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South Africa's post-apartheid macro-economics: Developmental failure or neoliberal success?¹

If the 'strange non-death of neo-liberalism' (Crouch, 2011) in Europe is infuriating many observers, its resilience in South Africa is certainly an even greater cause for astonishment. This is a country whose liberating forces drew on a mix of popular mobilisation, referred to as social movement unionism (Von Holdt, 2002) because social movements and trade unions coalesced in it, and low-intensity guerrilla cum international campaign led by the underground and exiled African National Congress (ANC). This movement's ideological orientation was firmly on the side of socio-economic, if not socialist, transformation from the call for the nationalisation of mineral wealth and banks in the 1955 Freedom Charter to Nelson Mandela's declaration after he was released from prison in 1990 in which he "stressed the necessity of nationalisation and redistribution" (Habib, Padayachee 2000). South Africa has been ruled by the ANC since 1994 and since 1996 by a tripartite alliance with the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU).

Yet, South Africa has opted for a conservative macro-economic strategy with the early adoption of the Growth, Employment and Redistribution (GEAR) in 1996 over alternative frameworks, following the policy orientations chartered by the Bureau for Economic Research of the University of Stellenbosch in the late apartheid period (Padayachee & Sherbut 2007; Abedian 2012). While progress in certain areas – not least the build-up of a constitutional democracy and the roll-out of housing and electrification programmes – cannot be ignored, very little has changed since Habib's (2004) assessment of the first ten years of ANC rule. As he then pointed out,

When these programmatic collective aspirations of the liberation movement [such as the Freedom Charter] or the comparative experiences of other Sub-Saharan African countries are used as a political compass, then what is noteworthy is the conservative character of government's macro-economic programme, which is located at the heart of its policy ensemble. This program, known [GEAR], has (...) not only had negative consequences for poor and marginalised people in South Africa, but it has also compromised the outcomes of the raft of other progressive legislation. (Habib, 2004, pp. 91-92)

What is interesting in the above assessment is the convincing claim that the failure to reduce inequality and unemployment has been closely related to the constraining 'orthodox' macro framework. Habib was writing at a time when the macro-economic, especially fiscal, stabilisation of the South African economy – the stated rationale for the adoption of GEAR – had been achieved and when an abundance of 'progressive noises' were being made by the ANC and Government about the future direction of policy. Yet, ten years later, what is striking is that in spite of increases in social spending, his assessment remains valid. It is precisely the continuous commitment to macro-economic orthodoxy which this paper hopes to interrogate: not only was this conservative orientation maintained beyond its 'use by' date, but it seems to have durably transformed the South African state into a cost-controlling rather than developmental machine. The key argument of this paper is that South Africa offers an exemplary case of neoliberal deepening which has entailed three interconnected processes: ideological conversion, a stated focus on poverty and development

¹ This presentation is intended as an amended version of a paper published in the December 2013 issue of the *Review of African Political Economy*.

covering a deep commitment to orthodox macro policies, and a far-reaching state restructuring involving the build-up of a hegemonic Treasury.

This paper draws on an extensive analysis of economic, political science and public administration scholarly literature, a systematic review of policy documents, departmental reports and related organogrammes, as well as the grey literature produced by think tanks and academic and international institutions. The paper was also informed by a series of interviews conducted in 2012 and 2013 with past and current policy stakeholders located in business, the state, and organised labour. While it is an attempt to weave political economy with political science in order to go beyond both the former's tendency towards determinism and the latter's preference for 'technical' analysis devoid of engagement with superstructures, it is however at odds with the self-styled political economy and political science of the neoclassical 'policy reform' literature which emerged in the 1990s (Geddes, 1994 or IDB, 2006). The latter's main objective was, apart from appearing to be an interdisciplinary exercise, to provide operational advice to force-feed 'credible' neoliberal reforms to reluctant (usually Latin America or formerly communist) countries, without ever questioning the content of such reforms (Grabel, 2000).

Following Grabel (2000), we define neoliberalism as a political ideology which has been conceptualised, then successfully implemented through one main channel: macro-economic policies. This paper provides an empirically-grounded account of neoliberalism in South Africa, while heeding the important critique of organisational sociology formulated by Michael Burawoy (1979). Furthermore, we aim to contribute to the political economy of neoliberalism by examining its South African form, thus responding to the call by Ashman, Fine, and Newman:

To understand the specific form that state–market relations take over time and place, it is critical to identify the underlying economic, political, and ideological interests and social relations which shape both state and market and their interaction. Connected to this, it is necessary to specify the form class relations take as they evolve in particular settings. (Ashman, Fine, and Newman 2010, 30)

After a discussion of neoliberalism in South Africa, this paper focuses on the 'conversion' of key ANC leaders to neoclassical economic orthodoxy. Building on the idea of the 'art of neoliberalism' (Palma 2011) presented in the introduction to this special issue, the paper turns to the central, yet under-researched, instrument of neoliberal deepening – the build-up of a dominant National Treasury with the ability not only to exert a budgetary oversight function over but also shape policy-making across all areas of state intervention. While economic policy formation during the transition period has been accounted for in an already impressive body of works (Handley 2005, Padayachee, Sherbut 2007, Gelb 2006, Padayachee 2006), these have by and large tended to neglect the nature of the relationship between political leadership, macro-economic policy reform and processes of technocratic capture and innovation. On the other hand, studies of public sector reform in South Africa have rarely focused on institutions in charge of economic policy-making but rather on social and micro-policies. Too little attention has been paid to NPM within the NT, as a strategy applied to itself as well as its new vision for the rest of Government, and the consolidation and stability of conservative macro-economic policy models. This paper therefore adopts an explicit focus on macro-economic policy as both an objective in itself (as opposed to being an instrument to achieve broader objectives) and as an organising instrument of the state's techno-structure. In so doing, we seek to

uncover the deepening of neoliberalism in post-apartheid South Africa and the dynamics which have driven it. This may, we hope, help understand how this evolution is likely to determine the future of 'development' in South Africa. In the conclusion, the importance of looking at state dynamics and ideological hegemony to understand neoliberalism is emphasised, together with a critical assessment of neoliberal resilience in South Africa in the face of numerous challenges.

The paper's interrogation of the intersection between ideological conversion, democratic transition, and technocratic capture speaks directly to several of the key themes in the conference. In particular, by emphasising the manner in which macro-economic policies have been progressively insulated from democratic control, the paper should help shed light on the current expansion and adaptation of neoliberalism in emerging countries.

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ABSTRACT

This article explores post-apartheid South Africa's commitment to macro-economic orthodoxy. Its key argument is that South Africa offers an exemplary case of neoliberal deepening which has entailed three interconnected processes: ideological conversion, a stated focus on poverty and development covering a deep commitment to orthodox macro policies, entailing institutions and a set of practices, and a far-reaching state restructuring involving the emergence and consolidation of a hegemonic treasury. Drawing on an analysis of grey literature, policy documents and a series of interviews with policy-makers, the article first discusses neoliberalism in South Africa, focusing on the 'conversion' of key ANC leaders to neoclassical economic orthodoxy. It then turns to the central, yet under-researched, instrument of neoliberal deepening: the emergence and consolidation of a dominant national treasury with the ability to shape policy-making across all areas of state intervention. The article closes on a call to envisage concurrently ideological conversion and state formation to understand the dynamics of neoliberalism, and its paradoxical resilience in the South Africa case.

Keywords: South Africa; political economy; macro-economic policy; NPM; neoliberalism; public sector reform

RESUME

Cet article explore la poursuite de politiques macro-économiques orthodoxes dans l'Afrique du Sud postapartheid envisagée comme un cas exemplaire d'approfondissement du modèle néolibéral. L'article montre le rôle joué par trois processus corrélés: une conversion idéologique, l'affichage de la lutte contre la pauvreté et du développement dissimulant une adhésion durable aux politiques macro orthodoxes, comprises comme un ensemble d'institutions et de pratiques, et une réforme en profondeur de l'Etat reposant sur l'émergence et la consolidation d'un ministère des Finances hégémonique. A partir d'une analyse de la littérature grise, des documents officiels, et d'entretiens avec des décideurs politiques, l'article s'ouvre sur une discussion du néolibéralisme en Afrique du Sud, envisageant la 'conversion' de leaders clés de l'ANC à l'orthodoxie économique néoclassique. L'analyse s'intéresse ensuite à l'instrument central, quoique sous-étudié, d'approfondissement du modèle néolibéral : l'émergence et la consolidation d'un super ministère des Finances ayant la capacité d'influencer l'élaboration des politiques dans l'ensemble des secteurs d'intervention de l'Etat. La conclusion encourage à envisager conjointement conversion idéologique et réforme de l'Etat afin de mieux comprendre les dynamiques du néolibéralisme et sa résilience paradoxale en Afrique du Sud.

Mots-clés : Afrique du Sud ; économie politique ; politique macro-économique ; new public management ; néolibéralisme ; réforme de l'Etat