



# Archbishop Thabo Makgoba's Public Theology Seminar

**MOELETSI MBEKI**

**South Africa's Economic and Political future:  
The failure of democracy to take proper root in South Africa**

**EFSA**

Institute for Theological &  
Interdisciplinary Research

**KONRAD  
ADENAUER  
STIFTUNG**

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Both in its structure and function there is a dialectic tension between an academic (research-based) approach and the need to address specific needs of the church and other religious communities. This is imbedded in the main issues facing the churches in our society. In a general sense the EFSA Institute tries to focus

public attention (and the attention of the church or academic institutions on specific problems in society).

Currently, the focus is on the following priorities: Firstly, the development role of the church and other religious communities: the eradication of poverty in South Africa; the role of religious networks in community development, in social and welfare services; and the development of community and youth leadership. Secondly, the healing and reconciliatory role of the church and other religious communities: this includes a project on the role of women in the healing of our violent society; the mobilisation of the church and religious communities against crime and violence; and the breaking down of stereotypes (racism) in our society. Thirdly, the formation of values in the strengthening of a moral society by the church and other religious communities: the promotion of moral values such as honesty, support for the weak, respect for life and human rights.

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Fourthly, the development of youth and community leadership: special courses for the development of leadership skills among our youth have been developed and are presented to support the building of a new society.

**Dr Renier Koegelenberg**  
*Executive Director*



# **South Africa's Economic and Political future**

## **The failure of democracy to take proper root in South Africa**

### **[Addendum: relations between business and state since 1902]**

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*Mr Moeletsi Mbeki*

Bishops court, Cape Town

30 September 2019

### **Introduction**

Archbishop Dr Thabo Makgoba welcomed the invited guests consisting of leaders of the inter-faith community, academics and business people in Cape Town. He introduced the guest speaker, the sociologist Mr Moeletsi Mbeki, who would address the economic and political challenges South Africa is facing.

### **Input by Mr Moeletsi Mbeki**

As an introduction to the challenges South Africa is facing, I would like to share three recent experiences I had.

The first one was that, during a recent visit to London, I was invited to deliver an address to a group of medical students who were attending a conference. Amongst them was a group of 14 young South African medical doctors – they all had emigrated to the United Kingdom for better employment opportunities. Twelve of them were black.

The second was an invitation from Citibank New York to address a group of bondholders at an investment conference in London – they had invested in South African government debt. Bondholders know a lot about South Africa. I was disturbed by a question from the floor that I never imagined would ever be asked of South Africa. The question was: “What is the probability that a guerrilla movement similar to the Maoist guerrilla movement ‘Shining Path’ would emerge in South Africa sometime in the future?”

My third experience was a conversation I had recently with the South Korean Ambassador to South Africa, who had invited me for lunch in Johannesburg. He shared with me the experience of the LG technology group, which manufactured televisions, refrigerators and other electronic equipment in their factory based in the Western Cape. They had been the victims of a burglary during which 50 gunmen had

entered the plant during the night and removed 1,100 television sets, which SAPS were unable to trace or recover.

This was not a normal street gang – the level of planning and organisation, and the effective distribution of the stolen TV sets reflect the work of a highly trained militia.

After this incident, the company made the decision to relocate its operations to KZN. While they were busy with the construction of the new plant, five gunmen arrived on the construction site to deliver the message that they want to be consulted when recruitment of new staff begins.

The ambassador asked me: What is wrong in South Africa?

It was after these disturbing experiences that I decided to approach Archbishop Makgoba with the suggestion that we should discuss the future of South Africa in an attempt to understand the roots of the malaise.

The main focus of my introduction is that one of our main problems in South Africa is the failure of democracy to take proper root in South Africa. This is manifested in our political system, which is characterized by single-party dominance. I will refer selectively to the slides I have prepared, which serve as background to illustrate my point (available in the Addendum).

Looking at the election results from 1999 up to 2019, the dominance by the ANC as ruling party is very clear.

The ANC is way ahead of its nearest rivals, so why should it pay any attention to them? The government does whatever it wishes and there are many complaints about cadre deployment (of people not equipped for their positions), but these complaints and issues are not addressed.

In reality we do not have a multi-party democracy: a single party dominates the country. Single-party dominance has many negative attributes, one of which is a non-accountable government. We talk about corruption in South Africa – and the proceedings of the Zondo Commission sitting at the moment reflect this very clearly.

“The implication for many young people who are well trained or professionals is that they do not see a stable future for the country, for their children..

Most citizens, and I include myself, are overwhelmed by the many stories of serious corruption – to the extent that we do not want to pay attention any longer.

The only way to make the government accountable is through a proper multiparty system. The bottom line at the moment is this – the government may be elected, but it is not accountable. So one of the key challenges South Africa faces in the immediate future is to build a



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Mr Charl Fredericks, Dr Marlene Mahokoto; Archbishop Dr Thabo Makgoba;  
Mr Moeletsi Mbeki & Dr Renier Koegelenberg

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proper democracy where government is held accountable to its citizens, but this is only possible through a proper multiparty system.

The election results from 1999 to 2019 make the dominance of the ANC as ruling party very clear. In this past election the ANC received 10 million votes, the DA 3.6 million, and the EFF 1.8 Million. The smaller parties are nowhere near the ANC.

The implication for many young people who are well trained or professionals is that they do not see a stable future for the country, for their children. They see that although a few individuals in the ANC are concerned about failed policies and corruption, the system and policies remain the same. The ANC shuffles presidents – but the policies remain unchanged. The ANC removed Thabo Mbeki and Jacob Zuma, but the same policies remain in place.

Young people see that the policies are not working, that corruption is rampant, and they ask themselves – what is the future of my children who are in primary school? Their response is to leave the country.

Reflecting on the voter patterns of the 2019 election, a distinct profile is evident: ANC votes consisted of the following: 95% black, 1% white, 1% Indian and 3% Coloured.

Thus, not only do we have a single-party dominance, but we also have a racially dominant party.

Looking at the votes the DA attracted in the May 2014 election, a number of interesting points emerge:

- Afrikaans home-language speakers represented 54% of the votes; English home-language speakers represented 29% of the votes;
- If you take the Afrikaans and English home-language speakers as a percentage of the whole South African population, they represent only 25% of the population;
- The largest group of English home-language speakers as a percentage of the whole South African population is IsiZulu (23% of SA population) and IsiXhosa (15% of SA population);
- In terms of DA votes, IsiXhosa speakers as a percentage of voters for the DA are only 2%; IsiZulu speakers as percentage of voters for DA are only 5%;
- Thus the DA is not a viable alternative party in terms of the majority of citizens – unless the party can get a big chunk of IsiXhosa and IsiZulu speakers to vote for them.

So what is the nature of our society? What is its structure? What are its fundamentals?

There were far more studies of the nature of our society during the apartheid years compared to the current democratic era – the era of liberation. Before 1994 there were powerful critiques of the regime at the time from the social sciences (history, sociology, economics, etc.). This aspect of South African society has disappeared.

I have therefore tried to focus on the social structure of South Africa today. I identified 5 core social classes to which all of us belong (see slide 5 in Addendum):

- Business elite: private sector – owns productive assets; with high skills;
- Political elite: controls state and political power, government revenue;
- Blue-collar workers – manual workers in the public and private sector;
- Under-class and unemployed (largest group in our country);
- A large independent professional group – in the non-profit sector (universities and civil society, NGOs) and entrepreneurs in for-profit sector. This is one of the distinguishing factors of South Africa that differs from the rest of Africa.

What I have done is to identify the core strength of each group, for example, the business elite controls the financial and private sector, and enterprise. The political elite controls the state and its resources – interestingly, before 1994 these two groups were one and the same. After the 1994 election these two groups separated and this had huge consequences for South Africa!



The key weakness of the business elite is that they have no control over government. They have virtually no influence over the political elite and they are hugely dependent on the state for power (electricity/ESKOM) and transport (TRANSNET) and roads. And because in reality they do not have political power or control over the state, they are extremely vulnerable: their assets can be seized with a stroke of a pen. Many of the new political elite have no assets – but they can seize the assets of the Anglican Church with the stroke of a pen.

The political elite that controls the state decides the level of taxation – they can put it at any level – so that even if they do not seize your assets, they can tax them at any level. You are owners only in a nominal sense- they are the real owners of your assets.

The political elite are hugely susceptible to corruption – this is coming out of the Zondo commission hearings – and answerable for the general mismanagement of the macro economy of South Africa. They control the interest rate and the cost of capital. The owners of enterprises do not control the economy – the political elite decides what the cost of capital is through the central bank, which decides on the interest rate.

So what we have in South Africa is the massive vulnerability of the business elite – and this has a number of very critical consequences.

One of the consequences is the insecurity of property rights. And when you do not have security of property rights, then you do not invest – or you invest as little as possible. This is one of our fundamental problems facing the future of South Africa. We are a low-investment country. This means our unemployment is becoming higher and higher – because we do not have enough new investments.

This is a fundamental weakness of South Africa which has to be addressed.

The political parties we have do not address the lack of security of property; smaller parties are not able to protect property



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Archbishop Dr Thabo Makgoba &  
Mr Moeletsi Mbeki

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rights of South African citizens. That is why the ANC with its majority can wake up in the morning and pass a bill to weaken property rights. There is currently a debate with the ANC on land expropriation without compensation – they are trying to change Section 25 of the Constitution. I must admit that I was one of the opponents of section 25 when it was negotiated at Codesa (to establish a new constitution – I was part of Cosatu- but now that I am in business I realize how important security of property rights is. But together the ANC and the EFF have enough support to change the Constitution to undermine property rights. And as you know, the EFF is the baby of the ANC.

Therefore, this lack of security for property rights is a very fundamental weakness in the future of South Africa – and many of our political elite do not understand the implications of that.

Another challenge: the political elite controls the state – it manages government revenue. South Africa’s revenue amounts to a lot of money – at the last count it was approximately 1.3 trillion rand. That is a huge amount of money. But you have a political elite that is not accountable and is sitting on the tax-payers’ money.

What does it do with tax-payers’ money? They pay themselves very high salaries, but are not accountable for providing any services. That is why South Africa has so many service delivery protests and demonstrations.



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Mr Henning Suhr & Mr Moeletsi Mbeki

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But the political elite has a weakness: it is dependent on the votes of the underclass. The underclass is the biggest constituency in terms of numbers in the country. They are poor, but they have the power at the moment – and currently their votes serve to entrench the current political elite. But this vote could move to another political party. This is the vulnerability of the political elite – having to retain the support of the underclass.

They are also vulnerable to the activism of the business elite – trying to please them, but without actually changing policy. So there are many meetings between business leaders and government, but this does not change the policies of the government fundamentally.

The political elite is also vulnerable to the blue-collar workers, the trade unions, as an ally – but President Zuma fragmented this alliance and they have less influence.

The political elite is also vulnerable to capital flight – this means that they have less revenue to tax.

So in summary: I took all my slides of my analysis to the Statistician General (Dr Pali Lehohla) and said: this is my sociology of South Africa, but I need the numbers. In my view he is one of our geniuses in Africa – He is hugely under-utilized and is what Einstein was to Germany.

We sat together when the economist Thomas Piketty was giving a public lecture on inequality – and I gave him my analysis of the different classes. He said I should send it to him so that he could ask his office to find the numbers and the data. He appointed the team that came up with the numbers in my slides:

- According to this, the elite are the people who earn R 60 000.00 or more a month and above;
- The middle class are those who earn between R 11 500 and R 60 000 a month;
- The blue-collar workers are those earning below R 11 500 a month;
- The lower class and under-class, the unemployed, had no visible, calculable income.

What he concluded from this calculation is that the elite in the private and public sector (earning R 60 000.00 a month or above) amount to 0.44% of the working population of South Africa. You can fit them very comfortably in the FNB Stadium – it is 105 000 people in actual numbers. These data were based on the public tax system.

The middle class are about 10% of the working-age population, while the independent professionals sector (for profit and non-profit) is 1.3%.

Thus the middle and upper classes are only 12% of the working-age population in South Africa.

In comparison, in the USA the same class is 40% of the working-age population. If you look at the economic history of the United States (which is a good example for us – more so than the European countries – like the USA, we are part of the so-called new world, we had slavery, etc.).

In historical terms our society more similar to the United States than Europe. In the USA the middle and upper classes represented 12%- in 1910, a hundred years ago!

But look at who are the largest social class in South Africa (29.02%): the underclass and the unemployed – nearly 50% of the population. A huge part of this group lives in the rural areas and the former Bantustans.

I asked Ipsos South Africa (a market research company) which groups are voting ANC – and their response was that almost 60% of the underclass and unemployed votes ANC. It is obvious why they vote ANC – the ANC gives them social welfare grants.

So when you have a society structured like this, it is tailor-made for conflict because of the glaring inequalities.

If you are a young professional, you have your PHD from the University of Cape Town in Medicine, Accounting, Engineering, etc. you have to make a decision: what is your future or that of your family in South Africa?

There is no future for you in South Africa unless you are willing to live in the eye of the storm. South Africa is the centre of the storm – in terms of inequality – a storm that can start with local conflicts but it can become a bigger onslaught.

So the question is: if the political elite does not own assets or property, how does it live?

If you look at tax as a percentage of the Gross Domestic Product (GDP), South Africa is amongst the top 10 countries in the world – approximately 27%. The Eurozone is approximately 19%; the rest of the world is about 15%.

So if you own assets in South Africa, or a taxable salary, you cannot really improve in view of the tax regime in South Africa. What is worse is that that tax regime does not translate into revenue for services – the income is used for the high salaries of the upper echelons of the political elite.

So you still have to buy your services from the private sector – despite having paid high taxes. This means your ability to raise your standard of living in South Africa is very constrained.

Just to show you how it works: South Africa is almost the only country in the world where public sector pay is rising higher and higher than private sector pay.

See slide 8 in the Addendum: Public and private sector pay index 1980: The private sector pay is the blue line and the public sector the red line. The public sector pay is galloping away – the middle and upper management sections of the state are earning enormous salaries.

The OECD (which is the think tank of the developed countries) did an analysis of public service pay in South Africa as a percentage of GDP – compared with other countries in the world. In South Africa over 14% of GDP goes to public service pay. In the developed (OECD countries) the figure about 11%; among the countries that are similar to us in terms of development- Columbia, Turkey, Indonesia and Thailand- it is approximately 5%.

So in reality our public servants should be paid one third of what they are being paid. But because the public service is part of the political elite, they have the power to decide what they are to be paid.

This means that our national economy is diverted towards private consumption instead of towards social investment. This explains why the South African economy has been virtually stagnating since 2008 – sort of stuck.

I did a comparison between the composition of the GDP of China and the composition of the GDP of South Africa to highlight the stark reality we have to confront in South Africa.



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Archbishop Dr Thabo Makgoba & Mr Moeletsi Mbeki

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Private consumption in South Africa is over 60% of GDP; in China private consumption is about 35% of GDP. This means that they put the bulk of their GDP in investments in roads, factories and infrastructure- almost 45 % of their GDP.

In South Africa this figure is just under 20%. It is about 4-5% above depreciation. So what this is telling us is that as a country we are going nowhere; our economy is stagnant.

China is a communist country – that means the state sector is very important and very powerful, but actually government consumption is about 14% of GDP; in South Africa it is over 20% of GDP. This is what political power in South Africa translates to.

What is the source of this situation? It derived from the nationalist movements in our country. After the British left, South African politics has been dominated by nationalism: first Afrikaner nationalism, then African nationalism.

It is important to understand what nationalism is if we want to understand how important it is for the future of South Africa. This is my own home-made explanation of what nationalism is in South Africa. Nationalism is a social and political movement that is driven by a deep sense of grievance – population groups become aggrieved when they feel a strong sense of exclusion from enjoying the political and economic benefits of a given society.

In the case of South Africa we have two schools of nationalism: Afrikaner nationalism and African nationalism. Both were born out of grievance against exclusion from the benefits of colonialism by the British. That is where our nationalisms comes from.

So nationalists do not fight to change the socio-economic structure of the colonial system – they fight to be included in it. This is the crux of the problem in South Africa. Nationalism is not a revolutionary movement that seeks to transform the political and economic system of the country, but a political movement geared towards increasing the rights and privileges of its elites.

This is why the South African economic system, re-organized by the British between 1902 (the Peace of Vereeniging) and 1909 (the South African Convention) to exploit the vast mineral resources of the country has essentially remained the same.

We tend to forget the legacy and impact of the British colonial period on South Africa: we were all – black and white – colonised by the British, who destroyed existing social structures. These structures were obstacles to those who wanted to exploit the mineral resources of South Africa.

The implications of having been a British colony is clear from South African history during the nineteenth and twentieth centuries: the dismemberment of the Zulu Kingdom (the dispute was about black labour for the mining industry) and its

institutions in 1879, the final defeat of the Boer Republics during the Anglo-Boer War of 1899-1901, the South African Native Affairs Commission of 1903-1905 that defined the structure of the economy and of how African labour was to be extracted for the mining industry. South Africa's economy today is founded on this history – and it still runs along the same principles.

At the completion of this process the British handed political power into the hands of a compliant Afrikaner elite – many of them owned land. They also needed a supply of labour and could provide labour to the mines. Between 1910 and 1994 the structure of the economy essentially remained the same – as designed by the British. The structure of this economy was problematic because of the violence embedded in the system to exclude black South Africans from political power – but this oppression eventually caught up with them in the 1970s.

We all underestimated the role of the mining industry – the British were the first ones to indicate that the political system was not viable – they told the Afrikaners: you have to negotiate a settlement. The second head offices of the ANC and the PAC were in London – and the British government looked after us well. They protected us from the murderers sent by the South African security forces. When the time came, they put the negotiations together – and were joined by the Americans.

But what happened in 1994? With the transition to a new democratic South Africa, the same structure of the economy was handed over to the new African political elite that had come to power – with all its problems of huge inequalities.

So what should we do then to proceed towards a better South Africa than the one we have today?

Coming back to the data of the Statistician General: breaking down the different social classes or groups according to race (see slide 14 of addendum; 2014 figures):

The elite: earning more than R60 000 a month, in the public sector – black Africans 9,800; in private sector – black Africans 27,000; Coloureds in the public sector – 2,400; Coloureds in the private sector – 6,000; in the NPO sector 124; and the Indians: nobody in the public sector (Pravin Gordhan had just been fired) – but in the private sector – 4,600; and then Whites in the public sector – 7,900; and in the private sector – 46,000. When you look at the top elite in South Africa in the public sector – 20,000; private sector 84,000, and the NGOs 943. The elite as a group number 105,036.

The middle class: earning above R11,500 but less than R60,000 a month – in the public sector black Africans 54,900, in the private sector they represent almost 700 000; in the NGO sector there are 8,800; the Coloured group has 57,800 in the public sector, 170,000 in the private sector; 1,900 in the NGO sector; Indian/Asian:



17,700 in public sector; 89,000 in private sector, and 960 in NGO sector; Whites 108,000 in public sector; almost 600,000 in private sector; 1,4000 in NGO sector.

What is of interest in this data is that the black middle class is now 1,200,000, whites are now 705,000; and the Coloureds are also a big group of 230,000.

If you look at the blue-collar workers: black Africans are 6,500,000; Coloureds are 1,100,000; Indian are 330,000; whites are 1,048,000. We have a total of 9 million blue-collar workers.

Looking at the underclass: there are a total of 11.7 million people – the largest group is black African (10.4 million).

What should we do to advance? We have identified the problems.

Firstly, South Africa should move out of the nationalistic mindset – which is very destructive: we were wronged by the British, we were wronged by the Afrikaners - always blaming others.

We have to break with this mindset and the religious community has a very important role to play in this regard. We have to break the nationalist paradigm in South Africa.

The irony in South Africa is what we have much in common – even though the politicians keep on telling us where we differ. People say 80% of South Africa are Christian – a huge common heritage; even Muslims and Hindus do not have a fundamental problem with this reality. We have to focus on our commonality.

In conclusion: in order to move towards a bright new future, we have to do a number of things – the first of which is to create a modern industrialized society.

We have to introduce electoral reforms – bringing in constituencies and a proportional representation system does not make politicians accountable. Germany has a mixed model – combining constituencies and proportional representation.

Secondly, our health care, education and electricity supply are in shambles – this must be addressed.

The public servants – and the traditional leaders are part of the body of public servants – who deliver 60% of the vote to the government are not accountable to anybody, apart from the government. The people in the rural areas live under the dictatorship of traditional leaders. This has to be addressed.

Our relationship with our neighbours in Southern Africa needs to be restructured to avoid conflicts; and our investment relationship with the rest of the world needs to be reviewed. Our economy is consumption driven, and this should change to foster investment.



Black economic empowerment should be abolished – it is a part of the mindset of being a victim. It should be phased out and new foreign investment does not have to comply with it.

We need a proper business plan (not the NDP) to grow employment and to phase out the export of minerals. South Africa's economy is still a colonial economy – 65% of GDP come from exporting minerals. We must strengthen local manufacturing to create jobs. We have a huge potential to build ships, for example, but we do not build major ships to carry our international trade.

Thank you very much.



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Participants



















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# **South Africa's Economic Crisis:**

## ***Relations between Business and State since 1902***

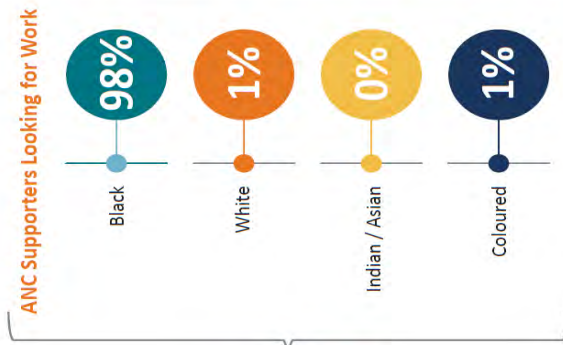
By Moleetsi Mbeki  
Public Theology Seminar at Bishops court, Cape Town  
Monday 30<sup>th</sup> September 2019

# National Votes: 1999 - 2019

PARTY RESULTS					ELECTION YEAR (%)				
PARTY	VOTES	% SUPPORT	SEATS		2014	2009	2004	1999	
 ANC	10 026 475	57.50 %	230		62.15	65.90	69.69	86.35	
 DA	3 621 188	20.77 %	84		22.23	16.66	12.37		
 EFF	1 881 521	10.79 %	44		6.35				
 IFP	588 839	3.38 %	14		2.40	4.55	6.97	8.58	
 VF PLUS	414 864	2.38 %	10		0.90	0.83	0.89		
 ACDP	146 262	0.84 %	4		0.57	0.81	1.60	1.43	
 UDM	78 030	0.45 %	2		1.00	0.85	2.28	3.42	
 ATM	76 830	0.44 %	2						
 GOOD	70 408	0.40 %	2						
 NFP	61 220	0.35 %	2		1.57				
 AIC	48 107	0.28 %	2		0.53				
 COPE	47 461	0.27 %	2		0.67	7.42			
 PAC	32 677	0.19 %	1		0.21	0.27	0.73	0.71	
 ALJAMA	31 468	0.18 %	1		0.14	0.15			
 ASC	26 263	0.15 %	0						
 SRWP	24 439	0.14 %	0						
 BLF	19 796	0.11 %	0						
 APC	19 593	0.11 %	0		0.17	0.20			

# ANC Voters by Race – 2014

## Population Group



- Regardless of employment breakdown analysed, the support base for the ANC is dominated by the Black population group.

All ANC Supporters  
N=22,418  
(n=2,175)

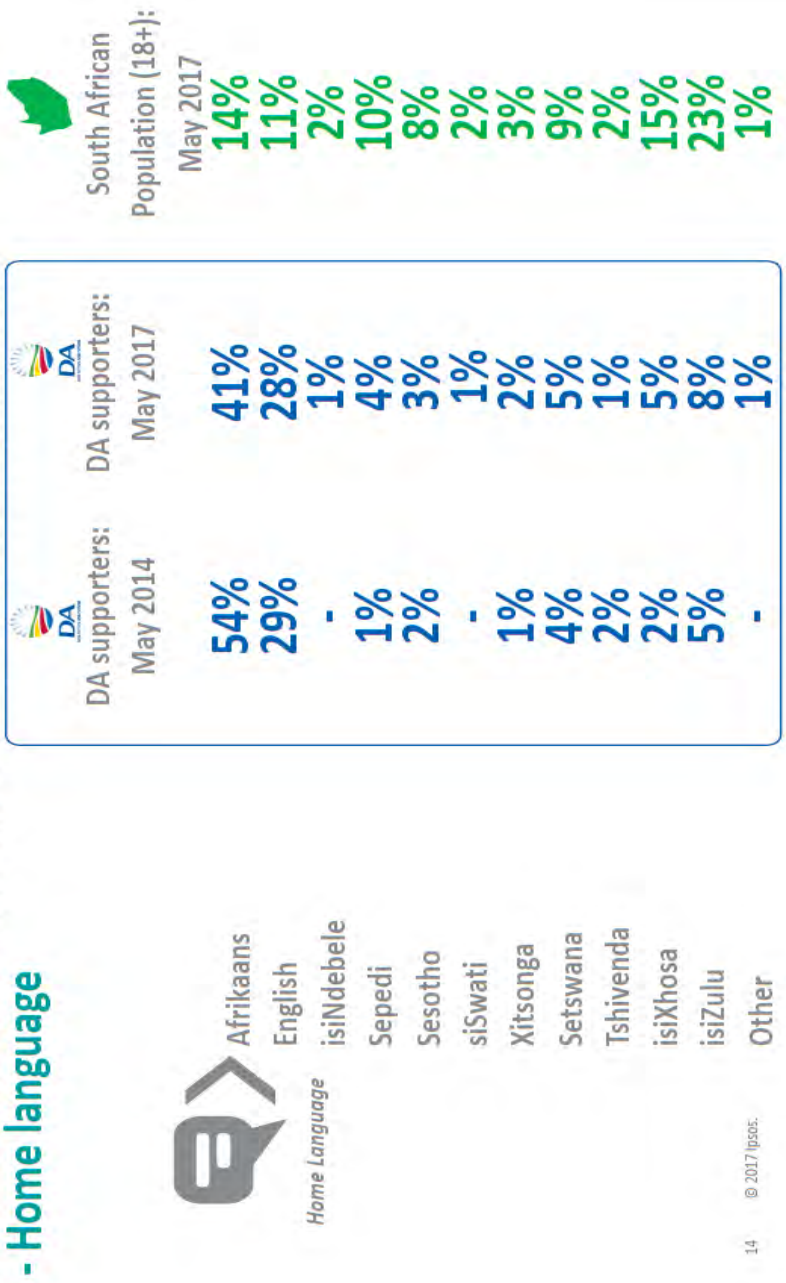
Looking for Work  
N=8,185  
(n=810)

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# Comparison between the demographics of the SA population and the current DA supporters (mid-2017)

## - Home language

Ipsos Public Affairs

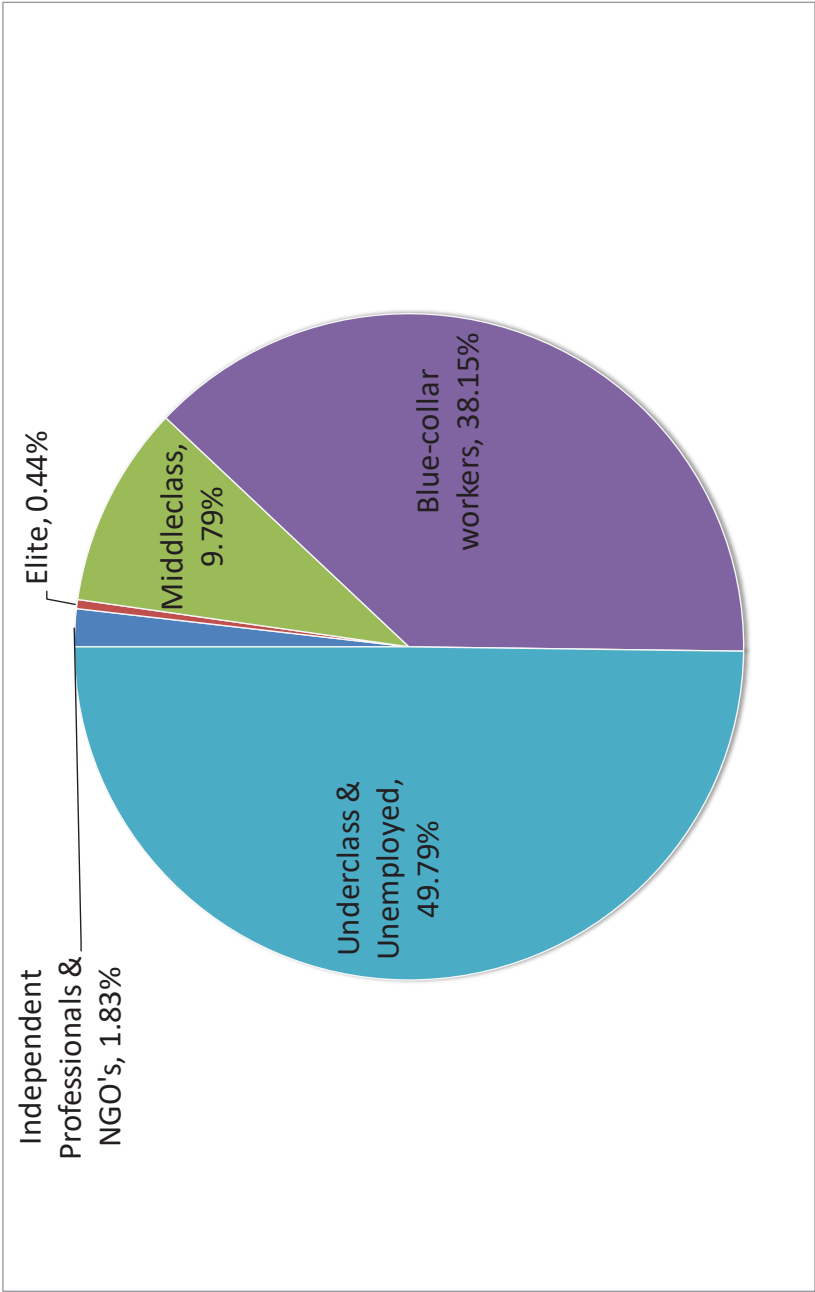


# Social Structure of South Africa Today

Social Group	Main Strengths	Key Weakness	Vulnerability
<b>Business Elite</b>  <u>Core Objectives</u> Maximise profits and retain ownership of assets	Own productive assets and control skilled management	Do not control government; dependence on state owned power and transport companies	Asset seizures, onerous taxation, exposed to corruption by political elite; mismanagement of economy
<b>Political Elite</b>  <u>Core Objectives</u> Maximise consumption for black middle class and constituency and to retain monopoly of political power	Control state and manage government revenues	Dependence on vote of underclass; do not own productive assets; doubtful management skills	Change of allegiance of underclass, political activism of business elites, opposition from blue collar workers. Capital flight
<b>Blue Collar Workers</b>  <u>Formal Sector</u> <u>Core Objectives</u> Expand trade union membership and raise remuneration	Own labour power and control independent trade unions	Threat from large overhang of unemployed	Mismanagement of economy, corruption; loss of influence with government, political intimidation by ruling party agents
<b>Underclass/Unemployed</b>  <u>Informal Sector</u> <u>Core Objectives</u> Survive and influence state	Large numbers and voting power	Lack artisan skills; dependence on government welfare	Economic meltdown and political manipulation
<b>Independent Professionals/Non Profit Organisation and New Entrepreneurs</b>  <u>Core Objectives</u> Freedom of association and speech and reduce state interference	Command many skills and extensive influence through religion and good works	Fragmented and lack of cohesion; financial dependence on donors	Donor unpredictability; intimidation by government agents; over - cautious banks

Source: Moeletsi Mbeki

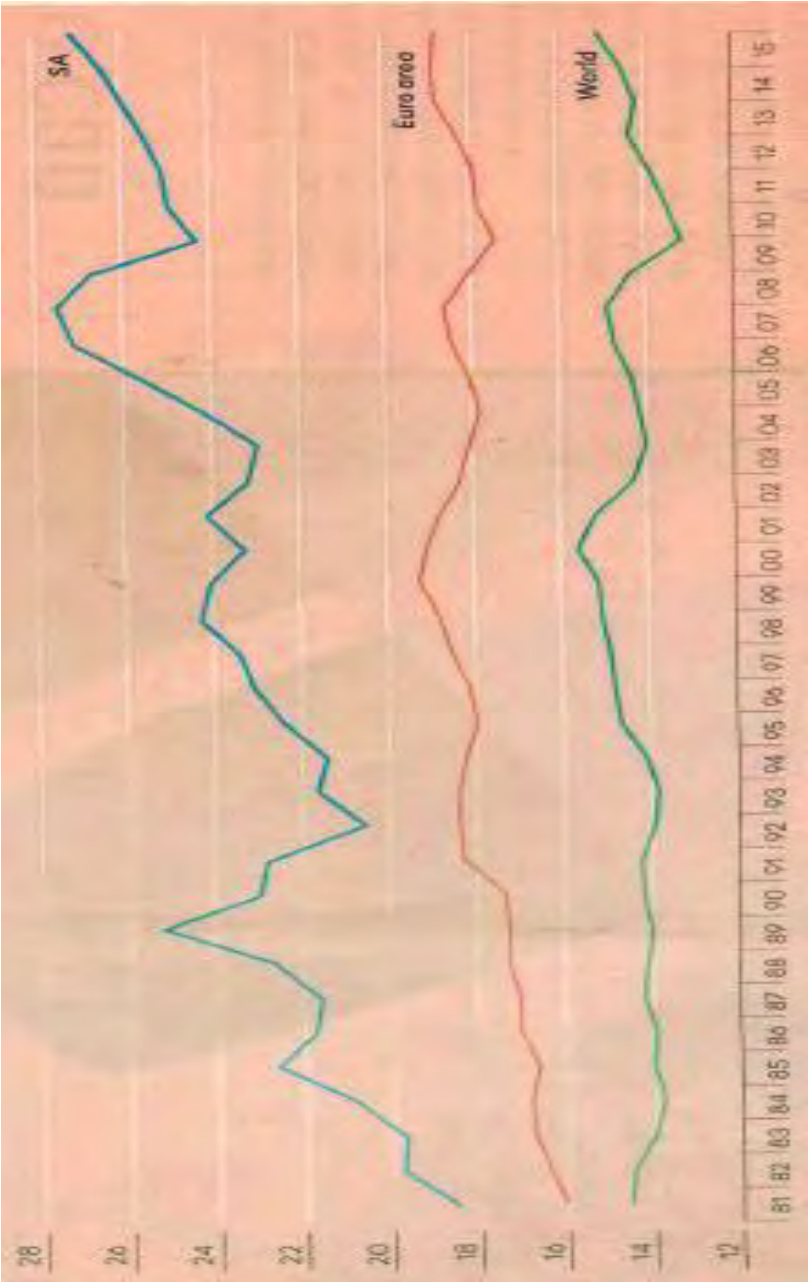
# Social Structure of South Africa - 2014



Source: StatsSA



# Tax Revenue % of GDP

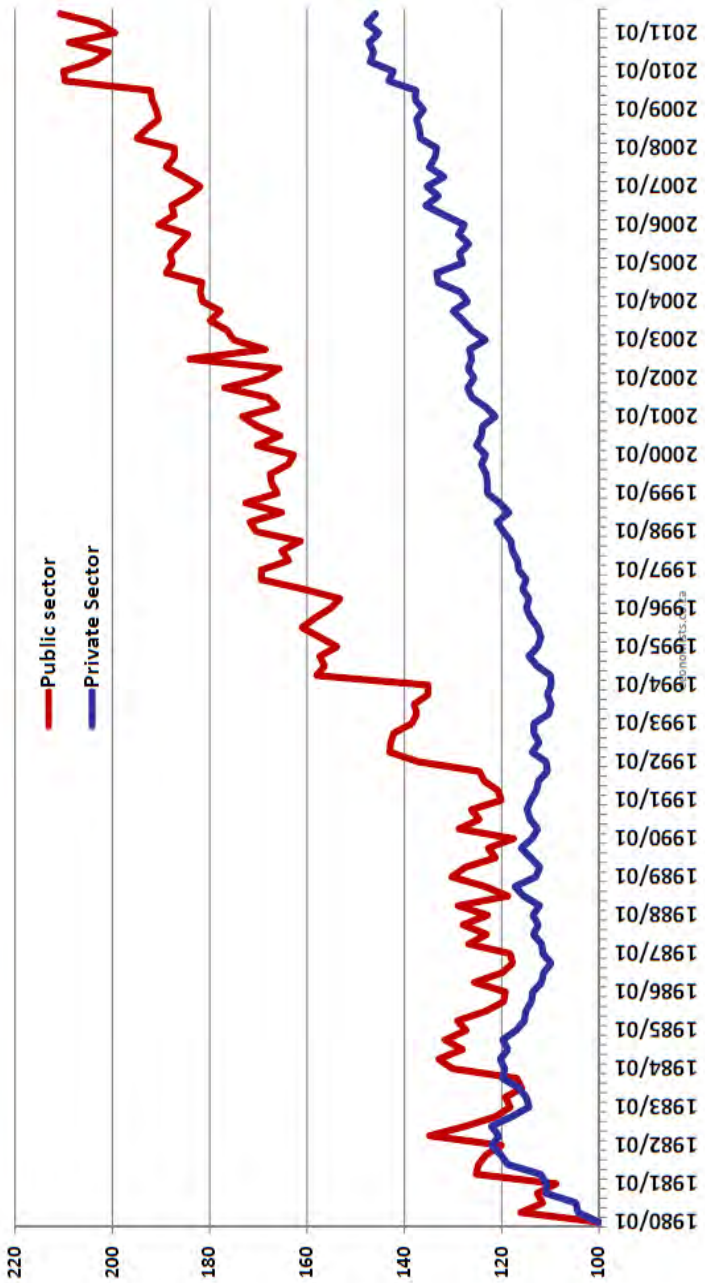


Graphic: Ruby-Gay Martin  
Source: World Bank, StatsSA

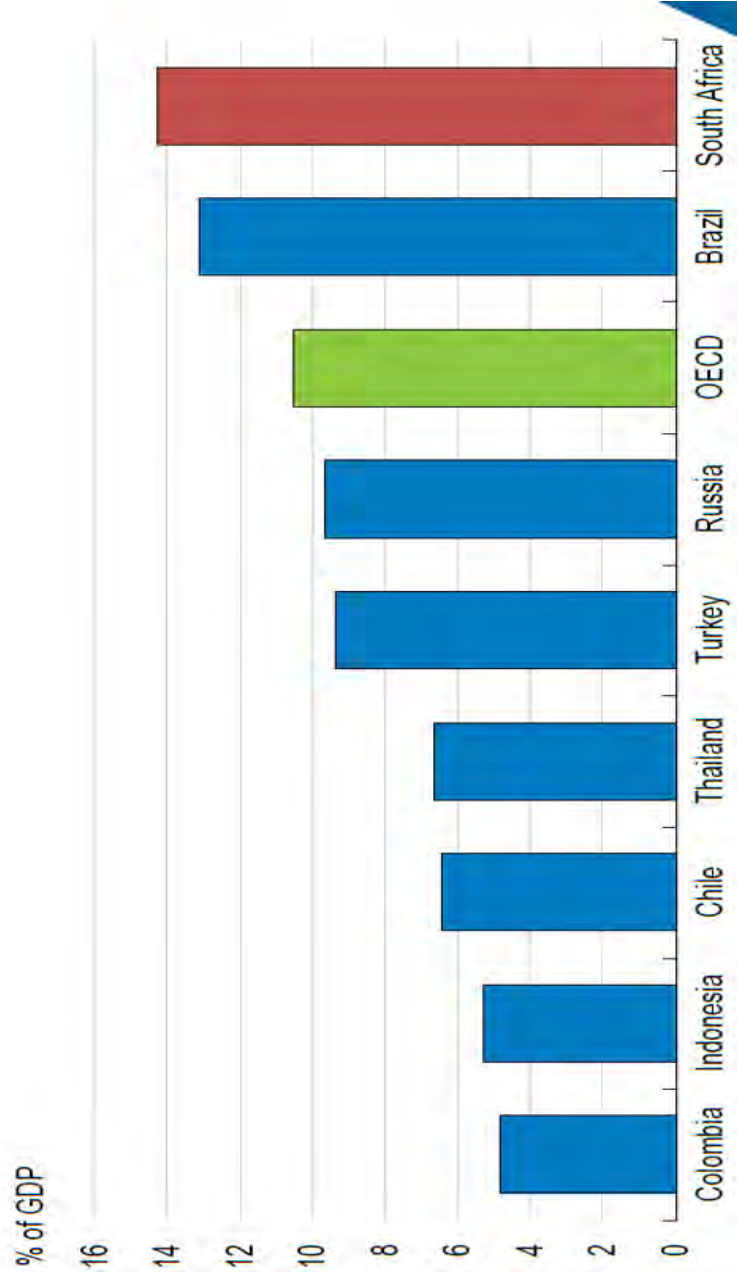


# Public and private sector pay index 1980=100

LIASA  
economists.co.za

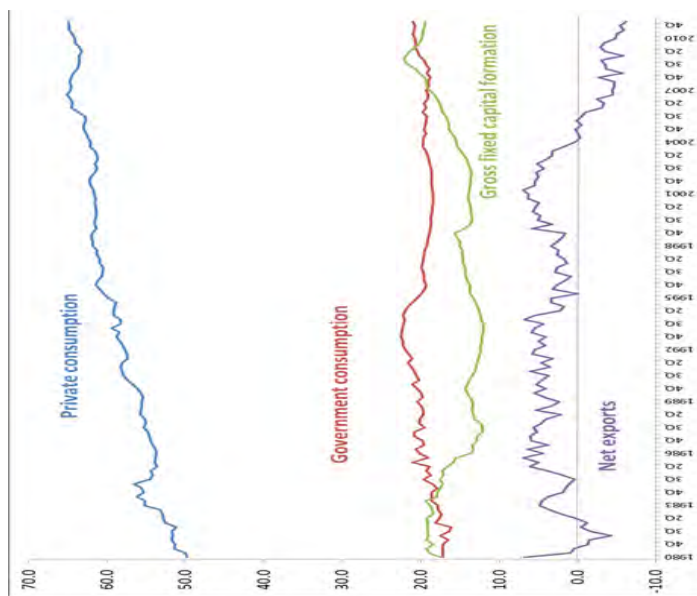


# Compensation of General Government Employees - 2015



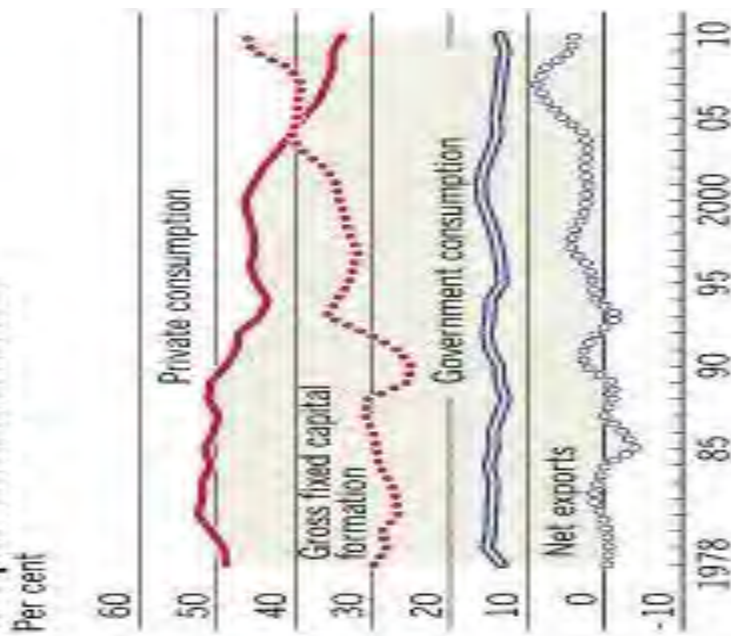
Source: IMF, Government Finance Statistics

## Composition of South Africa's GDP



Source: South African Reserve Bank

## Composition of China's GDP



Source: Thompson Reuters Datastream: EIU – Financial Times 15 June 2011

## What is Nationalism?

Nationalism is a social and political movement that is driven by a deep sense of **grievance**. Population groups become aggrieved when they feel a strong sense of **exclusion** from enjoying the political, social and economic benefits in a given society.

In the case of South Africa we have two schools of nationalism – Afrikaner nationalism and African nationalism – both of which were aggrieved because of exclusion from the benefits of colonialism by the British.

Nationalists therefore do not fight to **change** the socio-economic structure of the colonial system. They fight to be **included** in it. This is why the South African economic system reorganised by the British between 1902 and 1909 to exploit the country's vast mineral resources remains essentially intact today.

# A new charter for consolidated democracy and economic development

For South Africa to break out of this Nationalist Paradigm and industrialise and modernise its society a number of things must happen:

- I. Electoral reforms to introduce mixed constituency and proportional representation at national and provisional levels.
- II. Its education, health care, transport and electric power supply systems must be overhauled and redesigned.
- III. Its public services - including traditional leaders sector - must be reconfigured to serve the people.
- IV. Its economic relations with its SADC and COMESA neighbours must be renegotiated and restructured.
- V. Its trade and investment relations with non-African partners must also be renegotiated.
- VI. The economy must be restructured to be more investment driven rather than consumption and credit driven and Black Economic Empowerment's demands on foreign investors should be phased out.
- VII. Business development plan to grow employment and phase out export of mineral ores.

## Breakdown of Social Classes: 2014

	Total	Percentage
Elite		.44
Economics	84 766	
Political	20 270	
Middle Class		9.79
Economic	1 556 502	
Political	753 984	
Blue Collar worker	9 005 460	38.15
Underclass and unemployment	11 755 744	49.79
Independent Professional and NPOs	431 517	1.83
Elite and middle class as % of working population		12.06

# Economic and political elite and middle class 2014

This category is made up of individuals who earn R11 565 or more per month. The category excludes professionals who work for themselves and those individuals who are working for non-profit organisations.

Population group	Public sector*	Private sector**	NGO	Total
<b>Elite (above R60 000 per month)</b>				
Black African	9 881	27 288		37 169
Coloured	2 448	6 356	124	8 804
Indian/Asian		4 664		4 644
White	7 941	46 459	818	54 400
<b>Total</b>	<b>20 270</b>	<b>84 766</b>	<b>943</b>	<b>105 036</b>
<b>Middle class (above R11 565 but less than R60 000 per month)</b>				
Black African	549 614	697 826	8 853	1 247 440
Coloured	57 864	172 349	1 924	230 213
Indian/Asian	17 744	89 162	960	106 905
White	108 492	597 165	14 508	705 657
<b>Total</b>	<b>733 713</b>	<b>1 556 502</b>	<b>26 245</b>	<b>2 290 215</b>

\*Includes government-controlled businesses, such as Eskom/Telkom

\*\*Includes people who work in private households



## Blue-collar workers/lower middle class 2014

This category includes all individuals working in the formal sector who earn less than R11 565 a month, excluding professionals who work for themselves and those individuals who are employed in non-profit organisations.

Population group	Formal sector
Black African	6 507 152
Coloured	1 119 414
Indian/Asian	330 225
White	1 048 669
<b>Total</b>	<b>9 005 460</b>

## Underclass workers and the unemployed 2014

This category includes all individuals who work in the informal sector and earning less than R11 565 a month, excluding professionals who work for themselves and those individuals who are employed in non-profit organisations.

Population group	Employed in the informal sector	Unemployed	Total
Black African	3 109 295	7 336 801	10 446 096
Coloured	243 044	632 114	875 158
Indian/Asian	48 135	101 404	149 539
White	81 449	203 502	284 951
<b>Total</b>	<b>3 481 923</b>	<b>8 273 821</b>	<b>11 755 744</b>



# Independent professionals and those working for non-profit organisations 2014

This category includes professionals working for themselves and individuals working in non-profit organisations.

Population group	Independent professionals	Working for NGOs	Total
Black African	108 348	142 107	250 455
Coloured	12 368	20 133	32 500
Indian/Asian	7 716	5 156	12 872
White	106 412	29 277	135 690
<b>Total</b>	<b>234 844</b>	<b>196 673</b>	<b>431 517</b>

## Legacy

During the 20<sup>th</sup> and 21<sup>st</sup> centuries South Africa has had three regimes. The objective common to all three regimes has been to exploit South Africa's vast mineral resources for their benefit and that of their international partners through the use of cheap black labour. The three regimes were:

1. *British imperialists who ruled from 1902 to 1909.*
2. *Afrikaner elite who ruled from 1910 to 1993.*
3. *African elite who ruled from 1994 to the Present.*

South Africa has an old capitalist economy which dates back to the 17<sup>th</sup> century but it has a new democratic political system. South Africa's two nationalist movements that have controlled the state since 1910 have failed to restructure the economy they inherited from the British imperialists.

# **British Imperialists who ruled from 1902 to 1909 – The Economy and the State the British Created**

## **Why the Anglo Boer War was fought:**

1. So British financiers could control South Africa's mineral resources;
2. So British allies could control the South African state;
3. To establish a system of abundant black labour supply; and
4. For a British friendly government to retain control of the Cape Sea Route.

# A Tale Of Two Nationalisms And How They Have used the British created State

## Afrikaner elite - 1910 to 1993

### Priorities of Afrikaner Nationalist elite

For the Afrikaner Nationalist elite to advance the development and profitability of their private lands and other businesses it used its control of the state to do the following:

- Excluded the majority black population from political power
- Created and maintained cheap labour through repression
- Developed transportation and communication infrastructure
- Developed education and health facilities for training owners and their managers
- Used state revenues to create state owned industries that foreign and domestic capital was not interested in investing in - fertilisers, iron and steel, armaments, power generation, public broadcasting, national airline etc
- Advanced limited industrialisation, driven by protectionism and combatting of sanctions

## African elite - 1994 to present

### Priorities of African Nationalist elite

In order to achieve their objective of increasing private consumption of the African middle class and their electoral supporters, the African Nationalist elite used its control of the state to do the following:

- Promoted the democratisation of South Africa
- Eliminated racial discrimination against the black population
- Transformed the public service and strengthened tax collection
- Retained the cheap migrant labour mineral export driven economic system
- Opened the economy to international trade and investment
- Created a welfare state for the poor by transferring resources from production sectors to government and private household consumption
- African Nationalist elite therefore does not have an interest in promoting industrialisation of the economy; this explains why under the rule of the African Nationalist elite even the limited industrialisation achieved under the Afrikaner Nationalist elite is endangered as imports – from chicken pieces to tinned tomatoes - balloon

# What Shapes Our National Identity

<b>A</b>	<b>Main Stream Christianity</b>	<b>Founders</b>	Dr Johannes van der Kemp Rev John Philip (author "Researches in South Africa 1819") Rev James Read London Missionary Society Aborigines Protection Society	<ul style="list-style-type: none"> <li>* Politically engaged</li> <li>* Socially engaged</li> <li>* Opposed land colonisation</li> <li>* Promotes Westernisation (acculturation) of Native peoples</li> </ul>
<b>B</b>	<b>Private Sector driven economy</b> <b>DEIC: slavery, new crops and animals</b>	<b>Founders</b>	Dutch East India Company Freeburghers Randlords	<ul style="list-style-type: none"> <li>* Primary resources driven</li> <li>* Abundant unfree labour supplied by State</li> <li>* Centrality of foreign ownership</li> <li>* Imported technology dependent</li> <li>* Low entrepreneurship level, high ownership concentration</li> <li>* Politically disengaged</li> </ul>
<b>C</b>	<b>Nationalism</b>	<b>Afrikaner</b>	Since Slagters Nek 1815	<ul style="list-style-type: none"> <li>* Grievance driven against British oppression/exclusion</li> <li>* Competition between the two nationalisms</li> <li>* Single party dominance tradition</li> <li>* Supportive of extractive economy</li> <li>* State centric development models</li> </ul>
<b>D</b>	<b>The State</b>	<b>Founders</b>	DEIC British Colonialism	<ul style="list-style-type: none"> <li>* Organiser of labour supplied to private sector</li> <li>* Violence against working poor</li> <li>* Racial centric policies</li> <li>* Entrenches existing social structures</li> </ul>

20



