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TITLE: GEAR

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FINANCE Minister Trevor Manuel's 1997 statement that the government's economic policy, Gear, was cast in stone is one he must have spent a fair amount of time regretting.

It's been thrown back in his face by angry trade unionists often enough.

But now the ANC has said in a resolution after its annual lekgotla that it plans to "embark on a comprehensive discussion on economic policy" in preparation for its national conference in December.

The ANC has said this will include "an economic growth summit... to outline areas of priority action" and it will take the lead in "conceptualising a social accord" between business, labour and government.

So what has prompted this turn of events and what exactly is up for review?

Despite the strong indication in the ANC's statement that it is happy to reconsider economic policy, the fundamental framework is not really up for debate.

An ANC official said there had been "no hint of drawing back from the overall economic framework" during the two days of discussion by the ANC economic transformation commission, which includes all the economics ministers.

"It's not about a new economic policy. At national conference all policies are up for debate. But we are not about to scrap Gear. There is no need for a new macroeconomic strategy," he said.

So contentious aspects of policy, like fiscal austerity and privatisation, are in no danger of being reversed. But a crack in the policy door has been opened.

It has been prompted by, first and foremost, political considerations.

Last year ended with animosity between Cosatu and the ANC at an all-time high, fuelled by a bitter dispute over privatisation.

Although the ANC has tried hard to convince its members that Cosatu's opposition was part of an "ultra-left conspiracy", they were not completely convinced.

"The feedback from the membership was that they were nevertheless concerned. Cosatu's criticisms, like the anti-privatisation strike, struck a resonance," says an SACP official.

The call for a social accord and a summit on growth offers the opportunity "to get everyone back on board" ahead of the national conference, said an ANC official.

As a further spur to action by the ANC, Cosatu already had plans for its own economic "People's Summit"

Let's

Sunday Times

27/10/02

talk

(but Gear change is unlikely at this stage)

The ANC has reopened the debate about economic policy with its left-wing allies. CAROL PATON reports

with the SACP and other left groups. It would inevitably have wound up as an anti-government summit.

Now, say alliance leaders, Cosatu and the SACP face a choice of holding their own summit, which influences nobody, or holding one jointly with government and business.

The two are more likely to favour the latter. The party official says: "Our whole strategy is premised on influencing policy."

The ANC has increasingly become conscious of a potential gap between itself and its left-wing allies. In the resolution arising from the two-day meeting, the ANC talks specifically of how it aims to lead and unite these groups.

So the ANC's proposal to reopen economic dialogue is undoubtedly a

political manoeuvre. But there are also genuine economic concerns.

The rand's rapid depreciation has drawn the ANC's attention to a key problem: the lack of investment, says Ravi Naidoo, a director at the Cosatu think-tank, Naledi.

"There is a widespread recognition within government that the current growth path has failed. Gear has been successful in building the fundamentals but it was based on the assumption that decreasing the state's role in the economy would bring private investment. Government has done that but with very little response from the private sector," says Naidoo.

At its lekgotla the ANC came up with a range of suggestions which would inform what government

should offer in return for a buy-in from its social partners.

There are three main areas:

● Measures to encourage domestic investment. Examples of this could be targeted investment in depressed areas, more funds for infrastructure development and more support programmes to allow black entrepreneurs and cooperatives to enter the economy;

● Urgent steps to unblock government institutions and to make structures targeted at reducing poverty work better. Examples are the Department of Trade and Industry's small business finance institutions, the Umsobomvu Youth Fund and National Skills Fund; and

● Third, the ANC says parastatals should not be driven by commercial objectives alone — but also by developmental needs.

As luck would have it, these are areas of discussion which Cosatu too has identified.

In recent months, its concerns have shifted. Its preoccupation with the budget deficit has been placed on the back-burner since last year's budget moved government spending into an expansionary phase.

Even its objection to privatisation looks like it could be set aside, with hints that the purpose and outcome of privatisation matter more than the principle.

For Cosatu, the main focus has shifted to industrial policy.

Naidoo asks: "The key thing is how can those groups who are being asked to sacrifice, be sure that there will be some investment. If the response from the private sector is poor, how does government get more assertive?"

Government will be under pressure to commit "a considerable degree of investment by government in specific sectors". In short, if labour is asked to sacrifice in a social accord and private industry fails to come to the party, then it is government that should step in.

Another point of contention will be to what extent government should alleviate poverty. The ANC is "definitely committed to expanding social security", says the ANC official, but questions whether the basic income grant Cosatu wants is the best way to go about it.

As the ANC works on "forging a set of strategic agreements between social partners", Gear and its basic tenets are likely to remain intact. But the message from the ANC seems to be that the state should take greater responsibility for growth.

The debate has long been how and to what extent it should do so — and that question is far from settled.

IT IS said that there are three kinds of dishonesty in the world: Lies, damn lies and statistics. Our venerable President Thabo Mbeki and his Ministers have a huge problem only with statistics. It was quite scary to see how they, perhaps deliberately, miscalculated the cost of the arms deal, with the fiscus' exposure rising almost on a daily basis. But this confusion with figures haunts almost every policy statement of the Government. This sorry record is chronicled in a brilliant little book by Jillian Nicholson called *Measuring Change*.

On the economic front it is common knowledge that Mbeki is the main sponsor of Growth, Employment and Redistribution (Gear). In 1998 Gear promised 3,8% growth. Actual growth was 0,7% growth. In 1999 4,9% growth was predicted. Actual growth was 1,9%. If 50% is a pass mark, then Mbeki has failed miserably in his predictions. A basic understanding of economics will tell you that growth figures by themselves do not reveal how the wealth of the country supports the people of the country. For this we have to turn to the GDP per capita of the country. In South Africa the GDP has dropped in 1998 and 1999. What this means in the words of Nicholson is that "even though the economy has been growing, as a nation, South Africa has been getting poorer since 1998".

Gear promised for 1999 that real Government investment will increase by 7,5%. The actual figure was -5,4%. Real parastatal investment was to increase by 10%. The actual increase was -17,2%. Real private sector investment was predicted at 13,9%. The actual figure was -4,4%. Thank God Mbeki is not a weather forecaster or horseracing analyst. We still hear the mantra from our political and business leaders that we need foreign investment to create jobs. But United States companies have increased their investment by some 300% since the '80s, yet the number of people they employ has not increased since the '80s. This is because the statistics

Government has failed us on Gear, Aids and statistics

22 Sept. 2001
Independent on Saturday

obscure that most of the investment is in capital-intensive industries. So, why bend over backwards to woo them to come here?

In terms of employment creation, Gear promised that 320 000 jobs would be created in 1999. The actual figures were 105 000 jobs lost. The on-going human devastation is that job losses are among the formally registered, non-agricultural workers where the majority of workers are employed. Some 250 000 jobs have been lost in this sector in the last three to four years. Most jobs are being created in the informal sector.

This says a lot for the Government's much-vaunted industrial development strategy and the academics at the universities who consumed a lot of grant money thumb-sucking it. As to the Government's much-publicised land redistribution programme, of the 63 455 land claims the Commission on Restitution of Land Rights received between May 1995 and September 1998, by October 1999 only 264 have been resolved. If the Commission maintained its pace without any new claims, it would start to round up its work by the end of the century. And people, including the media, wonder why people threaten land invasions and why some of us are sympathetic.

All the time the income gap between rich

and poor Africans is increasing. In 1991 the richest African households earned R25 for every R1 earned by the poorest. In 1999 the richest African households earned R35 for every R1 earned by the poorest.

But probably the most devastating statistics come at the end of Nicholson's short book. In 1996 the life expectancy of a person born in South Africa was 64 years. By 1998 it had dropped to 53 years. The child mortality rate increased from 27 per thousand in 1994 to 83 per thousand in 1998. Over a quarter of South Africans are not expected to live to the age of 40.

Why are people dying? Mbeki believes that it cannot be attributed to Aids. Relying on 1995 figures from the World Health Organisation (WHO), composed before Aids infections had really become full-blown, Mbeki cites that HIV was placed as 12th on a list of the top 29 causes of death. On Wednesday it was revealed that the Medical Research Council would not release its report on Aids deaths to the public because of Government pressure. The report indicates that over 40% of deaths of those between 15 and 49 can be attributed to Aids. It had become the biggest killer by the year 2000. What is startling is that the report had already been seen in May, three months before Mbeki started peddling the dated and thus misleading WHO figures. Is this cynicism or tomfoolery or the murderous combination of both?

On SATV news on Wednesday, Health Minister Mantombazana Tshabalala-Msimang felt that to ascribe a cause of death especially to Aids was notoriously difficult and used words like "disinformation" and "arrogance". Of course, this is reason enough to deny people drugs that could save their lives and contributes to the denial.

It is no wonder journalist and Aids activist Charlene Smith calls Mbeki South Africa's "chief undertaker". Mbeki will not take cognisance of all this because, as he cannot count, ordinary people, also, do not, anymore.

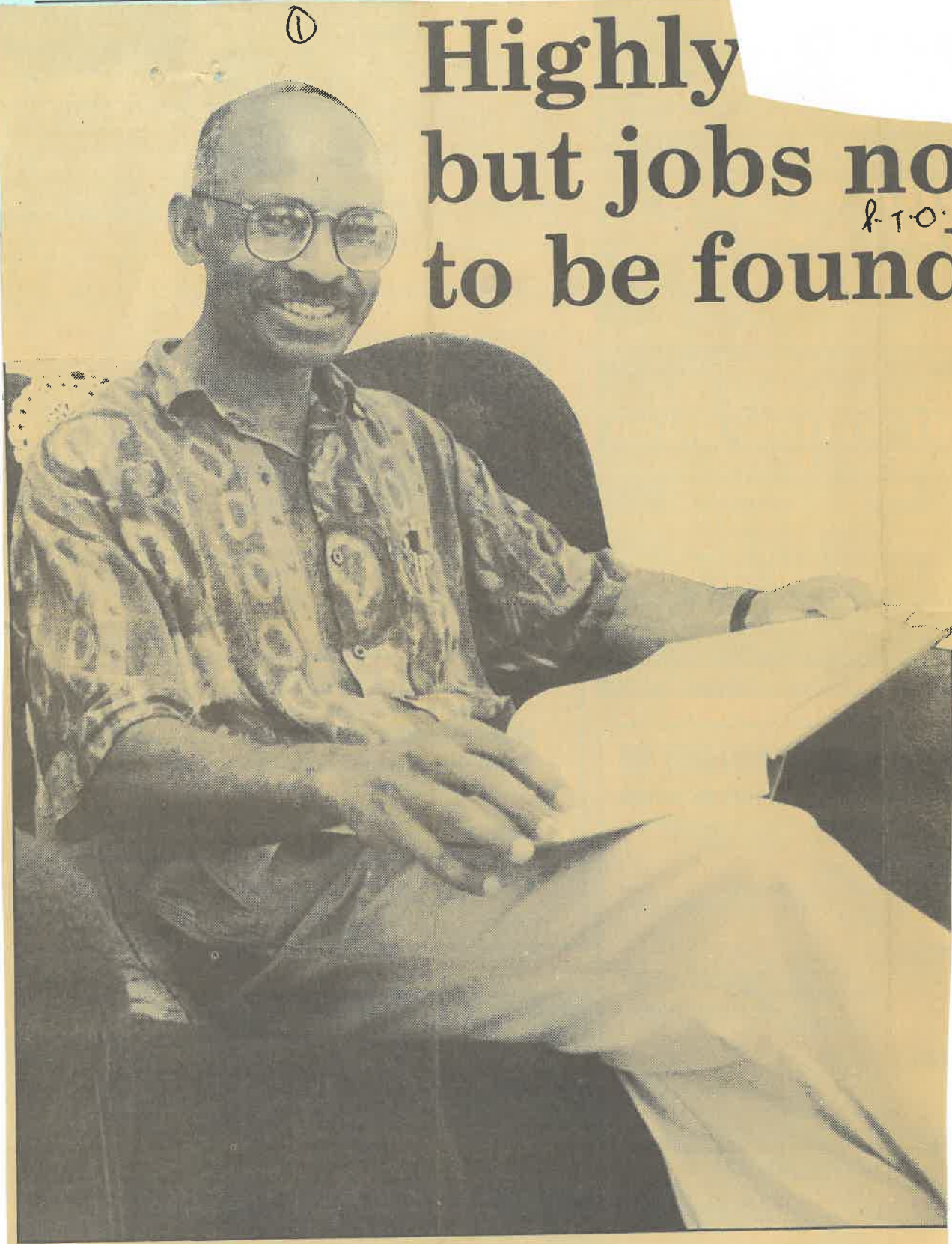
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NATAL WITNESS



Highly but jobs now to be found

R.T.O.

CECIL SEETHAL . . . 'I had to prove to myself that I was capable of academic achievement'.

degreed, here

31/3/1994

by RANJENI Npatnes
MUNUSAMY

CECIL Seethal has six degrees, has taught at foreign and local universities, received numerous awards and fellowships, and is unemployed.

Having returned to South Africa after completing a PhD at the end of last year, Seethal is now trying to get a job as a researcher, to extend his efforts over the years to aid disadvantaged communities.

"I had to prove to myself that I was capable of academic achievement in my own area of specialisation (urban/political geography and regional development), and that I could command academic respect.

"Hence my determination to work extremely hard and study in England and the U.S., often at extreme financial costs," he said.

"Also, I hoped that I might serve as a role model to other young disadvantaged South Africans to work to take their rightful place in this country, and contribute to its development."

In various research reports, conventions, journal articles and other publications Seethal has focused on the conflict between the state and civic organisations as well as the transformation of structures in the conflict.

He has based some of his work on the development of Pietermaritzburg and the commercial revitalisation of the downtown area.

"I have also tried to document a slice of black history that has not been covered in previous literary works, such as the neglect of development in black areas due to city revenues spent on capitalist industry."

Seethal says he plans to settle permanently in South Africa because he is optimistic about the country's future. His wife Sharmaine and daughter Rucera (13) will return to the city in July after spending almost seven years in the U.S.