

ARCHIVE

**Ten years on and it's better than before**

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In the past six weeks much debate has been generated over whether blacks are worse off today than they were before 1994. Many of us "nouveau" free South Africans experience a sense of shock at being forced to respond to this question, either in defence of the African National Congress or in defence of ourselves as black people.

We hear the refrain that "blacks are worse off today" from opposition politicians desperately searching for campaign messages that might attract votes.

This refrain contradicts the personal testimonies of millions of black South Africans.

Every black adult I have spoken to in the past six weeks informs me that they really do prefer to have the right to vote, they really do welcome the protection of the Constitution and a justiciable Bill of Rights, and they prefer being without pass books and the perennial threat of detention.

They also remind me that access to social grants, access to basic education, to water, and to housing were all race determined and race exclusive for black people in the past.

In their view blacks are infinitely better off today than they were before 1994. But this does not mean that nothing remains to be done; there are many areas for improvement that government and other stakeholders need to address.

We also hear that blacks are materially worse off now than in 1994. We hear this from economists trying to sell worn-out economic policies that have failed to achieve growth and development in the past.

We hear, in particular from Stellenbosch University Professor Sampie Terreblanche in his new book *A History of Inequality*, that over the past 30 years, but in particular since 1994, the top 20% of African households have been enriched and the bottom 40% have been impoverished.

The responsibility for the post-1994 enrichment and impoverishment he lays at the door of the ANC-led government for not adopting more radical redistribution policies.

Now it is almost certainly true that there are many more better-off African households today than there were in 1974, when economic growth first began to drop significantly, and it is also accurate to state that the Gini coefficient reveals more inequality today than 30 years ago.

However, there is only ambiguous evidence that the poorest 40% of African households are worse off today than under apartheid.

In 1997 then deputy president Thabo Mbeki commissioned the *Poverty and Inequality Report*, the most comprehensive analysis of poverty in South Africa since Francis Wilson's 1984 Carnegie Inquiry. The *Poverty Report* has provided the government with a wealth of policy options.

Economists agree, if they agree on anything, that there is no single blueprint a

government can use to achieve growth and reduce poverty and inequality at the same time.

But there is evidence that inequality has a negative impact on growth.

Some of this evidence is to be found in the experience of the newly industrialising countries of South-East Asia. There a range of state-led interventionist policies (low interest rates, directed credit, selected industrial policies) placed a priority on human-resource development.

Last month I attended a Commonwealth parliamentary conference on poverty reduction in Malaysia and I left that country with the one poignant impression: the overwhelming success of small and medium-sized enterprises.

This success was not built in a day. In 1969, on independence, the Malaysian government relied on a raft of legislation to transfer ownership from the small Chinese minority in control of most of the wealth to the indigenous Bumiputra majority. They did not wait for growth before directing policies towards redistribution. Instead, about 30% of the economy was transferred to the indigenous people in one tranche.

Yet this did not lead to long-term growth. It took the government decades to develop the right mix of market- and state-led policies that facilitated the human resource development that is so striking in Malaysia today.

It was the original short, sharp, shock model — the aggressive implementation of sector targets to correct the accumulated inequalities of the past — that the Black Economic Empowerment (BEE) Commission recommended to government in 2001.

However, this is not what the Cabinet accepted earlier this year.

"We see the BEE policy," says Alec Erwin, Minister of Trade and Industry, "as a component of a whole package of micro-economic plans to make the economy more equitable by spreading the ownership of assets. It's imperative that we stimulate demand and the growth potential of the economy. We have to prevent a situation where we impose highly concentrated black capital on a highly concentrated white business class."

We have learned from the early Malaysian experience. We have learned from the leak last year of the draft mining charter, after of which millions were wiped off mining share prices by frightened foreign investors. We have learned that big companies are no longer creators of growth. We have learned that the time of small- and medium-sized enterprises has arrived.

"This year we are taking on poverty with the BEE policy and other interventions," says Erwin.

The other interventions, in the campaign to roll back the frontiers of poverty, are the increase in the child support grant, the extension of basic services to all, the additional sums devoted to land reform and restitution, the poverty nodes, the integrated development programmes and the many other policy options first mooted in the Poverty and Inequality Report. Naledi Pandor is the chairperson of the National Council of Provinces

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