

What next for South Africa? – politicsweb 13 November 2019

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RW Johnson on the consequences of the ANC's politics of drift

In a previous [article](#) I outlined the politics of drift followed by the ANC government. The question is, if one assumes that this is the settled policy of the ANC – and very possibly the only policy it is capable of – then what next?

The first point, of course, is that Moody's have said they will judge the government's progress by the February budget speech next year. There is a problem with that. The government is only too capable of issuing statements or making speeches and also of promising all sorts of things which they will never do.

Both Zuma and Ramaphosa began their presidencies by promising jobs. Zuma promised five million new jobs, Ramaphosa two million. Given that both men continued with affirmative action, BEE, the Mining Charter, an over-sized and over-paid public service etc, there was never the slightest prospect that these promises would be kept. Ramaphosa also promised "a state free from corruption". We know what happened with that. Moreover, both men promised NHI – and Ramaphosa continues to promise it - though it is clearly a fiscal and financial impossibility.

Moreover, we are wearily used to budget statements which far over-estimate the rate of growth and government revenue. The government then spends as if these estimates were true, which of course they are not, with the result that by year-end the public debt always rises yet further.

So one should start by disbelieving those estimates. Secondly, one should be very watchful about any commitments made. For example, if Mboweni says that public service numbers or pay will be "downwardly adjusted", this should be ignored. Indeed, even if he makes really firm commitments with exact figures this too should not be trusted until one sees it actually done. The cabinet was, as we have seen, supposed to lead the way in belt-tightening but it welshed on that within twenty-four hours. There is no doubt that the public service unions will argue that this releases them from any need for belt-tightening.

It is unlikely that Moody's, having frequently been taken for a ride by such misleading "commitments" in the past, will be easily fooled again. So, either South Africa will be down-rated to junk status in three months time or, failing that, probably not more than a year later. This will cause anywhere between \$5 billion to \$15 billion to leave the country as bond-holding institutions across the world repatriate their funds.

Interest payable on government debt could rise to 10%, sharply squeezing spending on health, education and infrastructure. This will be very bad for business confidence, so one should also expect large outflows of private money both before and after junk status. This will quickly negate Ramaphosa's investment drive and it will also hit the stock market hard. The Rand will fall further and interest rates paid on the debt will rise, taking up a larger share of the budget. The resulting blow to confidence will hurt business activity and thus squeeze government revenue even further. The end result will be that the government will face the same tough choices all over again but in a much weakened situation.

It should be seen that this refusal to act on the basis of political foresight means that the choices get harder and harder for the government. An ordinarily sensible person would have made the necessary adjustments five or six years ago. But while it would have been tough, for example, to cut public service jobs then, had other sensible reforms been made, employment would by now be rising strongly. Instead the politics of drift means that if, for example, the government refuses to cut such jobs because unemployment is 29 per cent, the next year it may find itself facing the same choice with unemployment at, say, 32 per cent. And so on. However, there will be an upside. There is life after junk. The gold standard in country ratings is Standard and Poor's. If one looks at their ratings one sees that quite a few African

countries (e.g. Malawi) don't get a rating at all and most of the rest have junk status. And a lot of small, weak countries round the world are also at junk status as also a lot of medium and larger sized countries including Angola, Argentina, Bolivia, Bangladesh, Belarus, Brazil, Cameroun, the DRC, Egypt, Ethiopia, Georgia, Ghana, Greece, Jordan, Lebanon, Mongolia, Mozambique, Nigeria, Pakistan, Paraguay, Rwanda, Uganda, Ukraine, Venezuela, Vietnam and Zambia. Quite a few of these countries are flourishing and growing strongly – for example, Ethiopia, Mongolia and Vietnam.

Foreign investors are often undeterred by junk status as may be seen from the fact there are considerable capital flows into such of these countries as are growing at a decent rate. And there are, of course, plenty of junk bond dealers and hedge fund managers willing to hold junk bonds. But the difference is that big institutional investors will now not buy your bonds and whether you get any foreign investment now depends not on your rating but simply on how rapidly your economy is growing and whether your unit labour and transport costs are low enough to make it worthwhile to relocate production facilities there.

Junk status will have other effects. The falling Rand will make imports more expensive. This will help local industries and provide room for import substitution. It will also change many markets – for example, everyone will want to buy a locally assembled car, not an imported one. Despite all the hype, electric cars will have little appeal. Who wants to increase their dependence on Eskom?

The poorer you are, the lower your propensity to buy imported goods, so this should have some cushioning effect. But the falling Rand will bring inflation and with it, greater inequality. This is fairly obvious: the wealthier members of society such as cabinet ministers and upper civil servants will still want their Mercs and Range Rovers and will use their power to push for higher salaries, which is something that those lower down the scale (e.g. the unemployed) have less power to do.

It is possible that the shock of junk status will finally cause the government to abandon the policy of drift and adopt serious structural reforms. If so the economy will rebound and employment will grow. If drift continues then unemployment will increase and real per capita income, which has already been falling for five years, will continue to fall. In other words the choices will be the same as now. One cannot be confident, though that even junk status will provide a sufficient shock. After all, the political elite is on the right side of the inequality and poverty divide and that is what matters to them.

If, however, the government again opts for drift then it will gradually lose control of the country. This process has already begun, as the widespread decline in law and order shows, as also the widespread collapse of local government. And, of course, the state has now very largely lost trust and credibility. Had Ramaphosa been serious about curbing corruption he would have begun with a thorough re-organization of the police.

As it is the police have far too many overpaid generals who do very little and many of the upper echelons of the police are hand in glove with criminals of all kinds – a microcosm of the ANC state. Moreover corruption, at least on a petty scale, has long since invaded every level of the police. It is very difficult to see how corruption trials can get far if the police don't gather evidence and it is hard to see why law and order should improve when so many policemen take an entirely "what's in it for me?" approach to life. Without a proper police force or a serious army, the government is not well equipped to defend itself or its powers. Other organizations will move into the spaces vacated by the state. Many of these will be criminal in nature but so will other organizations, both commercial and political. Wherever they can citizens are trying to reduce their dependence on the state – through private security, private health, private education, solar panels instead of Eskom, rain tanks and boreholes for water, satellite TV and Netflix rather than SABC, couriers instead of the post office and so on.

AfriForum and Solidarity will continue to grow apace. In 2007 AfriForum had 10,000 members; today it has nearly 250,000 and latterly its rate of recruitment has increased. (The DA does not release membership figures but it seems certain that AfriForum has overtaken it.) The organization is gradually duplicating more and more state functions and its ambition is quite openly to protect its constituency from the failing state. Most recently it announced it was launching a private Afrikaans-language university, financed entirely from its own resources. There is no other organization in the country capable of that. At the same time the state-owned universities are coming under enormous financial pressure and the standards of many are falling.

What is really striking, however, is that non-Afrikaners are beginning to look to AfriForum and Solidarity. The latter has fought a number of cases for black and coloured workers, for example coloured prison warders who were being denied promotion essentially on racial grounds. In 2017 came the landmark case of Gabriella Engels, a young coloured model assaulted by Grace Mugabe in a Sandton hotel. Her case was taken up by AfriForum and not by the police or the NPA. Then came the case of Duduzane Zuma, the then president's son, whose car had ploughed into a group of people, killing one. The NPA declined to prosecute the young Zuma for homicide and negligent and reckless driving so AfriForum stepped in and threatened to. Only then did the NPA reverse itself.

But now we have the case of the Bafana Bafana footballer, Senzo Meyiwa, who was murdered five years ago. His family have announced that they have lost all confidence in the police and the NPA and have asked AfriForum to take up the case instead. This is very striking: in previous cases the NPA had been absent or was jolted into action by the threat of an AfriForum action. But it is a whole new ball game when a prominent black family openly prefers AfriForum to the NPA. Social media is rife with young blacks promising to join AfriForum if they can bring Meyiwa's killers to justice.

Many people find AfriForum's politics repugnant – some say racist, though that is an overworked adjective in South Africa. But in the end this may not matter. One can imagine a day in which more people of all races turn to AfriForum for help, not because they agree with them but because they have lost all confidence in the state and AfriForum is more capable and untainted by corruption. If this happens the result will be the gradual growth of a state within the state. This is a far more important phenomenon than Orania even though that settlement is steadily growing too.

On the other side of the fence the deteriorating situation will increase the opportunities for Left populism. To some extent it may benefit the EFF but, of course, there are plenty of such populists inside the ANC ready to claim that the whole situation is due to white monopoly capitalism, white privilege or, indeed, just to that strange ethereal thing, "whiteness". There will also be no shortage of racial populists like Panyaza Lesufi, venting their feelings by trying to take revenge on Afrikaners. The EFF's refusal to celebrate the World Cup victory because this was the sport of "the settlers", although a petty event, shows that Lesufi has no monopoly on such *bittereinder* attitudes.

At grass roots discontent will grow *pari passu* with unemployment. As is already clear, the default reaction is resort to xenophobic riots and looting. The government's response to such events is to preach sermons against xenophobia. However, unless it controls the borders and diminishes unemployment, these are just words. It is very strange that a party allegedly based on Marxist notions of dialectical materialism always shies away from materialist solutions. It is the same with the problem of the non-payment of rates, electricity, taxes etc: the government responds by making "appeals" for everyone to pay, though it is patently obvious that if there are no penalties for non-payment this is just a waste of breath. The answer to everything is to make a speech calling for a "change of mindset". This is about as useful as appealing to the Guptas to have a change of heart and pay everything back.

What is unclear is whether the discontent at grass roots will remain in its present inchoate state or whether it will take a more political form. To a considerable extent it will find local-level targets or merely criminal expression (looting etc). Much of this behaviour will be opportunistic with the blame for bad outcomes being laid on any private or public body which happens to be accessible to the protestors and which is thought to have sufficient resources for blackmail to be effective.

Hence the many pointless protests aimed at the JSE. To the extent that higher level targets are sought, the government will attract most attention: after twenty-five years in power its responsibility is inescapable. Malema, Magashule and others will try to redirect this anger into anti-white channels but that will probably fail.

Some believe that recourse to the IMF is unlikely simply because most of our government bonds are denominated in Rands. I suspect this may be wrong. If drift continues the government will find itself in much the same situation as a failing ANC municipality with unpayable wage bills and large amounts lost to corruption. What happens then is that the municipality defaults on its payments to Eskom.

Now, imagine a future government facing huge salary payments to the public service, large subsidies to the SOEs, the usual enormous amounts for social grants and a higher and higher amount for debt interest. When the total becomes impossibly large, the government places top priority on paying the social grants and keeping the public service happy because it fears the political results if it doesn't. There will also be desperate appeals to keep the SOEs afloat at the risk of all their debts suddenly becoming payable at once, and the government is also frightened of the unions at the SOEs.

So by process of elimination the government does what the failing municipality does: it defaults on its debts. At the end of the day all those bond holders at home and abroad are somewhat intangible and they won't create the same sort of immediate mayhem in the streets that the unions will. However, once it defaults it is hard to see how the government avoids recourse to the IMF simply because no bank or private investor will lend to a state in default. Of course, the government may try to avoid the appearance of default by appealing for a "restructuring" of its debt but the effect in the markets will be the same.

Trying to look into the future is intrinsically difficult. There are, as Donald Rumsfeld said, unknown unknowns. In addition, there are still many things which could go either way. Among the imponderables is the question of whether the DA can pull itself together after a decade of poor personnel and policy choices.

There are two points to this. The first is about capability. The DA has based its appeal largely on its municipal record, particularly in Cape Town. This meant that maintaining a smooth level of delivery at municipal level had to be the party's chief commitment. Had there been seasoned leadership in the run-up to the 2016 local elections Patricia de Lille would have been quietly ushered into a political siding and replaced by a new mayoral candidate in Cape Town.

At the same time the party would have concentrated all its efforts and resources to ensure that if it gained power in Pretoria or Johannesburg it would make a cracking success of them. It was always obvious that the DA would have to depend on a bargain with the EFF and this should have been thoroughly analysed and gamed. In effect, DA voters were voting to make these cities further editions of Cape Town. No one doubts that DA rule in those cities has been a considerable improvement on ANC rule but both have fallen short in one way or another.

The second question is whether the DA can regain the loyalties of Afrikaans-speakers, the largest single bloc within the DA electorate and one which has begun to defect by the hundreds of thousands.

It is worth seeing this in historical perspective. For the whole period 1910-1994 the whites (and ultimately the other minorities) lined up behind Afrikaner leadership and even the Progressive Party tried to choose Afrikaner leaders (Jan Steytler, Van Zyl Slabbert). The transition after 1994 saw the collapse of Afrikaner leadership (and of the National Party) and instead Afrikaans-speakers lined up behind English-speaking DA leaders.

Now, the DA's failure to stand up for Afrikaans language rights – it simply meant standing up for the constitution – together with its gratuitous offence to Afrikaans sentiment in the Schweizer-Reineke case, as well as its clumsy handling of the De Lille case have opened up fissures where the party can least afford it.

Time will tell but we may be on the verge of a complete reformulation of the Opposition in which Afrikaners will again take the lead. The rise of AfriForum and of the Freedom Front Plus both point in that direction. Moreover, deteriorating economic conditions will probably result in political polarization with members of the racial minorities increasingly favouring a “fight back” stance.

Again, what will matter most is capability. Whichever side can offer the greatest degree of social protection will win. If the Opposition does reformulate itself under Afrikaner leadership again it would mean that we were back to the configuration of the 1970s and 1980s when ANC and Afrikaner leaders faced off against one another.

Polarization and economic stagnation may sound like the road to hell but this is not necessarily true. If we put together an ANC elite which gets steadily weaker as the country escapes from its control and the possible rise of a tougher, more determined Opposition (and even the DA may become that), we have the seeds of a Second Negotiation and a Second Settlement.

Twenty-five years of ANC rule have largely undermined the 1994 settlement and far fewer people now believe that simply having a nice-sounding constitution is enough: hence the demands for a “white homeland” (more Oranias) or for an independent Cape.

If the DA remains the principal Opposition force and the ANC is forced to ask it for a coalition, then this too would effectively bring a new settlement. It is too soon to know what shape such a Second Settlement might take, but it would mean another New South Africa.

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