

NEVA MAKGETLA: We cannot minimise disruption any more, just learn to manage it

Inequality at home remains the biggest challenge, before we can deal with global ones

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Picture: SANDILE NDLOVU

It seems we are condemned to live in interesting times. Both nationally and globally a long-run structural transition has emerged, with attendant crises in several dimensions.

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For SA, as an unequal democracy, coming up with a coherent response is inevitably difficult. It has to start with greater efforts to unpick the new realities in order to guide effective policy responses.

We also have to accept that disruptive innovation – with the attendant risks – is now unavoidable. The challenge has become to manage disruption rather than minimise it. So far, however, policy advisers and leaders are mostly using the crisis to recycle stale debates and proposals. That approach may seem safe, but it won't find practical responses to mounting national and international challenges.

Structural change at home and abroad appears in four overlapping crises. First, the implicit social pact that underpinned the democratic transition has frayed, leading to growing political and social divisions, rising protest, and a surge in populist campaigns promising illusory remedies. The 1994 pact reassured the economically powerful by allowing only legal changes to property rights and letting the rich maintain enclaves with first-rate security, healthcare, education and infrastructure.

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In exchange, the majority got the vote, an end to racist laws, improved government services, and the expectation that, given time, these measures would open equal opportunities for all. Today, the majority has yet to see the promised long-term benefits. True, the richest 10% of households are now more than half black and government services have expanded in working-class communities. But SA still ranks among the worst in the world for joblessness and inequality in income, wealth and education.

The pandemic aggravated all of these ills. The associated economic downturn, the worst since World War 2, destroyed hundreds of thousands of lower-level jobs while bankrupting many small businesses and squeezing government services.

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In a third crisis, the climate emergency now visibly affects virtually every aspect of the economy and society. It has a role in torrential downpours in KwaZulu-Natal; the disasters at Eskom; volatile agricultural production; and growing internal and regional migration. SA remains an outlier in its dependency on coal, aggravating the economic risks. Meanwhile, temperatures in the interior of Southern Africa are rising faster than the global average.

Finally, we are witnessing the end of the globalisation model that emerged from the Cold War. Results include resistance in the global North to industrialisation in the global South; extreme fluctuations in commodity prices; more visible fragility in international supply chains; and deepening tensions between world powers, including the brutal Russian invasion of Ukraine.

Given uncertainty all around, it is tempting to bury our collective heads in the sand. But effective responses require that we face up to the specific consequences for SA.

A partial list includes the fragmentation of domestic politics; elevated but unpredictable export earnings; periodic droughts destabilising agricultural production and communities while floods destroy infrastructure; the energy transition's effects especially in the coal and car value chains; the loss of livelihoods since the pandemic started; slower growth in China, a critical commodity market; and blockages to manufactured exports to the global North.

As with every long-wave structural shift, the disruption to long-standing relationships is both multifaceted and unpredictable.

Any successful national response to the multilayered global crises must also guarantee visible improvements in economic conditions for the majority. That may seem an obvious precondition for sustainable policy in a democracy. For too long, however, policymakers have treated it as less important than maintaining economic stability and investor confidence.

Yet SA can expect neither stable policies nor economic growth if it does not deal with the persistent, fatal discrepancy between a democratically elected government and extraordinary inequalities in the economy.

Our national responses to the multiple crises now wracking the world will fail unless they also deal with this fundamental domestic challenge.

- *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*

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