

## **ABSIP CONFERENCE ADDRESS**

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### **ECONOMIC TRANSFORMATION FOR SOCIAL CHANGE**

It is quite apposite that the issue of economic transformation for social change should preoccupy black securities and investment professionals. For, the curse and blessing of history has afforded you and other black professionals the responsibility of thought leadership in the cause of social change. We'll all agree that such status cannot be decreed. It depends on self-generated agency: the preparedness constantly to improve the self and the peer group, and to act in a manner that advances social progress.

The society we inherited, a special type of colonialism, has dictated that social wretchedness and ostentation should live check by jowl. Most black professionals in the current generation belong, at once, in both these seemingly binary settings: the sense of 'arrival' is daily tempered by the realisation that we are only at the beginning of another episode in a never-ending journey. How to avoid the tragedy of the gold at the end of the rainbow turning into a mirage, will depend on the effort that we put into our narrow professional tasks, and on the ability to relate those tasks to the broader aspirations of a society seeking to improve its lot.

And so, in seeking to understand economic transformation for social change, we are obliged to try and answer the deceptively simple questions: what is economic transformation!

Let us proceed from the general to the particular.

If there were any fitting articulation of the generic ideal that should guide us in describing our aspirations, three such assertions from three generations of leaders stand out.

In his speech at Columbia University at the turn of the last century, Pixley ka Isaka Seme asserted: *The regeneration of Africa means that a new and unique civilization is soon to be added to the world... The most essential departure of this new civilization is that it shall be thoroughly spiritual and humanistic — indeed a regeneration, moral and eternal!*

In his book, *Let my people go*, Chief Albert Luthuli says: *Somewhere ahead there beckons a civilisation which will take its place in God's history with other great human syntheses: Chinese, Egyptian, Jewish, European. It will not necessarily be all black: but it will be African.*

Writing 'what he likes' in *Some African Cultural Concepts*, Steve Biko argued: *The great powers of the world may have done wonders in giving the world an industrial and military look, but the great gift still has to come from Africa – giving the world a more human face.*

The significance of these aspirations of Seme, Luthuli and Biko lies in their transcendental paradigm about what should constitute the organising philosophy of black thought, black aspiration and black responsibility.

It would not be correct, if, as we seek to construct a new society, the ultimate ambition of black professionals is to mimicking white elite lifestyles, believing that being accepted to the colonial courtyard of privilege constitutes the essence of economic transformation. It would be amiss, if, in seeking to correct what is wrong with our social inheritance, the only preoccupation of black professionals is about demanding of the erstwhile oppressors to lift and 'bless' us, so we can remake ourselves in their image. Rather, both in outlook and aspiration, the black professional should posit a destination that is liberating of both the erstwhile oppressor and the oppressed, to define the new in terms of its broader transformative value.

Lest we forget, African social thought enjoyed global pride of place in ancient times, and more recently during the struggle against colonialism. In this context, South African intellectuals and their continental peers became an important frame of reference on theories of social change because they were better able to interrogate, and present solutions to, a generic global problem: the intersection of race, class and gender. In a sense, South Africa then was, and indeed remains, a giant social experiment to which humanity shall always pay special attention. In this regard, as we strive to remake South Africa, we have a responsibility not only to ourselves; but also to the rest of Africa and indeed humanity at large.

We can recount to no end the massive progress that has been made in the transformation process since 1994: perhaps the most immediate and obvious being the size and diverse origins of the membership of ABSIP and the proliferation of black experts in these and other professions.

However, if since the political transition, we had been as prolific as before in conceptualising national objectives and acting in unity to realise them, would we have had the Marikana tragedy that will forever stain our consciences; would we have had the destructive effects of the current #feesmustfall campaign; would we have had the self-immolation of Vuwani where schools were destroyed to make a point about demarcation; and would we be suffering the torturous stresses of the so-called Spy Tapes, Nkandla and State Capture – to quote but just recent examples?

In other words, the challenge of cultivating the humanity of the new social order, and steadily entrenching it as the new normal, is one that should continue to exercise the mind of all professionals in our society.

What has all this got to do with ABSP, you may ask!

The central issue, in our view, is that, those who are immersed in the bowels of the social system we seek to transform, stand a better chance to determine how to change it, using the logics of the system to transcend its circumscribing attributes and, in the South African setting, its inherent tendency to reproduce racialised poverty and inequality.

It is correct, in my view, to characterise our society as one underpinned by racial capitalism. Some may argue that, in virtually all parts of the globe, by dint of history and the reproduction of social trends, black people find themselves on the lowest rungs of the socio-economic ladder. However, one unique feature of post-colonial South Africa (with a large settler white community) is that blacks are the overwhelming majority in a democracy, and they are at the same time the face of poverty and marginalisation.

Is it possible to construct a capitalist system with humane characteristics?

If 1994 represented, to paraphrase James Baldwin, a rainbow sign (to Noah) that there would be no more floods, are we able though to avoid the fire next time! For, left unattended, the social tinder of unresolved antagonisms, generated by inequality and marginalisation, is bound to catch fire. Indeed, Charles Dickens was correct to observe, in *A Tale of Two Cities*, reflecting on the French Revolution: *Crush humanity out of shape once more, under similar hammers, and it will twist itself into the same tortured forms. Sow the same seed of rapacious license and oppression over again, and it will surely yield the same fruit according to its kind.*

Arising out of this, there are a few critical issues that ABSIP and indeed the whole of society need to reflect on, pertaining to the construction of the broader socio-economic system.

The first one is about the place and role of the capitalist market system in the fashioning of human relations. There are indeed many positive contributions that this system has made in the evolution of human society, including the development of technology, improvements in quality of life and the recent trend towards global convergence in terms of living standards. But as we know, this system evolved also in the context of slavery and the hunting of black skins, colonial wars of dispossession, world and regional wars, and in the recent period, worsening inequality within most nations.

In the context of the global economic crisis, Lynn Forester de Rothschild (2014) observed: *[F]aith in market institutions has rarely been lower... If these tendencies are left unchecked, the public cannot be expected to show faith in capitalism... To reverse this... will mean investments must be measured not just by short-term returns but by the development of human capital, management of innovative potential, compensation aligned with true value creation, supply chains that are sustainable and measurable evidence of the overall contribution of the enterprise to society.*

And so, it is our responsibility to study the various manifestations of this system across the globe, ranging from the Anglo-American to the German variants, from Southeast Asian developmental states to Nordic social democracy. In this way, we shall be able to determine where South Africa should locate itself in relation to these and other manifestations of the capitalist market system. Proceeding from the sense of compassion that characterises our constitution, and in order proactively to prevent the fire next time, South Africans need consciously to fashion a system that is humane and inclusive.

The second issue is about the role of finance. From money as means of exchange to its place as finance capital begetting money, a form of financialisation has emerged, to the extent that the *volume of foreign exchange trading (buying and selling national currencies) in the late 1990s reached approximately \$1.5 trillion per day, an eightyfold increase since 1986; by contrast, the global volume of exports (goods and services) for all of 1997 was \$6.6 trillion, or \$2.5 billion per day.* (Gilpin: 2001)

How do we ensure closer linkages between finance capital and the real economy, for the former to act more as a facilitator of growth and development rather than as a virtually self-contained and self-perpetuating sub-system? Of course, quite a lot happens on a daily basis in this regard; but it is precisely because of THE many weaknesses that, for instance, the 2003 Growth and Development Summit called for some 5% of investible capital mandatorily to be directed towards productive and developmental undertakings.

The third issue, related to the above, is about short-termism and the effect this has had on the conduct of business in the current age. This includes issues of ethics, which also has some causal link to the current global economic crisis. The observation by Dominic Barton of McKinsey & Company and Mark Wiseman of the Canada Pension Plan Investment Board (2015) bears repeating: *Capitalism may be the greatest engine of prosperity ever devised. But it requires taking a long view to really deliver. Yet corporate leaders know all too well that any action that negatively affects income statements in the next few quarters risks bringing down the wrath of investors — even if it is likely to create more wealth over time. Far safer to ward off activist investors by buying back shares ...*

What all this speaks to is that we need a more comprehensive approach to the issue of economic transformation. As outlined in the National Development Plan, the starting point should be about a growth trajectory that includes: allocation of resources to, and implementation of, the infrastructure development programme; development of the manufacturing sector linked to the infrastructure programme and evolving consumer demand within South Africa and in the rest of Sub-Saharan Africa; advancement of the green and ocean economies; utilising mining as a basis for a new industrialisation drive; interventions to grow the agricultural sector; and more serious intent in advancing small business.

However, what is also needed is a keener focus on reducing inequality. Beyond economic growth, as well as access to quality education, health and other services, South Africa needs to pay more attention to the issues of income policy. We should also ensure a more creative approach to the critical question of ownership. Economic empowerment should include employee share-ownership and profit-sharing schemes which, in turn, should be structured to engender maximum inclusivity in terms of decision-making and reward systems.

In other words, economic transformation for social change should include, but cannot be confined to, the rise of the black elite. Otherwise it will merely complement white entitlement to historical privilege with black-elite entitlement to larger crumbs that purchase co-optive silence.

Needless to say, South Africa's fortunes are intimately linked to those of Sub-Saharan Africa and the rest of the African continent. We are the economic growth laggard in a region that holds the promise of becoming the epicentre of world economic growth – the current challenges notwithstanding. Indeed, many of the ten fastest growing economies are located in this part of the world; and most of the oil-importing countries continue to perform well. South Africa can more systematically reap the fruits of these developments.

This applies to the infrastructure programme which will require some US\$200-billion of financing by the beginning of the next decade. This programme also presents opportunities for manufacturing of supplies as well as consumer goods. Further, great opportunities beckon in African agriculture and agro-processing, given that 60% of the world's uncultivated agricultural land is located on the continent.

One interesting trend that has started to manifest on the continent is the off-shoring of low-end production sites from China, as that country moves up the manufacturing sophistication ladder. It is estimated that some 85-million jobs may be in the offing (as distinct from the 10m from Japan and the 2m from South Korea when they went through a similar phase). Countries such as Ethiopia,

Rwanda and Kenya have started to take advantage of this opportunity, which can help integrate Africa into global value chains, as a phase in the continent's own development.

In order fully to benefit from being part of this growth epicentre, South Africa needs to develop strategic links with regional anchor countries. It needs to encourage regional integration and regional trade, which requires the upgrading of 'hard' infrastructure at our border posts, combined with better regulatory and institutional reform, or 'soft' infrastructure. This should go along with standardisation of equipment and systems. In this relationship, South Africa's natural advantage of geography; our robust legal system and sophisticated financial markets will afford us unique comparative advantages.

The central message for all of us is: guided by the constitution and the National Development Plan, we should work in partnership to bring together the various pieces of the jigsaw to construct a future of high economic growth and greater equity – a regeneration thoroughly spiritual and humanistic, to quote Seme.

The question has been asked, though, about what to do in a situation in which the state is unable to give leadership! Unlike the developmental states to which we aspire, South Africa today not only lacks a Pilot Agency from which economic leadership should issue. We have a government that communicates a sense of weakness, indecision, confusion and a debilitating tendency towards self-immolation.

Given this reality, should society wallow in tears of dejection; or should the various sectors – i.e. communities, workers, youth, women, business, professionals and others – not act in unison to pursue the common interests of society? In this way, we shall not only strengthen the forces in government genuinely interested in advancing the national interest. We shall also narrow the space for the scoundrels who depend on venality and state capture for sustenance.

In other words, the chant of yesteryear which was receding in the memory, today rings truer than ever: the struggle continues! The manner of the challenges and the efforts required to deal with them may not have been entirely foreseen. But this does not make the enterprise less exciting nor less rewarding. Professionals and intellectuals of the current age – as with their forebears – have once again to stand up and be counted, as creators of the new and destroyers of the old: even when the old presents itself as the 'radical' new.

That, I believe, is the mission of ABSIP members and their peers. It is an injunction to all South Africans, once again to rekindle the power of social agency.

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