

PROSPECTS AND CHALLENGES OF RADICAL ECONOMIC TRANSFORMATION

Koliswa Notshulwana

<https://orcid.org/0000-0002-0667-1871>

University of Pretoria

kolinotsh@yahoo.com

ABSTRACT

In 2014, the then president of South Africa, Mr Jacob Zuma, delivered his State of the Nation Address in Parliament and promised that economic transformation would take centre stage. This promise was made against the backdrop of transformation having stalled and difficulties being experienced in reducing social inequality and poverty. He called on social partners to debate the issue of wage inequality and the possibility of instituting a national minimum wage to reduce income inequalities. He promised that the structure of the economy would be transformed through industrialisation and broad-based black economic empowerment and through strengthening and expanding the role of the state in the economy. However, these commitments have not been kept and remain under threat given the extent of corruption in national government departments and state-owned enterprises (SOEs). The revelations in the financial reports of the Public Protector and the Auditor-General on SOEs raise key questions relating to the role of the national government departments and SOEs in driving radical economic transformation. A fundamental and radical change is required if the economy is to be run to the benefit of all poor South Africans, the majority of whom are black people. One possibility is to institute ethical leadership and an executive that is accountable. Twenty-three years into freedom and democracy, and the majority of South Africans, black people in particular, are still economically disempowered. This is a concern given the developmental objectives of government as espoused in its National Development Plan (NDP) 2030. As long as the country continues to battle with the persistent triple challenge of poverty, unemployment and inequality, radical economic transformation remains a pipe dream. Considering the current state of affairs, the objective of radical economic transformation (i.e. to place the economy on a qualitatively different path that ensures more rapid and sustainable growth, higher investment, increased employment, reduced inequality and the

deracialisation of the economy) is far-fetched. Any political posture not aimed at giving effect to the NDP, the New Growth Path and the Industrial Policy Action Plan to stimulate growth, employment and the re-industrialisation of the South African economy will not lead to radical economic transformation.

Keywords: radical economic transformation; democracy; economy; state-owned enterprise; parliament; development

INTRODUCTION

While this article is about the prospects of radical economic transformation and its challenges, historical context plays a major role when considering the reality in which economic growth is envisaged. Colonisation had a negative effect on developing countries, not only in Africa but in the world. As far as South Africa is concerned, apartheid also affected the country's economic development. Apartheid legislated racial, economic and political division among the people of South Africa. White people were regarded as superior to all other races and they were the beneficiaries of the system. Black people were pushed to the margins of the land through the imposition of the Land Act of 1913. Subsequently, many black people today are unskilled, illiterate, unemployed, and live below acceptable living conditions. South Africa's economic history remains synonymous with the term "apartheid." To this day, South African society is one of the most unequal social structures in the world.

POLITICAL ECONOMY OF SOUTH AFRICA BEFORE AND AFTER APARTHEID

Up to the 1990s, the South African economy was characterised by segregation and apartheid laws that marginalised the black majority, creating an over-abundance of resources and other services for the white minority. Hadenius (2003) reports that the new democratic South African government and all the major political parties jointly opted for a strong developmental government with the aim of redressing the legacy of apartheid by means of service delivery, social development, economic growth, coordination and integration, public participation, and spatial integration. Malefane and Mashakoe (2008) point out that under apartheid, the weight given to spatial planning centred on a top-down regional policy intervention that promoted industrial decentralisation in the marginalised homelands and so-called "bantustan" regions of the country.

Since 1994, the new democratic government has pursued various strategic frameworks without much success. Policies that were formulated included the Reconstruction and Development Programme (RDP), the Growth Employment and Redistribution (GEAR) policy, and the Accelerated and Shared Growth Initiative for South Africa (Asgisa). The RDP was the first post-apartheid policy introduced formally by the ANC-led government

in 1994. It was regarded as fundamentally focusing on grass-roots empowerment. Its primary role was to address poverty and social inequality that were inherited from apartheid and to redress these imbalances through coordinated and sustainable national, provincial and local strategies (Molefane 2008). Molefane points out that RDP policy indicates that in order to promote local economic development, institutions must be established to address local economic development with the purpose of creating jobs and promoting sustainable community development. This policy document highlighted redistribution as a prerequisite for growth, and it indicated that there was a need to distribute necessary services such as education (skills), health care, shelter, electricity and other basic services in order to create an environment conducive to economic growth (O'Malley n.d.).

However, according to Tomlinson (2003, n.p.), the "RDP has not served to promote economic growth, and little employment was generated by the investment in housing and infrastructure." Consequently, it was replaced by GEAR, which adopted a different approach. GEAR (sections 2.3 and 3.4) encourages municipalities to view public investment as an advancement of sustainable economic and municipal infrastructure to boost economic performances (Molefane 2008). The GEAR document further states that municipal infrastructure programmes, the restructuring of the welfare system and small-business support are among the key initiatives that can be implemented to address the needs of the poor. These initiatives include activities aimed at creating jobs for both unskilled and semiskilled workers, in that way laying the foundation for local economic development. The perspectives of the RDP and GEAR differed in the sense that the RDP stated that in order to realise economic growth, redistribution of resources had to come first, whereas the GEAR policy advocated economic growth as a first step after which resources could be distributed.

GEAR recognised the important role of the private sector in economic growth and therefore argued that strategies had to be put in place to stimulate private investment along with small- medium- and micro-sized enterprises (SMMEs) (O'Malley n.d.). However, this differed somewhat from local economic development policy in which the government is positioned as the central actor in terms of implementing local economic development. As was the case with RDP, the GEAR policy did not meet its intended objectives of achieving rapid growth and job creation. It is still a challenging task for municipalities to create jobs and alleviate poverty despite economic growth in the country.

Asgisa was a strategic intervention that the government of South Africa adopted to deal with some of the economic imbalances or constraints that the country was facing, especially challenges that emanated from the GEAR policy. Asgisa (2006) stated that its strategy intended to reduce barriers to economic growth and to make sure that the targeted six per cent annual economic growth rate was reached and more jobs were created. Major constraints that were identified by Asgisa included the relative volatility

of the country's currency and its strength; the cost and efficiency of the national logistics system; the shortage of suitably skilled labour; disorganised spatial settlement patterns; barriers to entry and competition in sectors of the economy; the regulatory environment; and the burden on SMMEs. Further major issues that Asgisa identified that needed to be focused on were weaknesses in state organisation, capacity, and strategic leadership that affected delivery (Asgisa 2006). Asgisa planned to implement strategies to address the problems identified, for example, sector investment strategies that would focus on sectors with potential for high growth, employment creation and enterprise development. Other sectors planned to receive attention included chemicals, metals beneficiation (including capital goods), creative industries, clothing, and textiles.

Education and skills development was one of Asgisa's targeted interventions to boost economic development. Among other things, the Joint Initiative for Priority Skills Acquisition was established "to confirm the urgently needed skills and find quick and effective solutions. Solutions may include special training programmes, bringing in retired South Africans who are working outside SA, and drawing in new immigrants when necessary" (Benton 2007). Asgisa was meant to import necessary skills from other countries in order to boost the level of skills in South Africa. Some of the identified skills that were needed urgently in the country included engineering and planning skills and project management skills that municipalities needed to advance economic development (Asgisa 2006). In order to eradicate poverty through the creation of sustainable jobs and the stimulation of economic enterprise development, it was fundamental to have a participatory exercise in the promotion of equality as a form of development. Bond (2003) argues that investments will only benefit the neediest if they can participate actively in new developments. Asgisa was aimed at closing the gap between the first and the second economy as well as reducing the burden on SMMEs.

Malefane and Mashakoe (2008) contend that although it is valid and justifiable to focus on poverty as a priority, there is the risk of not giving sufficient attention to economic growth. Moreover, a plethora of issues in South Africa still need to be interrogated, for instance, "top-down coordination and bottom-up implementation," which have characterised South African policy-making. In an Asgisa document, strengthening and facilitating institutional capacity and addressing skills problems in South Africa are advocated. Specific reference is made to the level of technical skills that are required in the labour market and municipalities (Jafta and Boshoff 2008).

Four years after the introduction of the new democratic dispensation, Mbeki (1998) described South Africa as a country with two economies, the first and the second economy. The first economy is modern, produces an immensity of wealth and is integrated within the global economy. The second or the marginalised economy is characterised by underdevelopment, contributes little to the gross domestic product, consists of a big percentage of the population (mostly the poorest of the rural and urban

poor), is structurally disconnected from both the first and the global economy and is incapable of self-generated growth and development.

Hindson and Vicente (2005) argue that the notion of “the first and the second economy” in South Africa can best be understood through Lewis’s (1954) dual economy analysis. Lewis provides a very useful analysis of economic development in countries that are characterised by a small “capitalist sector” and a large “subsistence sector.” The retrogressive economic growth in the subsistence sector is caused mainly by the unlimited labour supply that the capitalist sector can be plied with. This transfer of labour from the subsistence sector to the capitalist sector is usually cheap, which is an advantage for the capitalist sector as it can reinvest its profits in order to accumulate more “capitalist surpluses.” According to a Marxist perspective, capitalist surplus refers to “profit in the form of profit”: the capitalist extracts unpaid labour from the worker, which serves as a fundamental source of capitalist accumulation. Unpaid labour is labour that workers perform for their capitalist employers that is beyond what is necessary to produce enough to pay for their wages (Marx and Engels 1848). When this situation is perpetuated, the gap in relation to productivity between the two sectors is widened.

Lewis’s model is highly applicable to the South African context. A capitalist system was developed and fostered by colonialism and perpetuated by the apartheid regime. During its earlier stages, capitalism in South Africa was characterised by a scarcity of labour and there was no surplus for capitalists. Therefore, the black population, which was in the majority, in particular the unskilled, became a significant force in shaping the labour market in commercialised agriculture and mining. Furthermore, apartheid implemented segregationist policies on job reservation and urban influx control, which limited competition between black and white labour and promoted high wages for whites in the manufacturing sector. With the elimination of the old regime and the establishment of a democratic South Africa in 1994, the notion of “the history of all hitherto existing society is the history of class struggle” as expounded in the communist manifesto (Marx and Engels 1848) did not vanish. Hindson and Vicente (2005) suggest that democratic South Africa was characterised by labour market segmentation rather than equalisation. There has always been a huge gap between the first economy and the second economy, with the first economy fostering a high standard and quality of living and the second facing ever-increasing poverty and unemployment. Up to the present, the government has not yet reached the stage of solving the dilemma of the two economies.

CHALLENGES IN THE CONTEXT OF RADICAL ECONOMIC TRANSFORMATION

In 2014, the then President of South Africa, Mr Jacob Zuma, delivered his State of the Nation Address in Parliament and promised that economic transformation would take centre stage (Zuma 2014). This promise was made against the backdrop of

transformation in South Africa having stalled and difficulties being experienced in reducing social inequalities and poverty. He called on social partners to debate the issue of wage inequality and the need to investigate the possibility of a national minimum wage as one of the key mechanisms to reduce income inequality. In the same year, the medium-term budget estimated that growth would be down from 2.7 per cent to 1.4 per cent due to global and domestic factors. The ongoing energy crisis, coupled with skills shortages and other constraints, continues to impact negatively on South Africa's growth trends. The National Treasury made projections to increase growth levels to 2.5 per cent in 2015. Creating a more inclusive economy will no doubt rely on an increased and sustainable growth level of at least five per cent as set out in the National Development Plan (NDP) (National Planning Commission 2011).

Since 2014, South Africa has been in the grip of corrupt national government departments and state-owned enterprises that incurred irregular, wasteful and unauthorised expenditure. An important factor in determining a country's level of corruption is its form of government through national government departments and state-owned enterprises (SOEs). These are formal institutions entrusted with public funds that should be used to accelerate economic growth for the benefit of the majority of the people. If these institutions have low levels of accountability on how the public funds are spent and if there are high levels of corruption, economic transformation, let alone radical economic transformation, will not happen.

In terms of envisaged economic transformation, government must commit to fair and equitable distribution of wealth, which in the case of South Africa is still located in the hands of the white minority. This places the majority of South Africans, black people in particular, at a disadvantage in terms of economic gain and therefore they remain the poorest in society. Consequently, measures should be implemented to speed up the employment of the youth in accordance with the prescripts of the youth employment accord. Internships in the public sector must be increased. South Africa is faced with high unemployment, low levels of job creation and often poor standards of education.

Fantaye (2004) is of the opinion that developing countries are particularly susceptible to corruption and that corruption impacts negatively on the attainment of sustainable development goals. In addition, Pillay (2004) argues that it is therefore obligatory to believe that the cost of corruption in government interrupts investment, restricts trade, reduces economic growth and distorts the facts and figures associated with government expenditure, more especially as regards the awarding of tenders. Key to combatting corruption is demonstrating firmly that individuals, government officials included, and companies involved in corrupt practices during tender processes will face harsh penalties.

As is indicated in the NDP vision 2030 document, to achieve 100 per cent employment, the country needs to create about 11 million jobs in the next 20 years. To achieve this, the accelerated annual growth of the economy should be an average of 5.4 per cent over

this period. In order for the South African economic system to be seen as not limiting the realisation of radical economic transformation, the following challenges need to be addressed:

- The current status of land ownership remains a huge challenge for economic transformation. Most land is owned by the white minority or is privately owned and not government owned. Under apartheid, most land (87%) was distributed to white people, whereas only 13 per cent of the land was owned by the black majority. There is no way that one can talk about economic transformation in South Africa and not talk about land. This is because black people were dispossessed of their land. This is a recipe for slow economic transformation. In terms of land distribution and development, rural areas were divided into underdeveloped bantustans and developed white-owned commercial farming areas. Towns and cities were divided into well-resourced suburbs for white people and under-resourced townships lacking basic infrastructure for black people.

Without land in the hands of the black majority to attack poverty and deprivation, economic transformation becomes impossible to achieve. Patterns of land ownership are skewed and must be addressed. Land in South Africa, particularly commercial land, was and still is owned by the white minority, and the black majority was and remains excluded. Therefore, management relies on white people whereas black people are considered workers. For radical economic transformation to make sense, black people need to become involved in ownership. Aggressive land redistribution is required to improve living conditions and social security.

- Socio-economic isolation includes the triple challenge of poverty, unemployment and inequality. Poverty is the single greatest burden of South Africa's people and is the direct result of the apartheid system and the grossly skewed nature of business and industrial development that accompanied it. It affects millions of people, the majority of whom are black people living in rural areas. Unemployment is directly linked to poor economic transformation, which translates into poor employment opportunities resulting in the majority of workers being poorly equipped for rapid changes taking place in the world economy. Rewarding job opportunities in the private sector are protected and reserved for the white minority. Improving the means of production and the wage income is required for fair and equitable wealth distribution.
- The situation in South Africa as regards education, health care, welfare, and transport has created deep scars of economic inequality. There is no way that any country can achieve economic transformation without educating its people. A rational plan for any developing country like South Africa is to invest in educating its people. How can a country radically change the economy without educating its people? South Africa needs to focus on the real business of changing society and making sure that young people get the best education and skills so that they can make a meaningful

contribution to growing the economy. Educated people must be at the front to run production so that they can create sustainable jobs. That is the way that sustainable radical economic transformation can be achieved.

- Many governments have experienced that corruption is the proven enemy of economic transformation. Radical economic transformation means that the economy must change, and any substantive change in the South African economy must include establishing an economic system that is free of corruption and in which there is substantially less political involvement, which in turn would reduce the possibility of cronyism and unethical “tenderpreneurship.” There is consensus among many scholars that corruption hinders development (Kaufmann 2000; Mauro 1997; Wei and Kaufmann 1998). Many democracies around the world view corruption as a threat to economic development and as a factor that erodes the gains of democracy. In a sense, it is seen as more than that because it undermines economic development, violates social justice, and destroys trust in state institutions. In fact, it is getting worse in many countries and becoming more widespread. No country appears to be immune, although some suffer less than others and a few have successfully reduced the incidence and impact of corruption. Citizens bear the heavy economic and social burden of corruption. In a democracy that works, they look to their parliament, the people they have selected, to pass laws and oversee their implementation to help lighten this burden.

Exhaustive desktop investigation has indicated that corruption in national government departments and SOEs is considered to be widespread. Conflicts of interest, tender rigging (collusion), “fronting,” and “kickbacks” are the forms of corruption most encountered. Government officials (as clients), contractors, and subcontractors are perceived to be the most involved in corrupt activities, but professional consultants and clients are not exempt. Forms of corruption most associated with government officials are the awarding of contracts for political gain, nepotism, conflicts of interest, and interference in the tender award process.

According to the Industrial Policy Action Plan (IPAP) of 2007, South Africa has implemented a number of industrial policy initiatives since 1994. However, until now no policy has produced a comprehensive statement about government’s approach to industrialisation and industrial policy. The Cabinet endorsed the IPAP that sets out in detail key actions and timeframes for the implementation of the initial round of industrial policy. The Cabinet also adopted the National Industrial Policy Framework that sets out government’s broad approach to industrialisation in the context of Asgisa and its targets of halving unemployment and poverty by 2014 through accelerated growth of at least six per cent from 2010. The IPAP states that South Africa has achieved stable economic growth since 1994, with an acceleration of up to five per cent in 2005 and 2006. However, the major weakness identified in South Africa’s long-term industrialisation process has been that the decline in the share of employment in the country’s traditional

tradable sectors—notably mining and agriculture—has not been adequately offset by a sufficiently large increase in the share of relatively labour-intensive employment in non-tradable tradable goods and services, particularly in manufacturing.

In light of the challenges facing the country, it must be concluded that the economy has failed to make a meaningful improvement to the quality of the life of the majority of the citizens who had been left marginalised by the apartheid economy. Instead, a growing black middle class and a handful of superrich black people have emerged. This is despite government's promises that the structure of the economy will be transformed through industrialisation and broad-based black economic empowerment and through strengthening and expanding the role of the state in the economy. This commitment has not been kept and remains under threat given the extent to which corruption has manifested itself in national government departments and SOEs in particular. The revelations in financial reports presented by the Public Protector and the Auditor-General on SOEs raise a number of key questions relating to the role of national government departments and SOEs in driving radical economic transformation. The poor performance of many SOEs is a structural drain on the economy. A fundamental and radical change in the running of SOEs is needed in order for the economy to be managed and controlled to the benefit of all poor South Africans, the majority of whom are black people. A change could possibly be achieved by instituting ethical leadership and an executive that is accountable.

The question we should all ask is why, after twenty-three years of freedom and democracy, the majority of South Africans, black people in particular, are economically disempowered. This is a concern considering the developmental objectives of government as espoused in its NDP vision for 2030. As long as the country continues to battle with the persistent triple challenge of poverty, unemployment and inequality, radical economic transformation remains a pipe dream. Considering the current state of affairs, the objective of radical economic transformation to place the economy on a qualitatively different path that ensures more rapid, sustainable growth, higher investment, increased employment, reduced inequality, and a deracialised economy, is far-fetched.

PROSPECTS MOVING FORWARD

South Africa's first democratic elections in 1994 marked the beginning of a new era and the building of a new nation. Two years later, a new Constitution—the supreme law of the country—was adopted. The dawn of democracy brought new hope for South Africa and its people. The conduct of oversight of the organs of state was constitutionalised to make sure the executive remains accountable to the people of South Africa as far as maladministration and misuse of public funds within the government machinery are concerned.

Considering the current state of affairs in the country, the extent of corruption in government departments and SOEs is disappointing. Perhaps we should attempt to start to define the role of legislative oversight in promoting accountability. The only possible solution to curb corruption in any government system is to ensure proper functioning of oversight structures to realise economic growth. For a long time, the majority of South Africans were excluded from fully participating in the economy and enjoying the fruits of their labour.

Much as radical economic transformation implies equitable distribution among South Africans, the fact remains that black people are the victims of economic imbalance and inequality. Therefore the process of equitable distribution must prioritise black people—economic growth must ensure that they are placed at a level closer to the white minority in terms of ownership and in terms of the job opportunities created, especially by the national government and SOEs. The pace of economic growth in the country needs to pick up to ensure a faster creation of new opportunities for mainly black people and women and to close the gap to allow accelerated economic transformation, which translates into radical economic transformation. However, if corruption is at the centre of the economy, radical economic transformation remains a pipe dream. Radical poverty eradication by means of putting an end to corruption within government machinery is what is needed to realise radical economic transformation. Corruption is a formula for the failure of economic transformation, resulting in stagnation, unemployment, discontent and instability. No democracy will survive nor will economic transformation flourish if the masses of the country's people remain in poverty. Attacking poverty and deprivation must therefore be a priority for a democratic government to ensure a better life for all.

As stated earlier, legislative oversight is an indispensable tool in modern democracies. It is important in ensuring transparency and accountability to promote good governance. It is also a means of ensuring checks and balances without prejudice to the doctrine of separation of powers. Every aspect of oversight is backed by law. The powers may be described, either directly or by implication, in the Constitution. Another source of power is the standing orders or rules of Parliament. As a matter of fact, most legislatures have developed constitutional mechanisms and tools designed to facilitate the performance of their oversight functions in relation to the executive branch. Oversight is performed through a wide range of channels, organisations and structures, such as institutions supporting democracy. Notably, the appropriation process provides an important opportunity for the legislature to exercise legislative oversight.

Through the legislative power of the purse, all committees, particularly the Standing Committee on Public Accounts, play prominent roles in oversight and can influence executive behaviour and government policy direction in the process. This notwithstanding, it is apt to emphasise that sustenance of good governance in a constitutional democracy is a collective role of all governmental organs discharging their duties diligently. However,

the legislature remains the most prominent actor in facilitating good governance through oversight, the success of which to a large extent depends on the organisation, capacity, and strong will of such legislature. For the purpose of ensuring good governance at all levels, which is no doubt a collective responsibility, all government organs must discharge their obligations with a high sense of commitment, but most importantly, the legislature must exercise its role as the peoples' representative and vanguard of democracy. The importance that should be accorded to legislative oversight and its impact on corruption seems to be lacking.

The NDP vision for 2030 (National Planning Commission 2011) provides hope that the government will ensure equal distribution of wealth among South Africans, offering radically changed outcomes without radical departure from mainstream policy thinking. Its aim is to eliminate poverty and reduce inequality by 2030. The plan presents a long-term strategy to increase employment and broaden opportunities through education, vocational training and work experience, public employment programmes, health and nutrition, public transport, and access to information.

To reduce the acute effects of poverty on millions of South Africans over the short term, the plan proposes to introduce active labour market policies and incentives to grow employment, particularly for young people and in sectors employing relatively low-skilled people. It proposes to expand public employment programmes to include one million participants by 2015 and two million by 2020. As the number of formal- and informal-sector jobs expands, public work programmes can be scaled down. Furthermore, it plans to strengthen primary health-care services and broaden district-based health programmes, such as the community health worker and midwife programmes, and health education. In addition, it will endeavour to expand welfare services and public employment schemes, enabling the state to service and support poor communities, particularly those where there are high levels of crime and violence (National Planning Commission 2011).

Accountability as a means to ensure good governance refers to an obligation to account for the exercise of political, administrative or related powers to ensure service delivery is performed to the benefit of the people, particularly the majority who are poor. This article argues that accountability on its own remains a symbol of a democratic system. In other words, democracy will fail if those in power cannot be held accountable for their actions, including the misuse of public funds. The ultimate goal of any government is to hold its executive and government officials accountable to the people it serves (Parliament South Africa n.d.). Accountability is one of the common aspects of oversight in many democracies.

One of the criticisms of any government is its inability to hold the executive accountable for the misuse of public funds. This article describes accountability as a means to provide an explanation or justification of and accept responsibility for actions in relation to the use of public funds. Accountability plays a particularly important role in the

public sector in providing answers to the ways in which public money has been spent, indicating whether it has been spent in a lawful manner and in the public interest. It is therefore fundamental to a system of government that those vested with such powers and responsibilities exercise their powers and responsibilities fairly, lawfully and in the public interest.

Transparency refers to the minimum degree of disclosure with which agreements, dealings, practices, and transactions comply and the extent to which they are open to all for verification. Transparency requires that decisions and actions must be taken openly and that sufficient information must be available so that other agencies and the general public can assess whether the relevant procedures, consonant with the given mandate, have been followed (Lawson and Rakner 2005).

CONCLUSION

South Africa's democracy did not adequately manage to address the contours left by apartheid spatial policies. As things stand, the country's dilemma can be summarised as follows: In 1994 South Africa needed to improve its economic performance radically in order to substantially change its development performance. Yet, 23 years later, the country is apparently still in need of radical economic transformation because the outcome has not materialised (Bruggemans 2014). Every society and economy to varying degrees accepts inequality of outcomes, this being a reflection of ability, talent, skills, and social and economic interaction. What confronted South Africa in 1994 was a structural reality that was way out of line with what a fully inclusive democratic social pact would accept in terms of both structural legacies of the past and what would be sustainable in the future under the new political dispensation.

As long as the face of poverty remains black, there is a need to radically transform the economy. It is part and parcel of the NDP that seeks to reduce unemployment and grow the economy to benefit all South Africans. The gap in terms of skills and income between white and black South Africans remains extremely high. Semi-skilled and unskilled workers have been forced into chronic unemployment in black townships, informal settlements and other rural areas. In addition, many workers have been retrenched, especially in the mining sector. Other industries are employing people on a part-time and casual basis (Hindson and Vicente 2005).

Notably, any political posture not aimed at giving effect to the NDP, the New Growth Path framework and the Industrial Policy Action Plan, according to which attention must be paid to stimulating growth, employment and the re-industrialisation of the South African economy, will cause radical economic transformation to remain a pipe dream. Fundamentally, radical economic transformation is about inclusive growth and building a more equal society. It is about meaningful economic progress, economic development and skills development, which require changing ownership patterns in the

economy to benefit the majority of the population—in this case black South Africans and women in particular. Radical economic transformation requires equal distribution of wealth at a faster pace and the broader participation of South Africans in the mainstream economy. If South Africa does not introduce new owners into the system of ownership, inequality will increase, making meaningless all the democratic gains achieved since 1994. Ownership has to be in the hands of the majority of the people of South Africa. Radical economic transformation explicitly means that the economy must change, and any substantive change in the South African economy must include the fair and equitable distribution of wealth. Instead, white monopoly capital has been used as an excuse to deal with government's failure to decisively speed up economic growth in all sectors of the society, particularly the youth and women. True radical economic transformation can only occur along one route, which is the direct distribution of wealth by the government to the majority of the people of South Africa.

In order to give effect to a realistic radical economic transformation, decisive action needs to be taken with the aim of improving the quality of life of all South Africans, achieving social cohesion, promoting growth and development, and eradicating the triple scourge of unemployment, poverty and inequality. More employment opportunities must be created for the majority of South Africans, they must be allowed to develop to their full potential and they must have greater participation in the growth of the economy. Properly functioning oversight institutions that have a sense of accountability must be at the helm.

Apart from the country's problems that have been described, there are other problems that democratic South Africa is grappling with, for example, unprecedented social discontent and increasing disillusionment with the ruling elite. Despite the emergence and the growth of a black middle class, South Africa in many ways remains two countries—one is a wealthy, developed country with first-world living standards and economic opportunities, and the other is a developing country characterised by glaring and persistent social inequalities with correspondingly low levels of income, educational standards and employment opportunities.

This article argues that reduced corruption leads to enhanced economic development and increased living standards. The transition from a racially divided society to a free and prosperous society was not an easy transition. Poverty persisted and unemployment grew as the number of new jobs failed to keep up with the number of people liberated to enter the job market. Two fundamental questions still beg to be answered: How can the growth rate be increased to rise above an average of 2.8 per cent per year so that the economy can pay for an improved quality of life? and How can the challenges of the "second economy" (consisting of marginalised people who are unlikely to benefit from an improved growth rate) be addressed if the government and its partners do not reach out to the people caught up in the second economy?

REFERENCES

- Accelerated and Shared Growth Initiative for South Africa (Asgisa). 2006. *Annual Report*. Accessed June 21, 2017. <https://www.gov.za/sites/default/files/asgisa%202007.pdf>.
- Benton, S. 2007. "Govt Sets Out 10 Economic Priorities to Reduce Poverty." *Bua News*, May 11, 2007. Accessed June 15, 2017. <https://www.skillsportal.co.za/content/govt-sets-out-10-economic-priorities-reduce-poverty-2014>.
- Bond, P. 2003. "Debates in Local Economic Development Planning Policy and Practice." *Urban Forum* 14: 147–64. <https://doi.org/10.1007/s12132-003-0008-7>.
- Bruggemans, C. 2014. *Prospects for Radical Economic Transformation. Transformation Audit. Breaking the mould*. Accessed May 15, 2017. <http://transformationaudit.org/blog/wp-content/uploads/2015/02/TA-2014-Chapter-1-blog.pdf>.
- Fantaye, D. 2004. "Fighting Corruption and Embezzlement in Third World Countries." *Journal of Criminal Law* 68 (2): 170–6. <https://doi.org/10.1350/jcla.68.2.170.29126>.
- Jafta, R., and W. Boshoff. 2008. "Achieving Asgisa's Aspirations: The Role of the National System of Innovation." Paper presented at the TIPS Annual Forum, Cape Town, October 29–31, 2008.
- Hadenius, A. 2003. *Decentralisation and Democratic Governance Experiences from India, Bolivia and South Africa*. Stockholm: Elanders Gotab.
- Hindson, D., and V. Vicente. 2005. "Whither LED in South Africa? A Commentary on the Policy Guidelines for Implementing Local Economic Development in South Africa." Accessed May 15, 2017. https://sarpn.org/documents/d0001494/P1837-Hindson_Vicente_LED-SA_July2005.pdf.
- Kaufmann, D. 2000. "Governance and Anti-corruption." In *The Quality of Growth*, edited by V. Thomas, M. Dailimi, A. Dhareshwar, D. Kaufmann, N. Kishor, R. Lopez, and W. Yan. New York: Oxford University Press.
- Lawson, A., and L. Rakner. 2005. *Understanding Patterns of Accountability in Tanzania*. Oxford: Oxford Policy Management.
- Lewis, W. A. 1954. "Economic Development with Unlimited Supply of Labour." *The Manchester School* 22 (2): 139–91. <https://doi.org/10.1111/j.1467-9957.1954.tb00021.x>.
- Malefane, S. R., and E. Mashakoe. 2008. "Integrated Development Planning (IDP) and Local Economic Development (LED) in South Africa: The Power Twins." *Journal of Public Administration* 43:473–82.
- Marx, K., and F. Engels. 1848. *Manifesto of the Communist Party*. Accessed July 21, 2017. <https://www.marxists.org/archive/marx/works/download/pdf/Manifesto.pdf>.
- Mauro, P. 1997. "The Effects of Corruption on Growth, Investment and Government Expenditure: A Cross Country Analysis." In *Corruption and the Global Economy*, edited by K. A. Elliot, 83–107. Washington DC: Institute for International Economics.

- Mbeki, T. 1998. "Statement of Deputy President Thabo Mbeki at the Opening of the Debate in the National Assembly on Reconciliation and Nation Building." Cape Town, May 29, 1998. Accessed May 20, 2017. https://www.sahistory.org.za/archive/statement-deputy-president-thabo-mbeki-opening-debate-national-assembly-reconciliation-and-n&usg=AOvVaw2fHunD5_WtRfoIzStF-ph.
- Molefane, M. 2008. "Growth, Employment and Redistribution: A Macroeconomic Strategy." Pretoria: Department of Finance.
- National Planning Commission. 2011. *National Development Plan 2030*. Accessed May 19, 2017. <https://www.nationalplanningcommission.org.za/Pages/NDP.aspx>.
- O'Malley, P. n.d. "Reconstruction and Development Programme." Accessed June 15, 2007. <https://omalley.nelsonmandela.org/omalley/index.php/site/q/031v02039/041v02103/051v02120/061v02126.htm>.
- Parliament of South Africa. n.d. "What Parliament Does." Accessed May 3, 2017. <https://www.parliament.gov.za/what-parliament-does>.
- Pillay, S. 2004. "Corruption—The Challenge to Good Governance: A South African Perspective." *International Journal of Public Sector Management* 17 (7): 586–605. <https://doi.org/10.1108/09513550410562266>.
- Tomlinson, R. 2003. "The Local Economic Development Mirage in South Africa." *Geoforum* 34 (1): 113–22. [https://doi.org/10.1016/S0016-7185\(02\)00025-8](https://doi.org/10.1016/S0016-7185(02)00025-8).
- Kaufmann, D., and S-J. Wei. 1998. "Does 'Grease Money' Speed Up the Wheel of Commerce?" Working Paper 00/64. Washington, DC: International Monetary Fund. Accessed June 15, 2017. <https://www.imf.org/external/pubs/ft/wp/2000/wp0064.pdf>.
- Zuma, Jacob. 2014. "State of the Nation Address," Delivered to Parliament, February 13, 2014. Accessed May 21, 2017. <https://www.gov.za/state-nation-address-2014>.