

AFRICAN NATIONAL CONGRESS

NATIONAL GENERAL COUNCIL 2005

29 JUNE - 3 JULY 2005

DISCUSSION DOCUMENT

DEVELOPMENT AND UNDERDEVELOPMENT: LEARNING FROM EXPERIENCE TO OVERCOME THE TWO-ECONOMY DIVIDE

When the ANC took power, it inherited an economy shaped by colonial dispossession and apartheid, which resulted in huge inequalities and increasing poverty, rising unemployment and unsustainable government debt. Despite this legacy, the ANC-led government has made great progress. It has ensured:

- high levels of confidence, certainty and stability;
- lower government debt and inflation;
- substantial growth in exports of manufactured goods, especially in the auto industry and minerals other than gold, and generally rising productivity and improved skills;
- a sharper regional and continental focus;
- increased empowerment opportunities for black people, women and the poor;
- labour-market reforms that have greatly improved labour relations.

It has become clear over the last year that our strategies and tactics with regard to the economy have yielded important results. While still not high enough, the growth of the economy has moved onto a higher trajectory. The economy is creating more jobs than before as a result of a structural improvement in the job-creating capacity of growth. We expect the momentum of these structural shifts to continue over the coming years. At the same time, lower government debt and good management of our budget has enabled us to shift towards a more expansionary macroeconomic stance. Government will also massively increase its own investment in the economy over the coming years, which will further propel our growth and development.

Great challenges remain, however. Key among these are:

- high unemployment, with continuing job losses in the formal sector and rising joblessness especially among the youth;
- low growth, low savings and low levels of investment;
- continued mass poverty and deep inequalities based on class, race, gender and region.

Addressing these challenges requires a choice in favour of a broadly accepted developmental approach that will underpin sustained reform and transformation of major sectors, regions and key domestic economic markets. Our choice of approach must involve focussed state-led interventions to ensure the integration of the two

economies, poverty alleviation, job creation and, most importantly, sustained economic growth.

Such an approach rests on a correct understanding of the successful efforts to defeat poverty and underdevelopment in the last half of the twentieth century, which we analyse below. In all these cases, a central component of success was the ability of government to act as a 'developmental state'.

This means creating the capacity at every level of the state to mobilise and direct social, economic and political resources where they are needed most.

But government alone cannot resolve these challenges. Rather they require that we unite South Africans in a people's contract to create work and fight poverty. Building this united front requires us to continue to mobilise support for our economic policies and strategies. We must seek to reach consensus on our development approach in society in general.

To access the full version of the Development and Underdevelopment report, via the ANC's website, go to:

<http://www.anc.org.za/ancdocs/ngcouncils/2005/2economydivide.html>