THE TEN YEAR LOCKDOWN

WITH WORSE STILL TO COME

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South African Institute of Race Relations
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THE TEN-YEAR LOCKDOWN, WITH WORSE STILL TO COME

Not just a Covid-19 lockdown

South Africa's stringent Covid-19 lockdown has largely been lifted with the shift from Level 4 to Level 3 on 1st June. Under Level 3, most businesses are now allowed to operate, albeit subject to strict social distancing and hygiene conditions. However, the country has also been in an unacknowledged policy lockdown for at least the last ten years.

This is especially so since Jacob Zuma came to power in 2009 – and began implementing 'radical economic transformation' (RET) policies aimed at changing the ownership, control, and very structure of the economy. Mr Zuma was helped to power by the SACP precisely because, unlike President Thabo Mbeki, he had pledged his support for RET.

Contrary to widespread belief, RET policies have continued under President Cyril Ramaphosa – whose rise to power was also facilitated by the SACP – and whose 'new dawn' pledges have thus far proved meaningless. If anything, the president's reform rhetoric has simply provided cover for major additional RET policies implemented under his watch. Mr Ramaphosa has also recently made it clear that 'radical economic transformation' must now 'underpin' the 'reconstruction' of the economy.[1]

In the past decade, the private sector has been subjected to ever more onerous, costly, and damaging regulation. Coercive labour laws have been made more rigid. Black economic empowerment (BEE) goalposts have been ratcheted up, with still more damaging effects. Property rights have been steadily eroded, to the point where the Constitution is now to be amended to allow expropriation without compensation (EWC) – nationalisation by another name.

The rigour of this 10-year policy lockdown remains as yet largely unrecognised. However, by the time the Covid-19 lockdown started in March, the impact of the policy lockdown was clearly visible. Labour law rigidities and a national minimum wage had continued to deter employment and price the unskilled out of jobs, adding to social instability. Business autonomy and operational efficiency were being steadily whittled away by escalating employment equity and BEE rules. Most property owners, both individual and corporate, faced a growing risk of EWC. Pressure for prescribed asset requirements for pension funds was increasing. So too were demands for a wealth tax, stricter exchange controls, and a money-printing mandate for the South African Reserve Bank (SARB).

The 10-year policy lockdown had thus severely hobbled the private sector before the Covid-19 pandemic began, with the economy already in a technical recession. Since then, more than nine weeks of hard lockdown have crippled the economy and pushed it down on to its knees. GDP, warns Business For South Africa (B4SA) could contract by between 10% and 17% this year. The International Monetary Fund (IMF) sees the budget deficit reaching 13.3% this year, with public debt as a ratio of GDP rising to 86% in 2021. Add in the state's other liabilities (such as its guarantees of Eskom debt) and overall public debt looks set to increase to 110% of GDP by 2023.[2]

Around 100 000 businesses barred from normal operation under the lockdown could go bankrupt or give up the struggle to survive. The unemployment rate is expected to rise to 50%, as minister of cooperative governance and traditional affairs Dr Nkosazana Dlamini-Zuma said in late May. The consumer spending that has long contributed some 60% to GDP will be sharply reduced. Tax revenues will go down this year by a projected R285bn, worsening the R370bn deficit anticipated in the February 2020 budget. But public spending – on Covid-19 relief for lost income, larger social grants, additional bailouts for distressed SOEs, and increased interest payments – will nevertheless have to go sharply up.[3]

The economic devastation from the Covid-19 lockdown will be more severe and prolonged in South Africa than in other countries where lockdowns have also been deployed. This is largely because the 10-year policy lockdown already in place had brought so many firms and individuals to the brink. The Covid-19 crisis then pushed them over the edge – while the pre-existing damage will make it harder to climb back.

The Covid-19 lockdown has, of course, been highly visible to all. But the policy lockdown that has held the country in an iron grasp for at least the last decade is not so easy to discern. That makes the policy lockdown more difficult to understand and far harder to end.

Understanding the policy lockdown of the last ten years

In 1994 South Africa was the undisputed economic powerhouse of the African continent, with the biggest economy, the best infrastructure, the most sophisticated financial institutions, the most liquid markets, and a vibrant private sector contributing 70% to GDP and well equipped to speed up growth and expand prosperity.

The country still has many of those strengths. But its economy has performed way below its potential since 1994 – and increasingly badly over the past ten years. Why has this happened? Many factors have played a part, from a persistent skills deficit to ageing infrastructure, increasing governmental inefficiency and corruption, and costly and unreliable electricity supplies. However, by far the most important reason for the growing malaise lies in the policies adopted by the ANC government since the political transition.

Many commentators criticise ANC policies as too ‘uncertain’ – meaning either that their content is too vague, or that delays in adopting proposed changes are too long. Others assert that our economic policies are good, but that the ANC fails adequately to implement them. Both these views are incorrect.

The real problem is that many bad policies have been introduced, that these bad policies have been tightened up and made more damaging over time, and that their implementation – often achieved with the help of business – has generally been far too effective for the country’s good.

These bad policies have their roots in the National Democratic Revolution (NDR) to which the ANC and its communist allies have been committed since the 1960s. The NDR aims to shift South Africa from a predominantly capitalist society to a socialist (and ultimately a communist) one. This is to be done by slow and incremental steps and over a period of some 40 years. Implementation began in 1994 and is now well advanced – particularly under the rubric of the ‘radical economic transformation’ that Mr Zuma started to popularise and which Mr Ramaphosa is now taking further.

The SACP has long used its dominance over the ANC to set the NDR agenda for the ruling party and continues to do so. NDR goals are openly acknowledged in both SACP and ANC policy and strategy documents, while the ANC regularly recommits itself to the NDR at its five-yearly national conferences.

But most South Africans have little or no knowledge of the NDR – largely because most commentators persist in ignoring or pooh-poohing it.

The NDR is nevertheless the lodestar of the ANC/SACP alliance and the glue that holds the competing factions in the ANC together. The SACP faction (to which Mr Ramaphosa belongs) arguably wants it primarily for more purist ideological reasons. The 'state capture' faction sees personal benefits in increased state power and expanded opportunities for self-enrichment. The two sides differ on tactics, timing, and the degree of looting to be tolerated – but the NDR remains the guiding objective on which both fundamentally agree.

NDR interventions have been playing out in some 20 spheres since the ANC took power, making the full story of its implementation too long and complex to be captured here. One general point can, however, be made. A transition to socialism would be far more difficult to achieve if South Africa's capitalist economy was thriving, if unemployment was low, and if most people's incomes and living standards were rising. A shift to socialism is far more likely to occur when joblessness and inequality are high and most people are becoming poorer.

Counter-intuitive as it may seem, NDR interventions are thus generally aimed at deterring investment, limiting growth, and adding to unemployment. In line with the overall socialist objective, many NDR policies also seek to increase dependency on the government, bring business under ever greater government control, and expand state ownership over land and other vital 'means of production'.

Few NDR interventions can be described in this brief overview. However, to understand NDR thinking more fully – and so gain more insight into what is being planned – it is instructive to outline what has been done in three vital spheres: labour, BEE and property rights.

Labour laws

Relevant NDR goals

In NDR thinking, the primary 'motive force' of the revolution is the black working class, both employed and unemployed. In keeping with Marxist doctrine, this group is seen as having the greatest interest in undermining and ultimately destroying the capitalist economy so that a socialist (and in time a communist) system can be achieved.

The immediate objective, says the SACP in its current policy programme, *The South African Road to Socialism 2012 to 2017*, is to bring about a 'socialised' society. This is one in which the private sector is still present, but 'the socialised component is dominant and hegemonic'. The socialised component is 'that part of the economy that is premised on meeting social needs and not private profits'.[4] This wording may sound egalitarian and socially just – but businesses that cannot earn more in income than they pay out in expenses must in time collapse, helping pave the way to a socialist order.

Black workers in employment have a range of NDR tasks to fulfil. In essence, their role is to put increasing pressure on the capitalist economy by demanding wage increases in excess of productivity gains, engaging in strikes, vocally supporting key NDR interventions, and helping to mobilise communities into supporting those interventions too. Those in the private sector are expected over time to garner enough power to decide not only on wages and working conditions but also on the budgetary priorities and investment decisions of their employers. Workers in the public sector must resist attempts at wage restraint, downsizing, and privatisation and help entrench the dominance of the developmental state as an essential element in a socialised economy.[5]

Black workers who are unemployed are equally, if not even more, important to the NDR. Their poverty and suffering graphically highlight the shortcomings of capitalism. They give a face to its supposedly callous indifference to the plight of the poor. Since these would-be workers lack earned income of their own, they are also heavily dependent on the state for:

- social grants (paid monthly in cash to support children, pensioners and the disabled);
- the wider social wage (free public education and housing, subsidised public transport, virtually free public healthcare, and free 'basic' electricity and water); and
- poorly paid and temporary 'job opportunities' within the 'expanded public works programme' and related 'community works programme'.

As joblessness increases and the cost of living goes up, so the plight of the unemployed deepens. They have fewer relatives with jobs to help support them, and there is less that social grants can buy. In time, the jobless will become desperate enough to start seeing merit in survivalist township businesses and small-scale (One Household, One Hectare) farms, operating with significant state help. Economic activities of this kind help advance the NDR because they can be organised on a collective or co-operative basis, so limiting individual ownership. Crucially, adds the SACP, they also help 'de-link' the unemployed from the capitalist economy, so that they no longer depend on it for their livelihoods but rather look to the state to help meet their core needs.[6]

As unemployment worsens, thousands of black youths with poor skills and limited prospects become available for other revolutionary tasks. They can easily be mobilised to take part in meetings and marches, while some may also be drawn into arson attacks and other acts of violence. Rising demonstrations – particularly when many turn violent – undermine social stability, deter investment, and put increasing pressure on the very fabric of society.

NDR policies to achieve these aims

Various laws have been enacted since 1994 to build the power of left-leaning trade unions, increase barriers to employment, and worsen joblessness among the black majority.

The *Labour Relations Act (LRA)* of 1995 is particularly important. It gives unions strong powers to organise, including the right to demand closed-shop agreements (under which non-union members are barred from employment at affected workplaces). It significantly deters job creation through its stringent controls on dismissals and retrenchments, for employers that cannot fire when needed are more reluctant to hire.

It also pushes struggling small businesses into retrenching staff – or closing down altogether – through rules requiring 'blanket coverage'. Under these rules, the wages that big businesses can afford to pay are 'extended' and made binding on small firms that cannot afford them. Under amendments introduced in 2015, the Act has also curtailed the temporary jobs that were previously growing fast by automatically turning these jobs into permanent ones after three months.

The LRA makes it very easy to strike over wages, working conditions, and the 'socio-economic interests' of workers. It allows secondary (or sympathy) strikes, as well as extensive picketing. No employee can be dismissed for taking part in a protected strike, but a 'no-work, no-pay' rule applies.

Many workers are reluctant to lose wages by going out on strike, but are in practice compelled to do so through intimidation and violence. To help guard against this, the LRA was recently amended to require unions that 'do not provide for a recorded and secret ballot' in their constitutions to change their founding documents. However, this is likely to mean little in practice as the LRA has long provided (and still does) that a union's failure to comply with a ballot requirement in its constitution does not affect the legality of a strike.[7]

The *Basic Conditions of Employment Act* of 1997 allows the minister of employment and labour to lay down generous entitlements regarding working hours, overtime pay, and paid leave. These push up the overall costs of employment. The *National Minimum Wage Act* of 2018 now goes further by setting a general minimum wage of roughly R3 650 a month (R20.76 an hour), with which virtually all employers must comply. The current minimum wage is only an initial step and is likely to be pushed up over time to what Cosatu regards as a 'living' wage. However, the higher the minimum wage, the more it will price the unskilled out of jobs and undercut the country's already limited international competitiveness.[8]

The economic impact of these policies

Employment has increased since 1994, but joblessness has grown faster. The number of black South Africans in employment has risen from 5 million in 1994 to 12.3 million in 2019, an increase of 146%. But joblessness within the black population has gone up from 1.6 million in 1994 to 5.9 million in 2019, an increase of 264%. On an expanded definition, which includes those too discouraged to keep seeking jobs, more than 9.3 million black South Africans were unemployed at the end of 2019. The total figure among all population groups then exceeded 10.3 million – and has risen sharply since the lockdown began.[9]

South Africa's official unemployment rate stood at 29% at the end of 2019, and was one of the highest in the world. Among young people aged 16 to 24, who generally lack both skills and experience, it stood at a staggering 56.4%. The jobless rate is even higher among black youth.[10]

Since the LRA came into force, strikes have cost the economy many millions of mandays. In the three 'peak' years of 2007, 2010, and 2014, mandays lost totalled 12.9 million, 14.6 million, and 11.8 million, respectively. Violence in enforcing stoppages is so common that strikes can 'mean the death penalty for a number of workers', as former ANC secretary general Gwede Mantashe has admitted. The most violent strike was in 2006, when 69 non-striking security guards were killed – beaten, shot, or flung from moving trains – during a three-month strike called by a Cosatu trade union. In 2012 half of Cosatu's members told union pollsters conducting an opinion survey that strike violence is necessary to achieve desired outcomes.[11]

Not surprisingly, South Africa has a dismal ranking on labour issues in the World Economic Forum's annual 'global competitiveness reports'. In the 2019 report, South Africa ranked almost last in the world (139th out of 141 countries) for 'co-operation in labour-employer relations'. On 'flexibility of wage determination' it ranked 134th out of 141, while on 'hiring and firing practices' it ranked 129th out of 141, another poor showing. It also did badly on the relationship between 'pay and productivity', where it ranked 83rd.[12]

Labour laws have greatly undermined the country's competitiveness. In general, wages are too high and productivity is too low, while essential public services and infrastructure are increasingly costly, inefficient, and inadequate. Electricity supply has become a major crisis – and has been made worse by union intransigence. As a result, South Africa is increasingly unable to compete with other countries, particularly China and other manufacturing behemoths in South East Asia.

Joblessness has grown steadily since 1994 and especially so in the past decade. As earlier noted, the unemployed black working class number some 9.3 million people – all of whom are heavily dependent on the state for social grants and other benefits, as the NDR script requires. The majority are poorly skilled youths who can easily be mobilised to participate in an ever growing number of marches and demonstrations, many of them violent.

Damage from violent demonstrations is beginning to run high. By May 2019, for example, roughly 1 300 large delivery trucks had been destroyed or damaged in arson attacks over the past year. (These attacks were generally mounted in support of demands that foreign truck drivers should no longer be employed.) By March 2019, insurance claims submitted to Sasria (which provides special risk cover for public disorder, strikes, and riots) had also risen to an all-time high, with claims doubling in a single year and costing close on R1.6bn to settle. Roughly 80% of these claims arose from service delivery protests, with strike-related violence making up the balance. Losses of this magnitude further deter investment and could see a number of companies closing down, costing still more jobs and further undermining social stability.[13]

Employment equity and BEE

Relevant NDR goals

The NDR purposes behind 'employment equity' (EE) requirements are to push incumbents (mainly whites) out of senior positions in the public service, SOEs, and private companies and then replace them with ANC cadres, so as to help bring all these entities under party control. Further goals are to strengthen support for the NDR among the 'black middle strata' (also an important part of the 'motive forces') and weaken the established middle class – the group best able to resist the revolution.

BEE goes further, seeking to change not only the 'management' of the economy but also its 'ownership' (which serves the further NDR goal of undermining respect for property rights). BEE also requires that almost all goods and services be purchased or 'procured' from black firms often unable to compete on price or efficiency. BEE thus acts as a major drain on resources and a potent barrier to investment. It also helps to reinforce the NDR goal of putting social needs before private profits.

EE and BEE further advance the NDR by requiring an informal system of race classification (to replace the statutory one abolished by the National Party government in 1991). These policies stoke racial animosity, and are used to build up anger against the skilled white minority for its continued economic 'domination'.

This narrative in turn feeds the NDR claim that whites are alien interlopers – 'colonialists of a special kind' – whose wealth and 'privilege' have nothing to do with knowledge, enterprise, or innovation but stems solely from their ruthless exploitation of the black population. This analysis helps prevent the moderate majority, both black and white, from uniting behind pragmatic economic policies. EE and BEE thus help sustain the ANC in power, despite the party's manifest failures in governance and ever more visible corruption.

Policies aimed at achieving these NDR goals

EE and BEE requirements are based on an assumed norm of 'demographic representivity', in terms of which the different groups in a heterogeneous society are supposed to fan out into management positions, business ownership, and procurement contracts in keeping with their shares of the overall population.

In South Africa, black people make up 80% of the total population – so the NDR goal is to keep raising EE and BEE targets until black representation in management and ownership reaches this level. Yet the assumed 'norm' of demographic representivity (despite assiduous research by international scholars) has never been found to exist in any society. This is primarily because it overlooks salient variations in age, skills, and experience, among other factors.

These variables are particularly telling in South Africa where roughly half the black population is under the age of 25 and cannot reasonably be considered eligible for management jobs, business ownership, or preferential tenders. Since some 9.3 million black South Africans are unemployed, many also lack necessary work experience. In addition, public schooling is so poor that 90% of Grade 4 pupils cannot read for meaning, almost half of all pupils drop out without finishing high school, many scrape through their Grade 12 exams with aggregate scores below 40%, and fewer than 55 000 a year pass Grade 12 maths with 50% or more. As a result, only 5.3% of black people have the university degrees often either needed or advisable for senior positions.[14]

Current EE and BEE requirements demand, among other things, that companies:

- transfer at least 25% of their assets or equity at discounted prices to BEE partners generally lacking both capital and experience – and then do additional 'top-up' deals when their BEE partners sell out;
- bring black representation up to 60% for senior management, 75% for middle management, and 88% for junior management (with black women making up half the relevant target in each instance); and
- purchase 80% of the goods and services they need each year from empowered firms, generally defined as those with 25% BEE ownership. However, more than half of this 80% must be bought from 51% black-owned firms – which simply do not exist in sufficient number and must therefore be created and sustained to secure compliance.

Penalties for failing to comply with these onerous requirements have been substantially increased since 2014. Under the EE Act, companies that fail to make 'reasonable' progress towards demographic representivity now face massive fines of up to 10% of annual turnover for repeat 'offences'. Under proposed amendments soon to be put before Parliament, the minister will be empowered to stipulate the EE 'targets' (quotas in all but name) that companies in different sectors must fulfil. Non-compliance will lead to prosecutions, while companies will be barred from doing business with the state.

Under the BEE Act, companies face similar fines (up to 10% of annual turnover) for the crime of 'fronting', coupled with jail terms of up to ten years for their directors. 'Fronting' is supposed to mean the fraudulent misrepresentation of BEE status. However, the Act defines it far more broadly to include any conduct that inadvertently 'undermines' BEE objectives.

The public service and SOEs must also comply with EE and BEE rules. As regards EE, demographic representivity has already been attained in the public service and is relatively close to being met in many SOEs. However, given the fast pace of change and limited skills within the black population, the upshot has been a crippling loss of institutional memory, experience, and efficiency.

The further consequences are dismal: 80% of public schools are dysfunctional; 85% of public clinics and hospitals cannot comply with basic healthcare norms and standards; 87% of RDP houses are badly built 'high-risk' structures; billions of litres of untreated sewage are discharged into rivers every day from failing municipal wastewater treatment plants; essential infrastructure cannot be expanded because the state (in the words of former finance minister Trevor Manuel) lacks 'the capacity to get projects off the ground'; and vital financial controls on state spending are persistently disregarded because 'inadequately skilled people' have been appointed to 'crucial positions'.

Preferential procurement requirements have been equally damaging. Under these rules, many tendering decisions are no longer based on the established criteria of price, quality, and capacity to deliver on time. This erodes efficiency, while opening the tender system up to abuse. The problem is particularly acute within the state, where the overall procurement budget currently amounts to some R800bn a year. The enormous sums in issue have encouraged many officials and politicians (as the ANC acknowledged back in 2009) to 'inflate tenders for personal profit, award tenders to companies that fund political campaigns, and accept bribes and kickbacks from service providers'.[16]

Thousands of ANC members at all levels of government seem to have drawn financial benefit from corruption of this kind. So too have the ruling party and its allies. As one BEE contractor (speaking on condition of anonymity) told *The Star* in 2012, businessmen seeking state contracts are expected to pay 'mandatory kickbacks' to corrupt officials and to 'donate huge sums' to the tripartite alliance. Said the businessman: 'You pay to be introduced to the political principals, you pay to get a tender, you pay to be paid [for completed work], and you must also "grease the machinery". From time to time, you are called upon to make donations to the...ANC. There are also donations to the ANC youth league, the women's league, and the SACP.'[17]

The costs of corruption and price mark-ups mount up. So much so that in October 2016, shortly before he retired as the Treasury's chief procurement officer, Kenneth Brown warned that between 30% and 40% of the state's total annual procurement budget was 'tainted by fraud and inflated prices'.[18] On an annual budget of R800bn, this suggests that at least R240bn in state spending is affected in this way each year.

Since April 2017, Treasury regulations have also required that at least '30% of the value' of state contracts worth R30m or more should be sub-contracted to small black firms. These provisions have greatly increased the scope for uncompetitive tendering. They have also given rise to violence and intimidation by groups determined to obtain their 30% 'share'.

By April 2019, more than 180 infrastructure and other construction projects, with a cumulative value of more than R63bn, had suffered often violent disruptions by groups demanding a 30% stake. One so affected was a R2.4bn German oil storage investment project being built by WBHO Construction in Saldanha Bay (Western Cape). Construction was halted after properties and plant were burnt down by armed gangs demanding their 30% share. Images of the Saldanha Bay project (reported the *Mail & Guardian*) 'revealed a scorched landscape, with rows of vehicles roiling in flames and torched buildings'.[19]

In similar vein, Aveng and its joint venture partner, Strabag International GmbH, were prevented from working on the R1.6bn Mtentu Bridge project in the Eastern Cape for close on three months by groups wielding AK-47 assault rifles and demanding their 30% stake. Commented Aveng chief executive Sean Flanagan: 'Our German partners say they have worked in 80 countries, including Afghanistan and Baghdad (Iraq), but have never experienced anything like this.'[20]

The demand for a fair 'share' of contracts has reportedly resulted in seven deaths thus far. According to the South African Forum of Civil Engineering Contractors (Safcec), roughly 110 engineers and other highly skilled technical personnel have left the country in response to these incidents, which the police have seemed powerless to end.[21]

The economic impact of these NDR policies

The adverse economic impact of EE and BEE has been enormous. Billions in scarce tax revenues have been squandered on BEE procurement, while persistent public service inefficiency has become a major barrier to doing business. The capacity of SOEs with virtual or complete monopolies over key sectors (Eskom, Transnet, and Portnet) has deteriorated sharply, undermining their effectiveness and pushing up costs.

In the private sector, companies face constant political pressure to act against their own best interests – to transfer substantial equity stakes to BEE partners lacking capital and expertise, appoint senior staff on colour rather than competence, and procure most of the goods and services they need without sufficient regard for price and quality. No cost-effective business can be run on this basis. Yet companies face crippling fines – and even jail time for directors – if they fail to meet unrealistic EE and BEE targets.

BEE has thus become a major barrier to direct investment (and has also encouraged some companies to disinvest). Growth has been reduced, though to what extent is hard to say. However, recent research has shown that, if South Africa had managed to equal the growth rates achieved in other emerging markets since 2010, both its GDP and its tax revenues would be R1 trillion greater, while some 2.5 million more jobs would have been generated.

Far from helping to reduce inequality, BEE has made it worse. Some 15% of black South Africans have benefited from BEE, some of them becoming millionaires and even billionaires. But more than 9.3 million black people are now jobless. This makes for an ever widening gap between a relative black elite and the truly disadvantaged – who have little prospect of ever benefiting from BEE ownership deals, management posts, or preferential contracts.

At the same time, the inability of the private sector to attain demographic representivity in ownership, management, and procurement has been used to stigmatise business in general – and whites in particular – for a supposedly persistent 'racism' and determination to maintain an undeserved 'privilege'. The ANC has also stepped up its demands for 'radical economic transformation' (RET), claiming that major changes to the 'structure' of the economy are the only way to counter white intransigence. In time, this is likely to bring the country closer to the vital NDR goal of unravelling property rights and ending the private ownership of land and other assets.

Property rights

Relevant NDR goals

As the SACP states in its 1989 programme *The Path to Power*, 'public ownership of the means of production, means of distribution, and means of exchange is the foundation of the socialist economy'. But South Africa has a predominantly capitalist economy and extensive private ownership of business, residential, and other assets. A fundamental goal of the NDR is therefore to 'eliminate' existing property relations, while continuously expanding 'state power and ownership of and control over the national wealth', as the SACP puts it.[22]

However, this destruction of property rights is not what most South Africans want. To reduce resistance from the moderate majority, the SACP urges that the NDR assault on property rights be achieved by slow and incremental steps. If 'premature attempts' are made 'to eliminate all private property', this 'often narrows the social base of the revolution and can do incalculable harm to the quest for socialism', it cautions.[23]

Policies to achieve this NDR goal

Much has been done over the past 25 years to achieve this incremental erosion of property rights. The process began in 1994 in the land reform sphere, where the need to redress apartheid injustices was particularly acute. This helped generate broad public support for a three-pronged programme aimed at:

- restitution (restoring land to those dispossessed of it under the Natives Land Act of 1913 and subsequent racial laws);
- redistribution (transferring 30% of the country's total land area, or some 26 million hectares, to black people); and
- tenure reform (giving secure tenure to those without it).

Since 1994, the state has bought some 10 million hectares of land, as part of the restitution and redistribution goals. Another 2 million hectares could have been bought under the restitution programme if successful claimants had not preferred to take their compensation in cash in lieu of land. However, little has been done to provide black South Africans with secure title, as promised in the Constitution.

Instead, state policy bars land reform beneficiaries from obtaining individual ownership. Land bought for restitution purposes is transferred, not to individuals, but rather to communities – as represented either by communal property associations or by traditional leaders. Land bought for redistribution is kept in state ownership, and beneficiaries must lease it from the government for at least 50 years before they may have an option to buy. In addition, most of the 7.8m black South Africans who own houses still lack title deeds to their homes, while little has been done to give some 18 million black people[24] secure ownership of the plots they occupy under customary law.

Various land reform laws were soon followed by the National Water Act of 1998, which ended riparian and other ownership rights and vested all water resources in the trusteeship of the state. In much the same way, all mineral resources beneath the ground – two thirds of which had previously been privately owned – were vested in the custodianship of the state when the Mineral and Petroleum Development Act (MPRDA) of 2002 took effect in 2004.

Under the MPRDA, mining companies are also expected to meet empowerment targets and, in particular, to transfer 26% of their equity or assets to historically disadvantaged South Africans (HDSAs). The government promised this target would never be increased, but has now broken its word. For some years, coal mining companies have in practice needed 51% black ownership to sell coal to Eskom. The 2018 mining charter has formally raised the target to 30% for all new mining rights – and also for existing ones which need to be transferred or renewed.

The bilateral investment treaties (BITs) the Mandela administration concluded with the United Kingdom and 12 other European countries – all major investors in South Africa – were terminated between 2011 and 2013. These BITs had given investors from these countries the rights to market-value compensation on expropriation and the international arbitration of all disputes with the South African government. These were important protections, which had encouraged investment from the UK, Europe and the US. (America never had a BIT with South Africa, but drew comfort from the availability of these safeguards for other Western investors.)

The ANC government promised to replace the terminated BITs with an investment statute that would match and 'codify' all their provisions. Instead, it enacted the Protection of Investment Act of 2015 which does nothing of the kind. Rather, this statute removes any right to international arbitration and limits compensation on expropriation to whatever the property clause (Section 25) in the Constitution may provide.

Section 25 currently guarantees 'just and equitable' compensation on every expropriation. Though compensation may sometimes be less than market value, it must always strike 'an equitable balance' between the public interest and the interests of those affected by the state's interventions. Now, however, Section 25 is to be amended to allow expropriation without compensation (EWC). This will fundamentally undermine the property rights of foreign investors – and also of all South Africans.

The ANC decided to press ahead with this EWC amendment to the Constitution at its Nasrec national conference in December 2017. A year later, acting together with the EFF, it used its control over the legislature to secure a recommendation from Parliament that Section 25 should indeed be amended in this way. An ad hoc parliamentary committee has since drafted a proposed constitutional amendment bill that would authorise the payment of 'nil' compensation in appropriate circumstances – and allow the legislature to decide (through a succession of ordinary statutes, adopted by a simple 51% majority) what those circumstances should be. (This proposed change to Section 25 is currently on hold, but this is solely because the public hearings intended to sanction it were interrupted by the lockdown.)[25]

This pending EWC amendment is the most important NDR intervention since 1994. The ANC has carefully prepared the way for it by hobbling land reform in various ways – and then identifying EWC as the only possible solution. This argument makes little sense, however. It also overlooks the contrary assessment of the High Level Panel of Parliament, which was appointed in 2015 to investigate the impact of 1 000 post-1994 laws, including those on land reform.

According to the panel's November 2017 report, the land acquisition costs that EWC is supposedly intended to overcome have never been a major constraint. The reasons for land reform failures lie rather in miniscule revenue allocations (less than 1% of annual national budgets), pervasive bureaucratic inefficiency, inadequate training for new farmers, and the ANC's refusal to grant them individual ownership – which has barred them from raising working capital from banks. Also important are growing signs of corruption and 'elite capture', says the panel.

The ANC has buttressed its EWC demand by stepping up its NDR rhetoric against whites as alien interlopers who 'stole' the land and thereby impoverished the black majority. Many of these angry (and erroneous) accusations have come from Julius Malema and the EFF, but senior ANC leaders – including Mr Ramaphosa – have also played an important part in this stigmatisation.

The constitutional amendment allowing EWC is to be supplemented by the Expropriation Bill of 2019, which sets out the details of how EWC is to be achieved. Following several changes to its initial wording, this Bill now provides for 'nil' compensation on expropriation in six listed circumstances, but emphasises that this list is not exhaustive. The Bill also defines 'expropriation' in an unusually narrow way. This definition is designed to ensure that neither 'custodial' nor 'regulatory' takings will count as expropriations or merit the payment of any compensation at all.

Many custodial and regulatory takings have already occurred since 1994. The vesting of first water and then mineral resources in the custodianship of the state, as earlier outlined, were custodial takings that extinguished existing ownership rights and gave the state comprehensive control over these resources.

The imposition of 25% (or 51%) BEE ownership requirements, as set out above, are examples of regulatory takings. The shares transferred via BEE deals to black 'investors' do not pass into the ownership of the state, but the regulations requiring these transfers nevertheless deprive the owners of affected businesses of many of the normal powers and benefits of ownership.

Once the EWC constitutional amendment and the Expropriation Bill have been enacted into law, various additional custodial and regulatory takings are likely to proceed, as outlined below. These takings will have devastating consequences for the economy – and also for the political and economic freedoms that property rights underpin.

The economic impact of these NDR policies

Great damage has been done by this incremental erosion of property rights. The mining sector has effectively been made 'uninvestable' through the combination of state custodianship and ever more onerous BEE ownership targets. Commercial farmers have confronted tens of thousands of land claims, some inflated or otherwise invalid, which the government has been inordinately slow in resolving. The resulting uncertainty regarding land ownership has caused more damage, says Agri SA, than the scorched-earth policies adopted by Britain in the Anglo-Boer War (1899-1902). At the same time, companies across the economy have put an estimated R1 trillion into BEE deals but gained little in return, while black entrepreneurship has been stifled rather than stimulated.[26]

Further massive damage will follow if the EWC constitutional amendment and expropriation bills are enacted into law. All land is then likely to be vested in the custodianship of the state – as the ANC has long wanted – and without any compensation being paid. The millions of South Africans, both individual and corporate, that currently own houses, farms, business premises, customary plots, and other properties will lose their existing rights. Instead, they will be granted 'land-use' licences from the state, which officials will be able to terminate 'in the public interest' at any time.

Commercial farmers granted land-use licences over the farms they previously owned will face escalating BEE ownership targets (as mining companies have already done) and will gradually lose majority control over their enterprises. Working capital is likely to become more difficult to access, putting both food security and valuable agricultural exports at risk.

Companies that currently own their business premises will also need land-use licences, but these will be inherently insecure. This will become a further major barrier to direct investment. It could also prompt already struggling firms to throw in the towel or move their operations elsewhere, costing hundreds of thousands of jobs.

The 28 million South Africans of all races who currently (albeit often informally) own houses and customary plots will lose their present rights and be forced to depend on the state for land-use licences instead. All of them will be barred from owning land (as black people were in the apartheid era, albeit for different reasons) and prevented from building up capital via home ownership.

With EWC laws in place, many uncompensated regulatory expropriations are also likely to proceed. Among other things, BEE ownership targets may be stepped up to 51% or more in all sectors; mining companies may be compelled to sell coal and other 'strategic' minerals to SOEs at 'developmental' prices decided by the government; and oil majors will be expected to transfer a 20% carried interest in off-shore wells to the state, plus a further 10% stake, at minimum, to black investors. All affected companies will thus be obliged to put social needs before private profits – as the NDR requires – while their sustainability will come under increasing pressure.

Under the NHI Bill of 2019, all medical schemes will in time be closed and their substantial reserves transferred to the NHI Fund. This fund (in a former health minster's words) will then become the 'single state-run medical aid plan' for the entire country. The NHI Fund will also impose comprehensive price and other controls on all private hospitals and health professionals and so ensure that they too put social needs before private profits. In time, these price controls could push many into bankruptcy.

'Prescribed asset' rules, requiring pension funds and all other financial institutions to invest in failing SOEs and other 'developmental' initiatives of the government's choosing, may also be introduced. The obligation to put social needs before private profits will again apply, undermining the sustainability of these institutions. Investment returns could also turn negative for millions of pension fund members and other savers.

The lockdown as the trigger for more NDR interventions

The impact of the policy lockdown in eroding confidence, deterring investment, limiting growth, and adding to unemployment was already clearly evident in March 2020, when the Covid-19 lockdown was suddenly introduced as well.

The Covid-19 lockdown has further devastated the economy to an extent that cannot yet be fully understood. The lockdown has also given South Africans important insights into the kind of society and economy the NDR seeks to introduce. In a nutshell, this is one in which:

- the executive can avoid virtually all accountability to Parliament;
- lockdown decisions are made by an unconstitutional National Coronavirus Command Council (now renamed the National Command Council);
- constitutional safeguards against the unwarranted declaration and retention of emergency rule are bypassed by using the Disaster Management Act instead;
- irrational and unreasonable rules are chopped and changed to suit the whims of particular ministers;
- the police and army are used to coerce, and sometimes literally to whip, people into line;
- state inefficiency remains acute, hobbling attempts to increase access to water (only half the promised 18 000 tanks have been supplied) or provide timely relief (from either the UFI Fund or the new social grant for the unemployed);
- corruption and other abuses of power accelerate, marked by a R37m contract for a short and ineffective new border fence with Zimbabwe, and the hoarding of food parcels by ANC councillors intent on using these to buttress support for themselves and the ruling party;
- vital information about the virus and the extent of the risk it poses are largely kept from public knowledge or expert scrutiny;
- what the ANC regards as 'fake news' or 'misinformation' is sharply criticised and can be removed (with apparent mainstream media acquiescence) from public platforms;

- firms need state permission to operate and have the constant threat of being forced to close again hanging over them like the Sword of Damocles;
- tens of thousands of businesses are pushed into bankruptcy while the jobless rate rises to 50%;
- South Africans become increasingly impoverished as the private sector shrinks, the middle class contracts, and the poor become hungrier and increasingly desperate; and
- public dependency on the state grows strongly, as the NDR script requires.

As the lockdown eases and the focus shifts to recovery, the ANC/SACP alliance is using the economic damage from the lockdown to push ahead with key NDR policy proposals. An ANC plan for economic recovery, already approved by the national executive committee, repeats earlier calls for a state pharmaceutical company (to 'curb' medicine prices) and a state bank (to promote 'developmental' lending). It also seeks to marshal pension savings to help achieve 'developmental' purposes, and emphasises 'the centrality of the role of the state' in the reconstruction process.[27]

The SACP, which helped shape the ANC document, states that the Covid-19 crisis has provided an important opportunity for the state to be 'empowered' to 'discipline capital and the private sector' which are at their 'weakest'. According to deputy general secretary Solly Mapaila, the party wants 'a much more assertive state which is not cajoled or bullied by the private sector'.[28]

In a recent speech to KwaZulu-Natal's 'command council', Mr Ramaphosa appeared almost to relish the 'total destruction' of the economy – which he wrongly blamed on the virus, rather than the lockdown. He seems to see value in the collapse because it paves the way for major economic 'reconstruction'. He also wants to ensure that 'radical economic transformation' is what 'underpins the economic future'. In similar vein, the SACP has stated that 'we cannot go back to the crisis before the crisis' but must instead shift away from 'the capitalist system [which] is the cause' of all the country's inter-related woes.[29]

One of the most illuminating comments was made by Dumisani Mpafa of the Black Management Forum at a BEE webinar a fortnight ago. As Mr Mpafa puts it, 'we are dealing with a solid economic architecture [that is] so strong [that], unless something drastic happens, you can't sabotage it. You've got to bring it to its knees and start afresh'.[30]

In similar vein, Dr Mukovhe Masutha, a manager in the ANC's policy unit, wants to put an end to South Africa's 'neoliberal economic order', which will otherwise undermine the country's hard-won democracy and deliver 'a tyranny of investors and lenders'. Now that the Covid-19 pandemic has provided 'an unprecedented opportunity' to refashion society, he says, 'it is time for us to guard against the tyranny of the markets,...even if it means risking everything'.[31]

Many of the NDR interventions now being reinvigorated have been in the policy pipeline for some time. Some, such as the EWC constitutional amendment bill and the 2019 NHI bill, were already close to being adopted by Parliament when the lockdown began. Others, however, were still far from imminent. Now the ANC/SACP alliance sees the massive damage from the lockdown as having tipped the balance of forces in favour of its revolutionary agenda in many different spheres.

Labour legislation

Cosatu and left-leaning unions are using fears about looming job losses to buttress their long-standing call for a moratorium on retrenchments.[32] But if this restriction is imposed, it will stop firms from downsizing in response to reduced demand and push more businesses into bankruptcy. From an NDR perspective, however, this situation will provide increased opportunity (as Mr Ramaphosa has said) for the state to 'find, create and build jobs for the many of our people who are going to lose jobs'.[33] These new jobs, as earlier outlined, are likely to be in marginal ones in 'township' and 'rural' economies, where micro enterprises will be expected to operate collectively and will largely depend on the state for their survival.

BEE and EE

Small white-owned enterprises with low BEE scores will continue to be denied access to the Covid-19 relief funds set aside for SMEs and businesses in the tourism sector.[34] Yet neither the Constitution nor BEE legislation authorise the use of racial criteria in the allocation of disaster relief. Denying assistance in this way will help close down many of these firms and add their staff to the jobless queues. Despite this further evidence of the damage from ill-conceived rules, EE and BEE bills already in the pipeline will continue to be pushed through Parliament. This tightening up of already unrealistic requirements will further erode investor and business confidence.

EWC in the constitutional amendment and expropriation bills

With lockdown poverty and hunger growing, the EFF – a breakaway party from the ANC which is steeped in NDR ideology and helps build support for NDR policies – has also stepped up the EWC demand. Said EFF MP Sam Matiase in April: 'The solution can come only from abolishing the dysfunctional and barbaric system of capitalism; dismantling the patterns of private land ownership and property through the expropriation and restoration of land to the people; and empowering them to work the land, feed themselves, their families and their fellow humans in the spirit of brother and sisterhood.'[35]

The inequalities in urban housing and public transport highlighted by the pandemic are also being used to advance the case for EWC. According to the SACP, EWC will help put an end to the 'apartheid spatial patterns that now expose millions of South Africans to crowded and potentially highly infectious minibus commutes'.[36]

However, the real aim of the constitutional amendment and expropriation bills is still to open the way for the state to take custodianship of all land. This will effectively erase all title deeds, while allowing erstwhile owners to stay on as occupiers (for a period at least) under land-use licences from the state. Uncompensated regulatory takings will be authorised as well, which will facilitate the introduction of the NHI and its state monopoly over health.

The NHI

Ideological demands for the speedy implementation of the NHI have been growing ever since the lockdown began. These have generally been based on the usual false claims that the private sector – which is funded entirely from after-tax income – siphons off resources from the poor and leaves them vulnerable (in Numsa's words) to 'vultures' seeking to 'profiteer' from their health needs.[37]

However, the economic damage from the lockdown may now be giving additional impetus to the NHI proposal. Admissions to private hospitals have decreased by some 75%, eroding their profitability. Private practitioners have witnessed a sudden drop in consultations: GPs a decline of 43%, specialists a drop of some 33%. The private specialists needed to help treat a growing number of Covid-19 patients in private hospitals are being offered limited and 'non-negotiable' fees per patient, which are to be the same in every case regardless of its complexity or whether a team of doctors might need to be drawn in. Some private specialists further fear that the limited fees now on offer will in time be used to decide what they may earn under the NHI as well.[38]

The medical schemes that currently fund the great bulk of private health services are struggling too. Many of their members have lost jobs or income due to the lockdown and have little choice but to resign or shift down to cheaper schemes. But Covid-19 treatment has been identified as 'a prescribed minimum benefit', so high treatment costs for those who fall severely or critically ill will have to be paid 'in full' by schemes, regardless of declining member contributions. In addition, as more and more people are compelled by financial hardship to exit from their medical schemes, so the golden promise of the NHI – free quality health services for all – is likely to become more alluring. When the promise turns out to be false, however, people with scarce skills will have yet more impetus to emigrate. The resulting loss of skills, capital, and tax revenues will then hobble the economy still more.

Prescribed assets for pension funds

A particularly important NDR objective has long been to 'mobilise...the immense resources...controlled by...private capital' into serving the needs of the revolution, as the SACP says in *The South African Road to Socialism*. How this is to be achieved will 'vary according to circumstance' and will often depend on 'effective state...regulation'. It may also require 'straightforward compulsion and even expropriation'.[39]

One way of 'mobilising' the private sector's 'immense resources' is to introduce prescribed assets for pension funds, which would then be compelled to invest stipulated percentages in government and SOE bonds at interest rates set by the state.

Regulation 28 (issued under the Pension Fund Act) already allows the government to give directions as to how pension funds are to be invested. Under the current rules, pension funds must invest 25% in interest-bearing investments, such as bonds, even if their members would prefer a higher equity exposure. It would thus be a small step to amend Regulation 28 to require, say, a 50% investment in state bonds. Since shifts in regulations do not generally need legislative endorsement, Parliament could be left out of the process.

Initially, these state bonds might be issued at an interest rate mirroring the inflation rate: currently about 4%. But, as economist Michael Schussler has pointed out: 'Later, bonds could be issued at inflation minus 3%, while our retirement savings would be used to bail out [the failing state] for the umpteenth time. The looting and the waste would continue – and pensioners would bear the costs.'[40]

The ANC/SACP alliance puts a more positive gloss on its proposal. According to the ANC's economic recovery plan, both private and public pension funds now need to be mobilised to 'fund long-term infrastructure and capital projects' and help revive the ravaged economy.

Regulation 28 would be changed not 'to introduce prescribed assets via the back door', says Enoch Godongwana, chair of the ANC's economic transformation committee, but rather to allow funds to invest in developmental projects managed by the state-owned development finance institutions (DFIs). Adds Mr Godongwana: 'Pension funds are [currently] not allowed to put funds directly to DFIs.' Hence, most pension funds invest in bonds and the shares of listed companies and 'very little goes to the DFI's, which 'undermines development objectives'.[41]

However, it is doubtful whether the state-run DFIs would be any better than at managing capital projects than Eskom and other SOEs have proved. Eskom's new coal-fired power stations at Medupi and Kusile, for example, have been plagued by design flaws, cost overruns, faulty construction, flawed procurement, corruption amounting to at least R130bn, lengthy delays, and persistent breakdowns at the few units now supposed to be fully operative.[42]

The ANC's underlying motives for wanting a big infrastructure build programme under state control should also be interrogated. The ruling party needs a constant flow of funds to oil its patronage machine, but existing funds are drying up. It needs a fresh supply of funding and opportunities to siphon some of these monies off into its own coffers. A massive and opaque infrastructure programme, funded by pension savings, could meet both needs.

A wealth tax and capital controls

The ANC/SACP alliance has long wanted a wealth tax, ostensibly also to help fund infrastructure development. Since the lockdown crisis began, three academics specialising in 'wealth inequality' (at Wits and the Paris School of Economics) have put forward detailed proposals for the introduction of such a tax. They claim this would raise at least R143bn in additional revenue.[43]

The new tax would be levied on all those whose wealth – including homes, pension savings, and unit trust investments – is valued at R3.6 million or more. As the academics put it, 'the first bracket – all wealth between R3.6 million and R27 million – would be taxed at a 3% rate, the second bracket (R27 million to R119 million) at 5%, and all wealth above R119 million at 7%'.[44]

However, the tax burden in South Africa is already one of the highest in the world.[45] The wealth tax would also kick in at an usually low level, catching many of the middle class (rather than the truly wealthy) in its net. The burden would lie particularly heavily on people moving into retirement, many of whom would have little income available from which to pay a major additional tax on homes and savings built up over a lifetime of endeavour. The projected yield of R143bn also seems exaggerated, based on global experience. (Most countries, including South Africa, levy capital gains tax and estate duty on the sale or transfer of assets. Very few levy wealth taxes too as administration costs are high, yields are low, and people who are income-poor but asset-rich – often because inflation has pushed up the value of their houses – are badly penalised.)

Since a wealth tax, along with other NDR interventions, is likely to encourage capital flight, the ANC/SACP alliance has long wanted to tighten up exchange controls. This, it claims is needed to limit major illicit financial flows out of the country every year. But stepped up exchange controls would stifle previously lawful transfers as well as illicit ones – and further deter the foreign direct investment South Africa so badly needs.

Comments Claire Bisseker in the *Financial Mail*: 'A wealth tax, coupled with a voluntary solidarity bond, could raise a few billion, but nothing sustainable or on the scale required. The worst option would be to resort to prescribed asset requirements and capital controls, because this would scare investors and the blow to confidence would compound the growth shock.'[46]

A major shift in monetary policy

The ANC/SACP alliance has also long desired to amend the current mandate of the South African Reserve Bank (SARB) and 'align this with the objectives of the second phase' of the NDR.[47]

One of the most vocal advocates of this shift is Duma Gqubule, director of the Centre for Economic Development and Transformation. According to Mr Gqubule, a vital function of South Africa's central bank is to 'finance government spending'. This is also in line with 'modern monetary theory', which argues that ‘a sovereign nation that prints its own currency cannot go bankrupt’, while budget deficits are unimportant.[48]

Under this revised monetary policy, the SARB should keep ‘interest rates lower than the GDP growth rate’, which implies they would now be 0% or less. Adds Mr Gqubule: ‘The Treasury could then have high deficits until the economy has reached a target size, possibly three times current GDP, that will absorb the unemployed and create full employment.’[49]

SARB governor Lesetja Kganyago rejects this approach, saying any uptick in growth and jobs would soon be drowned in hyper-inflation.[50] But the lockdown crisis has reduced tax revenues (by a mooted R285bn this year) and added significantly to public debt, which is now expected to rise to some 86% of GDP by 2021.

This situation is being used to increase the pressure on the SARB to shift its mandate from its current ‘primary’ aim of ‘protecting the value’ of the rand in the interests of balanced and sustainable economic growth. Since the lockdown began, Mr Gqubule and others have repeatedly asserted that the Bank must now lower interest rates still further, start spending its foreign reserves, and embark on quantitative easing. Effectively, it would then be printing money so as to buy up the bonds issued by the National Treasury and finance government spending.[51]

Early in May, deputy finance minister David Masondo, a senior figure in the SACP, also urged a shift to quantitative easing. According to Mr Masondo, lockdowns require new ‘ways to stimulate’ economies and have focused fresh attention on the role of central banks in many countries. ‘The question for us in South Africa today’, he says, ‘is whether the Bank should be the lender of last resort for the government, so that the government can be the spender of last resort to enable economic recovery.’[52]

The perils in the NDR approach

Though rising infections and deaths are inevitable as the Covid-19 peak approaches, business is likely to be blamed for having triggered this by calling for the supposedly premature re-opening of the economy. The ANC/SACP alliance will use this stigmatisation to push for the adoption of these key NDR policies.

It will seek to bar retrenchments, step up BEE requirements, forge ahead with EWC bills, speed up the introduction of the NHI, and put great pressure on pension funds to invest in ‘developmental’ projects managed by state-run DFIs. It will demand both a damaging wealth tax and much stricter exchange controls to limit capital flight. It will keep pushing for a major shift in monetary policy to gain access to SARB reserves, reduce interest rates to 0% or less, and start printing money to fund state spending under the rubric of quantitative easing and modern monetary theory.

It will use the economic devastation triggered by the lengthy lockdown to push for the rapid adoption of these measures as part of essential ‘reconstruction’ and the ‘radical economic transformation’ intended to underpin this process.

Given the massive inefficiency and often rampant corruption in the public service and SOEs, the notion that increased state control will speed up economic recovery and ensure its success should be laughed out of court. But the opposite is likely to occur. The voices speaking out in defence of capitalism – which has in fact helped lift billions out of poverty all around the globe – are likely to be limited. Far more media coverage is sure to be given to ANC/SACP demands for ever more public ownership and comprehensive state control. Increasingly, this may become the only accepted narrative.

However, at the heart of ANC/SACP plans lies a fundamental fallacy and a profound conceit. Notes Johannes Wessels, Director of the Enterprise Observatory of SA: 'In the mind-set of collectivist planners it is not a problem to resurrect the economy. For them, the economy is a product of their command. It can be picked up from the floor, just...as Nomvula Mokonyane [then minister of water and sanitation] boasted she would do in relation to the rand.'[53]

The ANC/SACP alliance seems to think that it has only to say the word and the economy, as Mr Wessels adds, will 'rise again, magically from nowhere, in a radically transformed mode'. The reality, of course, could not be more different.

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