

## Predicting the Political future

Piet Croucamp

To predict the future is difficult, and the most obvious reason is that often a very large number of factors, variables and interpretations have to be considered. The reality, however, is that the inability to predict the future is associated with uncertainty, and uncertainty is the most dominant attribute of risk for any business. The more uncertain the outcomes - or the future - the more likely it is that we would prefer to minimize our exposure to that risk, and we do it by, literally, withdrawing our assets and capital from high risk equations and investing - or hiding it - in safe havens. If you leave South Africa for Australia because you fear the consequences of crime, corruption and bad political management in the land of your birth, you have taken the logical steps in reducing the effect of any number of unknown variables - functional within the realm of uncertainty and risk - on the value of your assets, capital, or even the value of your labor. That is the advantage of the international economy or the so-called free market: you can reduce your exposure to uncertainty and risk by relocating your three personal, but most fundamental attributes of political and economic survival. The mobility of assets, capital and labor drives at the heart of the international political economy.



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Developing economies such as South Africa, Brazil and Russia may have risks unique to each respective political identity, but to a significant degree we share characteristics from which we can escape only with great difficulty. We are capital scarce, our labor markets are unproductive and often uneducated, our infrastructure

is of poor quality, the industrial base of our economies lack complexity and diversity, and state-societal relations in most developing countries are trapped in uncivil contest and contestation for political power and economic resources. We lack consensus about the value and the nature of the greater good and we rely heavily on compromises to ferment stalemates which then have to serve the purposes of certainty and predictability.

But, compromises are temporary and often needs to be renegotiated as new, or opportunistic actors will seek to force the spoils of surpluses or the state's extractive capacities in their favor. Consensus is the holy grail of political contest and it precedes the civility in which stable civil societies are embedded. The instabilities and uncertainties so typical of the South African political economy are conceived in this warped logic: the contradictions between liberationism and liberalism, the consequences of a rigid market economy vis-à-vis the justifications for interventionism, the expectations brought about by relative deprivation which won't make peace with the need for and urgency of accumulation. We live in a country of almost unbearable contradictions and we have to sustain our sanity in the presence of politicians, bureaucrats and opportunistic interests who make political hay out of the conflict and uncivil contestation which emanates from these contradictions.

Well, if it is so difficult to predict the future of this country and its economy, can we at least make sense then of the present, of where we are?

Many of us are trapped in South Africa, we cannot escape the deep blue sea and we fear the devil. We love this place too much to leave, but we fear it enough to build high walls and electric fences around our families and our lives. We want the best for our kids and we want to reduce the uncertainties of our assets and capital, but the future has become too unpredictable and it seems as if the variables undermining our interests are nurtured by political interests with ill intentions. At the same time, the certainties which we assume will consolidate stability, growth and certainty are neglected by forces beyond our political reach on a destructive scale. Is the picture really that bleak or are we too close to the mountain; have we lost our judgment about the value of our presence in this country and its political economy or is it a reality that in three decades from now only a few pioneer-characters or hillbillies will be left in organized agriculture, while the rest of the traditional farming community will have packed for Perth or Sandton?

I often talk about the uncertainties and risks of South Africa with farmers and I can't help being astounded by their willingness to compromise, to walk the extra mile, to give one step back if they can give two steps forward at a more appropriate moment. Farming is not a life-style only, it is a very competitive business. For the greater part of the farming industry a 5-7% net profit is considered standard. For such marginal profits to be justifiable it makes sense that the industry experience policy certainty, political stability and access to markets stabilized by sound bi-lateral or multilateral arrangements - in both national and international markets.

However, it is not a controversial view to hold that the relationship between the South African state in general and the government in particular, and the farmers of this land is not what it should be. The negative perceptions about the industry may well be deserved at times, but the important point is that the industry and farmers are so much more than its weaknesses. The inadequacies of this country's education system make workers extremely vulnerable to exploitation. The social security required by people who lived in extreme poverty for generations is often simply beyond the reach of the contracted profit margins and cost of risks of the industry. To provide housing, medical aid, transport, school fees and general care at a decent level - in a labor intensive industry - may well be impossible. But, that is what is required when the human condition is neglected by both the apartheid state and the democratic dispensation for decades.

Surely, it can't be the responsibility of the farmers only to rectify a history of political injustices, even if its functioning is associated with those injustices. If the state fulfills its responsibilities towards society, the value of labor will increase exponentially. Too many South Africans have skills only appropriate to an unskilled industry. With time, the future of the world economy will make the need for unskilled labor obsolete and it will honor the value of education and training. An economy which relies on a policy of a minimum wage is destined for trouble. If politicians want to interfere in the economy, they must do so by up-skilling the value of labor until employers have no option but to reduce their dependency on it.

Economist, JP Landman, suggests that South African agricultural output has grown by approximately 29% over the past 20 years, but in terms of productivity we have not gone anywhere. I would argue that agriculture should have grown by as much as 75% over the past 20 years and productivity should have increased by 15-20% during that time. The cost of capital now is significantly lower than in 1994 - due to a dramatic decrease of interest rate from as much as 20+ percent to currently below double digits figure. Inflation has come down from 14% during the early 1990s to just above 6% on average. The size of the South African economy has exploded from USD80 billion to just less than USD400 billion. The gross gold and foreign exchange reserves grew from a modest USD3 billion to approximately USD 50 billion. One can add to these figures, but surely the point is that the agricultural industry could have done much better, and the question 'why not?' is an obvious one. I suspect much of the 29% growth in agriculture came about as a consequence of the efforts by the industry itself, while the state had a lot to do with the risks which typically inhibit growth and the conditions for re-investment. For instance; there was absolutely no need for the prolonged uncertainties about land reform and land restitution to terrorize agriculture over the last 20 years. With greater cooperation between farmers, the state and legitimate claimants, the process could have been so much further down the line. The fact that more land has probably changed hands from white to black ownership in the private sector (than had gone to productive use through the state's reform process) testifies to the exorbitant costs of a politically and ideologically driven process.

As it is, with the state's initiatives, black South Africans don't get ownership of the land the state transfers away from white agriculture. If they did get ownership it would have allowed them to take advantage of the low cost of capital and to invest in what belongs to them. With ownership a new farmer can manage the risks of his business and take advantage of the conditions

conducive to growth and prosperity. With land, but no ownership and no capital, a new farmer is doomed. With land and with the assistance of the state, the new farmer is free to ignore the normal risks of doing business in a competitive environment. But, his or her lifespan as an entrepreneur is also short-lived because the institutional fitness required for success also requires the experience that comes about as a consequence of efficient (financial) management, considered risk taking, and a prudent understanding of the complicated demands of a market economy. Risk taking must have a price for it to be managed efficiently.

Ideally, the land reform process should have been managed by an independent set of institutions comprising of the state, farmers, NGOs and community leaders. The land currently available in the market would have been a more affordable option to start with. Ownership should have been transferred to black farmers which would then start their lives as agricultural entrepreneurs, on the basis of economy of scale, within a mentorship program managed by experienced farmers and agricultural colleges at a fair compensation. The whole process must reward all participants for reducing risks and increasing the benefits.



"Consensus is the holy grail of political contest and it precedes the civility in which stable civil societies are embedded"

I am dealing here with a very broad narrative, and I am sure the devil is in the detail; but often the narrative is more important than the detail. If we all know what we need to achieve and subjective political agendas are left aside, we have a good chance or fermenting the consensus or compromises required for stability, policy certainty and growth. Politicians, bureaucrats and often also vested interests in the private economy of South Africa deliberately increase the factors of risk to undermine the industry, and they do it at the expense of the greater good, and at the expense of our future. Maybe it is time for all of us to buy into the National Development Plan, even if it doesn't suit our personal interests, but at least we then will have settled the master narrative of the process. And then we can tackle the devil.

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