huge drop of support for Gear in the ANC elites from 75.3 in 1998 to 47.9 percent. Another interesting development that needs to be mentioned is an increase of the indecisive ANC elites from 5.1 in 1998 to 42.1 percent in 2000. In contrast with the 1998 results, the 2000 results point to a decrease in support for Gear amongst ANC elites. Only a slight increase in the number of the ANC elites that are opposed to Gear is noticeable, from 8.7 percent in 1998 to almost 10 percent in 2000.

However, when comparing the ANC and Cosatu elites, one will still find that the ANC is pro-Gear and Cosatu is anti-Gear. Even Cosatu is not consistent in its opposition to Gear. For example, 72 percent of Cosatu elites that were opposed to Gear decreased to 58.5 percent in 2000 (It should be mentioned, however, that the N's are relatively small, N=49 in 1998 and N=42 in 2000). In this research assignment N is the total number of the elites from various groups within the ANC that participated in the survey.

Those that were uncertain decreased from 16 percent in 1998 to 12 percent in 2000 survey. Like the ANC, Cosatu's indecisive elites increased from 20.4 percent in 1998 to 34.1 percent in 2000. Lastly there is a slight noticeable decrease in the number of Cosatu's elites who supported Gear in 2000, from 8.2 percent in 1998 to 7.3 in 2000.

Table 4: A comparison of Support for Gear between the ANC and Cosatu

<b>Support</b>	<b>ANC elites - 1998</b>	<b>ANC elites - 2000</b>	<b>COSATU elites - 1998</b>	<b>COSATU elites - 2000</b>
Strongly Support	7.2%	2.9%	0.0%	2.4%
Support	68.1%	45.0%	8.2%	4.9%
Neither	5.1%	42.1%	20.4%	34.1%
Do not Support	6.5%	9.9%	55.1%	43.9%
Strongly do not Support	2.2%	0.0%	16.3%	14.6%
N (numbers) =	131	183	49	42

A possible explanation on why there is a relatively large decrease in Gear support in 2000 survey may be that, Gear was still in its inception phase in 1998, and many amongst the elite were merely hoping for positive results.

As it has become evident, Gear has not lived up to its initial projections of economic growth. This may have contributed to the disillusionment among ANC elites supporters with regard to Gear.

Adelzadeh (1999:2) provides evidence that shows that the Gear framework has failed to yield the expected outcomes in key issues of the economy. He forwards the following points as illustration of Gear's apparent failure:

- "Instead of economic growth, there has been a slow down in economic growth since 1996 from 3.2% to 1.7% in 1997 and down to 0.1% in 1998. Negative growth occurred during the first two quarters of 1998 (-2.5% and -0.3%), placing the economy officially in recession;
- Instead of increased employment, there were massive job losses. The expected employment in the formal non-agricultural sectors of the economy never materialised. For example, the employment growth plunged deeper from -0.7% in 1996 to -1.7% in 1997;
- Instead of increased private sector investment, there had been a steep drop. Private sector investment has fallen sharply since 1996. For example the 6.1% growth rate in private investment that was recorded in 1996 dropped to 3.1% in 1997 and plunged to negative growth of -0.7% in 1998. Overall, the sector's share of total fixed investment has fallen from 73% to 68% since 1996;
- Instead of lower government expenditure on debt, there has been an increase in debt since 1994 and 1995 respectively from 48.2% and 54.9%. Government debt as a percentage of GDP in 1996 was 56.2%, in 1997 the figure stood at 55.8%, and in 1998 dropped to 55.4%;
- Instead of stable current account deficit, it became worsened. The current account deficit worsened from -1.3% in 1996 to -2.1% in 1998. In this period, the current account deficit has deteriorated by 83%, soaring from -R7, 292m to -R13, 466m" (Adelzadeh, 1999:2).
- The National Treasury projected GDP growth at only 2.4% in 2000 (South African Surveys, 2000/2001).

### **3.2.3.3 Attitudinal position of the elite supporting the ANC on Privatization Policy**

Privatization has probably been the most controversial aspect of Gear opposed by most trade unions, especially those that are in alliance with the ANC. Since it is also the focus of this assignment, it is worth asking whether the ANC elite supporters really have shifted away from nationalization to privatization. Does the fact that the ANC-led government has slowly continued to implement privatization of state assets signify the shift? Or did the fact that the ANC has not fully embraced privatization signify otherwise?

Both questions are useful too for analysing the ANC economic shift, and to a greater extent signify the shift. However, one cannot underestimate the importance of their attitudes and beliefs on this controversial policy of privatization. As it has been mentioned in the previous chapters, elite attitudes and beliefs may shed some light on the future policy dynamics of the country. One factor that makes this assignment interesting is the fact that in almost all instances privatization ventures were strongly opposed by the ANC's alliance partners. In this section, the author attempts to establish whether the elites supporting the ANC readily acceded to privatization components of Gear or not. Privatization although it has been called by another name - restructuring –became a clear government policy after Gear was publicly announced as government's official macro-economic framework in 1996. This means that it is only in the 1998 and 2000 surveys where privatization can be assessed. In this section, the author will analyse privatization only in terms of the above-mentioned surveys.

For the purposes of this analysis a "Privatization Indices", similar to the Gear Indices, have been constructed for 1998 and 2000 to provide composite measures for elite attitudes on privatization. Both the 1998 (.8994) and the 2000 (.8912) indices recorded extremely high alpha scores, pointing to above "good" levels of reliability. The following items have been distilled, by means of principal component factor analysis, to constitute the aforementioned indices:

- More industries should be privatised;
- Privatization will mean higher consumer prices for services;
- Privatization is necessary to reduce the budget deficit;
- Privatization is necessary to ensure higher levels of productivity
- Privatization can act as a mainspring for black empowerment.

As results illustrated in Table 5 below, in the 1998 survey, privatization did not enjoy overwhelming support amongst the ANC elite. Only 50 percent of the elite supported privatization. As expected, among Cosatu's elites only 9.5 percent were positive about privatization.

Another noticeable development in Table 5 is that the number of the indecisive elites is quite high in the ANC at 25.9 percent compared to 4.1 percent in Cosatu elites.

When one looks at the elites opposed to privatization, Cosatu is number one with almost 85 percent of its elites opposed to privatization. However, the ANC elites are not that much opposed to privatization, only 23.8 percent were opposed. In the 2000 survey, support for privatization decreased to 46.7 percent among the ANC elites. The same also happened to Cosatu, where the support for privatization decreased from 9.5 percent in 1998 to 4.0 percent in 2000. The 2000 survey shows that, in both ANC and Cosatu, the number of the indecisive elites increased from 25.9 in 1998 to 29.2 in 2000 in the ANC elites and from 4.8 to 6.0 percent in 2000 (in the Cosatu elites) respectively.

Both the ANC and Cosatu seem to be consistent with their opposition to privatization. The figures of the elites opposed to privatization increased in both the ANC and Cosatu. For example in the ANC elites the figures increased from 23.8 in 1998 to 24.1 in 2000. And in Cosatu the figures increased from 85.7 percent to 90.8 percent. This shows the overwhelming opposition of Cosatu to Gear.

Table 5: Support patterns for privatization among the ANC

<b>Support</b>	<b>ANC elites - 1998</b>	<b>ANC elites- 2000</b>	<b>COSATU elites-1998</b>	<b>COSATU elites- 2000</b>
Strongly Support	3.6%	5.8%	0.0%	0.0%
Support	46.8%	40.9%	9.5%	4.0%
Neither	25.9%	29.2%	4.8%	6.0.1%
Do not Support	18.0%	21.1%	61.9%	40.0%
Strongly do not Support	5.8%	2.9%	23.8%	50.8%
N (numbers) =	138	171	49	42

The low levels recorded in support for privatization amongst ANC elites in both the surveys (1998 and 2000) may have been influenced by the massive job losses during the first two years after the inception of Gear, making it unpopular, especially amongst the ANC's alliance partners<sup>5</sup>. Privatization, or restructuring as government referred to it, formed the backbone of this policy. It can be argued that these initial negative implications of privatization may have forced many amongst the ANC elite to have second thoughts about the economic course that the organization has embarked upon.

The fact that almost 26% (25.9%) of the ANC elites were indecisive in 1998 and 29.2% in 2000 shows that privatization has been a major concern. It is rather surprising to note that more than quarters of the ANC elites are unsure about privatization in both surveys.

<sup>5</sup> From 1996 to 1998 about 186,000 formal (non-agricultural) jobs were lost (Adelzadeh: 1999:3).

It is rather difficult to understand why this is the case, but certainly, this is not a result of ignorance.

One can perhaps point out that the introduction of party discipline, as an argument, in the ANC may shed some light on why this is the case. This party discipline is installed through party caucuses that are meant to make sure that all the ANC Members of Parliament are in support of party and government policies. And if a Member of Parliament or senior ANC leader voiced out his/her opposition to government policies, the National Executive Committee of the ANC can sanction that person. This may affect many ANC elites who do not support privatization to respond by simply saying they are uncertain. However, the high numbers of the ANC elites who are uncertain provide a fertile ground for COSATU to lobby for the alternative economic policy to the current one implemented by the ANC.

#### **3.2.3.4 Concluding remarks on attitudinal patterns**

To conclude this chapter, it is rather difficult to pinpoint a clear dramatic shift in terms of ideas pertaining to policy on the part of the ANC elites. What tends to complicate and confuse matters is that the views expressed by the elite supporting the ANC do not, as a matter of fact, necessarily translate into practical policy implementation. There is no apparent link between views expressed by the ANC elites on economic policy matters and the actual policies pursued and being implemented by the government. This tendency crystallises itself when one look at Table 3 illustrating the percentage numbers of the ANC elites in support of mixed economy compared to those in support of a free market economy.

A mixed economy scored higher percentage points in terms of elite support from 1991 to 2000 compared to free market economy, which scored the lowest percentage points. What do such findings tell us in the light of government commitment to Gear and privatisation?

The findings suggest that the ANC elite may not be fully supportive of the erosion of the state's role in the economy, whilst the government's implementation of Gear shows the opposite.

Support for Gear, whilst pursued by the government, shows slight increase amongst the ANC elite opposed to it, from 8.7 percent in 1998 to 10 percent in 2000 (see Table 4). Its initial overwhelming support of 75.3 percent in 1998 may have been generated by the expectations that it would save the country from the economic woes facing it. Instead it brought about more job losses and delivered less on the projected economic growth. Gear also does not point to a remarkable shift on the part of the ANC elite in terms of their views. The dramatic decrease in its support in 2000 (see Table 5) to 47.9 percent points to the fact that most elites probably lost faith to Gear after the perceived failures of the policy framework. The increase of indecisive ANC elites from 5.1 percent in 1998 to 42 percent in 2000 points to the encroaching uncertainty on the part of ANC elites. It is possible that some elites may be holding opposing views to government but lack audience on the government side. This may be due to the introduction of party discipline, which does not allow people within the ANC to oppose the current government policies.

The surge in the number of elites who are indecisive with respect to economic policy options suggests either ambivalence or negative sentiments towards privatization as a policy choice. For not more than 50 percent of the ANC elite support privatization in both 1998 and 2000 surveys.

These elites might be opposed to privatization but they are afraid to speak out because of possible sanctions that may be applied by the NEC as the result of their actions. And this is where Cosatu should focus their energies to lobby for its anti-privatization campaign.

Generally, when one considers state vs. the market, Gear and privatization there has been a shift though not dramatically clear on the part of the ANC elite in terms of views on policy. The ANC elite seems to differ with the policies being carried and implemented by the government.

Whilst government is seriously privatizing and restructuring, the ANC elite continues to express views at variance with such actions. Having stated that, surely there has been a shift in the ANC elite's position on policy from nationalization to mixed economy. And by implication, recognizing the role of the private sector in the economy.

Perhaps one can deduce from the utterances attributed to Mbeki as to who drives Gear. These statements seem to suggest that Mbeki sanctions and might be the brain behind the implementation of Gear. In September 1996, Mbeki made it obvious that the government is "absolutely committed to the implementation of the plan because there is no viable alternative" (*Sunday Times Business Times*, 8 September 1996). On the possible impact a policy such as Gear might have on the alliance cohesion, Mbeki argued that one "cannot buy a political cohesion by doing the wrong things" (*The Economist*, 1<sup>st</sup> November 1997). In 1996 Mbeki "pressed for the adoption of Gear as the cornerstone of ANC economic policy" and together with Mandela "faced down a threatened revolt against Gear at the SACP's 10<sup>th</sup> congress in July 1998" (OCDE, 1999:138). Mbeki further warned the SACP on its criticism of Gear that its leaders "should not go around carrying the notion in [their] heads that [they] have a special responsibility to be a revolutionary watchdog over the ANC"(OCDE, 1999:112).

One can take a cue from the above statements that Mbeki is not only convinced but also prepared to defend it. He views alternative policy options as not "viable" and criticize them as "revolutionary". Contrary to SACP and COSATU's sentiments on Gear as a departure from ideals, principles and approach espoused in the RDP, Mbeki views Gear as "an elaboration of the RDP base document not its substitute" (Mbeki, 1998:138). However, it would be unfair to suggest that Mbeki is solely responsible for Gear, he has a team, which is the cabinet.

## **Chapter Four**

### **Concluding Remarks**

#### **4.1. Introduction**

This chapter will briefly summarise the preceding chapters and give some concluding remarks. It is arranged in the following format: each of the subsections summarizes one of the preceding chapters respectively and the last section contains the concluding remarks.

The first chapter briefly presented the background of the study and the problem that was going to be investigated. Furthermore, chapter one provided ways and means of investigating the problem. The problem that was investigated is elite attitudes and the ANC's shift from nationalization to privatization from 1990 up until 2000. The research problem that this assignment attempted to investigate is the extent to which the ANC elite has moved away from nationalization to privatization. This is investigated by looking at both the current ANC policies that are implemented and the elite views and attitudes. The descriptive method is used to describe the policy shift in the ANC. Firstly, a qualitative method of data gathering is used to gather information on the evolution of the ANC economic policy from 1990 up until 2000.

Secondly, quantitative methods are also used to gather information on their views on nationalization and privatization. This became possible by analysing survey data that has been collected by the Centre for International and Comparative Politics since 1990. The data technique, which is used to analyse the data, is the Statistical Package for Social Science (SPSS).

Chapter two described the shift from nationalization to privatization. This chapter is divided into two sections, section one is the definition of the following concepts, nationalization, privatization and elite, and section two is the chronology of the ANC shift in economic policy in the 1990s.

This research assignment discussed the following themes in details, the freedom charter of 1955 and its economic clause, the process of shift from 1990 to 1994, the privatization policy of the ANC from 1994 to 1996, the extent of nationalisation from 1996 to 2000, and the reaction to privatisation policy in the post-apartheid era.

Chapter three's main aim was to report on the attitudinal position of the ANC elites on following economic policy indicators, state versus market in the economy, does the ANC elite support Gear and its controversial component privatization or not. There were six elite surveys data that were analysed by means of SPSS technique.

#### **4.2. Conclusion**

In conclusion, the period prior to the 1990s and early 1990s marked the ANC's commitment to nationalization but the latter part of 1990s up to 2000 has seen a shift from nationalization as espoused in the Freedom Charter to privatization, the central element of Gear. This, judging by statements of ANC leaders, occurred due to the disproportionate role played by ANC elite on policy formulation. However, this does not imply that the majority of the ANC elite has an influence on formulation and implementation. Why? The surveys on the role of the state in relation to that of the market in the economy, for instance, illustrate clearly that most ANC elites are in support of a mixed economy. Such support is consistent in all six surveys.

The shift from nationalization to a mixed economy in terms of support on the part of the ANC elite, suggest that the ANC elite may have come to realize a role for the private sector in the economy.

The government, on the other hand, is rigorously and practically implementing policies that are designed to erode the role of the state in the economy. The same applies to Gear and privatization. For instance, the support for Gear decreased from 51.6 percent in 1998 to 47 percent in 2000.

Notwithstanding Gear's dwindling support amongst the ANC elites, the government continues to implement austerity measures as espoused by Gear. Now, the central question one poses is: where is the shift that has been alluded to earlier on? Has there been a shift at all on the part of the ANC elites, given the commitment by most of them to a "mixed economy"? If indeed there has been a shift, what form has it taken?

One can conclude that there has been a shift and that it has taken the form of Gear. Gear, though not a completely free market economic framework, seeks to minimize the state's role in the economy through, for instance, full scale or partial privatization of SOEs, private sector driven economic development and trade liberalization. Implicit in these measures is that the state has assumed the role of a facilitator of market activities rather than a main participant in the economy. This shift, however, is not clearly or fairly reflected in terms of elite views as shown on surveys. If that is the case, one may possibly ask, why are the majority of ANC elites not supportive of these policies and showing uncertainty as it became apparent in the surveys?

The clue arguably, lies in the manner in which the whole process of privatization and restructuring of the state assets has been conducted. For instance: "No legislated instrument has been prepared and promulgated, both as means of encouraging debate, and of allowing public (voters) representatives in parliament to participate in the conceptualization and concretization of the programme. The programme has been driven largely by sector ministers as well as by a sub-committee of the cabinet known as, the Inter-Ministerial Cabinet Committee" (Shabalala, 1998:17).

This clearly shows that economic policy-making has been centralized in the executive arm of the state. The ANC prides itself in its commitment to democracy; rigorous debates and consultation, however, when it comes to economic policy-making that seems not to be the case. It is becoming apparent under President Mbeki that economic policy-making is slowly becoming an exclusive prerogative of the executive. This might be due to the controversial nature of the economic policy.

However, analysts such as Lodge (in Corrigan, 1999:79) argue that “Mbeki’s policy pronouncements have been demonstrably consistent and they are informed by a deeper knowledge of the technicalities of economics and better understanding of the wider world than is available to most of his colleagues”. Lodge implies that Mbeki may have had a preponderant role in economic policy formulation.

There are certain factors, which seem to impinge on the elite decision-making which analysts such as Seepe (*City Press*, January 2, 2002) (whose views are expressed elsewhere here) ignore or are oblivious to. Habib (2000:253 ) notes that government decision-making has been influenced by the elite perception of the balance of power in the economic arena . According to Habib (2000, 253-254) "the triumph of the market ideology with the collapse of the former Soviet Union, the power of the international lending institutions- WB and IMF, international investors and domestic business community; are the factors that have impinged on government decision-making" This sentiment seems to be closer to that of Lodge. Seepe, appears to overlook the fact that Third World governments are forced to take unpopular decisions, not out of their own volition but simply because they are constrained to do so, by forces beyond their control. IMF and WB induced austerity measures and neo-liberal policy prescriptions alienate Third World governments from their constituencies (voters). And this is a phenomenon the Third World has had to put up with, and has to be born in mind by the critics of the government.

Some analysts have described Mbeki as a “policyman, implementer and a technocrat” (Hlope, in *City Press*, 02 January 2002). The hands-on nature of Mbeki’s approach has, according to other analysts, obscured subtle autocratic tendencies. Seepe, for instance, observes that: “the president effectively controls all levers of power. He appoints not only Cabinet Ministers but also Director-Generals and Premiers. He even has a final say on who becomes a Mayor...people shall govern has been changed to party boss shall govern”( *City Press*, January 2, 2002).

Though there could perhaps, be an element of truth in Seepe's assessment of the President (in the City Press 2 January 2002), it seems rather harsh and simplistic. Firstly, Seepe alleges that Mbeki, as a person, is an autocrat that runs the ANC as a personal fiefdom. If Seepe's observation is based on the account of policies such as Gear, Seepe could be accused of selective observation. For he overlooked the fact that Gear was formulated in the Mandela era and was declared "non-negotiable" then. Seepe's allegations of autocratic tendencies never came to the fore or chose to overlook such developments. Secondly, he tends to underrate the intellectual capacity of those that are in both the National Executive of the ANC and in government.

Perhaps one can see, in the light of the above overall analysis, the reason why views expressed by the majority of the elite are not necessarily reflected and translated into government policy. This serves to show, also, that there is most probably a group of cabinet ministers around Mbeki that help him to formulate government policy. If policy-making is centralised the executive, taking into consideration the ANC's dominance, it is obvious that some ANC elites would be reluctant to express their views freely on policy matters. Views divergent to those of the president and his cabinet are likely to warrant censure and possibly axing.

This study has also shown that it is most probably that the president has an inner circle – cabinet ministers, that plays a disproportionate role in policy matters. A likelihood of change in Gear and privatization may only occur if the current President is replaced.

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