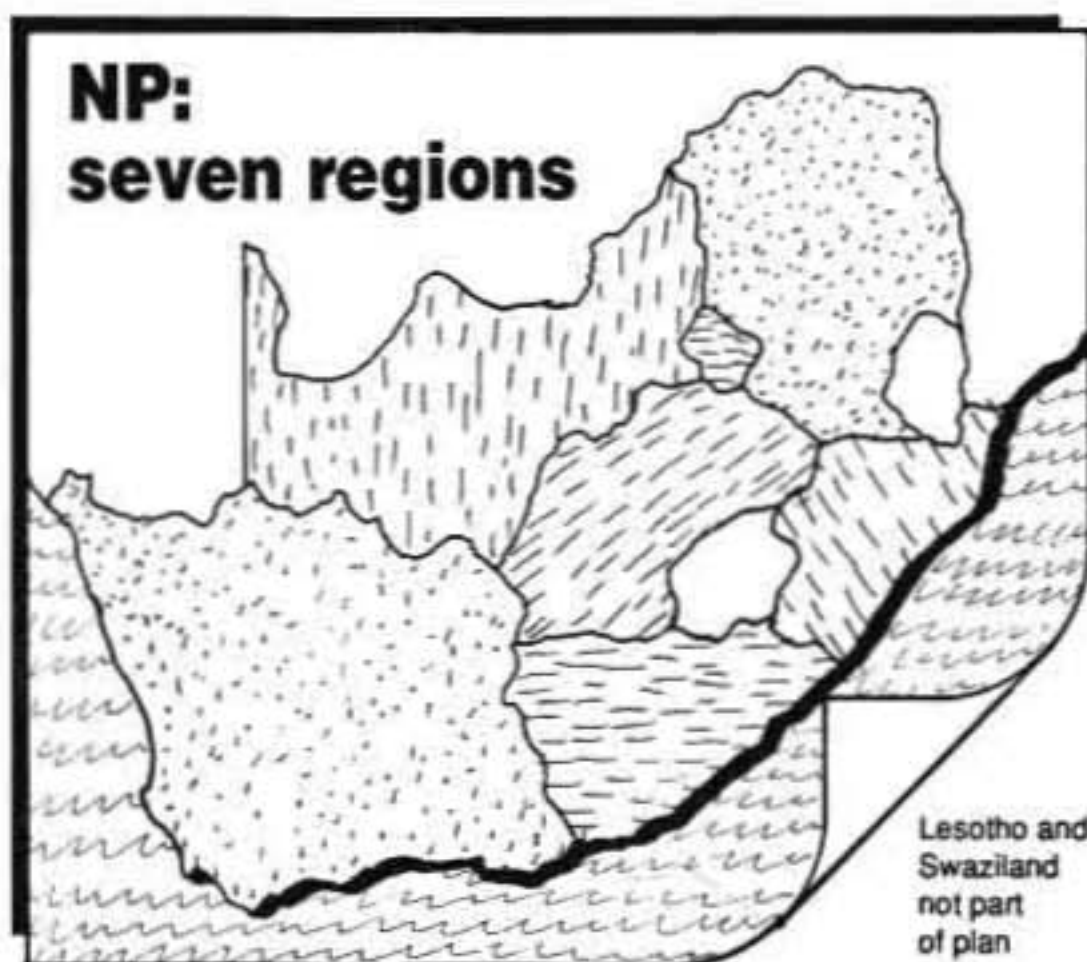


Will a federal system produce good government in South Africa in the foreseeable future? RALPH LAWRENCE believes that it will hinder rather than further the cause of good government.



A recipe for rivalry & discord

AT THE moment, the debate in South Africa about the desirability of federalism is concentrated on the objective of trying to reconcile competing political interests for the sake of an immediate general agreement that will entice, but also ensnare, the African National Congress and its allies. Hence the concern with 'regionalism'.

Now, I grant you, federalism has been touted for many a more respectable reason still, although in the cauldron of national negotiations such refinement is either lost entirely, or deployed purely as a weapon of political expediency. However, away from the hustings, we should ask ourselves whether federalism is, indeed, likely to bring about good government for the foreseeable future. I remain sceptical. Let me explain why.

What does federalism entail? At root, it imposes a territorial shape on society by political means, with mechanisms of governance established to enshrine this. Most typically, a system of dual political sovereignty is instituted whereby central government and regional or provincial governments are each granted constitutionally delineated powers that are both original and autonomous. Thus a central - namely, a federal - government's sphere of authority need not countenance interference from any regional government. And vice versa.

I stress this defining quality of federalism because as matters now stand in South Africa there is much play on the word 'regionalism'. In the current political lexicon, regionalism is meant to convey a form of distribution of political power that is neither wholly unitary nor fully federal, yet somehow captures the essence of both. To me, this is dangerous talk. You can fudge a political compromise by resorting to semantic shenanigans. Can we, however, afford to live with the ensuing confusion that will surely arise when the engineered hybrid becomes a political reality? It's very simple. A unified state which makes provision for dual sovereignty is ineluctably federal in nature; if, on the other hand, the same state grants regions powers that are not sovereign, substantial though they may be, the dispensation is a unitary one.

The crucial issue is now: what would come of a system of dual sovereignty in a federal South Africa? Much hinges on how public revenue is raised and allocated on a nationwide basis. This is where I believe the constitutional niceties of federalism will be overridden by the imperatives of political power.

'A region's sovereignty can be readily blunted by federal command of the public purse'

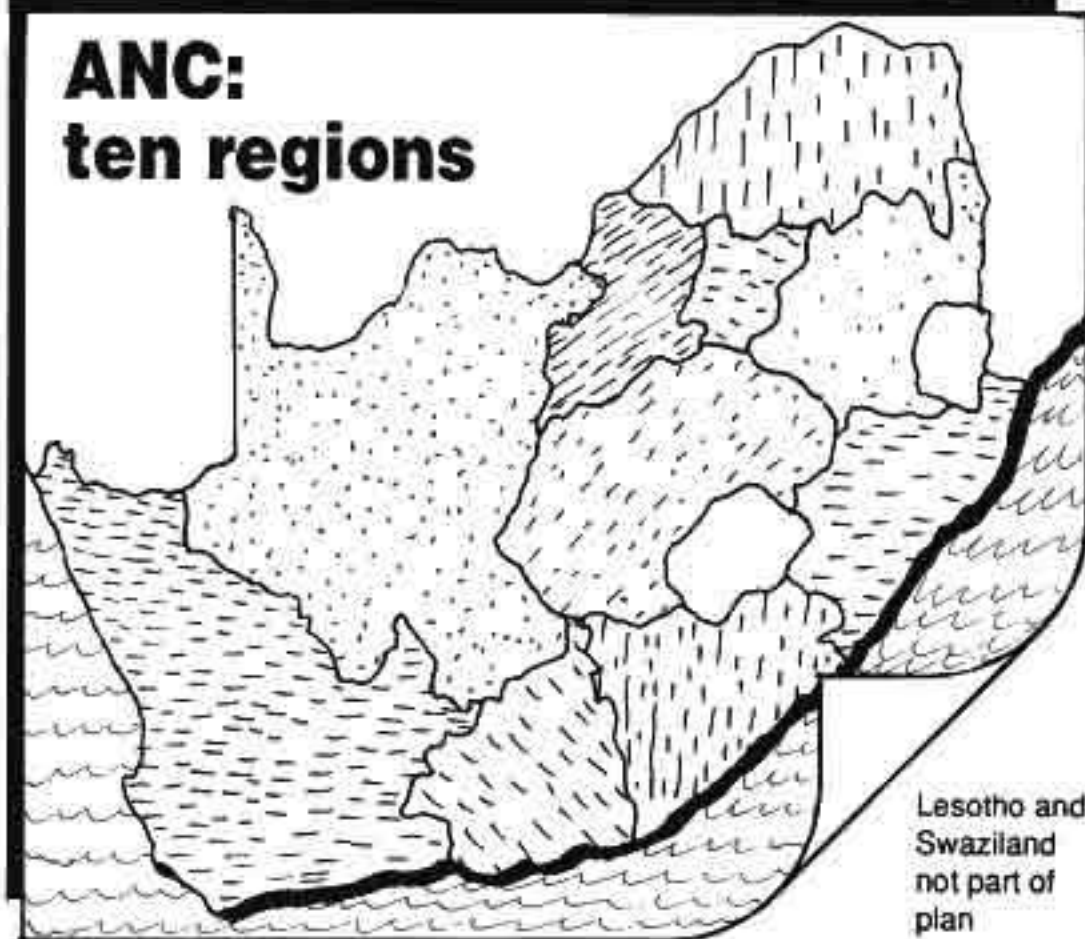
For a country with South Africa's profile, intent on pursuing security, justice and development simultaneously - as any democratically installed government would have to - the mechanism of dual sovereignty bears the seeds of an inherent dilemma. In circumstances such as ours, comparable Third World governments have felt impelled to shoulder the burden of national economic

management. Argentina, Brazil, India, Nigeria, all federal states, are cases in point (and, while different in significant respects, the East Asian 'Newly Industrialising Countries' bear this out too). Economic statecraft has necessitated, at a minimum, setting the parameters for entrepreneurship, directing trade and investment, supplying infrastructure, and attending to education, training and social welfare.

Curious as it may appear, democratic regimes are highly reliant on finely tuned measures of economic statecraft because the citizenry are impatient to have their expectations met. To make this remotely possible, the rates of inflation, employment, borrowing, debt and investment, as well as the balance of trade, have to be juggled by the government of the day. Should it fail, or merely be perceived as inept, those in power would legitimately fear the price come the next election around the corner. Any nascent democracy in South Africa would surely be subjected to similar pressures.

The constant short-term requirements of political rule force a central government to dictate the course of national economic management. This implies also laying down the fiscal limits for every region. So a region's sovereignty can readily be blunted by fed-

ANC: ten regions



Proposed regions as put forward by the National Party and the ANC.

Lesotho and Swaziland not part of plan



Ralph Lawrence

'The constitutional niceties of federalism will be overridden by the imperatives of political power'

eral command of the public purse. The sources of relief nominally open to regions in a federal arrangement disappear by administrative fiat.

What of taxes, you rightly ask? Well, regions often are able to raise independent revenue from sales and property tax, apart from local licensing fees and charges for public services rendered. Beyond this, they act as the glorified agents of central government in gathering monies for the federal coffers. For example, income and corporation tax, customs and excise duty fall into this category. A region's own source of revenue is very modest compared to its needs. In other words, it is highly dependent on federal largesse. However, regional governments can sometimes find a modicum of additional relief by resorting to compulsory loans, debentures and lotteries.

If not taxes, then how about loans? Foreign loans normally require the blessing of the federal executive, not least because the latter invariably has to stand as guarantor. So this option is effectively in the gift of central government, which will weigh up an application according to the priorities of its own macroeconomic policies, together with the prevailing national economic indicators.

Regions then rely on transfer payments

from the central exchequer. Effecting these causes political conflict. Most federal states create an administrative instrument for deciding who should receive how much. A body of this kind is a political creature in that its membership is, one way or another, settled by politicians themselves. So a particular region can have a beef about the composition of such a fiscal commission even though it might itself have had a voice in determining the outcome.

A fiscal commission normally disburses fixed payments to regions on the basis of a generally agreed formula. Even this is not plain sailing. For a start, the total sum available for distribution tends to be decided by federal government. And, surprise, surprise, guess who winds up with ever bigger slices of the pie? Why, federal government, of course. The evidence worldwide is overwhelming. Therefore, the regions are left to squabble over the crumbs. And squabble they do. Consequently, the regions are pitched into competition with one another, each seeking a tilting of the formula to suit its interests.

To complicate matters further, regions nowadays derive a shrinking proportion of federal transfer payments from a fixed arrangement. More and more emanates from discretionary grants administered solely by

the federal government itself. In the context of societies akin to South Africa there are several motivations behind this. As was originally intended, discretionary grants give central officialdom the wherewithal to respond to urgent needs; most obviously, relief from unforeseen disasters. The grants can also be used for projects which span regional boundaries – a transport network, a hydroelectric scheme, for instance. The trouble is that such programmes earmarked for development can all too readily become political footballs. Here a region is prey to federal government's favour. From a federal ruler's perspective this is rapidly reduced to, 'what's in it for me?'

What lends additional purpose to discretionary funding in developing states is government's imperative for national economic management. There can be no economic statecraft unless a government allows itself room for manoeuvre. By not fully guaranteeing transfer payments to the regions by means of a rigid formula, a federal government gains the breathing space it needs to respond to the exigencies any Third World economy confronts.

Because the stakes are so high, discretionary grants trail in their wake two pernicious lines of political conflict. Regions will each wage their private battles with the federal authorities, trying to convince them that a specific project in one area should be preferred to any other; and, of course, every region believes it is championing the most deserving case. Secondly, in lobbying federal government, a region is really trying to outdo rival claims from its counterparts, which fuels interregional discord. In the foregoing sketch I have attempted to open up a line of argument in order to facilitate a more thorough assessment of how federal governance would likely turn out in South Africa. My brief has not permitted me to make the case properly by arraying the evidence. Notwithstanding this, let me convey the nub of my argument.

Federalism rests on the notion of dual sovereignty. However, any region's sovereign powers will be alarmingly spurious since, for very good reason, the power of the public purse will be wielded principally by the federal government. Moreover, because this is so, intergovernmental relations will be imperilled by the subsequent conflict between central and regional authorities, compounded by rivalry among the regions themselves. In these circumstances, federalism is more likely to hinder rather than further the cause of good government.

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