**Chapter Sixteen**

**Thabo Mbeki:**

**Liberalism, Neo-Orthodoxy, and Crony Capitalism**

**From Mandela to Mbeki: Party Dominance and the Need to Control?**

**The Transfer of Power to Thabo Mbeki**

Thabo Mbeki was born for leadership in the African National Congress (ANC). His father, Govan Mbeki was one of the triumvirate of younger leaders who inherited the leadership of the ANC in the 1950s. His mother Epainette was also an ANC activist. His primary and secondary education occurred in the Eastern Cape and he was twenty years of age when he went into exile in 1962.

Mbeki, though pursuing his university degrees in the UK, was an activist in the ANC from the beginning of his exile. He was a key assistant to Oliver Tambo and eventually headed the vital International Affairs department of the ANC and played a key role in the pre-negotiations process between 1985 and 1990. Thabo Mbeki became one of the two Deputy Presidents in the Government of National Unity (GNU) in 1994 and continued to serve as Deputy President from 1996 to June 1999 when he was elected South Africa’s second post-apartheid president.

Mbeki and the ANC had to deal with the legacy of exile and distance that characterized the four decades between 1960 and 1990. As negotiations approached in 1990, the ANC leadership was concerned about a loss of social control in the country as a result of uncontrolled contacts between South Africans in the country and the ANC (Shubin 1999). After 1994, the military control style that the ANC had developed in exile had “become the mantra of the ANC in government: centralised decision-making, unquestioned loyalty, no public criticism and preordained election of leaders” (Gumede 2007, p. 292).

Mbeki has long been a lightning rod for criticism. His advocacy for black economic empowerment led critics (and some supporters) to consider him an “Africanist” who advocated for strong affirmative action on black empowerment. He has also been a strong supporter of African capitalism and the strengthening of a black middle class. Some of his critics have suggested that he was a neo-liberal following the Washington consensus on economic policy, that of neo-classical liberalism embracing the privatization movement and the use of contracting out of government activities.

Mbeki during his nine years as president was a vociferous reader and an avid consumer of the internet system. His long term academic interest, from his days at university, was the evolution of societies from a historical perspective. His world view remained constant over the years, but did not have a specific ideology prior to the broad development of his African renaissance value system. According to Mark Gevisser (2009b, p. 184), “Mbeki attempted to marry his materialist understanding of history with both the liberal notions of individual agency he had acquired in Western Europe and his heartfelt commitment to the nationalist ideal of self-determination he had experienced in post-independence Africa.” Mbeki, as President, according to Gevisser, searched for technical and managerial solutions in making policy decisions.

South Africa in 1996 entrenched in its constitution what may be, on the face of it, one of the most liberal democratic documents in the world (Gevisser 2009b). Speaking of the final constitution, R.W. Johnson (2004, p. 206) noted ironically and perhaps unfairly, “the great oddity and irony of the constitution, a liberal document written by parties which were both passionate opponents of liberalism.”

After the promulgation of the Final Constitution and just two years into the Mandela term, De Klerk announced the National Party was leaving the GNU. With the approval of the final constitution, and the withdrawal of the National Party from the GNU, one can discuss the nature of post-apartheid South Africa during that time as led by Thabo Mbeki, the then Deputy President.

Ostensibly, Nelson Mandela served five years as President of South Africa. However, this book places the Mandela Presidency within the context of the transitional GNU that was discussed in the last two chapters. It is increasingly clear that his term was divided in half. From May 10, 1994 to June 30, 1996, Mandela presided over the GNU with two Deputy Presidents, Thabo Mbeki and F.W. De Klerk. After June 1996, Mandela continued to be important symbolically, but Deputy President Thabo Mbeki began to make major policy decisions, taking on day-to-day responsibility for governance and functioning as a kind of Prime Minister or head of government. Even during the first two years of the GNU, President Mandela quickly began to delegate responsibility to Thabo Mbeki, a process that continued and accelerated after 1996.

Therefore, by the time he took the oath of office, Thabo Mbeki had effectively been running the country for more than three years (Parsons 1999). A discussion of post-apartheid South Africa begins not with Nelson Mandela but with Thabo Mbeki. Mandela himself was a transitional figure and reigned, but did not rule, over the grand coalition that defined the GNU from 1994 to 1996. Mbeki officially took over as President of the ANC in 1999 and began to put his stamp on that organization. The Mbeki period, from this perspective, can be seen to begin in mid-1996 and stretches down through his two terms in office to 2010, a total of 14 years.

The process of transfer of authority accelerated in the last two years of Mandela’s presidency. In 1999, under President Thabo Mbeki, of the 27 members of the cabinet, 14 had substantial exile experiences (Lodge 1999b). The leadership shift to Thabo Mbeki, “was also a generational change with power passing from the heroic Robben Islanders who had waged their struggle for half a century and were now handing over to a new and very different generation” (Sparks 2003, p. 252).

Centralization efforts also increased during this time. In 1997, in preparation for running for President in 1999, Thabo Mbeki set up a Coordination and Implementation Unit in the Office of Deputy President that resulted in a further centralization of policy (Seiler 1997a). This unit in effect functioned in the manner of a Prime Minister’s office. Under Mbeki, according to a 1998 donor funded report, the ANC leadership had become characterized by “the national elite's preference for centralization and [South Africa’s] electoral system, closed list, proportional representation" (Barkan & Baxter 1999).

**Public Sector Reform, Economics, and Social Challenges: An Elusive Consensus**

Critics of the ANC began to fear the transition to a post-Mandela era early in the GNU. The focus of that fear was on the nature of a future Mbeki administration and on the long-term value system that had defined the Mass Democratic Movement. Liberals in particular, both inside and outside of the ANC, feared that a drift towards one party rule, which had defined much of the rest of Africa, would gradually spread to South Africa with tendencies towards intolerance and a soft, ineffective state. In fact, after the 1999 national elections, the country had become a one party dominant state. To significantly understate the case: “One-party democracy, however sincere the intentions of its leaders, has had a history elsewhere of losing its vitality” (Lodge 2003, p. 160).

Yet, by all accounts, the transfer of power in 1999 was peaceful and democratic. The press remained free. Mbeki remained committed to a capitalist economic strategy within the mainstream of the international political economy. The affirmative action policies remained relatively moderate and did not affect the private sector. South Africa had stabilized economically and while the weakness of the public sector (plagued by corruption and nepotism) was troubling, overall the state of the South African state remained strong. After Thabo Mbeki became president, Chief Mangosutho Buthelezi remained Minister of Home Affairs and Inkatha stayed in coalition with the ANC at the national level as an alliance partner throughout the GNU, through the 1999 elections, and into the Mbeki administration.

The Mbeki administration, after the 1999 elections, stated that it would target the public service for reform, creating nervous administrators at national and regional levels, with discussions of job performance, production targets, and delivery (Hadland 1999b).The goal under Mbeki would be the implementation, the delivery, and the completion of services and reforms set out but never completed during the Mandela administration (Hadland 1999a). Mbeki's goal appeared to be an "efficient clean, disciplined government" (Barrell 1999a, p. 31).

Claiming that the civil service was dysfunctional, the Mbeki administration adopted a performance based contract system for senior administrators in order to change the way that the public service was managed. The new government also boosted the power of Ministers to manage their own departments, create and abolish posts, and promote, transfer, and discharge employees (Greybe 1999a; Greybe 1999b). There was also some evidence of support for a serious retrenchment of the civil service under the new Mbeki government (Barrell 1999c).

Government officials made strong statements against patronage and corruption from the beginning of the GNU. By 1995, many of the tools to root out corruption were already in place. In 1992, the parliament had removed government control over the Auditor-General, giving responsibility for the office to the legislature. Though corruption remained a serious problem, by 1996 public opinion polls suggest that most South Africans approved of government actions to deal with it.

Once in office, the new Mbeki administration articulated a tougher line on corruption, strengthening the public-sector code of conduct. His announced goal was to reduce nepotism, favoritism, and eliminate corrupt practices. The new President claimed to be an anti-corruption activist. Demonstrating a concern for empirical research, the new Mbeki administration placed a greater emphasis on statistical information and policy analysis. Despite these promises, civil service capacity remained a problem well into Mbeki’s second term and evidence suggests only limited success on reforming the civil service during the Mbeki administration (Picard 2006). While there was more talk than substance to the reforms, the talk was reassuring to those who followed public policy.

To the surprise of some of his critics, the new President played it straight in terms of social and economic policy. President Mbeki convened a surprise pre-budget meeting of government, big business, the unions, black business, and the agricultural sector to discuss the proposed introduction of inflation targeting on February 15, 2000. President Mbeki, speaking at the World Economic Forum's annual meeting in Davos, Switzerland, had said, "It's important that we should have some discussions before the presentation of the budget" (“Mbeki Calls Pre-Budget” 2000, p. 13).Mbeki's move surprised senior business leaders with its reasonableness. Trevor Manuel, the finance minister, presented the budget on February 23, 2000 and announced the introduction of inflation targeting, which would bring clearer focus to South African Reserve Bank policy.

Yet, areas of concern remained. Dissatisfaction with government, according to a number of public opinion polls, deepened during the Presidency of Thabo Mbeki. There were also deepening tensions within elite circles. As the incoming ANC President in June 1998, Mbeki critiqued black elites, arguing that the time had come to call a halt to the abuse of “freedom in the name of an entitlement, said to arise naturally from our having been the victims of apartheid, especially by those among the black elite"(Mbeki 1998, p. 20).

Despite its tough talk about corruption, the Mbeki government sent out mixed signals on corrupt practices and in particular was ambivalent on the work of the Heath Anti-Corruption Unit, which had been appointed by President Mandela to root out corrupt practices. In 1999-2000, controversy broke out over the "approval of politician's lies" statement, an incident that appeared to allow a provincial premier in Mpumalanga to defend a cover-up of corruption practices in that troubled province (McNeil 1999, p. A6).

Moreover, the failure to control crime illustrates the limitations of state control. In 1999, there were still incidents of political violence and intimidation going on in South Africa (and especially in Kwa Zulu/Natal). In Gauteng and in the other urban areas, the majority of violence was criminal in nature. President Mbeki created a Directorate of Special Operations in 1999, labeled “the Scorpions” by the press, to address the problem of urban violent crime (Gordon 2006).

President Mbeki’s answer to the problem of crime was to better integrate the security and the social clusters (health, welfare, and education) within the cabinet in order to deal with poverty as a social root of criminal behavior. Social reform and moral regeneration were the keys to fighting crime according to President Mbeki (Gordon 2006). However, Mbeki often handled the crime issue awkwardly during his years in office and several within his ruling group claimed that the problem of crime was overblown by wealthy whites and by the white controlled media (Timberg 2007a). It was only in March of 2007 that Mbeki acknowledged unequivocally that crime was a serious problem in South Africa.

Crime in South Africa is often attributed to the failure of the ANC government. However, there is often no recognition that excessive crime rates are also related to the apartheid era inequalities that were a root cause of violent crime. The failure of the state to communicate to the public its concern about crime, led some (particularly whites) to conclude that some in the ANC saw in crime a way to promote the redistribution of wealth within South African society, ostensibly a goal of socialists within the movement. Was the answer community based justice, which in effect allows communities to control their own system of justice? To many in the ruling party, direct collective justice, rather than institutional based governance and justice systems, according to Gordon (2006), was needed to address both security and social services.

Crime, and the poverty which spawned it, was a populist issue. To deal with crime several populists advocated peoples’ courts. Proposed peoples’ courts remained high on the agenda of many in the ANC throughout the GNU and under President Mbeki. As one newspaper article pointed out in 1998, "if Gauteng Premier Mathole Motshekga has his way, community courts could be up and running in eight months in his quest to bring justice to the people" (“Sentenced by a Graduate” 1998, p. 19). Populists advocated the creation of vigilante style people’s justice.

Inability to deal with criticism also characterized the Mbeki era. From the beginning of his party presidency, Thabo Mbeki’s ANC found criticism hard to bear. The dominant political culture seemed to contain elements of intolerance and collectivism and the ANC leadership showed little commitment to devolved local government and a strong civil society. Tensions between South Africans of African background and whites, as well as Indians and Coloured (Mixed Race) South Africans increased during the Mbeki administration. There were also increased tensions between the ANC and the opposition Democratic Party, led by the phlegmatic Tony Leon.

His critics were particularly incensed by Mbeki’s failure to forcefully address the excesses in Zimbabwe (where he was mandated to play a mediating role) and, most of all, his puzzling denial that HIV caused AIDS (rather he claimed the cause of HIV/AIDS was extreme poverty and poor environmental conditions). During the Mbeki administration, any criticism by ANC cadres, up to, and including Nelson Mandela (over HIV/AIDS) was seen as undisciplined. A senior official in the Ministry of Health (and an ANC stalwart), for instance, was castigated for criticizing an ANC comrade and a superior in the chain of command on HIV/AIDS policy (Gevisser 2009b; Gumede 2007).

The HIV/AIDS issue, and his inexplicable claim that South Africa did not have an excessive crime rate, all suggested there was irrationality to the Mbeki administration that was troubling. During the course of his two administrations, Mbeki had clashed with the press over crime, at various times appearing to deny that South Africa suffered from an overwhelming crime wave. There were unseemly quarrels within the ANC between Mbeki and his Deputy President, Jacob Zuma, particularly after Zuma was dropped from the administration over rape charges and accusations of corruption. Thabo Mbeki removed Zuma from the Deputy Presidency on June 14, 2005 as a result of the multiple corruption charges directed at Zuma.

Given his erratic stance with regard to HIV/AIDS, his lack of sensitivity to the impact of crime, and his thin skin over media criticism, it has been claimed that Thabo Mbeki was not best suited to provide leadership for a post-apartheid South Africa. Some feared that his upbringing would impact upon his style of government. Because of the political situation in South Africa during the apartheid period, and his parents’ activism, Mbeki was said to have “had a lonely and largely loveless childhood followed by an insecure life in exile” (Johnson 1999, p. x). As a result, it seemed, to his critics, that he could be cold, stubborn, and vitriolic in his disapproval of opportunists challenging his leadership. He was, according to Shaun Johnson (1999, p. x), “a man deeply damaged by the apartheid era, who has paid a profound psychological price and has to fight... to control his own bitterness.” Many of his critics labeled him cold, rigid, and authoritarian.

Control was imposed through a combination of punishment and patronage (Johnson 1999). It has been an orthodoxy within the ANC that it is not just a political party but is a liberation movement which represents the collectivity of the country or at least the black population and progressive elements among the country’s minority groups (Lodge 2004). Under Thabo Mbeki there was little rationalization of the bureaucracy, and in fact it grew, both in terms of the number of those employed (by approximately 100,000) and in terms of wages. However, the public sector remained, by comparison to most LDC and African public sectors relatively strong (Lodge 1999b). Yet, state capacity remained weak. Diana Gordon (2006, p. 264) has put it this way: the state under Mbeki was “still relatively weak in two senses: in its capacity to deliver services-exercising power *with* society- and in its ability to get compliance with such routine regulation as user fees for electricity and television-exercising power *over* society.”

Factionalism was controlled by a combination of carrot and stick policies, in which patron-client relationships predominated. All elected offices in South Africa carried high salaries, and such jobs were keenly sought by the party faithful (Lodge 2004). By 2007, the ANC had tried to impose strong discipline on its membership. At the same time, there was increasing public statements of disagreement with the Mbeki leadership from leaders of associated groups and within the ANC. Competition among intra-party elites has, more generally, taken on a zero-sum quality since 1994.

 Critics suggest that under Mbeki the ANC became increasingly hegemonic towards its membership and subordinate leadership, practicing a form of democratic centralism without ideological orthodoxy, except in terms of its African Nationalist tendency and parliamentary politics. Ideology was left to what the leadership called the “ultra-left” (Gumede 2007, p. 291). What Gumede (2007), after Irving Janis, calls “group think” was the mechanism that kept Mbeki’s subordinate leadership in line.

Both within the ANC and among the general public, there are increasing complaints of careerism, corruption, and opportunism under Mbeki (Lodge 2004). As an organization, the ANC remained plagued by its ineffectiveness. There is still the potential for “bottom up” power at the provincial and local level. Much of the accusations of corruption and fraud have related to access to black empowerment programs by ANC leaders (Wines 2007a).

The ANC declared a preference for corporate style consensus politics after 1994, a process that often had authoritarian dimensions. “The ANC’s preferred model of consensual democracy,” according to Tom Lodge (2007, p. 209). The ANC called it cooperative governance, and it was very much in an organic or culturally bound vein “favoured by Mandela in his patriarchal meditative mode” (Lodge 2007, p. 209). However, its concern for consultative decision-making declined after 1994. The party became more of clientalist party rather than a mass political movement though it continues to have a strong mass base throughout the country (Lodge 2004).

There were also hints at more draconian scenarios for political control. Critics suggested that South African democracy was threatened by the emergent dominant-party regime that was developing. The ANC continued to see itself as a mobilizing movement and many in leadership positions rejected representative institutions. Parliament had very little policy influence after 1996. Effectively, all legislative initiatives originated in the Executive which relied on senior administrators for technical policy advice (Alence 2004). The 2004 national elections allowed the ANC, and its President Thabo Mbeki, to appoint all nine provincial premiers. At the end of the Mbeki period, there were few effective institutional limits on state authority in South Africa.

**Human Rights and Human Security**

After 1994, controversy developed over human rights issues, illegal immigrants, and, specifically, the South African Human Rights Commission. One "stand-off came the day before an influential American human rights group, Human Rights Watch, visited [South Africa and Nelson Mandela] for a report on South Africa's treatment of illegal aliens" (Duffy 1997, p. 12).

There were several "allegations of... beatings and mistreatments" of illegal immigrants leveled at the Mandela government (Duffy 1997). A 1998 videotape showed attack dogs being trained to attack immigrants by using alleged illegal immigrants as “bait” for the dogs. The immigration debate was linked with what critics called authoritarian tendencies built into the ANC as an organization and its increasingly hostile view of liberalism in South African society. The problem was that all this occurred in the context of hostility to African immigrants in South Africa, despite international evidence that these immigrants were not an economic liability.

Debates over racism in the press continued during the GNU with elements of the press criticizing the Human Rights Commission of illiberalism (“Feebly Disguised” 1998; Haffajee 1998b). Racial stereotypes are of course, complex and cross-sectional. As Bishop Desomond Tutu (1999, p. 252) has written “I found [on a Nigerian Airways flight] I was saying to myself, ‘I really am bothered that there’s no white man in the cockpit. Can these blacks manage to navigate us out of this [turbulence] horrible experience?’ It was all involuntary and spontaneous.”

The Human Rights Commission "suffered another body blow with the resignation of liberal stalwart Helen Suzman, the fourth commissioner to walk out of the prestigious body headed by the controversial lawyer and theologian, Dr. Barney Pityana." Suzman resigned from the Commission over the investigation of "press racism" (both quotes from Beresford 1998, p. 8). The ANC dominated Human Rights Commission, according to critics, took illiberal stands on a number of social and political issues.

There was resentment by some in the ANC who felt that because they had won a national majority, there should not be minority parties that dominated in a certain region such as Natal or the Western Cape (Doman 1993). There was resentment within the ANC that the Democratic Party continued to control the metropolitan council in Cape Town in both the 2000 and 2006 local government elections. As a result, in March of 2006, the ANC unveiled a plan to eliminate the executive system that was in place in cities, replacing it by a committee system, stripping the Democratic Party of control of the last major city not controlled by the ANC.

**Mbeki’s South Africa: From the Rainbow Nation to Crony Capitalism?**

**Liberalism as an Option**

During the apartheid period, there was a popular myth that South Africa was made up of "two nations.”[[1]](#footnote-1)This myth continued into the GNU. Journalists continued to refer to South Africa as "two worlds in one," with both a Western tradition and a "third world" or African value system (Venter 1997, p. 40). These value differences were portrayed as a dichotomy rather than a continuum between individualism and communalism and ignored the complexity of values within South African society. The perception of this dichotomy influenced the role that civil society organizations played developmentally in their relationship to the South African state. After 1994, to its critics, the ANC did not have total political credibility in part because of the danger of unrealistic material expectations (Lester 1996). Free marketers suggested that,

South Africa... will not be able to use its enormous resources to the full until it has established a free market for land, labour and capital, cost-conscious and colour-blind. The alternative is likely to be an ethnic struggle for the control of public enterprise super-imposed on the battle for political control. The 'privatisation' of South African enterprise would entail a revolution more profound than an African takeover (Gann & Duignan 1981, p. 152).

In 1989, with the collapse of the Soviet Union, “[s]uddenly, a liberal paradigm in politics, and a market driven economy, became dominant” among many within the ANC (Van zyl Slabbert 2006a, p. 35).[[2]](#footnote-2) Business leaders after 1990 were pro-active in their inter-action with the ANC. Business leaders wined and dined ANC leaders and large domestic and international business organizations had a major influence on the ANC. Perhaps, some feared, the ANC was high-jacked by the business community. Nelson Mandela, “addressing business leaders in Pittsburgh, Pennsylvania, sought to reassure potential investors that an ANC government could be trusted” (Gumede 2007, p. 70).

Proponents of limited government in South Africa have pointed to three ways in which societies must be protected from the state. They advocated deregulation, privatization, and minimalism (and extreme decentralization) as the major components of public policy in South Africa. Where possible, these policies should be constitutionally guaranteed. A free market ideology included devolution of power from central to local government (Louw & Kendall 1986). This view of the world came increasingly to be reflected in the statements of the opposition Democratic Party after 1999.

First would come deregulation. In raising the question of how to improve micro-conditions in the informal sector, Theo Rudman's (1988) answer was to deregulate. Andreas Wassenaar, quoted in Gann and Duignan (1981, p. 151), provided a critique of South African state capitalism from a free market perspective:

African nationalists, [in the ANC] predictably, have not spoken out against state capitalism, any more than have Afrikaner nationalists of the traditional kind. Opposition to the power of the para-statal organizations derives from independent businessmen, including the new class of Afrikaans-speaking entrepreneur.[[3]](#footnote-3)

Secondly, would come privatization and a free market ideology. By 1991, there were a number of advocates of privatization and opening up the economy within the ANC (Lodge 1999b). Proponents of a free market ideology in South Africa suggested that power would need to “devolve from central to local government" or to the private sector (Gann & Duignan 1981, p. 71).

Free marketers argue that market interventions should be focused on "minimum standard laws, health laws, occupational and professional licensing laws, apprenticeship laws, labour regulations, transport regulations, state-protected monopolies, state monopolies, tariff protection, import and export controls, subsidies, influx control [and] price fixing" (Louw & Kendall 1986, p. 174).A privatized economy was a socio-political ideal based on the spirit of capitalism. Private capital presents itself as the alternative, certainty for those who have already acquired political dominance through centralized political authority.

Finally, to minimalists, decades of government control meant sluggish indifferent service for all (McNeil 1987). Minimalists in South Africa emphasized libertarian ideals by calling for small government. Louw and Kendall propagated radically decentralized government structures in South Africa early on. While privatization was a core value among the deregulators, whatever economic decisions that were necessary "would be made at...community government levels. Provided they comply with the Bill of Rights, [local communities] would be free to pursue any economic policy" (Louw & Kendall 1986, p. 173).

Libertarianism was linked to Huntington's gradualist approach to democracy. A phased change would begin "with local autonomy on the grounds it does not involve immediate universal franchise" (Beckett 1985, p. 123). In the gradualist approach, "the multiplying of sites in which power is placed - would necessarily ensure workable relationships" (Beckett 1985, p. 129). Though political gradualism had been abandoned by the liberal political leadership in South Africa, libertarianism in an economic sense came to define the world view of South Africa’s opposition leader Tony Leon.

In South Africa, unlike many other parts of the world, public choice arguments were often linked to corporatist models of decision-making and an extended role for civil society organizations which carried governance and watchdog responsibilities since both corporatism and civil society involved significant depoliticization of society in a partisan and institutional sense. According to one liberal critic of the ANC, "If unchecked, the present system will result in a state ascendancy that will benefit none but bureaucrats assisted by academic economists and sociologists, the new planning elite" (Gann & Duignan 1981, p. 152). The assault on private enterprise was the freeway to godless communism. By limiting government, conflict could be more easily managed by depoliticizing it (Louw & Kendall 1986).

Public corporations were one target of free market advocates. The telephone company was a favorite example and targeted by its critics for privatization. To critics, the "hallmarks of SA Telkom were higher prices, slow service, an aloof bureaucracy, a bloated workforce and a network engineered for white neighborhoods" (McNeil 1987, p. C7).Telkom, the government telephone company, represented many years of government control. Created by the post office, Telkom provided a slow, inefficient style of service. This representation of government inefficiency meant "[l]ost share certificates and postal delays [which cost] companies millions, according to large corporations and stockbrokers" (Jones 1997, p. 11).

Despite concerns for redistribution, the ANC leadership during the GNU had to move away from an economic policy that saw the government as a primary agency for economic expansion towards a policy where the state would have a cooperative and enabling role (Van zyl Slabbert 1999). This was linked to the shift in international alliances by the ANC party from East to West. As the GNU progressed, there was a widening gap “between rhetoric and practice” in government policy proclamations in terms of the economy (Rostron 1999, p. 21).

In 1996, when Deputy President Thabo Mbeki largely took over economic policy, a new realism about international trade and private sector development set in. Within Thabo Mbeki’s ANC, there were increasing fears in the leadership that there would be a radical worker’s takeover of the country. William Gumede (2007, p. 49) claims that from 1996, “Thabo Mbeki had as a goal the shift of the ANC as a political party to a centrist market oriented political movement.” As Van zyl Slabbert (1994, p. 210) put it, the ANC had to “move away from democratic centralism to the acceptance of a liberal democracy.”

Sharp differences developed within the ANC alliance over this decision and downsizing became a major area of debate within the ANC, though the GNU continued to send out very mixed signals on the cutback of the bureaucracy and military, fearing that it would weaken the government in the region and because downsizing could have a negative impact upon the economy (Devereaux 1991a).

**The Growth, Employment, and Redistribution Program (GEAR)**

Discussions of a labor or workers party in South Africa increased in 1993 as it became clear that the ANC in power would support economic liberalism and "sell out the workers," (Haffajee 1993, p. 21).In July 1993, the South African Communist Party (SACP) stated that it would retain an independent identity vis-à-vis the ANC in order to aggressively pursue its "radical program of action" (Ka'Nkosi & Desai 1998, p. 3).The ANC had failed to develop a "people centered democratic transition" (Habib 1998, p. 26).To the SACP, the ANC had already abandoned socialism as a policy option.

The SACP positioned itself as a quasi-opposition within the ANC, as a worker’s party (Bulger 1998a). Without the SACP, one critic noted, who would be the "watchdog of the ANC in government?" (Bulger 1998b, p. 12). Within the ANC, the leadership rejected the SACP role of left conscience of the ANC (Phahlane 1998).Even before the 1994 elections, many assumed that there eventually would be "a coherent, well organized black parliamentary party opposition party to the left of the ANC" (Habib 1998, p. 26).

The reality in the early 1990s was that there was an increasing marginalization of working class interests as the ANC pursued negotiations with the National Party. This led to increased tensions with the trade union movement. At the same time, differences had developed within the SACP (Rantete 1998).Before his assassination in 1993, Chris Hani was one of the most articulate spokesmen for a socialist South Africa. "We accept," he said, “social democracy as an interim phase. But it is a phase leading towards socialism... we believe whites have got something to pay back" (Johnson 1991, p. 6).The ANC did not have a clear view of the economic future in 1994.

In spite of these developments, under the leadership of President Mbeki, the ANC took an abrupt “about-turn in the formulation of its economic policy [and] embraced free-market orthodoxy that involves large-scale privatization” and sharply criticized the SACP and Congress of South African Trade Unions (COSATU) for opposing those policies (Sparks 2003, p. 170). The Growth, Employment and Redistribution program (GEAR), Mbeki’s market based policy and growth strategy, “was drafted secretly and presented to the ANC’s National Executive in mid-1996 as a *fait accompli*” (Lodge 1999b, p. 6).

The abandonment of the Reconstruction and Development Program (RDP) in June 1996 was clearly linked to the transfer of effective power to Deputy President Mbeki. From that point, virtually all of his key appointments in government and in the party were labeled “Africanists,” and were dedicated to the capitalist oriented Black Economic Empowerment (BEE) of GEAR. GEAR committed government to significantly increasing black representation within the private sector. Stock market representation for Africans increased from 1 percent in 1994 to 6 percent in 2000, though it declined again to about 4 percent by 2004 (Gumede 2007; Parsons 1999).

In 1996, the government had opted for the neo-liberal and fiscally conservative GEAR program, effectively abandoning the RDP (Southall 1999). GEAR was imposed through the imposition of party discipline by the ANC leadership. Critics suggested that “economic apartheid” was being promoted through the imposition of neo-liberal economic policies by the Mbeki administration arguing that there should be a radical redistribution of land, income, and assets (Schneider 2003).

GEAR had a goal of 6 percent GDP growth, privatization, fiscal reform, and labor flexibility (Guelke 1999). Mbeki’s economic policies impressed World Bank economists but angered many in the trade unions and the SACP (Goodman 1999). The financial pressure coming out of the economic crisis of 1997, "led to cutbacks in education, health, and other social services, [and] the African National Congress's (ANC's) national executive committee (NEC) signaled a softening of a commitment to the growth, employment, and redistribution (GEAR) strategy's budget deficit targets" (Ensor 1998a, p. 1).

Thabo Mbeki, according to William Gumede (2007), long believed that the tri-partite alliance of the ANC, COSATU, and the SACP would dissolve at some point. In the short run, Mbeki concluded, the SACP/COSATU alliance had little choice but to accept this neo-orthodox policy or withdraw from government (Southall 1999). GEAR would, at least on paper, target civil service reduction and restructuring.

Impatience with the slowness of Affirmative Action and black empowerment was clearly articulated as a backdrop to GEAR. In May 1998, Deputy President Thabo Mbeki threatened that there would be "mounting rage among millions of people" over white resistance to economic transformation (Roberton 1998, p. 1). This comment came ostensibly four years after the ANC had come to power. The ANC leadership looked toward a future strategy, while it continued to place blame for policy delays on the past and the apartheid regime, rather than reviewing the ANC’s five-year record. As one newspaper noted, "It was puzzling, and disturbing, to hear him [Deputy President Thabo Mbeki] talk about South Africa remaining, after four years of democracy, two nations, one white and rich, the other black and poor. This is simplistic and dangerously populist" (Mulholland 1998, p. 1).

Fiscally, the ANC government rationalized economic programs under Thabo Mbeki and the ANC, led by Thabo Mbeki, maintained both political and fiscal stability and kept inflationary pressures under control (Parsons 1999). In addition, after a rocky start, the ANC led government did, “a remarkable job in building new houses and roads, and bringing sanitation, water, electricity and telephone connections to many of these [poor] settlements” (Sparks 2003, p. 51).

**Social Development and Financial Stability**

The evidence of success after 1994 was available of course. There was an attempt under the ANC to improve the social and economic condition of the ordinary South African. The ANC began to provide a better life for South Africa's poor.South Africa shifted resources to the rural and peri-urban poor areas. Life for many in South Africa became moderately better than it was before 1994 and the ANC was successful in its priority areas of social development, water, health, and electricity (Lodge 1999b).

After the non-racial government was introduced, the growth rate in South Africa peaked at about 3.5 percent in 1994-1995, dipped down to less than 2 percent in 1999 and moved back up again in 2005 to 5.5 percent. The Gross National Product (GNP) remained positive throughout the GNU’s five years in office, though it dipped to 1.5 percent or less during the Asian crisis of 1997-1998. The financial status of the country was, therefore, healthy during the first and into the second Mbeki administration.

 The Minister of Finance, Trevor Manual, had a reputation for fiscal and monetary discipline (“How the Premiers” 2000). In early January 2000, the government announced that it had cut the provincial housing budgets of key urban areas and was channeling more resources into poorer regions, which could lead to a cut-back of new projects in some provinces, particularly Gauteng. Housing Minister Sankie Mthembi-Mahanyele said government had made a conscious decision to begin making inroads into alleviating poverty.

In order to balance the national budget, the housing budget (a major budget line) was cut in real terms, standing at R2.9 billion in 1999/2000. Under the medium-term expenditure framework, the provincial budget from 2000/01 to 2002/03 was R3 billion, R3.2 billion, and R3.3 billion annually. According to Lodge (2007, p. 205), “The Mandela administration’s… achievements included impressively disciplined management of public finances in which tight controls on public expenditure eliminated a public debt of R250 billion, while at the same time redirecting resources from richer communities to poorer ones.” Overall, government made a strong attempt to balance its national and provincial budgets despite the downturn in the economy after 1996. The greater focus on largely rural and poorer provinces was welcomed in many areas of the country (“Housing Budgets” 2000).

However, human development indicators between 1996 and 1999 were sobering. As Van zyl Slabbert (2006a, p. 147) notes, “The human development report released by UNDP [United Nations Development Programme] makes for sobering reading. It shows that in the last 11 years in South Africa (1990-1999), life expectancy has dropped, income inequality has increased, and levels of educational enrollment have declined dramatically. In short, [during the Mandela administration] the poorest of the poor have become more, and poorer.”

By the end of the Mandela administration, the government had also taken vigorous, if belated, action to deal with crime and corruption. Even in this area there was some success during the GNU. By 1999, certain categories of crime, including murder and car hijackings had declined (Woods 2000). However, most violent crime remained unacceptably high in 2007. From an economic policy perspective, by 1999, the government stood fiscally sound, but all indicators suggested that government was underperforming in terms of human resource development standards in the public and in the private sectors.

While population growth in South Africa was a modest 2.1 percent and 60 percent of the total population was urban; a majority of the African population remained resident in rural South Africa (Lodge 1999a). In 2000, Official estimates of unemployment in South Africa were put at well above 30 percent. Unofficial sources suggested that structural unemployment was between 40 percent and 50 percent (Johnson 1999). Debates over economic ideology did little to encourage international investors. Though structural unemployment remained high, economic growth did recover.

There is little doubt that jobs were lost during the GNU both because of GEAR, the Asian crisis, and, most importantly, because of the failure of external investors to come back into South Africa. Job losses were massive during the GNU and tens of thousands of jobs were lost in 1999 alone. GEAR challenged the evolving consensus that there was a culture of entitlement evolving in political and trade union circles in South Africa. It also led, after the turn of the millennium, to a shift back to high economic growth rates, approaching 6 percent by 2006.

The South African government’s goal has been to promote the largest voluntary transfer of resources from one segment of society to another in modern history (LaFraniere 2004b). Two inter-related goals were central to the Mbeki government’s long term strategy: (1) the privatization of state-owned enterprises and (2) the determination to create a large black business class (Gumede 2007). However, even after privatization efforts was said to be completed, the ~~complete~~ total transfer of economic activities to the private sector, of the kind often identified with the World Bank, did not occur in South Africa. The dramatic rise in productive activity, up 33.6 percent in the 1990s, was in part driven by effectively managed government parastatals.

It was essential that business give attention to the “trade-offs between economic liberalization, racial transformation and labour relations” (Parsons 1999, p. 131). Service delivery was the lynchpin to this convergence. Business should be ethical and socially conscious. “By honest business,” suggests Van zyl Slabbert (2006a, p. 135), “I mean not buying political favours, paying bribes or sacrificing your independence. It also means not dabbling in so-called ‘Black economic empowerment’ (BEE) or show or being politically correct.” The debate also needed to focus on to what extent the government would have to change the structures of the labor force in order to address issues of poverty (Gumede 2007).

South Africa, at the beginning of the new millennium, seemed to be heading toward a patronage defined corporate state, negotiated between business and the Mbeki led ANC, with the tacit and grudging acceptance of the SACP/COSATU alliance, and at the expense of the unorganized, largely rural and peri-urban weaker parts of society (Van zyl Slabbert 1998).In the end, wherever the line was drawn, appeared to many in the ANC grass roots as too conservative, too authoritarian, and in conflict with the party's own commitment to transparency and social democracy (Brummer 1997a).

However, as the ANC approached the end of the Mbeki administration, there was no serious sign that it would abandon its commitment to orthodox economic policies. By 2005, the ANC had “firmly established itself as the party of black business, the black middle class and professionals” (Gumede 2007, p. 252). Except for Labor, and a few intellectuals, all of the “major power blocs in South African society-business, the media, think tanks- have coalesced around an anti-distributionist consensus” (Gumede 2007, p. 300).

As Thabo Mbeki approached the end of his second term, South Africa, though it performed well in terms of infrastructure and construction activities, continued to face both economic and institutional problems connected to issues of inequality and the failure to build capacity among the majority of the population. Critics suggested that the government’s neo-orthodox economic policies were taking a toll on economic growth and development in South Africa.

By 2006, there was evidence of a slow but steady decline in South Africa’s infrastructure, social services, and human resource development efforts.At the end of the Mbeki administration, access to overseas direct private investment remained a problem in South Africa (Parsons 1999). The Eastern Cape was particularly hard hit economically by 2003 with reports of wide spread starvation and malnutrition and an unemployment rate as high as 93 percent in the rural areas.

In 2004, ten years after the transition to a non-racial South Africa, many critics noted how little had been done to address the issue of economic and social equity and that “inequality is more prevalent than ever, with the poor truly having become more impoverished, while the rich amassed even greater fortunes” (Gumede 2007, p. 97). There was concern about the technocratic nature of the South African state and society under Thabo Mbeki’s leadership, given the myriad of social and economic problems faced by the country. Ultimately, the commitment of South Africa’s leadership to economic principles of international trade and a robust private sector were related to debates about liberal values.

Unemployment, poverty, and human development remained major political and social issues in post-apartheid South Africa in 2009. South Africa, with a Gini-coefficient of 0.59, had the worst income distribution in the world in 2005, a distinction that has not significantly changed in the last decade. This is little changed from the dark days of apartheid in the 1970s. Poverty increased throughout the Mbeki period. Under-employment and unemployment remain endemic among unskilled and semi-skilled black South Africans (Burger 2005).

Fifteen years after the end of apartheid, the South African government had still not been able to attract significant domestic or foreign investment. Poverty in South Africa was located in rural South Africa and in the impoverished squatter camps and fringes of the cities. Close to 95 percent of the poor were African, 5 percent were colored, and less than 1 percent of the poor were white and Indian (Gumede 2007). What also is striking, from the perspective of 2007, was “the extent to which the expectations of a much brighter future that the 1994 elections inspired seems to have been disappointed. Apartheid’s legacy of low economic growth and massive inequalities of income and wealth have proved much more difficult to shake off than white minority rule” (Guelke 1999, p. 199). South Africa remained “haunted by the manifold unresolved issues of its tragic and violent past” (O’Meara 1996, p. 7).

**Privatization and Reconstruction**

In South Africa, the white basis of the monopoly of knowledge and technology was unlikely to change until well into the twenty-first century. White domination of knowledge and technology limited the extent to which the ANC could transform the public service without decreasing public sector capacity. Between 1996 and 1999, the ANC led government committed itself to the development of that market economy. The Mbeki administration continued this policy that supported a market economy after 1999. South Africa was committed to fiscal discipline.

Increasingly after 1996, the internal climate in South Africa emphasized privatization, contracting out, the reduction of the size of civil service, the use of consultants, and the shedding of inefficient public institutions. Contracting out, its proponents argued, would reduce fraud, the size of the public sector, and delivery of services. However, it was likely that it would also lead to increased unemployment. In South Africa, there was evidence of over-staffing and inefficiency. In 1998, the government introduced performance-oriented contracts in a move aimed at eradicating non-performing civil servants in the provinces (“Service Contract” 1997).

International pressures for rationalization ran up against the demand within South Africa to replace whites with blacks within civil service and the perceived needs to expand state role in economic development and job creation. Even within government, there were different views on the nature of the public service. Chris Leibenberg, the Minister of Finance in 1994, had signaled that privatization and cutting back of civil service should be a priority since civil service salaries amounted to 54 percent of all recurrent spending (“Civil Service” 1994).This was at a point where the government was promoting the state-centric RDP.

Privatization, according to its critics, was really the “privatization of sovereignty” (Sparks 2003, p. 313). According to Gumede (2007, p. 219), “The dominant mining-finance complex has traditionally espoused the cold, deeply individualistic and unregulated brand of capitalism associated with Margaret Thatcher and Ronald Reagan.” There is an image in the press of black South Africans being manipulated by the press through board memberships, fronting and wall dressing appointments. As Diana Gordon (2006, p. 267) points out,

The developing partnership with business-strongly promoted by Mbeki but not rejected by Mandela either was more than capitulation to international funding institutions or investors. It represented in part an internal shift of loyalties in domestic politics, an ANC break with labor and other groups that supported a priority for development over growth.

By 1999, the role that contractors played in the delivery of services had become increasingly important. Prior to 1994, whites in the civil service and in the University community were moving to contracting organizations in anticipation of continuing to deliver their services in a more privatized environment. After 1994, many whites assumed that with the opening up of the civil service to blacks, capacity would decline and government would look to independent contractors to make up the skills deficit. As the civil service Africanized, it was accepted that outside contractors would play an increasingly important role in implementing government policy.

Because of the inability of government to implement policy, contracting out was increasingly used by the South African government to get projects moving. There was a particularly long history of its use in public works departments in South Africa. At the same time, the use of contracting out had its limits since both the private sector and non-governmental organizations also suffered from significant shortages.

Consulting and contracting out became major enterprises in the decade after 1996. The availability of contractors lessened the dependence of the government on the civil service in the event of a strike and protected the public sector from the inefficiency and corruption of the civil service. It was not long before controversy developed between the civil service and the government over the use of contract staff. These appointments were not perceived to be in the corporate interest of civil service employees (Greybe 1994b).

The goal in South Africa was the expansion of the private sector to include increasing numbers of black partners in existing businesses. Privatization actions were slow but steady after 1994 (Gumede 2007). In 2004, Whites, who constituted 10 percent of the population, controlled 85 percent of all senior private management posts while blacks controlled only 3 percent of the market value of companies traded on the South African stock market (LaFraniere 2004b). However, ultimately the private sector was slow to Africanize.

By comparison with the rest of Africa, South Africa experienced a “very rapid expansion of a new entrepreneurial and managerial class” though the private sector was much slower than the public and the non-profit sectors to develop within the majority community (Lodge 2003, p. 239). By 1999, Black South Africans filled some 30 percent of senior management positions within the civil service, as opposed to 2 percent in 1994 and almost half a million black South Africans earned more than R5,000 per month (Lodge 2003).

Black ownership on the stock market increased from one half of 1 percent to 10 percent between 1994 and 1998 and in 2000, black South Africans held 10 percent of the shareholdings on the Johannesburg stock exchange. By 2007, the percentage had reduced to 3 percent as a number of those black businesses went bankrupt or were sold back to whites. After the 2004 elections, however, the Mbeki government moved away from privatization efforts sending mixed messages to the financial sector (Lodge 2003).[[4]](#footnote-4)

**A Culture of Entitlement:**

**Or the Triumph of Economic Moderation?**

**The Africanism Debate - Ethnicity, Race, and Representation**

After 1996, the ANC and Thabo Mbeki appeared to abandon non-racialism for cultural nationalism symbolized by his “two nations” speech. The issue was whether, in Van zyl Slabbert’s (2006a, p. 3) words, “a Coloured, Indian and White can ever be an African.” Mbeki’s use of “intemperate language” made his support of the Africanist ideology less acceptable to many political liberals (Sparks 2003, p. 293). At issue remained the extent to which Africanism reflects an inclusionist[[5]](#footnote-5) or a linguistic and cultural exclusionary vision of South African society. Mbeki at times seemed to veer both ways.

Mbeki and his followers also became concerned about the deculturation of black South Africans. R.W. Johnson (2004, p. xi) noted of what he calls a “crude new wave of Africanism” which swept through South Africa after apartheid ended. He went on to claim that “South Africa, with the end to apartheid, exchanged one set of hegemonic nationalists for another” (Johnson 2004, p. xiv). Africanism was particularly strong within the ANC Youth League.

In 1997, Mbeki declared the need for an African Renaissance based on Ubuntu, the “common foundation of all African cultures” (Lodge 1999b, p. 100). Key African values were said to include unity, collectivity, and group solidarity. The ANC claims to be committed to dramatic social change both in South Africa and in the African continent as a whole, without always defining what the nature of that social change might be and many within the organization still see the movement as a revolutionary force (Lodge 2003). Many within the organization see themselves as social democrats who opposed neo-liberalism and were influenced by critics of globalism such as Joseph Stiglitz, Amartya Sen, and Jeffrey Sachs. Thabo Mbeki saw these efforts as part of a movement to promote an African intellectual renaissance (Kane-Berman 2006a).

In 1998, "in opening the special debate on reconciliation and national unity, President Mbeki acknowledged that four years after political democracy, South Africa was still divided into two nations: one of relatively rich whites and another larger nation, the black poor" (Randall 1998, p. 14).That was the basis of his commitment of African development (Hadland 1998). Mbeki's "two South Africas" speech, and his argument that there was a "mounting rage" within the black community because “our country is now more polarised along racial lines as we enter the fifth and final year of the ANC led Government's term in office,” stimulated considerable debate within the ANC and the country as a whole (Nyatsumba 1998, p. 8).Mbeki appeared surprised by the strong reaction to his comment that the two nations existed in South Africa. Mbeki’s comments also suggested government policies remained ineffective.

What came to be called Africanism framed the affirmative action debate in South Africa. Symbolically, Thabo Mbeki’s “I am an African” statement stimulated a mini-racial debate in 1999. When anti-apartheid journalist Max du Preez pleaded for full identification with the African majority, in response to the speech, a number of blacks argued that, as a white, he had no right to call himself an African. The crux of the debate was that “whites could not really be Africans” (Matshikiza 1999, p. 10). There was also considerable suspicion of Mbeki’s African Renaissance vision because of a fear of the negative potential of African nationalism and of the “commandist” implications of “the mobilization of our intellectual resources” (Barrell 1999d, p. 21).

As South Africa moved into the 21st century, race, patronage, and the rhetoric of the anti-apartheid struggle continued to influence the political debate in South Africa along with a creeping one-partyism, cronyism, political correctness, and corrupt practices. Critics of the ANC described the party as neo-Stalinist, and practicing a cult of internal party self-worship. Others saw ANC members as racial nationalists and Mbeki loyalists, who are slavishly obedient to the ANC party line. In one celebrated case, an ANC leader, William Makgoba, described white men as “dethroned baboons” (quoted by Leon 2006, p. 51).[[6]](#footnote-6)

In understanding the contemporary bureaucracy and debates about affirmative action and how it impacts civil society, it is important to understand "the state's internal institutional cleavages... the power struggle between the executive and state bureaucracy. In the future as well as in the past, the bureaucracy's bid for supremacy within the state stems in part from bureaucrats' control over information and their technical expertise" and in part because they constituted a major constituency whose support is needed by the government of the day (Posel 1991, p. 21). In South Africa, the white basis of the monopoly of knowledge and technology was not likely to change until well into the twenty-first century. White domination of knowledge and technology limited the extent to which the ANC could transform the public service without decreasing public sector capacity.

We argue that central to Thabo Mbeki’s economic views was the BEE program, modeled on Malaysia’s indigenization program. The purpose of BEE was to address the racial inequities of apartheid by giving economically disadvantaged groups greater access to skills, ownership, and professional employment through affirmative action techniques. Based on Mbeki’s assumptions about Africanism, BEE, in effect, defined a black capitalist road to economic empowerment. Originally targeted at Africans, Indians, and mixed race (Coloured) South Africans, in practice it was limited to Africans as defined by their Bantu language and culture.

After 1994, “the ANC poured all the more energy into devising affirmative action programs of every kind” (Johnson 2004, p. 213). Affirmative action programs included the award of state contracts to companies that were either run by blacks or had black entrepreneurs as partners. In the private sector, the goal of BEE policy was to ensure that 25 percent of the economy was under black control by 2013. The goal was to create a black bourgeoisie and a black economic elite (Schneider 2003). However, the total number of white managers within the civil service had actually increased by the end of 2001 (Gumede 2007). There was a contradiction between representation and efficient service delivery, where the former meant a slow process and low quality of services (Van zyl Slabbert 2006a).

The debate over the economy related to controversy about privileged access to economic and social resources, both historically and in the future. Thabo Mbeki began his Presidency by attacking what he called a culture of entitlement and by promoting the interests of the poor. He suggested, that "the much-discussed ‘culture of entitlement’ is to be found not among the poor, but among the affluent seeking to become more so." As one newspaper commentator put it, following this speech, "Thabo Mbeki's recent parliamentary speech denouncing black people who use the apartheid legacy to demand entitlement and riches may be one of the more important political acts since 1994" (both quotes from “Strength Lies” 1998, p. 11). There was, he stated, a clear division between a middle class, that was mostly white, and a submerged majority that was entirely black.

The culture of entitlement in South Africa has historical roots within the ANC in exile and in prison. According to Govan Mbeki (1996, p. 119), liberation was “the result of systematic planning, mobilising and organising our people towards the objective of a free democratic South Africa."Many in the ANC took a state centric view of grassroots organizations. Local elites often were defined as "the people" in the eyes of the bureaucracy and local ANC party officials (Van der Waal 1998). Some ANC supporters called for representational functions for civics (NGOs in the black townships) (Coovadia 1991).There was a tendency among many disadvantaged South Africans, encouraged by ANC political leaders, according to Raymond Parsons (1999, p. 120), to develop a “cargo cult” mentality, that is the notion that economic benefits would somehow materialized out of thin air.

Some blacks (and many white South Africans) came to call BEE, “black economic enrichment,” suggesting that one could become wealthy regardless of one’s capability, effort or intelligence (Van zyl Slabbert 2006a, p. 136). Critics suggested that access to BEE in practice was limited to those who showed their loyalty to the ANC. Access to government tenders was a major mechanism to provide entry into the business world and the press, and South African cartoonists, came to call the individuals benefiting from BEE as members of the “Tenderariat.” “Tenderpreneurs” operated within the government which the press often called “Tenderpark.”

To its critics, crony capitalism, developed as a result of BEE, appeared in all parts of South Africa. Many of the newly rich appear to have no moral conscience. A number of former ANC leaders and other elites, both black and white, have acted both dishonestly and dishonorably in their financial dealings. A self-justifying mythology of BEE (South Africa’s Affirmative Action Program), and the complex set of arrangements, both governmental and private sector, was designed to put economic resources in the hands of the black middle class, BEE to critics suggested that black entrepreneurs “represent[ed] a revolutionary vanguard in the next phase of the struggle for black liberation” (Gevisser 2002, p. 98).

**Mixed Messages**

South Africa’s problem during the Mbeki administration was that of the “mixed messages” that was being sent in terms of foreign involvement, ideology, non-racialism, and most aspects of social and economic development. This mixed message did little to promote international investment. The myth in 1999 was that the “world was morally obligated to invest in South Africa, however, the reality was that with low productivity and high labor costs there would likely be little new investment in South Africa (Beckett 2000).

Economic debates became increasingly acrimonious in Thabo Mbeki’s South Africa with the left accusing the ANC leadership of replacing whites with black elites and with the ANC leadership castigating Union leaders, and the SACP, of being disloyal and ultra-leftist. At issue was the relationship between economic growth and redistribution and which must come first (Parsons 1999). Critics of neo-liberalism argued that the goal of liberal reforms is to reduce state control over the South African economy and open it up to control of private international capital.

The left severely criticized the Mbeki led growth oriented economic policy after 1996. Despite the shift to GEAR in 1996, some within the ANC alliance continued to adhere to the framework of "an ideological state" (Adam et al. 1997, p. 118). In December 1996, after a meeting with COSATU's executive committee, the SACP's central committee broadly endorsed the labor federation's discussion document that called for an alliance accord to ensure delivery of a range of socioeconomic demands and to instill a sense of purpose within the alliance. Both delegations presented their respective discussion documents on the state of the alliance with the ANC.

The SACP and the trade unions advocated a return to the more ambitious RDP from the beginning of GEAR. The COSATU general secretary, Sam Shilowa, accused the GNU of little more than lip service to the RDP development policy and its redistributive goals while in reality supporting capitalism (“Time to Strive” 1994). Many in COSATU and the SACP had not abandoned the approaches of a socialist or command economy (“The End of a Miracle” 1997). After the South African government abandoned the RDP in 1996, the SACP and the trade unions became increasingly restive about the government's economic strategy (“Mandela Reclaims” 1997).

The ANC, after 1996, remained a social democratic umbrella organization concerned with the gradual shift in the balance of resources between rich and poor South Africans. The 2003 Secretary General’s report describes the ANC as a “people’s movement” and a “tool for mass mobilization” dedicated to social change. The ANC continued to function through “democratic centralization” (*African National Congress* 2002). In reality, the ANC approached problems through European corporatist traditions rather than a free market neo-liberalism. Black elites, rather than being passive and under the control of white capitalists, were an active group with collective goals.

By 1997, the trade union movement routinely raised the threat of a split with the ANC over economic policy (Mathews 1997). The formation of a workers' party of the left would leave the ANC as a party of moderation against the extremism of the new left-wing organization (Venter 1997). Trade unions, increasingly dissatisfied with the economic policies of the ANC, openly attacked GEAR, rejected public sector reform, and called for an increase in the size of the civil service in order to generate employment (Ka’Nkosi 1997).[[7]](#footnote-7) COSATU leaders also advocated the unilateral cancellation of South Africa's "apartheid debt," which equaled about 56 percent of South Africa's GDP in 1997 (Gumede 1997).

The new Secretary General of the ANC in 1998, Kgalema Motlanthe, also came out of the trade unions and was critical of the GNU's economic policy (Mbhele 1998c; Rantao 1998).In recognition of pressure from the trade unions, the ANC often told the National Economic Development and Labour Council and other forums that job creation remained one of the main functions of government.

The adoption of the ANC’s GEAR economic policy led to increased tensions with the trade unions and the SACP and with some of the populists from the former United Democratic Front (UDF). GEAR focused on financial stability and rigid deficit reduction targets. Budgetary constraints left little room for social service delivery or development activities (Paton 1998b). At the June 1998 SACP party conference, young party militants on the left "clandestinely put forward a separate list of candidates" for the SACP leadership (Gumede 1998c, p. 9).

From the beginning, the ANC tried to avoid confrontation over its economic policy. However, at one point, the ANC turned down a request by the SACP that the two sets of leaders meet to “discuss serious disagreements between the parties that [had] emerged" (Barrell 1990, p. 8). Trade unions were not afraid of confrontation. However, the SACP was aware that their capacity to influence policy had been weakened in the four years of the GNU (“A Trek” 1997).The left found it increasingly difficult to get the ANC leadership to debate economic policy.

By June of 1998, significant disagreement had developed within the ANC over the country's economic policy (Paton 1998a). In July 1998, the ANC leadership made blistering attacks on the SACP and the tripartite alliance (Gumede 1998a).By 1999, there was an increasing tension between trade unions and the SACP, which were both dedicated to socialism, and the official policy of the Mbeki led ANC dominated government, which advocated a strong, competitive, free market economy (Van zyl Slabbert 2000). This tension continued and deepened during the Mbeki administration after 1999.

Prior to the 1999 election, an ANC discussion document, which while it could not say so openly, sought to reverse GEAR. The document wanted “to charm both COSATU and the SACP, which have been at the forefront of the fight for social, economic and state transformation, often in conflict with ANC policies" (Mbhele 1998a, p. 12).COSATU, in turn, warned in 1998 that the ANC manifesto should include a set of worker demands that would be met after the next election. Many expected an eventual split between the ANC and the SACP.

As the Mbeki administration opted for a moderate, pro-growth economic policy, tension developed between the SACP and the non-communist leaders of the ANC and an opposition to socialism developed within the governing party. After 2000, the left in South Africa began to take a more overt anti-ANC position complaining of its petty bourgeois leadership under Thabo Mbeki. Critics of the SACP and COSATU suggest that the left has not made it clear what their alternative policies would be. The goal, according to the then COSATU General Secretary, Zwelinzima Vavi, was state managed employment creation, land redistribution, increased social services, broad redistributive policies, and greater equity within the government’s growth strategy.

The goals appeared to be for a full re-instatement of the RDP (Vavi 2006). By July of 2006, the SACP’s Secretary General, Blade Nzimande, was openly threatening that the SACP would run a separate slate of candidates in the next national elections (Malefane 2006). However, the SACP, given its limited popular support, could not operate as an independent force in post-apartheid South Africa (Suttner 2004).

By the end of the first Mbeki administration, the ANC coalition included both left-wing socialists, liberals, and Africanist capitalists. It was an uneasy group. Within the secondary leadership of the organization, there developed "a stunning show of support for an emerging bloc of leftwingers who... began a dramatic battle for the soul of the ruling party" (Mbhele et al 1997, pp. 2-3). This conflict led to a change of leadership within the executive committee that strengthened the position of the left within the ANC.

**Limits to Institution Building**

**Capacity Challenges and Representation**

Institution-building was identified as the most important component to be addressed during the transition period in South Africa. During the GNU, there was a need to restructure the public sector "with a view to creating unitary structures and ensuring that black South Africans take senior jobs in government, both at the central and local level" (Chazan et al 1988, p. 51). In the end, institution-building at the state level was based on the premise that no government can do without a civil service.

South African institutions did provide a protection for the executive branch. For example, the ANC caucus was not able pressure then President Thabo Mbeki to resign in 2008 after he lost the confidence of the party. There were judicial checks on executive and legislative behavior, however, by the South African Constitutional Court, which has powers similar to those of the US Supreme Court.

Certain functions of government need to be performed not only to maintain peace and control, but to create conditions conducive to development. International donors should play a role in institutional transformation. Organizational development and capacity building for strategic management require the development of suitable donor, donor mission, and participating agency procedures and communication processes in South Africa. This is particularly important in terms of sub-national government.

Neither the policy elites in the Mbeki government nor the international donors served South Africa well from an institutional perspective. During the second term of the Mbeki administration, as we will see below, the formal institutions of government proved weak in the time of crisis that led to Jacob Zuma’s challenge to the Mbeki presidency.

Capacity building in a Lesser Developed Country presupposes a satisfactory level of donor and/or national commitment of resources, a cadre of administrators who can take control of the technical assistance program, and an institutional capacity for governments and non-governmental organizations (NGOs) to undertake human resource development planning and implementation work. This set of assumptions does not often define the capacity building efforts in countries with large foreign aid and technical assistance programs. South Africa's experiences with the shortsightedness of donors since 1994 has been similar to other parts of the world.

The failure to ensure institutional capacity leads to the continued use of over-represented groups, overseas facilities, or excessive intervention by expatriate technical assistance personnel whose short-term contracts and limited vision are likely to ensure that the intervention takes the form of a short-term project rather than a long term country program. The alternative is a rapid, unplanned change of personnel, bringing untrained or under-trained administrators into the public service. This results in a rapid decline in the capacity of the public sector and in the worst case a severe decline of economic capacity.

A large, appropriately structured state is not necessarily bad. The optimal size of the state depends on critical factors including the patterns of expenditure of the state, the efficiency of bureaucrats, fiscal policy and state revenue, and the relationship between state and non-state actors (Wilson 1990). The problem of structuring different levels of government administration means that it would be "extremely difficult to trace through the accounts of the various branches of government in South Africa to obtain any reasonable idea of the final allocation of funds spent through the state" (Wilson 1990, p. 239).

Rather than reifying the state as a single actor, the argument here is that the state, at national, intermediate, and local levels, is characterized by both a structural complexity and an institutional fragmentation of government as it interacts with civil society. The state is not a unitary actor but is made up of human and organizational components which cooperate and compete and which link up with and influence civil society at the several levels of state control. Focus must be made on the "organizational sites of the state" (the bureaus and agencies) that make up the institutional state and on their relationship with political leadership (Du Toit 1995, p. 254).

After 1994, there were fundamental problems in transforming state organizations. South Africa’s political transition was a passage from white minority rule to African majority rule (Guelke 1999). One of the costliest agreements to come out of the negotiations was the agreement honoring the contracts for the public service (Picard 2006).The nominally non-racial ANC after 1994, with its emphasis on affirmative action and middle class interest articulation, quickly and easily established control over bureaucratic structures during the GNU. As O’Meara had pointed out at the end of the apartheid period, “it is apparent that the fragility of white power…was widely underestimated by analysts of every ideological stripe” (Guelke 1999, p. 20).

Affirmative action functioned as a way to transfer riches to a newly expanded black elite. Black South Africans received a variety of perks and privileges from the post-1994 South African government. However, elite formation was largely limited to those with good political connections. Those without political connections often found it very difficult to apply to state sources for assistance or jobs. It was often the poor who were treated badly by public servants.

**Capacity Building: Too Little Too Late**

As South Africa moved into the Mbeki era, human resource development and training requirements for a representative public service required continued central government involvement in provincial and local level personnel and fiscal systems. In the end, South Africa had to settle for a limited degree of fiscal decentralization in order to redistribute resources to the poorer areas of the country within the context of centralized human development policies. Bilateral agencies and international donors advocated financial support to provinces and unified systems of administration and in some cases recognized that this would weaken the national authority system. Such centralizing tendencies would likely weaken provincial and local government autonomy in the long run. While Provinces might exist as an intermediate level of government, a strong national focus would ensure central control over economic and social policy.

Over the next decade (1996-2006), the public service at the national and provincial levels faced a difficult transition that was defined by and linked to their capacity to deliver on the promises made by the ANC-led government. As we have tried to demonstrate, the government’s economic and social development goals required an effective and efficient public service equipped to deal with issues that even a strong, well trained administration would find it difficult to address. This civil service did not exist and there was a concern that even basic functions of government might decline further if there was a significant loss of capacity within the public sector.

The public service at the national and provincial levels faced a difficult transition that was defined by and linked to their capacity to deliver on the promises made by the ANC-led government. Provincial bureaucracies continued to evolve until well into the Mbeki administration out of the amalgamation of provincial authorities and homeland civil services. The government’s economic and social development goals required an effective and efficient public service equipped to be able to address tasks which even a well-trained and institutionalized bureaucracy would find difficult to address. This civil service did not exist in South Africa and there was a concern that even basic functions of government might decline further if there was a significant loss of capacity within the public sector.

South Africa was also in danger of losing its skills base. According to a 2002 public opinion poll, 70 percent of skilled white South Africans considered leaving the country and 20 percent had already done so. Internally, white South Africans were leaving the small towns for gated communities. The “golden age” of the small town (or *dorp*) in South Africa was over (Sparks 2003). By 2002, there were a number of reports of skilled professionals leaving the civil service despite the fact that after 1994 senior staff had received two large salary hikes and further rewards were available through the use of performance contracts. The loss of skills, though inevitable, was real. As Diana Gordon (2006, p. 265), points out, many who could “contribute technical and managerial skills to the building of the new society have… left the country; official data report that 10,540 ‘economically active’ people emigrated in 2003, more than in any year since 1994.”

Reform of the public sector remained difficult during the Mbeki period. By 2005, 85 percent of all civil servants, and 60 percent of the management cadre were black. However, the public sector faced considerable skills shortages and little was done to either retrench or retrain public servants. Many were lost to the private sector or migrated overseas. To replace them the South African government recruited short terms professionals and senior managers from India, Iran, and other parts of Africa.

In South Africa, strengthening the state became a question of skills development. It takes at a minimum almost 22 years to produce a new skilled worker from childhood. The unskilled sector, according to Sparks, needs a discrete separate strategy for development. Sparks suggests that South Africa needed a skills development policy and a Roosevelt style New Deal system to put skills development into place. Above and beyond this, he called for the development of a “national work ethic to counter the culture of entitlement now afflicting so many in our society” (Sparks 2003, p. 338).

There is no evidence that the bureaucracy grew much bigger after 1994, but neither was it reduced in size or restructured (Lodge 1999b). “Delivery [was] the sphere in which ANC governance has [fallen] down, and [is] perceived to be falling down badly” (Parsons 1999, p. 112). For the most part, South Africa spent its money on salaries, perks and other administrative costs, and, in some cases, the money was simply stolen (Johnson 2004). In 1999, the South African bureaucracy was virtually unchanged and according to Tom Lodge not “decolonized” (Lodge 1999b, p. 11).

Critics blamed affirmative action and the retrenching of white workers for the decline in state capacity. A continuing fundamental debate issue in South Africa is whether white South Africans are welcome to contribute skills to the growth initiative in post-apartheid South Africa (Kane-Berman 2006b). Critics argued that “South Africa ought to abandon affirmative action in favor of more innovative and colorblind approaches to societal transformation” (Waddy 2004, p. 2). Some commentators argue that affirmative action has had a negative effect upon government performance (Kane-Berman 2006b). During the 1999 elections, the ANC was loath to refer to Affirmative Action results, refraining from any mention of statistical delivery targets in either the public or private sector (Lodge 1999a).

By 1999, despite the changes that had occurred since 1994, the transition in the civil service had only just begun. However, many bureaucrats had come in at senior levels and as generalist administrators. At the national level, changes were incremental but steady. By 2003, a visitor to Pretoria would see larger numbers of government officials who were African. Larger numbers of black South Africans had come into the senior levels of the civil service. However, white Afrikaans-speaking civil servants still dominated, particularly in the senior professional and technical areas.

Government, particularly in the areas of service delivery and security, remained weak. In the security area, the government was only able to implement 14 percent of articulated policies because of bureaucratic deficiency (Davenport 1998b). Newspaper editorials during and after the GNU, even those sympathetic to the ANC, raised the question of effectiveness and specifically who (black or white South Africans) asked to be protected. By 2005, the government had lost control of the security situation. The failure to reduce crime led to the increase in vigilantism within the black community.

There was continued reference to Third Force disruptions during the GNU and well into the 2000s. However, it was increasingly assumed that the violence was criminal rather than political (Lodge 1999a). South Africa was becoming more normal every day. At the same time, by 2002, public opinion polls suggested very low levels of support for democracy among South Africans. Support for democracy was at best lukewarm and had declined since 1994. South Africans were becoming increasingly passive and pessimistic (Mattes 2002). At the leadership level, according to Frederik van zyl Slabbert (2006a, p. 57), “at the end of 2005, the ANC high command either disrespects or does not understand the fundamentals of a liberal democratic constitution.”

**Conclusion**

Between 1996 and 1999, South Africa as a country functioned as a thriving parliamentary democracy with a functional, liberal constitution (Hadland & Rantao 1999). The way South Africa functioned under its second ANC President, Thabo Mbeki, from 1999 through 2008 suggested more of the same though with a weakened enthusiasm. During his first term, Thabo Mbeki was seen by many South African as a very strong and for some a more authoritarian leader, much more cold and calculating than the warm and empathetic Nelson Mandela (Morin 2004).

Thabo Mbeki placed a high value on organizational cohesion and did not tolerate dissent (Lodge 1999b). His subordinates were said to be concerned about his vindictiveness and intolerance towards those who publicly differ with him (Gumede 2007). As President, Thabo Mbeki brought a “cerebral approach to the presidency” (Timberg 2007b, p. A17). He was seen by many as a “somewhat prickly technocrat” (Timberg 2004, p. A8). At the same time, he “developed a reputation as ruthless in backroom dealings, brittle in the face of criticism and emotionally remote in public appearances [with] anti-populist instinct” (Timberg 2007b, p. A17).

Mbeki’s administration faced serious social, economic and political challenges during their tenure, as well as criticism over efforts towards privatization and failures to deal with corruption and patronage. Moreover, administrative capacity remained an issue as the government moved out of the transition period. The following chapter continues to cover the Mbeki period, outlining the severe ineffectiveness of government at the provincial level, a problem that continues to affect a democratic South Africa as this book is being published (2019). It also traces the evolution of the ANC as Mbeki came to power and, particularly during his second term. With the coming to power of Jacob Zuma, the ANC began to move away from its liberatory form. While liberal structures may have been built into the new South Africa’s constitution, liberal values had a harder time taking hold.

1. This section is based heavily on the findings in Picard (2006). [↑](#footnote-ref-1)
2. On the negotiations process see three books: Sparks (1990); Sparks (1995a); Sparks (2003). This series of books is in effect a trilogy focused on the transition process. See also chapter 10 of this book on the negotations process. [↑](#footnote-ref-2)
3. In 1977, according to Gann & Duigan, Dr. Andreas Wassenaar published "a remarkable little book in which he attacked the country's economic policy." See: Wassenaar 1977. [↑](#footnote-ref-3)
4. Data from Picard’s Research Diary and from discussions with contemporary observers. Confidentiality requested. [↑](#footnote-ref-4)
5. This is Tom Lodge’s view. See Lodge 1999b. [↑](#footnote-ref-5)
6. To be fair to Makgoba, he was referring to two small groups of the far right and his reference was related to anthropological behavior among primates. The headline was most likely written by the *Weekly Mail* and not the author. [↑](#footnote-ref-6)
7. The proposal was made by COSATU's September Commission on Economic Policy. [↑](#footnote-ref-7)