

## The Impact of the Global Recession on South Africa (ARI)

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**Theme:** This paper examines the impact of the global economic recession on South Africa's economy and society, the ways in which the country's government has chosen to respond to that crisis, and its likely social and political fall-out.

**Summary:** Despite initial official denials, South Africa's economy has entered in its first recession in almost two decades. The recession is predicted to last into 2010 and the social impact is likely to prove punishing. The African National Congress (ANC), re-elected to office in April, has pledged to cushion the shock with a package of measures that include an overhauled industrial policy. But a shift to the left in economic policy is highly unlikely, and the ANC remains ambivalent about further expanding its social grant system for the poor. A vibrant, ongoing tradition of social protest means that the political fall-out of the recession is difficult to predict.

### Analysis:

#### *Introduction*

South Africans have been known to think themselves different from the rest of Africa, a notion the Ugandan intellectual Mahmood Mamdani famously railed against in the 1990s as 'South African exceptionalism'.<sup>1</sup> But it is not often that they believe they are inoculated against the effects of a global calamity. And yet, until well into 2009, South Africa's political and business elites seemed to languish in a state of denial and were broadcasting predictions of another year of positive economic growth, even as credit markets around the world asphyxiated and global demand dissolved.

There has been much talk about 'solid fundamentals', the maturity of South Africa's banking sector and the avowed underlying strengths of the economy. South Africa has spent more than a decade trying to ingratiate itself with international markets and investors, and to integrate more deeply into the global system an economy that is still heavily reliant on commodity exports. The reward has been a decade of modest economic growth and the (temporary) erasure of a budget deficit, albeit accompanied by several years of stingy public spending and widening income inequalities. Economic growth, in fact, has not been spectacular compared with other 'developing' economies. The average annual rate of GDP growth was 2.8% between 1994 and 2003 (Gelb, 2005)<sup>2</sup> and reached

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<sup>1</sup> M. Mamdani (1996), *Citizen and Subject: Contemporary Africa and the Legacy of Late Capitalism*, David Philip, Cape Town.

<sup>2</sup> S. Gelb (2005), 'An Overview of the South African Economy', in R. Daniel, R. Southall & J. Lutchman (Eds.),

about 5% between 2004 and 2007, although the annual per capita increased by a little more than 1%. Although the underlying structure of the economy has changed little, as economists Ben Fine and Seeraj Mohammed have shown,<sup>3</sup> trade and financial liberalisation has exposed the economy to global vagaries.

### *State of Denial*

Yet even as global credit tightened, commodity prices fell and demand shrank, local economists were heralding a predicted 1.2% GDP growth rate for 2009 as 'heroic' and praising the (then) Finance Minister, Trevor Manuel, for his 'prudent' determination to maintain 'sustainable finances' despite falling tax revenues. Manuel, meanwhile, was issuing assurances that 'we are not looking at a recession in South Africa'.<sup>4</sup> The major ratings agencies were impressed enough to maintain South Africa's mid-investment grade credit rating of BBB+.<sup>5</sup> The World Bank concurred: as late as March it was still forecasting positive GDP growth of 1% for 2009 in South Africa.<sup>6</sup>

'We were assured our financial sector was prudentially managed and well regulated', the South African Communist Party intellectual, now deputy Transport Minister, Jeremy Cronin, wrote in March. 'We were, supposedly, relatively well insulated. A growth rate of 3%-4% for 2009 was still confidently predicted'.<sup>7</sup>

Even the *Economist* magazine did not share the bullishness. Assessing the vulnerability of middle-income countries to global 'contagion' in February, it stamped South Africa as the riskiest of the 17 surveyed countries. A current account deficit of 8% or more of GDP was predicted (roughly the size of Thailand's on the eve of its 1997/98 crisis), South Africa's short-term debt was estimated at 81% of reserves, and its bank loan to deposit ratio stood at 1.09.<sup>8</sup>

It's now clear that SA's decade-long spurt of economic growth reversed in late 2008 already. The economy shrank by 1.8% in the final quarter of 2008 and by an annualised, quarter-on-quarter 6.4% in the first three months of 2009.<sup>9</sup>

'We have entered a recession,' Jacob Zuma admitted in June, a few weeks after he had replaced the ousted Thabo Mbeki as President. Still, he felt it necessary to add that 'SA has not been affected to the extent that a number of other countries have'.<sup>10</sup> The central

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*State of the Nation: South Africa 2004-2005*, Human Sciences Research Council, Cape Town.

<sup>3</sup> The economy remains dominated by integrally connected core activities in the mining and energy sectors, which span the private/public divide. The biggest change has been the increasing financialisation of the economy. See, for example, S. Mohammed (2009), 'Financialization, the Minerals Energy Complex and South African Labour', paper presented to the 5<sup>th</sup> Global Labour University Conference, 22-24 February, Mumbai, and B. Fine (2008), 'The Minerals Energy Complex is Dead: Long Live the MEC', paper presented to Amandla Colloquium, April, Cape Town, <https://eprints.soas.ac.uk/5617/>.

<sup>4</sup> Roelf Wendell, 'Manuel Sees No Recession but Inflation to Fall', *Mail & Guardian*, 18/XI/2008.

<sup>5</sup> Konrad Reuss, 'Standard & Poor's (S&P's) MD for SA and Southern Africa', quoted in Mariam Issa, 'SA's Expected Growth Rate "Looks Heroic"', *Business Day*, 12/II/2009. A few days earlier, Manuel had announced that South Africa would run a main budget deficit of about 4% in 2009, mainly to keep an official infrastructure spending programme on track, and compensate for a slowdown in tax revenues. The country's overall debt stands at 26% of GDP, down from close to 50% a decade ago.

<sup>6</sup> Edward West, 'Market Recovery Stalls on Grim World Bank Forecast', *Business Day*, 23/VI/2009.

<sup>7</sup> Jeremy Cronin, 'Endless, Resource-depleting Growth is no Longer Possible', *Business Day*, 13/III/2009.

<sup>8</sup> 'Domino Theory', *The Economist*, 26/II/2009,

[http://www.economist.com/research/articlesBySubject/displayStory.cfm?story\\_id=13184631&subjectID=348918&amp;fsrc=nwl](http://www.economist.com/research/articlesBySubject/displayStory.cfm?story_id=13184631&subjectID=348918&amp;fsrc=nwl).

<sup>9</sup> Gordon Bell, 'Contracts Most since 1984: GDP Fell Annualised 6.4%', Reuters, 26/VI/2009.

<sup>10</sup> Jacob Zuma, State of the Nation speech, 3/VI/2009, Parliament, Cape Town.

bank governor, Tito Mboweni, meanwhile, was claiming that ‘the worst is probably behind us’.<sup>11</sup>

But the doleful statistics were telling another story. Output in the mining sector shrank by 33% in the final quarter of 2008, its biggest decrease on record.<sup>12</sup> The manufacturing sector (which together with retail accounts for about one third of total output) shrank by 22% (also a record),<sup>13</sup> and more than 21% of factory productive capacity is standing idle.<sup>14</sup> Consumer spending is on the skids (shrinking by almost 5%, its biggest contraction for 13 years),<sup>15</sup> there was a 47% rise in company failures in the first four months of 2009 and household debt had risen to about 80% of disposable income (from around 50% six years ago).<sup>16</sup>

Although the Treasury had relaxed exchange control more than two dozen times since 1994, remnants of earlier controls might have cushioned the South African financial sector from the worst of the initial toxic debt-driven crisis in global financial markets. But there was never any prospect of South Africa’s real economy dodging the effects of the subsequent global recession. So the value of South Africa’s exports fell by 24% in the first quarter of 2009, as demand dried up and commodity prices fell. That piled further pressure on one of the economy’s chronic vulnerabilities, its current account deficit, which has grown to an alarming 7% of GDP.<sup>17</sup> That deficit would be even larger were it not for (mainly short-term) capital flows to bonds, shares and equities.

The latest forecasts predict the economy will contract at least 1.4% and possibly by more than 2% in 2009. With more than 20% of factory productive capacity standing idle,<sup>18</sup> local private investment is very unlikely to drive a quick recovery. Public investment will have to pick up the slack –but it accounts for a minor share of total investment in South Africa–. Ultimately, a recovery depends primarily on developments in South Africa’s main trading partners in Europe and North America.

### *Punishing Social Costs*

The social costs are punishing, and they will leave their mark well beyond the official ‘end’ of the recession.

The country’s central statistical service revealed in June that 179 000 jobs had been lost in the first three months of 2009,<sup>19</sup> which suggests that analysts’ forecasts of job losses totalling 400,000 over the year might turn out to be optimistic.<sup>20</sup> The Department of Labour said it had received more than 226,000 applications for unemployment insurance between September 2008 and the end of February.<sup>21</sup> These represent the ‘privileged’ strata of

<sup>11</sup> Mariam Isa, ‘Mboweni Signals a Recession as Output Plummets’, *Business Day*, 20/V/2009.

<sup>12</sup> Bell, ‘Contracts...’, *op. cit.*

<sup>13</sup> ‘SA Trade Deficit Hits Record in January’, *Mail & Guardian*, 27/II/2009.

<sup>14</sup> Ethel Hazelhurst, ‘Household Spending Still in Descent’, *Business Report*, 18/VI/2009; Mariam Isa, ‘Shrinking Factory Output Points to Rates Cut’, *Business Day*, 13/V/2009.

<sup>15</sup> Mariam Isa, ‘Weak Exports put Pressure on Current Account Deficit’, *Business Day*, 19/VI/2009.

<sup>16</sup> Ethel Hazelhurst, ‘Household spending...’, *op. cit.*; S. Stuart Theobald, ‘Banks Paint a Dark Picture of Bad Debt and Big Write-offs’, *Sunday Times*, 15/III/2009.

<sup>17</sup> Mariam Isa, ‘Weak Exports...’, *op. cit.*; Ethel Hazelhurst, ‘Current Account Gap Widens to 7%, but Rand Remains Firm’, *Business Report*, 18/VI/2009.

<sup>18</sup> Ethel Hazelhurst, ‘Household spending...’, *op. cit.*

<sup>19</sup> One third of those jobs were lost in the wholesale and retail sector, a quarter in the financial services and one sixth in manufacturing.

<sup>20</sup> Mariam Isa, ‘SA Loses 179,000 Jobs in One Quarter as Slump Hits Hard’, *Business Day*, 24/VI/2009.

<sup>21</sup> Eleanor Momberg, ‘Hard Times as Recession Bites’, *Sunday Independent*, 12/IV/2009.

workers, whose employers contribute to the national unemployment insurance fund, and who had formal contracts and held their jobs for more than six months. In South Africa's increasingly casualised labour market,<sup>22</sup> it is difficult to know how many temporary jobs have been lost.

In a society with very high unemployment and where incomes are distributed widely among families and kin, every lost job has huge ramifications. Of the estimated 18 million South Africans living below the poverty line in 2004 (R250 in 2000 rands, or US\$30/month), 14 million were living in about 3 million households in which *no-one* was employed in income-earning activity (Meth, 2006).<sup>23</sup>

The official unemployment rate rose to 23.5% in the first quarter, from 21.9% in the previous quarter, ending a five-year decline. That official rate, though, is a fanciful barometer of reality. It does not count as 'unemployed' anyone who has 'not taken active steps' to find work in the four weeks prior to being surveyed. By such reckoning, the jobless who are too demoralised, penniless or marginalised to hunt constantly for work are 'not' unemployed; nor are those persons who admit to an income from 'hunting', 'begging' or growing their own food. The actual unemployment rate is closer to 40%, and among young African men and women it very probably exceeds 60%.

#### *Turning a Corner?*

Having helped engineer Jacob Zuma's election as President, the trade union federation Cosatu and the South African Communist Party are confident that post-apartheid South Africa has turned a corner –towards the left– and that the crisis of recession opens new opportunities for consolidating such a shift. They have laid siege to the central bank's conservative monetary policies and are demanding that the government forge ahead with a more strident industrial policy and do more to protect jobs.

But a resolute shift to the left in economic policy is highly unlikely. Fresh from another resounding victory at the polls (it won 66% of the votes cast in late April), the African National Congress (ANC) says it will create millions of new jobs, reduce poverty, and improve both infrastructure and services –while maintaining fiscal 'prudence' and sticking to its by-now customary reluctance to force the hand of South Africa's conglomerates. In June, with the South African economy officially back in the doldrums, the new Finance Minister, Pravin Gordhan, was offering assurances that the government would persist with the fiscal policies of the previous decade.<sup>24</sup>

There is some truth to the economist Dawie Roodt's quip that 'in SA, the official opposition is not the [centre-right] Democratic Alliance, it's the financial markets'.<sup>25</sup> In September 2008, when the market-friendly Finance Minister Trevor Manuel hinted he might resign, the South African currency went into a tailspin, only to recover when he said he would stay on.

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<sup>22</sup> There are about 3,000 temporary employment services operating in South Africa; see Lloyd Gedye & Karabo Keepile, 'Going for Broke', *Mail & Guardian*, 10/V/2009.

<sup>23</sup> C. Meth (2006), 'Income Poverty in 2004: A Second Engagement with the Recent van der Berg *et al.* Figures', Working Paper 47, September, School of Development Studies, University of KwaZulu-Natal.

<sup>24</sup> Reuters, 'SA to Maintain Fiscal Policies for Growth', 23/VI/2009.

<sup>25</sup> The economist Dawie Roodt, quoted in 'Zuma victory could make markets edgy', *Pretoria News*, 18 December 2009.

The ANC also appears to have internalised the conservative prerogatives of South African capital. Many of its top officials and cadres have acquired significant business interests, much of it via the estimated R300 billion (US\$37 billion) worth of 'black economic empowerment' deals crafted since 1994.<sup>26</sup> The ANC itself relies heavily on the largesse of these companies for funding.<sup>27</sup> In a new book, Moeletsi Mbeki (brother of the former President Thabo Mbeki) describes the close ties that have been forged between 'a small class of unproductive but wealthy black crony capitalists made up of ANC politicians, some retired and others not' and the incumbent 'economic oligarchy'. One outcome, he argues, is a 'black elite' that is cast as 'junior support players to white-controlled corporations'.<sup>28</sup>

### *Dealing with the Recession*

Thus far, the government's response is heavily dependent on measures agreed to before the crisis began. There are four main elements:

- Negotiating a framework for a unified response by business, government and trade unions, with an emphasis on avoiding, where possible, retrenchments.
- Interest rate cuts.
- Proceeding with a three-year infrastructure investment programme.
- Proceeding with an expanded public-works programme.

A framework plan was agreed to by the government, trade unions and organised business last December. The plan's emphasis is on preventing job losses, creating two million new jobs and providing emergency food and other relief to households in distress.<sup>29</sup> The agreement appeared mainly to reiterate existing commitments. The details, though, are still to be thrashed out; it was only in May that task teams started pencilling in some specifics. Strikingly, though, the 'framework' adopts a docile tone towards the private sector, which is asked 'to maintain and improve wherever possible their levels of fixed direct investment'.

The Reserve Bank has been trimming interest rates since December 2008, although the repo rate still stood high enough (at 9.5% in April) to tempt investors to dip their toes in the South African market, thus attracting short-term capital inflows that are needed to prevent the current account from sinking deeper into the red.<sup>30</sup> Oddly, the Bank has allowed the Rand to appreciate steeply against major currencies, which reduced the value

<sup>26</sup> 'Gravy Train on Track: More than R300-bn Worth of BEE Deals since 1994', *Business Times*, 13/VII/2008. According to the ANC's Treasurer-general, Matthews Phosa, who presides over a large business and empowerment portfolio, 'NEC members, like any South Africans, have a right to participate in business. It's their constitution right' (*ibid*). The NEC is the ANC's National Executive Committee, its highest decision-making body.

<sup>27</sup> The oldest of which is Thebe Investments, launched in the early 1990s. Others include Chancellor House, which former ANC member of parliament Andrew Feinstein describes as 'an elaborate network of companies... established to utilize black economic empowerment deals to raise money for the ruling party'. See A. Feinstein (2007), *After the Party: A Personal and Political Journey inside the ANC*, Jonathan Ball Publishers, Johannesburg, p. 242.

<sup>28</sup> See Moeletsi Mbeki, 'The Oligarchs are Still in Place', *Sunday Independent*, 14/VI/2009, <http://www.africafiles.org/article.asp?ID=21064>; and M. Mbeki (2009), *Architects of Poverty: Why Africa's Capitalism needs Changing*, Picador Africa.

<sup>29</sup> 'Plan to Tackle Crisis Gathers Momentum', *Business Day*, 12/VI/2009.

<sup>30</sup> According to Patrick Bond, trade and financial liberalisation since the mid-1990s has left South Africa more vulnerable to financial contagion; the emergence of a large trade deficit has compelled more foreign borrowing and a greater reliance on inflows of short-term capital to pay for soaring imports. See Patrick Bond (2008), 'South African Financialization Reflects World Economic Problems', *Amandla!*, October.

of mineral and manufactured exports in the face of rapidly shrinking global demand. The reasons not to move against currency appreciation are likely to be many-layered. The most obvious would be to reduce the cost of imports that are destined for the government's overhaul of transport, energy and other infrastructure. But there are probably deeper, structural imperatives at play, as well –chief among them a desire to prop up the purchasing power of the Rand in support of the investment forays of South African firms and conglomerates in Africa and beyond.

The government's core response will be its three-year R787 billion (US\$98 billion) public infrastructure expansion programme, which focuses on upgrading and expanding transport infrastructure (which had been poorly maintained since the early 1980s), boosting electricity production and provision, repairing a deteriorating public health system that is buckling under the world's worst AIDS epidemic and expanding the provision of water and sanitation. Indeed, the main growth momentum so far this year has come from public spending, which quickened to 6.4% in the first quarter. Overall, though, private investment comprises about 70% of total investment; without a major upturn in demand, corporations active in South Africa are unlikely to increase investment.

A scaled-up industrial policy action plan is to focus on the automotive, chemicals, metal fabrication, tourism, clothing and textiles sectors as well as forestry. The stated intention now is to 'rebuild local industrial capacity and avoid de-industrialisation'. There has been talk of the 'strong, robust use of accepted trade measures', such as raising some tariffs within the limits determined under the WTO, to protect local industry. Neil Coleman, formerly of Cosatu and now adviser to Trevor Manuel in his new role as Planning Minister, has hailed what he regards as a shift to the 'real economy'. President Zuma, he said, 'talks to a more diversified industrial strategy. To date the government's industrial policy measures have not really bitten, now it's the flagship', Coleman said.<sup>31</sup> Also, the government has proved willing to bail out embattled companies; by mid-June, seven companies had been thrown lifelines (worth R500 million, or US\$62 million) by the Industrial Development Corporation, and another R3 billion (US\$480 million) was being set aside to help other companies in distress.<sup>32</sup> The main criterion for extending help seems to be the company's potential value within production chains.<sup>33</sup>

The government says it will create 500,000 'job opportunities'<sup>34</sup> this year –mainly through a public-works programme– and will have added 4 million new jobs by 2014. It is not clear what would count as a 'new job', however. Since 2000, only 1.7 million new jobs were created, a large percentage of them casualised, temporary and low-paying. The government insists it will create 'decent work', but it has also admitted that most new jobs in 2009 will be temporary and part of its Expanded Public Works Programme.<sup>35</sup> It claims

<sup>31</sup> Karima Brown, 'Developmental State Remains the Objective', *Business Day*, 4/VI/2009, <http://www.businessday.co.za/articles/Content.aspx?id=72533>. Again the myth of the Polokwane watershed: the infrastructure investment programme has been five years in the making, and the expanded public workers programme began during Mbeki's second term as President.

<sup>32</sup> Brendan Boyle, 'Global Economic Crisis has SA Companies Running for Cover', *Business Times*, 13/VI/2009.

<sup>33</sup> *Ibid.*

<sup>34</sup> The debt to 'New Labour' semantics in the UK should be obvious.

<sup>35</sup> The Economic Development Minister Ebrahim Patel claimed there would be a synergistic relationship between short-term public works jobs and more secure, longer-term employment (see Linda Ensor, 'State Takes a "Progressive" Line on Jobs', *Business Day*, 22/VI/2009). The ANC has grown fond of such wordplay to mask tensions in its policies. More broadly, after the ousting of the former President Thabo Mbeki, it has claimed to be following a course of 'continuity and change' –a flourish it hopes inoculates against disparagement from both left and right–.

that those jobs eventually would serve as bridges toward more secure employment, but this is unlikely in a labour market that has structurally shifted away from secure, rights-based employment.

Cosatu and the South African Communist Party are hailing these kinds of moves as proof of an alleged progressive turn under President Jacob Zuma, away from the market-friendly policies that were spearheaded and enforced by his predecessor, Thabo Mbeki. The Communist Party, richly represented in the new Zuma cabinet, views these commitments as proof of a sea-change in the ANC government's approach to the economy:

'With our state-led infrastructure programme and commitment to expanding public employment in health, education, policing and public works we acknowledge that the public sector... is a producer and employer in its own right. With our commitment to improving the state's long-range planning and co-ordination capacity, we say we have to move beyond defensive measures to place ourselves on a different development path'.<sup>36</sup>

In truth, though, the infrastructure plan was hatched five years ago, during the heyday of Mbeki. The expanded public works programme also dates back several years and so does the social grant system, which was expanded considerably during Mbeki's tenure and which has proved to be the single-most effective poverty-reducing tool used by the government (Meth, 2006).<sup>37</sup>

Whether measured by income or by a more expansive matrix, poverty levels have fallen since 2000-01 largely due to the extended eligibility and greater take-up of social grants (especially the child-support grant, as well as old-age pensions), as development economist Charles Meth has shown in his scrutiny of the data (2006, 2008).<sup>38</sup>

### *Ambivalence*

An estimated 13 million South Africans benefit from the social grant system, which ranks among the most extensive in middle-income countries. Further expansion is likely, with the system functioning as the main bulwark against deepening poverty and distress for the foreseeable future.

The ANC, however, has remained ambivalent towards these transfers. On the one hand, they demonstrate its expressed commitment to shield the poor against privation, a stance which also carries political reward. At the same time, as the sociologist David Everatt (2009) has noted, there is a deep, moralising disdain for nurturing so-called 'dependency' on the state.<sup>39</sup> Thus, according to President Zuma, social grants should be linked to jobs or economic activity 'to encourage self-reliance amongst the able-bodied'.<sup>40</sup> Zuma was echoing sentiments often voiced by Mbeki, who as President spoke regularly of the need

<sup>36</sup> Jeremy Cronin, 'Endless...', *op. cit.*

<sup>37</sup> According to van der Berg *et al.* (2005), the poverty headcount fell by 3 million in 2001-04. In his detailed examination of those findings, Meth (2006) criticises van der Berg's claim that 'improved job creation in recent years' possibly also lowered the poverty headcount, and shifts the headcount decrease closer to 1.5 million. See S. van der Berg, R. Burger, M. Louw & D. Yu (2005), 'Trends in Poverty and Inequality since the Political Transition', Stellenbosch Economic Working Papers nr 1, 2005, and C. Meth (2006), *op. cit.*

<sup>38</sup> C. Meth (2006), *op. cit.*; C. Meth (2008), 'The (Lame) Duck Unchained Tries to Count the Poor', Working Paper nr 49, School of Development Studies, University of KwaZulu-Natal, Durban.

<sup>39</sup> D. Everatt (2009), 'The Undeserving Poor: Poverty and the Politics of Service Delivery in the Poorest Nodes of South Africa', *Politikon* (forthcoming).

<sup>40</sup> Linda Ensor, 'Zuma Unveils Plan to Fight Recession, Tackle Poverty', *Business Day*, 5/VI/2009.

for the poor to 'mature' and 'graduate out of dependence on social grants and enter the labour market'.<sup>41</sup>

These notions have done the rounds in the ANC for several years, with social grants sometimes referred to, in Reaganite fashion, as 'hand-outs'.<sup>42</sup> Last year, Trevor Manuel complained during a World Bank gathering in Cape Town that the poor had to take more responsibility for the improvement of their situation: 'The poor should get actively involved – unfortunately this link is lacking in South Africa.'<sup>43</sup>

So, on the one hand, social transfers carry great political value for a party that needs to demonstrate its commitment to the poor (especially in the context of structural high unemployment and a worsening recession). On the other hand, they are at variance with an ongoing commitment to fiscal 'prudence', and they seem to trigger a visceral aversion inside the ANC. For now, that tension will remain unresolved.

## Conclusion

### *Political Fall-out*

The political consequences of the economic recession are difficult to predict. In April, in the country's fourth general election since the official end of apartheid in 1994, the ruling ANC again triumphed resoundingly. Coming after punishing internecine conflict and a split that led to the formation of the rival Congress of the People (Cope) party, the victory attests to the ANC's ongoing hegemony in post-apartheid South Africa.

But such electoral endorsement is not a blank cheque. The absence of a serious political rival does not necessarily buy the ANC an easy ride *between* elections. South Africa is believed to have one of the highest *per capita* rates of protest action in the world, and South Africans are not bashful about criticising a government most of them vote for at the polls. A great deal of these complaints are vented at local politicians and bureaucracies, which, in a recent admission by the Minister for Cooperative Governance, Sicele Shiceka, are 'perceived to be incompetent, disorganized and riddled with corruption and maladministration'.<sup>44</sup>

A recent study of municipalities in North West province, which fringes on the country's economic powerhouse, Gauteng province, uncovered widespread dysfunction that ranged from a lack of accountability and poor service delivery, to weak financial management, fraud and corruption. It's unlikely to be an aberration, as Shiceka has admitted.<sup>45</sup>

Enmeshed as they are with webs of local power-broking and patronage, the country's municipal bureaucracies will prove difficult to rehabilitate, especially those in peri-urban and rural areas. The ANC's mobilising base –its countrywide network of branches– relies

<sup>41</sup> T. Mbeki (2007), *State of the Nation Address of the President of South Africa, Thabo Mbeki: Joint Sitting of Parliament*, 9 February, Cape Town.

<sup>42</sup> Newspaper reports, for example, have quoted former Public Service and Administration Minister Geraldine Fraser-Moleketi imploring communities 'to change the thinking of those who held out their hands for help but kept their sleeves down'; see Andre Koopman, 'Poor Urged to Roll up their Sleeves', *Cape Times*, 25/V/1999.

<sup>43</sup> 'Poor Urged to Pull themselves up', *Daily News*, 22/V/2008, p. 6. The latest ANC policy resolutions state bluntly that 'grants must not create dependency and thus must be linked to economic activity'; see ANC (2007), *ANC 52<sup>nd</sup> National Conference 2007 Resolutions*, ANC, Johannesburg, p. 13, <http://www.anc.org.za/ancdocs/history/conf/conference52/index.html>.

<sup>44</sup> SA Press Association, 'SA's Municipalities in 'State of Paralysis'', *Mail & Guardian*, 10/VI/2009.

<sup>45</sup> SA Press Association, 'SA's Municipalities...', *op. cit.*

on the muscle and connections of these local politicians. A cleanup will no doubt be attempted, but it is likely to be fitful and uneven, and probably will target out-of-favour officials, particularly those whose loyalties are perceived to rest with the ousted Thabo Mbeki or the breakaway Cope party.

While protests against perceived neglect, failure or favouritism will persist, these will remain inchoate and uncoordinated. Not to be ruled out, however, is the prospect of further eruptions of xenophobia. Last year's pogroms (which killed 62 people, injured hundreds and uprooted tens of thousands) occurred almost exclusively on urban peripheries, in informal settlements and in zones of intense informal trading –settings where scarcity and intense competition for housing, services, commerce and jobs converge–. All had high concentrations of foreigners, were largely 'out of bounds' for the police, were poorly serviced and weakly integrated into local governance systems, and had weak political structures.<sup>46</sup>

The most focused –and forceful– pressure will come from Cosatu and the South African Communist Party, though they are likely to find themselves punching above their weight.

Having helped orchestrate the ousting of Mbeki and Jacob Zuma's succession, these main organisations of the left are confident that they have indebted Zuma to such an extent that they can now proceed with what they still regard as a 'national democratic revolution' that eventually will culminate in a variant of socialism. They run the risk, though, of overplaying their hand.

Cosatu, still the largest trade union federation in the land, is capable of pressing its demands with strike action, were that point to be reached. But in the overall scheme of things Cosatu is perhaps not as muscular as it believes. In relation to the private sector, its power appears to be waning; the labour market has been convulsed by shifts to capital-intensive industrial production, out-contracting and temporary and insecure work. Some of its strongest affiliates in the private sector have been entangled in corporatist deal-making with employers. Its support, though, within the public service remains strong enough to embarrass, even bruise, the government. An unfavourable balance of forces might thrust Cosatu along the curious route of attacking a close political ally in order to try and win gains it cannot wrest from capital itself. If it is to win this high-risk game, Cosatu would need to pick its battles with great care.

Zuma's rise to power has left him indebted to a wide variety of stakeholders, many of them with little interest in redistributive policies that might cramp their ability to accumulate wealth. His own impulses lean towards a repertoire of populist flourishes that will include gestures designed to appease a variety of political sensibilities. The left does not own him.

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<sup>46</sup> Hein Marais (2008), 'Learning from the Pogroms', *Amandla*, 1(3), August/September, <http://www.amandla.org.za>.