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Le spectre de la dette en Afrique du Sud

Carolyn Bassett

Résumé

Cet article se penche sur l'utilisation d'un discours qui a fait planer le « spectre de la dette » pour promouvoir une restructuration néo-libérale dans une Afrique du Sud démocratique. L'objectif est d'étudier la façon dont ce « spectre de la dette » a été manipulé pour bâtir un consensus, justifier des politiques, et même finir par présenter des solutions de rechange au programme économique du gouvernement. Je soutiendrai que la répétition d'une mise en garde — que la dette extérieure de l'Afrique du Sud deviendrait écrasante et entraînerait des conséquences désastreuses sans une prise en main immédiate — a donné naissance au « spectre de la dette ». Cette tactique a servi à obtenir le consensus nécessaire, au sein des membres et partisans du Congrès national africain (ANC), pour appuyer un programme de restructuration néo-libéral. L'article adopte une lecture néo-gramscienne pour interpréter l'influence du discours de la dette sur les débats menés autour du programme économique de l'Afrique du Sud, post apartheid. Il suggère que ce discours a été utilisé pour bâtir des zones de compréhension et d'accord communs (« sens commun ») tout en camouflant l'objectif plus large de faciliter une restructuration capitaliste vers une rentabilité renouvelée.

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The Spectre of Debt in South Africa

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Abstract

The paper explores the utilization of a 'spectre of debt' discourse to promote neo-liberal restructuring in democratic South Africa. The purpose of the paper is to explore how the 'spectre of debt' was deployed to build consensus, explain policies, and eventually even frame alternatives to the government's economic program. I will argue that the frequently invoked warning that South Africa's foreign debt would become unsustainable, if not immediately addressed resulting in disastrous consequences, became transformed into a 'spectre of debt'. This was used to build the necessary consensus among the African National Congress (ANC)'s constituency in support of a neo-liberal restructuring program. The paper employs a neo-Gramscian approach to interpret the importance of debt discourse in framing debates about South Africa's post-apartheid economic program, suggesting that such discourses were utilized to build areas of common understanding and agreement ("common sense") while masking the broader objective of enabling capitalist restructuring and renewed profitability.

Introduction

The paper explores the utilization of a 'spectre of debt' discourse to promote neo-liberal restructuring in democratic South Africa. The purpose of the paper is to explore how the 'spectre of debt' was deployed to build consensus, explain policies, and eventually even frame alternatives to the government's economic program. I argue that the frequently invoked 'spectre of debt,' warning that foreign debt would become unsustainable if not immediately addressed, was used to build the necessary consensus among the African National Congress (ANC)'s constituency in support of a neo-liberal restructuring program, embodied in the 1996 *Growth, Employment and Redistribution* (GEAR) strategy. Had the ground not been prepared by establishing a perception that the threat of a debt crisis was real, pressing, and one of the most serious threats faced by post-apartheid South Africa, such a program would have faced much stronger challenges within the ANC and among its supporters because it was inconsistent with deeply held liberation movement aspirations. By cultivating the impression that GEAR was about debt reduction, or necessitated by high levels of debt, rather than about capitalist restructuring, the 'spectre of debt' played an important role in legitimizing neo-liberalism to a skeptical audience of ANC supporters. However, implied in the 'spectre of debt' discourse was the claim that the South African majority would be required to endure only short-term pain because the harsh measures soon would enable the government to introduce new programs that would improve their socio-economic situation – a claim that the government has found itself under increasing pressure to make good. The 'spectre of debt' discourse thus has begun to take on new meanings as the government seeks to legitimize its economic program with a broader base of South Africans, which has necessitated modifications in the program itself.

The first section of the article presents some of the core assumptions, the post-positivist methodology and the neo-Gramscian theoretical approach. The second section outlines how supporters of neo-liberal restructuring in the South African business community and their international and governmental allies utilized the 'spectre of debt' to convince ANC economic policy-makers to introduce an economic restructuring program that met their needs. The third section explains how the 'spectre of debt' was then deployed by these policy elites in the ANC to persuade politically active members and allies of the party to accept – or at least not block – the neo-liberal restructuring program. The fourth section shows that the 'spectre of debt' also shaped movement politics by framing the discursive space within which alternatives were put forward, at least on macro-economic questions. The paper analyses two such initiatives: South Africa's Jubilee 2000 coalition and the People's Budget Campaign (PBC). The final section suggests that the portrayal of the neo-liberal economic restructuring program as a debt-avoidance strategy through the 'spectre of debt' discourse eventually offered a route for the government to recast its unpopular policies without fully repudiating them. At a discursive level, this meant claiming that the 'spectre of debt' had been defeated through government prudence, which permitted a move to raise levels of government spending and modify monetary policy. These changes have yet to produce the real material concessions that make a hegemonic (expanded popular consent) program possible, but they move the government farther in that direction than was the case in the 1994-2001 period.

Questions, Assumptions and Theoretical Approaches

The overarching question that guides the paper is: how did neo-liberal restructuring become politically possible under the ANC? To contribute to addressing this broad question, the paper investigates how supporters of economic liberalization utilized a 'spectre of debt' discourse to help convince the ANC to adopt a neo-liberal restructuring program. What I mean by a 'spectre of debt' is a widely held fear that South Africa would be unable to service its foreign debts, which would lead to disastrous consequences. The reason the 'spectre of debt' resonated with the liberation movement was that during the 1980s, a severe economic crisis hit economies throughout the continent (as it did much of the developing world), and country after country found itself unable to service its debt (Cheru, 2002). The African debt crisis was experienced first-hand by many in the liberation movement who had spent years in exile, living in countries such as Zambia, Tanzania and Mozambique, where they had an opportunity to see the impact of debt servicing problems and the subsequent neo-liberal restructuring measures on nationally-oriented, socialist or quasi-socialist development programs first hand. As I show below, a range of liberation movement intellectuals expressed a deep concern about the danger a debt crisis would pose for the future of South Africa, which ultimately led them to support, or acquiesce to, a neo-liberal economic restructuring program.

The 'spectre of debt' proved an effective political discourse to help forge sufficient consensus to permit the post-apartheid government to adopt a neo-liberal program because it was not a single point of analysis. It was a grouping of widely held assumptions, concerns and hopes about the possibilities for economic transformation in post-apartheid South Africa. The core of the 'spectre of debt' referenced the fear that South Africa could be forced by a debt crisis to give up its sovereignty to external creditors. From there, one strand emphasized the concern that the post-apartheid government would be required to adopt a neo-liberal structural adjustment program that would exacerbate the problems of inequality and injustice for the majority. This concern about the dangers of debt was explained by the chief negotiator of the ANC-aligned Congress of South African Trade Unions (COSATU), Jayendra Naidoo, for example, to an audience of workers: “There is a limit to what you can borrow. The Zambians have found it out, the Zimbabweans have found it out. It is like anybody, if every month you are always borrowing R200, at some stage somebody is going to come, a bank is going to come and say if you cannot pay your debt we are going to take your furniture away and that is what the IMF and the World Bank are about” (in Patel, 1993: 60). A distinct strand emphasized that redistribution would be expensive, and it would have to be planned, limited and sequenced with some care if the country was to avert a debt crisis. The apartheid state and South African business leaders, who feared an ANC government would be fiscally irresponsible, highlighted this particular aspect. These cross-cutting expectations, hopes, fears and assumptions offered fertile ground for negotiating the terms of South Africa’s economic restructuring. They made it possible to achieve consensus that debt was a genuine threat and from there for the government to proceed to a set of neo-liberal policies that were purported to address the threat, while largely avoiding the more fundamental debate about the suitability of neo-liberal macro-economic policy either as a debt reduction strategy or as a development strategy and the viability of alternatives.

The paper employs a neo-Gramscian approach to interpret the importance of debt discourse in framing debates about South Africa’s post-apartheid economic program, suggesting that such discourses were designed to build areas of common understanding and agreement (“common sense”) while masking the broader objective of enabling capitalist restructuring and renewed profitability (Buci-Glucksmann, 1982: 118-119). The paper, therefore, delves into how the state legitimated its policies, showing that one way was by framing them as the best approach to prevent a debt crisis and thus defeat the ‘spectre of debt.’ It assumes that consent must be won by the state through an active program grounded both in cultural narratives and material concessions (Carroll and Ratner, 1994: 5-6), so the relationship between the distributional effects of policies and how they are explained is central to the analysis. The article is not intended to be an empirical assessment of whether a debt crisis was looming or not, but rather, an exploration of how the widespread perception that a debt crisis was imminent framed the terms of policy debate, thus employing a post-positivist methodology (Fischer, 2003: 41-46). From this perspective, the fact that South Africa had growing foreign debt in the early 1990s, and that most developing countries had been forced to adopt a mandatory IMF restructuring agreement during the 1980s, was enough to create a climate that made it possible to convince many in the ANC and among its allies that the spectre was real and render them willing to support drastic liberalizing measures that negated their traditional economic restructuring vision rooted in redistribution.

Based on neo-Gramsican theory, the paper assumes that domestic support needs to be built in order to implement (as opposed to merely announce) a major program of capitalist restructuring such as a neo-liberal economic program. This has been the case even when countries were unable to service their debt and therefore were compelled through an International Monetary Fund (IMF) agreement to adopt neo-liberal restructuring (Kiiza, Asiimwe and Kibikyo, 2006; Were, Ngugi and Makau, 2006, Cheru 2006). But in South Africa's case, there was no such compulsion since the country was not in a debt crisis (National Economic Forum, 1993). To put it another way, there was nothing inevitable about neo-liberal restructuring in South Africa, so it is essential to understand the economic program as a product of a political process in which discourses – here, the 'spectre of debt' – played a vital role in explaining policy decisions and garnering consent and even active support among the politically active population. Of course, the 'spectre of debt' was not the only discourse deployed to explain and justify the ANC's economic program, but it was a persuasive one that was utilized consistently to gain buy-in to neo-liberal restructuring with an ever-widening audience. In many cases, it was more effective than 'rational' arguments because it operated at the level of 'common sense,' referencing widely held fears based on pre-existing knowledge about the political economy of the developing world, and especially Africa, in the 1980s and early 1990s. What this also meant was that the 'spectre of debt' discourse gave debt reduction pride of place ahead of other policy priorities, and implied that neo-liberal restructuring was about debt reduction rather than other policy goals. However, as the interventions of the PBC, outlined below, explain, neo-liberal restructuring was about much more – and much less – than debt reduction. This underscores the importance of seeing the debt discourse as constitutive of a political process that both forged consensus and misrepresented important aspects of the government's program as being in the general interest rather than advancing the particular interests of a small group of large business owners at the expense of the needs of society.

Business leaders did not underestimate the challenge of selling neo-liberal restructuring to the ANC. Although the ANC was a "broad church" of ideological predispositions (Murray, 1994: 18) and had been working closely with the business community from the mid-1980s to overturn apartheid, all post-Freedom Charter indications of the ANC's economic program were social democratic in their leanings and saw redistribution as a central goal (ANC, 1988; 1990; 1992; ANC and COSATU, 1990; Hirsch, 2005: 29-62). In contrast, neo-liberal conceptualizations of "moving forward" relied on liberalization, deregulation and lower taxes, which, along with wage restraint, were said to be the preconditions to lead to foreign and domestic investment, and with it, growth, job creation and a broader tax base that would eventually permit limited "upliftment" programs to help the poor (Government of South Africa, Central Economic Advisory Service, 1993). The conversion of the ANC to the neo-liberal cause, therefore, was a political project with no promise of success. Even as the ANC's economic proposals explicitly espoused a 'mixed economy,' notions such as 'growth through redistribution' continued to cause considerable anxiety in the mainstream press and among business leaders (Kentridge, 1993: 17-20).

There were many aspects of the 'growth through redistribution' conceptualization and other mixed-economy formulations for business leaders to dislike, but they faced a dilemma because in light of apartheid injustices (and the widespread perception that business benefitted from those injustices), they could not speak out against redistribution and expect the ANC to take their agenda on board. In contrast, the 'spectre of debt' offered a discourse that permitted neo-liberal and liberation movement forces to speak to one another about the future direction of the economy without having to debate redistribution directly. Indeed, it built on a point of consensus: that a debt crisis could jeopardize the future of the whole country. As far back as 1990, an ANC discussion document had cautioned that:

> Although the state budget can be a major instrument in promoting growth through redistribution, it will be imperative to recognise the limitations on what can be achieved in this way. We are aware of the destabilising impact which major financial imbalances have had on the South African economy and on re-distribution programmes in other countries. … Appropriate economic stabilization policies, including monetary and exchange rate policies, would have to be used in conjunction with fiscal policy to counter-act any tendency towards macroeconomic imbalances (African National Congress, 1990: 13).

As I have shown in this section, by framing policy discussions with the ‘spectre of debt,’ business leaders and their allies could raise concerns about the liberation movement’s economic program as practical problems (how to finance reconstruction and development) rather than objections to the central goals of the ANC. The following section shows how South Africa’s largest firms and their domestic and international supporters drew upon a ‘spectre of debt’ discourse to reorient the discussion in favour of neo-liberal proposals, which were presented as a credible strategy to prevent a debt crisis rather than a threat to redistribution.

Using the ‘Spectre of Debt’ to Promote Neo-Liberalism

The process of building support for neo-liberal restructuring under the leadership of the ANC proceeded in two phases. As this section shows, at first, a small number of ANC strategists based in the party’s Department of Economic Planning (DEP) and the transition team were convinced of the merits of the neo-liberal restructuring framework. Initially, then, it was South African business leaders and their domestic and international allies who drew upon debt discourses to sell the core ANC leadership on the urgency of debt and deficit reduction. Domestic business interests were the main agents promoting neo-liberal restructuring and they were supported in this quest by the outgoing apartheid government, and various international businesses, governments and international financial institutions (Bassett, 2008a: 187-192). The IMF and the World Bank were major contributors to the perception that neo-liberal restructuring was the ‘credible’ alternative to a debt crisis and were extremely active as policy advisors (Bond, 2000: 155-191). The IMF's 1992 mission to South Africa put forward a typical package of proposals, with considerable emphasis on the fiscal side of the equation: cutting government expenditures, reducing the deficit, increasing user charges to middle and upper income earners, as well as countering "unrealistic union wage demands" with an incomes policy, removing barriers to trade and investment, and liberalizing trade (Steyn, 1992: 1). The World Bank lobbied the liberation movement intensely; contending that there was very little scope for kick-starting the economy by using government expenditure to stimulate demand because of the growing deficit (Barber, 1992: 10). The international financial institutions provided policy research and proposals (Bond, 2000), and offered training sessions to liberation movement representatives including members of the ANC's DEP and ANC allies in COSATU to make these central points (Gumede, 2005: 72). But because South Africa was able to service its debt, the IMF and World Bank had no direct leverage over its policies and instead became influential through their policy advice and training sessions.

Another important player was the state and the outgoing National Party government. The government's Normative Economic Model (NEM), proposed by Finance Minister Derek Keys in 1993 and essentially designed by the IMF, argued that renewed growth had to be the country's main concern, and growth would be undermined if redistribution were prioritized over the short term: "Upliftment programmes, financed from further increases in the tax burden, thus generating more unemployment, can therefore, cause more problems in the long run than they solve. Sustainable solutions to the country's socio-economic problems are therefore not to be found in the financing of upliftment programmes through continual increases in the tax burden, but rather in a broadening of the tax base, that is, in economic growth" (Government of South Africa, Central Economic Advisory Service, 1993: 34). Though the liberation movement disagreed with the NEM proposal, and defined redistribution much more broadly than state spending on welfare programs, one core message stuck – overspending would threaten economic recovery, and therefore the long-term plans of the ANC government.

South African business leaders invested a lot of resources in shaping the economic policy debate in order to put across their message, commissioning research and bankrolling conferences and books (see, for example, Schrire, 1990; Schrire 1992). In addition, they sponsored slick scenario planning exercises that helped foster a perception that neo-liberal restructuring was the only way to escape the 'spectre of debt.' As Patrick Bond has argued, the scenarios were dedicated to discrediting the liberation movement's 'growth through redistribution' framework and other Keynesian-inspired options (Bond, 1996: 29). The sponsors were clever enough to acknowledge the validity of improving the material conditions of the majority, but located such tasks firmly within the purview of the market and employment creation, and said the government's welfare state duties would play a residual role that could be tackled only after the state stopped overspending and growth resumed. Premature redistribution, they argued, risked sparking a debt crisis that would make meeting long-term economic objectives extremely difficult. The lobbying efforts of business and the outgoing state seemed transparent, but their message was markedly consistent, and it dovetailed with the analysis and training provided by the international financial institutions. Grow now, redistribute later was at the core of the message, tempered with the imperative to encourage self-sufficiency among the ANC's constituency to limit future redistribution. Their proposals were filtered through the 'spectre of debt' discourse, which proved effective in putting across the message that the deficit was among the country's most pressing priorities.

The impact on decisions taken by top ANC officials in this pre-elections period was soon evident, perhaps best captured in the ANC's participation in the negotiation of a voluntary IMF agreement in 1993. In public discussions, top ANC leaders implied they could work with the IMF without taking on a neo-liberal adjustment program. That year, DEP head Trevor Manuel said the liberation movement would be able to use the tools of the IMF and the World Bank without adopting their economic approach wholesale: "Get people in there, build up a rotation system to ensure that you know what the vibe is over there. And utilize that information to the best advantage of this country. If we do not, given the nature of the expectations and the ease with which we can borrow money as a young democracy, this country will end up with a structural adjustment programme" (in Patel, 1993: 61). COSATU general secretary (soon to be ANC cabinet minister) Jay Naidoo put forward the same message: "We will be powerful enough to be able to tell the IMF what role we want them to play" (quoted in Hanlon, 1993: 26).

The outcome of the negotiations with the IMF, which, it should be underscored, took place when South Africa was not in a debt crisis, was dramatically different than these public statements implied. ANC representatives participated in loan negotiations in partnership with the outgoing apartheid government, seeking to consolidate a number of short-term loans. By the end of the year, they had signed a deal for a loan worth $850 million and received the IMF's "seal of approval" for their voluntary restructuring package. The policy conditions were never publicly released, but reportedly committed the government to reducing the budget deficit to six per cent of GDP within a few years, keeping expenditures under control rather than raising taxes (and in particular, the loan would not be used for 'excessive' social spending), containing the civil service wage bill, maintaining tight monetary policies (as had been followed for the previous 5 years), refraining from any new exchange control mechanism, and simplifying the tariff system, including by phasing out import licensing and non-tariff barriers (Padayachee, 1994: 588-589). These conditions were quite stringent since South Africa was servicing its debt at the time.

In contrast to the public claim that ANC representatives would control the influence of the international financial institutions, the IMF "is reported to have insisted that key political parties and leaders agreed to its understanding of what constituted economic discipline" prior to signing the deal (Padayachee, 1994: 590). However, behind the scenes, key members of the ANC's transitional team already were becoming sympathetic to the economic proposals of business and the outgoing government, putting them at odds with their party. Gumede writes: "Mbeki, in particular, would have no truck with anything that could be vaguely construed as Eastern European socialism or its African equivalent. He would later admit that Zimbabwe and Tanzania served as valuable lessons on the pitfalls of state-led spending sprees … Mbeki and others of his generation had seen African and Eastern European socialism in action, and wanted nothing to do with it" (2005: 73). Along the same lines, in 1993, the DEP revised a draft of the *Reconstruction and Development Programme* (RDP), the economic program developed jointly with its liberation movement partners that served as the ANC's 1994 electoral platform, to say "macroeconomic stability is vital to the success of our programme ... coherent, strict and effective monetary and fiscal policies will be a cornerstone of our RDP" (Götz, 2000: 172-173). The ANC even appointed American consultant Stan Greenberg, who had reshaped US Democratic Party policy into a model of fiscal discipline, as its policy advisor (Gumede, 2005: 76-77). The 'spectre of debt,' therefore, found fertile ground in the top echelons of the ANC, to the point where neo-liberal restructuring was accepted as the only reasonable macro-economic policy option. This introduced the new challenge of convincing the broader ANC party membership and important political allies in COSATU and the South African Communist Party (SACP) to accept this dramatic shift in the ANC's economic program, or at least, not to block it. The following section turns to this second stage of the process of legitimating neo-liberal restructuring through the 'spectre of debt.'

The 'Spectre of Debt' and The Liberation Movement

The second phase of the process saw the 'spectre of debt' discourses utilized by top ANC economic policy-makers to garner sufficient support (or at least to avoid active opposition) within its own political constituency in order to move towards introducing neo-liberal restructuring measures. It was a difficult sales job because the ANC's broader membership and voting constituency expected, at minimum, fairly extensive redistribution to begin to redress the injustices of apartheid. Indeed, ANC allies COSATU and the SACP wanted to leave open the possibility of a transition to socialism in the foreseeable future. For many in the ANC and its broader constituency, such as COSATU, the fear of a debt crisis specifically represented a danger that the country would be forced to adopt an IMF neo-liberal economic restructuring program. Trade unionist Randall Howard commented: "We have seen what these [IMF] programmes have done in Africa. They have not in any sense developed those economies, or delivered directly to the economic needs of those people in those countries. In fact they have made the rich, richer and the poor, poorer" (in Patel, 1993: 60). COSATU was deeply concerned that the outgoing government would embark on unilateral neo-liberal restructuring that would restrict the ability of the ANC to introduce an extensive redistribution program after majority rule. These concerns were reflected in the demand for a Macro-

Economic Negotiating Forum, which was made during COSATU's massive 1991 stay-away protesting the introduction of a regressive sales tax, precisely to prevent the apartheid government from "locking in" neo-liberal changes (*South African Labour Bulletin*, 1991: 14-15).

Despite these concerns, the fact that the liberation movement agreed a debt crisis was a real and pressing danger opened a space within which neo-liberal restructuring could be re-framed as a strategy to defeat the 'spectre of debt' and support the goals of the liberation movement, rather than a mechanism to negate the gains of majority rule in order to restructure capitalism, as labour was suggesting. The ANC utilized the 'spectre of debt' discourse to secure sufficient buy-in for 'macro-economic prudence' and thus to obtain enough support, not only within the Cabinet and the ANC's top policy bodies but also among the broader membership, to allow the policies to proceed despite continuing objections. The text of the 1996 GEAR strategy and the debate surrounding its announcement conveyed precisely the message that extensive state spending for redistribution was self-defeating because it would spark a debt crisis, so tight fiscal policy was the only plausible option: "An expansionary fiscal strategy could be considered. However, even under the most favourable circumstances, this would only give a short term boost to growth since it would reproduce the historical pattern of cyclical growth and decline" (Government of South Africa, Department of Finance, 1996: 3).

In the months that followed GEAR's announcement, the ANC leadership played up the 'spectre of debt' to their skeptical constituency of core supporters as an imminent danger that could derail the liberation movement's longer-term plans for reconstruction and redistribution. *The State and Social Transformation*, an important November 1996 statement attributed to then-Deputy President Thabo Mbeki, emphasized the importance of taking harsh measures to address the debt he said had been left behind by the previous government:

> The Apartheid ruling group imposed on the country an unprecedented debt burden whose acquisition had to do exclusively with shifting the balance of forces during the period of transition from Apartheid to democracy, so that this anti-democratic group would not be as weakened, politically as it would otherwise be, in the contradistinc-

> tion to the democratic movement (African National Congress, 1996: sect 2.5.8).

To address this threat, he said the government must prioritize paying down the apartheid debt and could not countenance borrowing for consumption or even infrastructure to serve popular needs until this was done. A preparatory document for the ANC's 1997 National Conference, where GEAR was formally considered by the whole of the ANC for the first time, further depicted the neo-liberal policy measures as driven by the 'spectre of debt': "One of the major weaknesses of both the RTG *[Ready to Govern]* and RDP documents is their lack of detail on fiscal and monetary policies. The GEAR policy document was an attempt in particular at dealing with these two issues in some detail" (African National Congress, 1997: sect 2.5). The narrative implied GEAR would permit a more expansionary fiscal program later and therefore was wholly consistent with the ANC's longer-term commitment to redistribution. Justice Minister Dullah Omar, for example, said in 1998 that GEAR was justifiable as a short-term measure: 'We ... must curb borrowing and reduce the deficit ... [I]f we are able to continue reducing that deficit, then in the years to come, there will be more money available for social delivery, because we will be spending less money on servicing the debt' (in Bassett, 1998: 25). This depiction of GEAR was helpful in maintaining the patina of consensus within the party, while clouding the level of commitment of the new government to neo-liberal economic restructuring.

Thus, the government's explanation of the need for neo-liberal restructuring reinforced a double message: that the 'spectre of debt' was serious, but could be managed through 'prudent' (meaning neo-liberal) economic restructuring measures. It also obscured three key points that were highlighted by critics of the neo-liberal strategy: that the debt situation was far from dire; that neo-liberal restructuring had contradictory effects on the debt; and that the program of 'macro-economic prudence' was not limited or short-term in its effects, indeed it sparked an extensive process of economic restructuring that touched all policy areas. These gaps in the ability of the 'spectre of debt' to explain neo-liberal restructuring have been taken up by social movement organizations that have sought to contest the government's economic program. In the next section, we investigate the interventions of two prominent social movements that contested the government's macro-economic program by challenging the claims made by the state that neo-liberal restructuring was necessitated by the 'spectre of debt.' The campaign against apartheid debt paradoxically reinforced the government's position that debt was one of the most serious economic problems facing the country and had forced the government to limit domestic spending – although the measure proposed by the movement, repudiating the foreign debt, was strongly and successfully opposed by the government as unfeasible. The second campaign explored in this paper, the PBC, offered a more fundamental critique of the program legitimized by the 'spectre of debt' on a number of grounds, as I demonstrate below. Its criticisms have not been as easy for the government to ignore, although reforms to the economic restructuring program have fallen far short of what the PBC has advocated.

The Campaign Against Apartheid Debt and the People's Budget Campaign

Civil society's campaign against apartheid debt attempted to pressure the state to repudiate its inherited debt, especially the foreign debt. As the millennium approached, the global Jubilee Debt Initiative, which called for the cancellation of the poorest countries' debts, began to gather steam. As early as 1997, South African activists initiated their own Jubilee campaign, calling for the cancellation of apartheid debts and for reparations to be paid by the business community to the black majority who had suffered under apartheid. Noting the critical role played by Swiss, German, British and American bankers in propping up the racist government, organizations like the Coalition Against Apartheid Debt and Jubilee South Africa argued these firms should not profit from apartheid debt (Jubilee 2000 South Africa, 1999; Ashley, 2003). The dominant public message was that apartheid debt was held by foreign creditors, was unethical and should be repudiated.

By framing the apartheid debt situation in this way, the campaigners put forward a radical call that challenged the legitimacy of global capitalism by revealing the political biases and profit-making strategies of leading firms. But simultaneously, they reinforced the government's claim that apartheid era debt was a serious problem calling for drastic measures, therefore justifying the stringent macro-economic policies and the decision to downgrade redistribution. Brian Ashley, Director of the Alternative Information and Development Centre, argued explicitly that: "The sheer scale of the apartheid debt helped convince wavering ANC leaders that belt tightening and fiscal restraint should be the order of the day. A series of compromises made during the negotiating period and especially in 1993 at the economic level served to open the way for the ANC government's shift to neoliberal and pro-globalization policies" (Ashley, 2003). Thus, the debt was presented as the reason for neo-liberal policies, giving the impression that if it had not been for the apartheid debt, the government's economic program would have been different – and indeed, if the debt was eliminated, the government would chart a new economic restructuring course, one that would better serve the needs of the majority. At the end of the day, the campaign posed a radical challenge to the basis of the post-apartheid state in one way, but reinforced the government's claim that neo-liberal restructuring was necessitated by South Africa's debt situation. Therefore, it helped mask the government's deep-seated commitment to neo-liberal restructuring by reinforcing the 'spectre of debt' discourse.

The PBC offered a more sustained challenge to the 'spectre of debt' discourse, aiming to counter the government's claim that it had no alternative but to introduce contractionary monetary and fiscal policies regardless of their impact on the economy or the living conditions for the majority. The PBC argued that the government's policies were unnecessary and harmful to the majority, and conversely, that it was feasible to address poverty through government spending while maintaining fiscal prudence. The PBC was initiated in 2000 as a joint project of COSATU, the South African NGO Coalition (SANGOCO) and the South African Council of Churches, three national coalitions with deep roots in anti-apartheid politics. The overall objectives of the PBC process were to develop proposals to redirect government policy to meet basic needs through the budget, especially through public provision and resources; create quality jobs; help the majority acquire assets and skills; support democratic, participatory governance; and protect the environment (People's Budget Campaign, 2005). Thus, the PBC used the annual budget as an opportunity to engage in a dialogue about the country's overall policy direction with the government, and within civil society.

One of the goals of the PBC was to debunk the claims made by the government under the 'spectre of debt' discourse that neo-liberal restructuring was a coherent solution to an imminent debt crisis. According to their 2008-09 report:

> Fiscal and monetary policies are now working against each other. On the one hand we have a moderately expansionary budget while at the same time monetary policy is contractionary. Government plans to reign in public expenditure to accommodate monetary policy. This will lead to a 'surplus' forecast for this financial year. In the context of underdevelopment it is apparent that the current macroeconomic strategy is inappropriate and requires revision (People's Budget Campaign, 2007, 9).

The PBC's critique the government's policies raised a central contradiction in the neo-liberal strategy. South African Reserve Bank (SARB) Governor Chris Stals, who was appointed in 1989 and continued under the ANC, prioritized a high and stable the exchange rate and keeping inflation in check by adopting a high nominal and the real interest rate (the nominal rate minus the inflation rate) (Stals, 1993: 148). This was most notable in 1998 (in an attempt to prop up the recently devalued rand), when the government's ten-year bond rate was raised to an average of 16.36%, making the real interest rate (bond rate minus inflation) 9.49% and the prime lending rate 21.55%, while inflation was less than 7% (South African Reserve Bank, 1999a; 2001; no date; Statistics South Africa, 2008). Government debt accumulated rapidly because the nominal interest rate was so high, which raised the cost of debt servicing. The PBC noted:

> In spite of South Africa's relatively low debt levels, South Africa's debt burden is relatively onerous by international standards. This paradox is explained by South Africa's interest rates, which are higher than those of any industrialised country and among the highest in the world. Because of high interest rates, relatively low debt levels impose a severe debt burden on society (People's Budget Campaign, 2002: 23).

It was not merely the case that the debt imposed a fiscal burden by diverting funds to interest payments that otherwise could have been used for education, health care or social services. The high prime borrowing rate made it difficult for small businesses that relied on bank loans to profitably expand their businesses. The high value of the Rand made it difficult for exports in price-sensitive sectors (manufactures) to compete, thus further contracting the economy. Both these measures discouraged investment and job creation. The government would later come to regret the excessively tight monetary policy of Stals and the resulting overvalued real exchange rate when its anti-growth impact undermined the GEAR program by starving the economy of direct investment (see Hirsch, 2005: 79-91). But the approach only shifted towards the somewhat less deflationary inflation targeting under new Reserve Bank governor Tito Mboweni after 2001, when the higher interest rates had already led to a higher debt accumulation and lower growth than would otherwise have been the case. Even after 2001, the PBC maintained that monetary policy remained too focused on maintaining low inflation and a high-value Rand, to the detriment of exports, job creation and economic growth overall (People's Budget Campaign, 2007: 9).

Reducing the debt despite the high interest rates, then, was achieved by squeezing government spending, which fell from 34% of GDP in 1994 to below 31% in 1995 and 1996, before rising gradually to 33% by 1999. Indeed, the new government prioritized spending cuts, cutting deficits to R36.278 million in 1996 and R37.021 million in 1997 (0.456% of GDP for both years), then to R10,495 million by 1999 (0.12% of GDP – all amounts in constant 2000 Rand). Debt servicing peaked at 18.3% of government spending in 1996, before falling below 15% by 2000 (South African Reserve Bank, 1997; 1999b; 2003). This meant that billions of Rand that could be used to promote economic growth and improve the socio-economic conditions of the poor were instead going to bond-holders. The PBC argued that in addition to lowering interest rates to divert needed resources to social spending, the government could and should run a deficit and raise taxes in order to increase spending on developmental priorities such as housing, land reform, education, health care and a social wage rather than attempting to run a balanced budget (People's Budget Campaign, 2007: 7, 11, 21). They argued that such programs would stimulate the economy as well as improving equity and meeting the basic needs of the poor, describing their approach as a "social investment strategy" (People's Budget Campaign, 2007: 22). Thus, the PBC offered an alternative interpretation of the government's macro-economic program, presenting it as incoherent and ineffective in addressing the socio-economic needs of the country.

Moreover, the PBC took on the basis for the government's 'spectre of debt' discourse directly, raising questions about the legitimacy of the picture painted by the government that the country's debt level was alarming, such as the claim in the 1994 *RDP White Paper* that the debt had "reached disturbingly high levels" (Government of South Africa, Parliament, Ministry in the Office of the President, 1994: 30). The PBC offered an alternative reading of the significance of South Africa's debt:

> It is questionable to assert that South Africa faces a 'debt trap'. Generally, the phrase 'debt trap' refers to a country with an unsustainable foreign debt, particularly when the burden of servicing the debt catastrophically restricts socio-economic development. South Africa's foreign debt is very small by international standards, and easily serviced from current export receipts. Furthermore, South Africa's domestic debt is not particularly large by international standards. Rapidly growing countries like Malaysia and Singapore have much higher debt levels (relative to national income), and most industrialized countries have significantly higher ratios of public debt to national income than that of South Africa (People's Budget Campaign, 2002: 23).

Indeed, comparative empirical evidence supports the PBC interpretation that South Africa's debt offered some cause for concern but not for the level of alarm cultivated by the 'spectre of debt' discourse. In comparison with similar sized economies, South Africa's foreign debt burden was among the lowest, as the PBC claimed. According to *World Development Report* data for 1996, the first year for which South Africa's debt data is available, its foreign debt per person as a proportion of Gross National Product (GNP) was the second lowest among fifteen economies of similar size, and less than half the average and mean for the group.

Foreign debt levels for Malaysia, an economy the ANC wished to emulate, as a proportion of GNP was 52 percent, again much higher than South Africa's and higher than the average. Yet, Malaysia avoided conditional IMF loans. Notably, Malay-

Country name	GNP per capita (1997)	Rank (by GNP per capita size, 1997)	Net present value of external debt as % of GNP, 1996
Gabon	$ 4230	38	86 %
Trinidad	4230	39	46
Mauritius	3800	40	45
Slovak Republic	3700	41	41
Mexico	3680	42	44
Poland	3590	43	31
Venezuela	3450	44	51
South Africa	**3400**	**45**	**18**
Lebanon	3350	46	33
Estonia	3330	47	9
Turkey	3130	48	47
Panama	3080	49	80
Thailand	3800	50	56
Russian Federation	2740	51	25
Costa Rica	2640	52	37
Country average			**43**
Country mean			**44**

Source: World Bank, 2000, 230-231, 270-271.

sia's per capita GNP rose from roughly equivalent to South Africa's, to substantially higher, over the course of the 1990s despite its higher debt burden (World Bank, 2000, 230-231, 270-271; International Monetary Fund, 2008a; 2008b).

To be sure, South Africa faced a number of transitional challenges, including the reintegration of the political institutions of the homelands into a single South African state and the legacy of heavy militarization, as well as the need to attract investment, encouraging growth and job creation. The point was not that the debt burden was irrelevant or trivial – indeed, if it has been, it could not have helped legitimate the government's economic program. As PBC contributor Patrick Craven commented, "we are not saying the debt is of no importance at all, but what we are saying is that given the scale of problems facing South Africa, that is not the overriding problem, as it certainly was treated" (Craven 2006). By portraying the situation as if a debt crisis was imminent, the PBC argued, the government deliberately allowed other core policy priorities like redistribution and meeting the basic needs of the majority to be overshadowed. Moreover, they relied on the 'spectre of debt' to mask the implications of their policy decisions rather than engaging in an honest debate about the different options that might have been available and the benefits and costs associated with each, including who would bear the costs.

The PBC thus took a fundamentally different tack than the campaign to cancel apartheid debt, attempting to uncover the implications of the government's neo-liberal program that were masked by the 'spectre of debt' discourse. Indeed, they declined to support the proposal to repudiate apartheid debt, arguing instead that the government was in a strong position to set new, more appropriate terms for servicing the debt, which would be a better and less destabilizing choice. For example, their analysis uncovered that most of South Africa's apartheid debt (79%) was domestically held and often in pension funds with widely diffused benefits – many beneficiaries today were not those who gained from past apartheid policies (People's Budget Campaign, 2007: 28). From this observation, they reported that a 1996 change in the way public service pensions were funded had required a large pool of investment capital with pensions paid out of the earnings of the investment fund. Creating the fund had required an enormous capital base, and was the source of as much as 40% of the government's debt. The PBC argued that this pension fund, and therefore the debt it created, was unnecessary given South Africa's young population profile and proposed returning to a policy whereby pensions were funded by current employees whose payments into the program financed the pensions of retirees. Returning the program to its former set-up would free up 8-10 billion Rand each year for investment in basic services, income grants and short-term job creation. Moreover, the government was in a moral and legal position to insist that remaining domestic holders of South Africa's apartheid-era debt accept a special bond issue at a lower rate of interest, which would further reduce the fiscal burden of debt servicing. As we see here, the PBC also used very concrete proposals to challenge the claims put forward under the 'spectre of debt' and through them the monetary and fiscal policies of the neo-liberal restructuring program.

The PBC thus engaged the ‘spectre of debt’ discourse, challenging the government’s claim that its neo-liberal policies were necessitated by a looming debt crisis, and indeed, that they were necessary at all. The PBC offered precisely the kind of dissent that aimed to be incorporated into the broad governing program of the state (and not merely demanding changes to specific policies) and therefore presented the state with a vision that permitted grounds to extend the basis of consent from narrow to extended, which is needed for genuinely hegemonic rule (Buci-Glucksmann, 1982: 19). Although the PBC proposals engaged the fears framing the ‘spectre of debt’ and did not entirely dismiss them, it attempted to change both the monetary and fiscal policies at the core of the state’s economic restructuring program, and thus, offered a far-reaching alternative to neo-liberal restructuring. It also sought to reintegrate policies to promote growth and redistribution, which had been separated under the neo-liberal proposals of both the business sector and the ANC government (Bassett, 2008b: 248).

Discussion: The Spectre of Debt and the New Millennium

Utilizing the ‘spectre of debt’ narrative to legitimize neo-liberal restructuring contained inherent limits, as the government found after 2000. On the one hand, it became increasingly clear that the business community had little intention of renewing direct investment in South Africa to the extent needed to meet the growth and employment targets anticipated in GEAR (and indeed, utilized deregulatory measures to move its capital out of the country) regardless of whether the government reduced the debt or not. In the absence of the growth and job creation promised by liberalization, it proved impossible to continue to sell the neo-liberal restructuring program to the ANC’s core voting constituency for the longer term because they were not receiving benefits from it (Bassett, 2008a: 192-193). Overall, the number of true converts to neo-liberalism was small (Gumede, 2005), and the ANC leadership often has been on the defensive with its own constituency when it came to justifying the post-apartheid economic restructuring program. Moreover, as the strict fiscal program (coupled with more efficient tax collection) succeeded in bringing down the deficit and the debt, the ‘spectre of debt’ began to lose its potency with the ANC’s voting constituency as a legitimate fear that demanded a strong response.

By the time the government undertook its ten-year policy review in 2003, they were facing pervasive criticisms of their economic program from the ANC membership, their SACP and COSATU allies, and a range of social movement organizations. The program had failed to deliver its promised benefits, like growth, higher investment, export competitiveness, and employment creation, with deficit and debt reduction one the government's few significant economic policy successes. When the growth scenario failed to materialize, the 'spectre of debt' remained an important rationale for the macro-economic restructuring framework, but also became the basis for the government to begin to modify some of its core policies.

South Africa's ten-year policy review underscored how little its initiatives had improved the economy overall or the daily lives of most South Africans. Although the government could show it had made considerable inroads in de-racializing the state and introducing economic restructuring policies to foster global integration, its own research showed investment was still low compared to successful developing economies, and even lower if investment by public sector and publicly owned corporations was factored out (Government of South Africa, Policy Co-ordination and Advisory Services, The Presidency, 2003: 34). Per capita growth throughout the first decade of democracy averaged only 1% (Government of South Africa, Policy Co-ordination and Advisory Services, The Presidency, 2003: 35). And although the government said more than 1.5 million jobs had been created, this was a contested figure (see, for example, People's Budget Campaign, 2002, 7), and no one disputed that employment creation failed to keep pace with the number of entrants to the workforce, nor that most of the new jobs were low-paying, insecure non-standard work (Government of South Africa, Policy Co-ordination and Advisory Services, The Presidency, 2003: 36). Meanwhile, the economy shed a remarkable 600,000 formal sector jobs between 1996 and 2000 (People's Budget Campaign, 2002: 7).

The policy review continued to paint an ominous picture of the late apartheid-era debt situation: "*Public sector debt was ballooning out of control* as the apartheid regime sought to buy support" (Government of South Africa, Policy Co-ordination and Advisory Services, The Presidency, 2003: 7). In light of this claim, the government could report progress in macro-economic indicators, presenting the following (Government of South Africa, Policy Co-ordination and Advisory Services, The Presidency, 2003: 33):

Macro-economic stability	Period	Quantity
Budget Deficit	1993	9.5% of GDP
	2003	1% of GDP
Public sector debt	1994	64% of GDP
	2003	50% of GDP
Foreign reserves	-	Risen from 1 month's import cover to 2.5 months' import cover

Importantly, the ten-year policy review document went on to say that "These advances create opportunities for real increases in expenditure on social services, reduce the costs and risks for all investors, and therefore lay the foundation for increased investment and growth" (Government of South Africa, Policy Co-ordination and Advisory Services, The Presidency, 2003: 33).

The government thus drew on the 'spectre of debt' discourse in a new way to suggest that its prudent macro-economic policies had succeeded, clearing the way to respond to the needs of the poor majority – though not too much – without having to reverse any of the essential elements of the neo-liberal program. Instead of being forced to account for a glaring policy failure that had not created jobs, inspired investment or enhanced human needs and therefore must be reversed, the government utilized the 'spectre of debt' to portray its economic restructuring program as a success that thwarted a debt trap, which therefore enabled a more popular agenda to go forward. Government spending rose from 289 million Rand in 2000 to 355 million Rand in 2004 (in constant 2000 prices) (South African Reserve Bank, 2006). Some of the new spending was directed to expanding core social programs like the child benefits, education and housing, and short-term employment programs, as well as economic infrastructure. Importantly, then, the 'new direction' sought to modify the neo-liberal restructuring program to gain support with a broader audience, mollifying critics by promising additional spending but not reversing the essential elements of the economic framework. Notably, the higher spending maintained the strictures of fiscal prudence and the government announced its first surplus in the 2007-2008 budget (Jacobs, 2007). Monetary policy, too, retained its anti-inflation approach.

Undoubtedly, the continuing political use of the 'spectre of debt' narrative, but framed in a new way, reflected the ANC's own concerns that it is becoming increasingly difficult to ignore its voting constituency's demands that their concerns be prioritized ahead of those of large firms. As such, there were advantages associated with incorporating some of the demands of its critics, such as the more moderate elements of the People's Budget Campaign reports. Insofar as the consent of the governed must be won through both cultural narratives and material concessions, however, the slow pace of improvement in the lives of the majority inherently limited the ability of the 'spectre of debt' discourse to legitimize its program beyond the elite level. The advantage of averting a debt crisis was not readily evident to casual women farm-workers in the Western Cape, AIDS grandmothers in KwaZulu-Natal, or retrenched mineworkers in North West Province.

Endnotes

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