



GOVERNMENT DIALOGUE

IN CONVERSATION WITH THE PUBLIC EMPLOYEE

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Changing the face of SA's economy

When President Jacob Zuma addressed the inaugural meeting of the Broad Based Black Economic Empowerment Council (B-BBEE Council) recently, he put emphasis on the urgency of implementing our economic policies to effectively transform its structure and reflect the country's demographic. He urged the new council members to put themselves in the shoes of a Mr. Mofokeng, who is still locked in KwaMashu and is yet to experience economic transformation 21 years into our democratic dispensation.

The truth of the matter is that the economy of our country still remains predominantly in white hands, and reflects the patterns designed by the apartheid system. When replying to the debate on his State of the Nation Address late in February, the President reiterated that black ownership of the top listed companies on the Johannesburg Stock Exchange remains at a meagre 3 per cent.

Despite the unsubstantiated uproar from the proponents of the status quo, who claimed that the state of economic transformation had significantly changed, they did not present any evidence to refute the statement by the President.

"But the situation is not that bad," proclaimed some. But is it that good? It is important to emphasise that those who own the other 97

per cent and their political stooges are the same ones who hasten to blame government for the persistent socio-economic challenges. But let's look at some of the issues at hand.

Firstly, it is not in the interest of the ANC-led government that the status quo remains in terms of the ownership and control of the economy, years after Nelson Mandela took office as the first democratic President. Most former colonies moved with speed in



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transforming the structure of their economies and in ensuring that the historically excluded, exploited and marginalised take ownership and control of such economies.

South Africa was a colony of a special type with a unique and 'peaceful' transition from apartheid barbarism to inclusive and rainbow democracy.

Secondly, there is a huge difference between the direct ownership of the stocks in the market on the one hand, and stocks that are held indirectly by black people through, for instance, their pension funds.

The latter has no influence or authority to determine the developmental nature which their investment should play and therefore have no control of their shareholding. In fact, many of the decisions taken by the boards of companies that hold pension funds of black workers had grave consequences on the lives of the same workers. Take, for instance, the issue that the President raised at the B-BBEE Council meeting, about how financial monopolies invested in the building of shopping malls in townships that house retail giants that in turn led to the destruction of small black businesses.

Many of these decisions worked in favour of white owned conglomerates, especially those who sell food (such as Pick n Pay, Shoprite, Woolworths and Spar), clothing (such as Markham, Truworths and Edgars) and the big four financial institutions. All of these combined were responsible for the destruction of tuck shops and stokvels, which were the survivalist mode of the economy in our townships.

The sprouting of these malls was without the option of black cooperative ownership, and even though there were equal opportunities availed for ownership of franchises of these retail giants, the absence of venture capital made it impossible for any form of black ownership. One may argue that these shopping malls gave a facelift and reduced consumer costs of shopping in the township, and also created a large number of much-needed jobs. We should not take this argument lightly and for granted.

We should ask: what is the opportunity cost of destroying black small business, and thereafter creating an army of casualised labour, and then mopping up the little income that is earned in the townships from social grants and low-paying jobs and



investing it in Sandton and Hillcrest instead of reinvesting it in the same communities?

The President also issued a direct challenge to black business - the idea of transformation of the economy lay in investing in spaces that were historically regarded as slumps for cheap labour

in the apartheid economy. Investments must stay in townships and rural areas. Yes, the face of Sandton, the wealthiest square kilometre on the continent, should be changed.

But it is important that black business should build factories and industry next to where our people stay. The consumer basket (before the decline of the price of petrol) shows that most workers spend their wages on transport costs. Beyond this, they also spend valuable time that they could be spending with their family, or to further their studies, on the road travelling to and from work.

Part of a radical economic transformation therefore includes changing the apartheid spatial development patterns that reduces the time and distance between townships and the world of work. This administration is more determined to use policy, legislative and incentive instruments to ensure that the historical structure of our economy is radically transformed.

But radical economic transformation means that we should move beyond mere inclusion, and should speak of direct and majority participation of the whole of our people. This also includes using fiscal policy, as was evident in Finance Minister Nhlanhla Nene's Budget Speech, to get the state to lead in using its spend in the economy to support small business and invest in the health and education of the nation.

The unashamed pursuance of radical economic transformation means that we have to turn the figures at the Stock Exchange on their head, and to do this urgently.

This radical economic transformation also includes a targeted programme of supporting black industrialists, using government's procurement to support women and youth businesses and buying locally produced goods and beneficiation of minerals to create much-needed jobs.

There are those who claim that we are stuck in the past and refuse to move on. However, in as much as we would wish away apartheid, there still remains scars and open wounds that can only be healed if the economy is in the hands of the majority of the population.

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