

Neoliberalism in South Africa: Dead in the Water

Development Goals Will Not Be Met

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Global Research, October 06, 2010
[Counterpunch](#) 6 October 2010

Region: [sub-Saharan Africa](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

Last week's meeting of national leaders at the United Nations was predictable: more posturing about unmet global needs in relation to the eight Millennium Development Goals set exactly a decade ago. South African President Jacob Zuma was too busy to attend, staying in Durban to restore order at a major African National Congress (ANC) leadership conference.

Since coming to power after a palace coup against Thabo Mbeki exactly two years ago, the new government's performance has been miserable. For example, roughly 1.5 million jobs have been lost, in spite of a major economic burst before and during the mid-2010 World Cup. The country's elites congratulated themselves on their management of the soccer games, but honest observers would concede a destructive political economic logic:

- build or renovate infrastructure geared to society's richest residents and visitors (luxurious airports and fast trains);
- ensure tenders go to a new breed of crony capitalists (many associated with Zuma's family and friends);
- attract new sports-tourism extravaganzas (such as the 2020 Olympics) so as to fill ten now gaping-hole empty stadiums;
- hire tens of thousands more police trained to withhold civil liberties on behalf, mainly, of those who stroll through high-profile tourist sites and inhabit upper-income residential zones; and
- do all this with massive increases in foreign debt, reaching nearly \$85 billion at present, up from less than \$25 billion inherited by Nelson Mandela in 1994.

Most politicians and bureaucrats who embrace this logic are from the Treasury in Pretoria and arrogant city governments. They have not only given us endless white-elephant expenditures but also a deeper set of distortions in the economy that created what is probably the world's highest level of social and labor unrest per capita.

Our cities are utterly unsustainable from economic as well as ecological standpoints, thanks in part to the ease of getting mortgage bond credit based on rapid housing price increases (until a 2008 consumer finance law kicked in). From 1997 to 2008, we hosted the world's most speculative residential real estate bubble. The inflation-adjusted price rise for housing was 389 per cent from 1997-2008, more than double the second biggest bubble, Ireland's, according to The Economist. The United States national index was only 66 per cent.

The destruction of our rivers and groundwater due to sanitation overflows and run-off from shack settlements (without decent sanitation) is only one indicator of how poorly the elites treat low-income people.

Another backlash, recorded in most cities and towns, is the service delivery protest phenomenon caused by the rising cost of (or lack of access to) water, sanitation and electricity. After provision of 'Free Basic Services' – a tokenistic 6000 liters of water and 50 kWh of electricity per household per month (with small increases anticipated prior to the 2011 municipal elections) – the huge price hike in the second block of consumption raises the entire amount beyond affordability levels, especially with Eskom's extreme increases.

This means higher non-payment rates, higher disconnection levels (affecting 1.5 million people/year for water, according to officials) and lower consumption levels by poor people.

More broadly, as a University of Cape Town research team reported in January, South African urban poverty actually increased from 1993-2008. In the meantime, the apartheid-era economy was sprinkled with a few Black Economic Empowerment faces and liberalized. Given the girth of several beneficiaries who have the surname Zuma, the idea of 'Broad Based BEE' seems to have been privatized and familialised, generating what communist youth leader David Masondo renamed 'ZEE'.

In this context, those sectors which actually produced goods – local manufacturing industry – have stagnated, because easy access to consumer credit drew in East Asian imports at a rate greater than SA exports, even during the 2002-08 commodity price boom. Not only was there a trade deficit, as a result, when mining houses exported profits to overseas headquarters in London and Melbourne, we suffered such a large current account deficit that in early 2009, South Africa was declared the world's riskiest emerging market by The Economist.

Hence economic growth during the period was illusory. If there was a factor most responsible for the 5 per cent annual GDP increases recorded during most of the 2000s, by all accounts, it was internal consumer finance, with the ratio of household debt to disposable income soaring from 50 per cent to 80 per cent from 2005-08. But this overexposure soon became an albatross, with non-performing loans soaring.

The point, here, is that we are now staring at five profound failures in SA's 'developmental state' strategy:

- ongoing state infrastructure spending is still weighted overwhelmingly to dubious projects (Coega industrial zone, Gautrain elite fast train, the Medupi coal-fired mega-generator, plus more nuclear plants and mega-dams) with relatively low social benefits and employment;
- there is limited room for expanding the domestic financial system except into even more untenable speculative arenas;
- exporters face volatile, unreliable prices for export of minerals, metals and cash crops;
- foreign debt will become a severe problem; and
- Pretoria is losing the much-trumpeted War on Poverty.

Most tragically, the government's refusal to halt worsening unemployment and to build more decent houses – the two grievances of township residents that researchers find most foster xenophobia – fuels Afrophobic hatred of immigrants, representing a self-destructive backlash against elite neoliberalism.

Zuma would not have had opportunity to brag in New York given this record. Was anything positive accomplished?

Just one advance. Not Pretoria but civil society gave teeth to *Goal 6: Combat HIV and AIDS, Malaria, and Other Diseases*. Access to AntiRetroViral (ARV) treatment became available in SA public health facilities, after a heroic battle was waged by the Treatment Action Campaign and its allies against Mbeki, the world's largest pharmaceutical corporations and the US government.

ARV medicines that used to cost \$10,000/year per person now are free for poor and working-class South Africans, and they are available generically (not only through expensive brands), and indeed made locally in Africa. This is a miraculous change from a decade ago, and probably saved more lives than any single initiative anywhere, since the end of apartheid.

On the downside, there were three goals that experienced very serious backsliding in South Africa.

First, the need to *1) Eradicate Extreme Poverty and Hunger* ran up against the capitalist economy. Urban poverty increased from 1993-2008 according to latest official stats, and rural poverty declined only because more poor people moved to the cities and the welfare grant system was extended.

Why? Our economy is structured so as to generate poverty-expanding 'growth' of GDP. As accumulation of capital occurs in much of South Africa, the rich grow richer and the poor grow poorer.

Second, there was a mandate to *7) Ensure Environmental Sustainability*. South Africa's climate, land, water, mining/smelting, petro-chemical, fisheries and timber sectors are experiencing ecological disasters on a more regular scale.

Why? The large corporations mainly responsible for these problems have a tight-knit 'crony capitalist' relationship with the ruling party, bordering on outright corruption. For example, the huge \$3.75 billion World Bank loan to Eskom this year which directly funds the ruling party for a vast coal-fired power plant so the world's biggest mining/metals firms get the world's cheapest electricity. The revolving door between state officials and capital confirms laxity in environmental regulation, and even Pretoria admits the state of the SA environment is in perilous decline.

Third, another Millennium Development Goal is to *8) Develop a Global Partnership for Development*. Under Mbeki's influence, Pretoria's international representatives tried valiantly to stitch together a global elite with concern for African 'development', but to no avail.

Why? There has been a deficit of good governance on every single global-scale problem – not just poverty – for at least the last decade, what with the Bush/Obama regimes' fusion of neoconservative ideologues and neoliberal institutions in the UN, Bretton Woods Institutions,

World Trade Organization, UN Security Council and environmental bodies. Since the 1996 ban (in the Montreal Protocol) on ChloroFluoroCarbons (causing ozone hole growth), there's been no global-scale elite solution to global-scale problems.

Worse, Pretoria cannot be confident of making progress on any Millennium Development Goal, given the coming austerity associated with a failing global and national 'Keynesian' (deficit-based) macroeconomic strategy that was largely based on white-elephant infrastructure investments. Such spending – especially for now empty soccer stadiums costing R22 billion – plus declining state revenues (as profits and taxes fell) moved the national budget from a surplus of around 1% of GDP under Trevor Manuel to a deficit of more than 7% since the crisis began, and as Pravin Gordhan took over as Finance Minister.

What is therefore likely, within five years, is a similar turn by the Treasury to the kind of austerity now being felt in many other countries which ratcheted up their deficits to deal with the crisis. As shown in the recent civil servants' strike, the state is willing to put services mainly used by the poor majority – public schools, clinics and hospitals – at risk to maintain some semblance of fiscal discipline, which does not bode well for future state expenditure on MDG-related needs.

For example, given the neoliberal orientation of policy-makers in the Treasury, Pretoria still appears religiously opposed to subsidizing food or even zero-rating Value Added Tax for most nutritious goods.

As for improving food security through land redistribution, ANC leaders did pledge to finally ditch the failed Willing Seller Willing Buyer land reform policy (the 1994 promise of 30 per cent redistribution of good land within five years resulted in less than 1 per cent, a figure that may have only now, 16 years into liberation, risen to 5 per cent). The rural power structure remains extremely biased towards white farmers, so enduring malnutrition even amongst farmworkers is an indication of prevailing semi-feudal social relations.

Pretoria's job-creation program was limited to a half-million so-called jobs in short-term public works program, and the only change proposed in 2010 was to develop a two-tier entry-level labour market with capital subsidized by the Treasury to employ young workers at rates below the minimum wage (an idea so far blocked by labor).

The state is also losing its so-called 'War on Poverty', and instead, given that South Africa boasts amongst the world's highest protest rates per person, what is more apparent is Pretoria's war on the poor: repression and disconnections of water/electricity to people who cannot afford their fast-rising utility bills, especially in the wake of Eskom's price increases (at least triple the inflation rate for the foreseeable future).

This state of affairs will generate a growing hostility to politicians, but it will take a break between labor and genuine communists on the one hand, and what they term the ANC's 'predatory' leadership on the other, before genuine electoral politics can finally begin. That still appears years away after Zuma's semi-reconciliation with labor at the Durban conference.

Meanwhile on the independent left, the country's disparate social movements are also learning from their own severe problems. Some, like Soweto activists in the Anti-Privatisation Forum, had put excessive faith (as did I) in a 'rights-based strategy': begging the courts to double Johannesburg's Free Basic Water supply and prohibit pre-payment

meters. That strategy flopped a year ago when the Constitutional Court reversed two prior court decisions for banal reasons, merely exposing the limits of liberal capitalist democracy.

Then there are the thousands of service delivery protests of a 'popcorn' character, popping up and landing in ideology-free, leaderless ways. But these haven't coalesced into a genuine urban social movement's emergence, in part because protesters are mainly from the ruling party and remain loyal to it.

If these protests are not better coordinated in coming months and years, we may witness degeneration into a far more uncivil society, because of ruling-party policies that make South Africa more economically unequal, more environmentally unsustainable and more justified in fostering anger-ridden grassroots expectations, than during even apartheid itself.

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