Structural change, economic transformation and the moral economy: Children in South Africa

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We inherit the world
From our ancestors
In trust
For our children

-African proverb

No nation can be great and prosperous the majority of whose people are poor and miserable, argued an eminent classical political economist. He went on to state that enabling the majority to be un-poor and un-miserable (in modern terminology, to climb out of absolute poverty in order to meet at least their basic needs) was an overriding duty on all persons and on the state. For him it was a matter not of the economy of the market nor of political economy, but of the moral economy.

No, that author was not Karl Marx. He was Adam Smith. His statement of principle is as important to the situation and the future of children in South Africa as the African proverb. Indeed, the two complement each other. We know all too well that the world most of us have inherited is mean, shabby and in danger of worsening. We do not want to hand it on in that shape (let alone a worse state) to our children. And, like Adam Smith, we feel a moral imperative to strive to improve it for their sakes as much as for our own.

Therefore in South Africa - indeed, more widely - any technical or political economic policy should be judged in terms of three moral economy tests:

• will it reduce or increase the numbers of human beings condemned to exist in absolute poverty?
• will it rebuild or erode the world we pass on to our children?
• will it enable our children to live in a better world and have a better chance to fulfil themselves than most of us have had?

These are both technical and moral questions. If policies do not actually overcome gross imbalances - say, in the allocation of foreign exchange or in the provision of health care for children - and do not increase resource availability over time, then, however moral they may seem in principle, they will in the end immiserise. On the other hand, even if they do close imbalances and lead to overall resource growth, if they do not enable ordinary households to earn their basic needs, have access to basic services, or offer their children access to a decent life, they are not development and ultimately will certainly explode or implode for political and social reasons.

They will probably self-destroy economically too, because of the constraints they impose on domestic market growth. Unfortunately, as the great conservative Caribbean economist, Sir W. Arthur Lewis, has concluded, most approaches to economic development do not pass either test: 'What have we learnt from development? Development leaves the great bulk of the population unaffected.'

In South Africa, in fact, the record has been worse than that. Economic development under apartheid left the majority of the people socially, politically and, less uniformly, materially worse off. This was especially true before the countervailing power of the trade unions rapidly raised real wages of black union members in the 1980s. Even now for many squatter towns and rural households, no such partial gains have trickled down. If we agree with Mwalimu Julius Nyerere's affirmation that 'the ultimate purpose, measure, justification and test of development is man' or with the Gospel statement that 'inasmuch as ye have done it unto the least of these my children ye have done it unto Me', then we can take but little satisfaction in economic development in most of Africa and next to none in South Africa. True, South Africa has a substantial black middle class, but it also has at least 25 per cent black absolute poverty, measured in terms of both household income and access to basic social and human services.

In the end, apartheid economics failed even at the economistic level. International sanctions reduced exports and external capital flows, 'security' expenditures bled the budget, the narrow home market base could not sustain buoyancy, and discrimination blocked the way of a broad base of high productivity workers. Between 1980 and 1992 South Africa's economic performance was in the bottom quarter of the Sub-Saharan African economies, themselves the world's poorest performing group in the impoverished South.

From national stagnation to child deprivation

What has this to do with children? The answer is very simple. While some gains can be made by child-specific programmes, such as extended programmes of immunisation or community designed and monitored health and nutrition programmes for under-fives, most must address the basic requirements of the families of whom children are members. A mother worn down by 16 hours of work daily cannot find time to feed a young child the six to eight times a day needed for good nutrition. A household using every minute to raise crops or earn money to survive cannot afford to send children regularly to even tuition-free schools. When everyone in a household is
seriously hungry, trying to target under-five malnutrition (a rather inappropriate terminology suggesting that the children, not the malnutrition, are the targets of heavy policy artillery) is hard to do, for the whole family will share, quite understandably, any additional food.

To meet the goals of the Children’s Summit Declaration of the Rights of the Child, as now embodied in the Convention on the Rights of the Child, or their African affirmation by the Organization of African Unity (OAU) in the African Charter on the Rights and Welfare of the Child, more is needed than a set of small, discrete programmes for children. What is required is real movement towards a just society, in which absolutely poor households are assisted and provided with access to services and to markets to eradicate absolute poverty. Primarily, that means empowerment, with the creation of safety nets for unemployable - ie, too many mouths per able-bodied pairs of hands - households.

Structural adjustment is the term usually employed to define World Bank- and International Monetary Fund (IMF)-approved and codesigned programmes for managing and reducing gross imbalances (‘stabilisation’), decreasing the scope of state intervention and centring it on fiscal and monetary policy (‘liberalisation’) and restoring output growth above that of population (‘sustainable growth’). It includes fully national programmes designed to achieve the same ends even if the World Bank and IMF are not formally installed. Debate is no longer primarily about whether to reduce imbalances, alter policy or restore growth in total output per capita, but about the particular instruments and sequences employed to achieve these ends, and about sharing initial costs and subsequent gains.

Much of the dialogue is rather counterproductive because at one extreme critics conflate 1960s IMF stabilisation with the whole of structural adjustment - an interpretation which was never accurate and has become increasingly less so since 1985. On the other hand, advocates attribute to structural adjustment policies a whole of a general shift from ‘free fall’ by most African economies in 1985 to modest per capita growth by some by 1990 - a characterisation that is not readily demonstrable from available data.

More relevant debates have focused on adjusting general macroeconomic policy models to relate to specific national contextual realities, making better functioning markets genuinely accessible to household and other small producers (without which nominal economic incentives are meaningless), and increasing human investment (especially in basic health, education, water and production extension services) while narrowing budget deficits. Debates also centre on determining whether wages below the household absolute poverty line, but above present labour productivity, pose a case for real wage increases to minimum efficiency levels - that case’s economic foundation assumes that workers, too, respond to economic incentives. Alternatively, is the case for real-wage erosion to shore up enterprise or state budgets, or for sackings (with or without higher real wages for those not ‘redeployed’ to unemployment or residual sector activities), and deciding what safety nets are necessary and possible for which groups of absolutely poor people and to what extent significant numbers of absolutely poor households can be enabled to produce more.

By 1989, the World Bank endorsed economic transformation based on enhanced human investment and provision of infrastructure, and a reduction of absolute poverty backed up by safety nets. It advocated incentives including market access measures to ensure four per cent or higher annual overall output and food production growth, four per cent annual increase in net external resource inflows as well as substantial write-offs of official and commercial external debts - other than those to the IMF and World Bank (implicitly 60 to 90 per cent write-downs for low income African nations and Brady terms - debt rescheduling plus access to new borrowing - for lower middle income countries). It also gave specific attention to ecological and gender issues.

Apart from an arguably excessive blindness to market imperfections and a somewhat archaic faith that the invisible hand of perfect competition still automatically makes liberalisation egalitarian, the strategy as set out in the 1989 Long term perspective study is not a real focus of debate. Rather, it is difficult to relate the Study to many country programmes, including some recent ones, notably Zimbabwe’s costly dash for liberalisation in 1991. In Zimbabwe there was little phasing or attention to the costs of destabilisation or their implications for policy transition, all of which clearly increased structural imbalances and increased absolute poverty in the short-run, thereby putting the 1980-1990 upward trends in human investment, exports and output per capita at risk even before the 1991-1993 drought and hunger crisis.

Moreover, despite initiatives from 1987 under the rubric ‘The social dimensions of adjustment’ (SDA), very few structural adjustment programmes actually put sustainable employment and production increases for poor persons within their strategic core. These usually appear as add-ons with a massive bias to politically sensitive and direct victims of public sector retrenchment and to peripheral ‘make work’ jobs, not to a strategic reformulation nor to a broad front strategy to enable poor households to overcome absolute poverty.

Finally, just as small, underfunded, marginal ‘women in development’ projects running parallel to ‘mainline’ activities amount to ‘femalestans’ to ‘give dolls to the girls’, so too, many ‘social dimension’ add-ons look likely to marginalise poor people in ghettos rather than help them into mainstream economic activity.

Verbally - and in the 1989 World Bank formulation - UNICEF’s campaign for ‘adjustment with a human face’ has clearly won. Unfortunately, in practice this is far from being the case. Instead, many programmes for a variety of reasons remain uncontextual and treat the 25 to 65 per cent of total households that are absolutely poor as peripheral recipients
of scraps of aid and not as a priority core area for economic rehabilitation. This tendency has been exacerbated by drawing distinctions between those absolutely poor households that are victims of structural adjustment and others, as if absolute poverty were not a massive macroeconomic imbalance any structural adjustment programme has a duty to address.

If development is about human welfare, then absolute poverty is a basic structural imbalance to be adjusted or transformed. The main routes to reducing absolute poverty are by enabling poor people to produce more, providing universal access to basic services (human investment), and enhancing infrastructure (including markets) relevant to poor persons. These approaches are consistent with structural adjustment programme macroeconomics and are capable of raising - not merely redistributing - output. However, they require not merely will, but systematic articulation of strategies, policies, resource allocations and programmes. Nowhere do these points hold more true than in South Africa today.

**Structural adjustment and transformation in South Africa?**

South Africa's economy is in dire need of structural adjustment and transformation for four reasons.

- Between 1980-1993 overall output shrank up to two per cent per capita per year, putting it well below even the African average.
- Despite this record, the external trade balance has remained precarious and the fiscal one so unsound that universal basic service provision and adequate maintenance of infrastructure are often viewed as totally unattainable for up to two decades.
- Apartheid's legacy of exploitation and exclusion has locked South Africa into a low, and arguably falling, labour productivity syndrome and high levels of violence (about 75 per cent of which is not directly political). If these are not reversed, they will worsen the already dismal output, external balance and fiscal positions.
- Affirmative action and redistribution (especially, but not only out of the proceeds of a healthy output growth rate, the peace dividend and political transformation) is essential to reduce what are probably the world's highest levels of inequality - and clear inequity - of income, of access to services and of social and political participation. Without them violent unrest - most of it not directly political even if the socioeconomic setting, which gives rise to it, is very much apartheid's child - as well as passive resistance will continue to block any economic transformation and, indeed, will erode even present performance.

The previous government's response was a tragic parody of an ill-designed, early 1980s structural adjustment programme. Budget cuts devastated both maintenance of infrastructure and provision of basic services, while allowing continuation of large expenditures on military forces and on duplicative, inefficient, and often corrupt bureaucracies. Real-wage cuts were a clear - if not publicly affirmed - goal. High, real interest rates crippled investment and growth with limited, lagged gains on inflation or external investment accounts. Safety nets - notably the universal old age pension - were marked down for dismantling. The balance of liberalisation and promotion measure suggested a belief that unemployment was officially perceived as a synonym for redeployment.

A dialogue on economic strategy with a direct input on state policy from social sectors, households and enterprises is urgently needed. The ANC's painstakingly built-up and widely discussed strategy represents a start, but it still lacks detail and financing. South Africa cannot afford the luxury of solely concentrating on the political transformation, while an excessively unwise or unlucky economic and social policy debilitating a sick economy and a sicker society, and corrodes any foundation on which political reconciliation could be sustained.

Yes, this does relate to children. The *majority of poor people are children*, partly because a major cause of poverty is that there are too few adult-earners to feed the families. In South Africa, as in Sub-Saharan Africa generally, the *majority of children are poor*. If real medical budgets are cut, any massive increase in immunisation, in rural and peri-urban primary health care, in maternal health care, in learning and education (e.g., for breastfeeding and oral rehydration, and for personal actions to avoid HIV/AIDS infection) will not be possible. If infrastructure disintegrates, people in the peripheries - rural and peri-urban - will be denied effective market access and cannot be enabled to earn enough to feed their households (including their children) properly, no matter how much nutrition education is pumped out.

If universal old age pensions are cut or allowed to erode in real terms (as opposed to being consolidated toward uniform, non racial levels augmented to offset inflation, as is being done in Namibia), there will be more absolutely poor households. Not least, there will be more poor rural grandmothers who are no longer able to provide proper care and nutrition to children left with them by working, urban daughters. If the macro-policy is wrong, trying to alleviate the effects of absolute poverty becomes impossible. If households are absolutely poor, low-cost interventions, such as immunisation or oral rehydration, can help some children to survive, but cannot provide them with protection of their rights to a decent life, or to a meaningful preparation for adulthood.

Closely related to serving children and the future are gender issues. This is only partly because mothers do in fact, provide most childcare and household-care of the sick more generally. More importantly, up to a quarter of households are female-headed and because most of these have unfavourable hands-to-mouths ratios, a majority of these (including their children) are poor. Women’s education, job opportunities, access to resources for household and coop production, total workload reduction (e.g., by bringing pure water and primary health care...
closer to them) and women's involvement in basic service planning and management (eg, of rural and peri-urban water, sanitation and health care) - all of these matter to child survival and child development.

As in other aspects of poverty reduction through empowerment, gender requires both detailed contextual knowledge and listening to perceived needs. If women's workloads prevent adequate childcare, household upkeep and rest, then work reduction efforts should be targeted to reduce that workload - eg, through closer wood, water and health service supplies, and easier access to simple agricultural processing. If women are responsible for food provisioning and most expenditure on behalf of children, safety net distribution should be to senior female household members. If maintenance is 'women's work', then rural and peri-urban water-user communities need female majorities and maintenance training directed to women. If 25 per cent of households are female-headed, and 75 per cent of adult females earn incomes (in cash or self-provisioning), then labour intensive works programmes must see and hire women needing and seeking employment - if necessary, by establishing a minimum quota system, as in Botswana.

Whether women are inherently pro-environment (presumably on mothering and nurturing grounds) is debatable. What is clear is that degradation of fuel and water supplies, rural land, and sanitation and general amenities in urban and peri-urban areas usually has a disproportionately heavy impact on women's workloads. These concerns should be identified and built into any serious local or national environmental protection and rehabilitation strategy.

Some lessons from the region

South Africa has now entered into a period of political economic structural adjustment and - hopefully - transformation. This is a social and political, as well as an economic, necessity. Equally inevitably, all manner of individuals and external institutions (public, private, bilateral, multilateral and non governmental) have arrived, asserting their expertise (which may or may not exist) and their ability to generate massive inward resource transfers (which may not or may, to a lesser degree, exist). Both fortunately (as it provides room for manoeuvre) and unfortunately (as it is confusing and time consuming), they will disagree substantially on major goals, radically on the instruments and sequences, and nearly totally on priorities. In practice they will agree on one thing: South Africa and South Africans should be accountable to them, but not they to South Africa or South Africans.

Prominent among these waves of incoming experts - whose 1993 and 1994 flows will soon be perceived as having been merely advance trickles - will be the World Bank, the IMF and the UN Development Programme (UNDP). They have their uses: to publicise, mobilise and advise, and, to a much lesser extent, to finance and locate useful personnel. But these uses can, if there is no clearly articulated, innovative and firmly argued South African position, result in the externalisation of both macroeconomic and social policy and of macroeconomic and social advisors. Further, it will probably result in the marginalisation of affirmative action to empower victims of apartheid policies, and of the relocation of the livelihoods of excluded households and basic service provision linked to production by poor people as a strategic assault on absolute poverty. For example, if housing is to be a central force toward increasing employment and purchasing power and to be affordable, it should be build by small enterprises, often using work teams recruited by a skilled artisan/foreman and supervised by the owner-to-be. Relevant standards are for the community/local government to set. Imported materials, sophisticated designs, and equipment-intensive building methods should be avoided. Problems of linking to financial institutions arise - present banks and other mortgage-providers can only operate if a reliable set of retail intermediaries are designed and put to work.

There are lessons for South Africa to learn from the independent states of the Southern African Development Community (SADC) - the pre-South African accession SADC 10 - for most have (or are negotiating) structural adjustment programmes. The notable exception is Botswana, which combines avoidance of serious imbalances (while building up reserves to adjust to shocks) with innovative employment, basic service, children's welfare and poverty reduction strategies. Their experience is more relevant to South Africa than that of northern advocates and designers of structural adjustment in at least one sense: they too, have been on the receiving end and come from societies in which absolute poverty is endemic.

Lesson 1. Children, women and absolutely poor households are usually quite invisible to macro and even most sectoral economic policy practitioners and theoreticians. Ending invisibility is a necessary first step to ensuring that macro and sectoral policies not merely measure 'impact' on these persons, but also see them as a means to achieving economic objectives. This is more possible in a democratic environment, for politicians - including Treasury Ministers on occasion - are more likely to take Adam Smith's 'moral economy' argument seriously if they are, or see themselves to be, accountable to a broad constituency, including poor voters and their civil society organisations.

Stressing human investment, the importance of micro and household enterprises, and the wastefulness of un- or low-productivity employment are ways to begin the process of making the poor visible. Furthermore, such an emphasis facilitates understanding of the gains made by enabling poor people to produce and earn, rather than require safety nets while adding little to the production or to the tax base.

Globally there are more than fifty SDA programmes. Political decisions - for instance, on a National Programme of Action for Children in Namibia, on rehabilitation of households wiped out by war in Mozambique, or on offsetting drought
losses first for the poor households (not the large farmers and their lenders) with priority to women and children in Botswana - should prioritise and provide strategic goals. These should be backed by the allocation of able professions and administrators to articulate, mobilise and incorporate moral economy goals into mainline Ministry programmes. While such is essential to success, it is much less common.

Lesson 2. Having local contextual realities accepted as important in shaping sequences, priorities and instruments requires that a state dig in its heels, present a reasoned (and should prioritise and provide strategic goals. These should be backed by the allocation of able professions and administrators to articulate, mobilise and incorporate moral economy goals into mainline Ministry programmes. While such is essential to success, it is much less common.

Lesson 2. Having local contextual realities accepted as important in shaping sequences, priorities and instruments requires that a state dig in its heels, present a reasoned (and reasonable) case and have some ability to say 'no' or to act on its own (at least for a while). Mozambique's use of a second window to close exchange rate imbalances and Tanzania's sliding devaluations are examples, as, more broadly, is the radical transformation of World Bank thinking on Mozambique. There the Bank moved to an acceptance that absolute poverty is the most serious, single imbalance and that, without effective action to reduce it, demand reflation and a mutually reinforcing rural/urban growth cycle cannot be restored in Mozambique.

Lesson 3. The national case needs to be made and put by national institutions. It may be necessary to use expatriates, but those working on the national case should (as in Botswana) be in, and accountable to, national institutions (including domestic NGOs) not de jure or de facto accountable only to each other or to external agencies, as is terrifyingly common in Mozambique. National capacity building necessarily is within the nation, not simply territorially, but also institutionally. Today much technical assistance in Africa does not meet this test and is, in fact, national capacity-fragmenting and disabling.

Lesson 4. It is important to avoid complexity and parallel lines of operation. Autonomous or parallel government rural development efforts - even with substantial funding and external goodwill - have a near uniform record of failure (notably in Tanzania and Mozambique) and are totally at odds with participatory decentralisation. Complex systems requiring detailed charts and notes to comprehend (as frequently in Zambian agricultural marketing) are not, in practice, understandable to operational administrators much less to the intended beneficiaries. Simple approaches with clear goals, procedures and lines of authority can and yield rapid, significant results. Good examples include mother-and-childcare and immunisation projects in Mozambique's cities as well as the district-based and community-backed child nutrition and women's livelihood programmes in Tanzania.

Lesson 5. Avoid undistributed middles and artificial categories. The present division of aid into two categories - 'emergency' (survival) and 'development' (programme and project) - fails both tests. Emergencies are not one-off, unrepeatable events which require only survival assistance and no overt attention to livelihood rehabilitation or vulnerability reduction. UNICEF and Botswana have learned and acted on that lesson in respect to droughts, as have Tanzania and Mozambique, though with a lower capacity to act. Livelihood rehabilitation is essential if the victims of war, drought and apartheid-linked exclusion are to be enabled to produce and avail themselves of human investment opportunities. But it is rarely seen as a key area or as a continuum linking emergency and development, so it does not receive macroeconomic attention nor serious resource allocations.

Lesson 6. Safety nets are needed, and - with innovative thinking and action - are often rather more possible to create than is supposed. Not all poor households can produce their way out of misery. Vulnerable households need survival assistance (eg, drought victims who are fired/not hired when crops are wiped out) when their vulnerability comes home to roost. Universal old-age pensions; wage supplements to large households and low-income formal sector employees; effective food provisioning (in support of vulnerability-reducing work if possible) to climate-stricken rural areas; cash supplements for buying food, given to unempowerable, urban households which simply do not have the labour power to become self-sustaining; even in a crisis soup kitchen run by domestic social sector organisations - each of these safety nets is used effectively within one or more SADC countries.

Lesson 7. Governance, and particularly community-basing, matters. The Tanzania nutrition programmes are very effective at reducing severe malnutrition because of community childcare and some food-sharing. In Mozambique, both Christian Aid and CAFOD (Catholic Fund for Overseas Development) operate entirely through Mozambican church social and economic agencies, and are usually viewed as financing more cost-efficient programmes than most external NGOs. Action Aid's central premise of operating with villages in a limited number of districts within the framework of local government goals demonstrably needed and could use it - central governments all too often seem to be the opposite of innovative, deeply concerned or able to act promptly and relevantly even if they verbally profess to want to do so.

Lesson 8. Coherence and coordination do matter. Primary healthcare programmes can be established from immunisation projects. Similarly, nutritional programmes can be developed by a national coordination unit operating through field-level agricultural personnel (as demonstrated in Tanzania). But such build-up needs to be planned and coordinated both horizontally (eg, between the Ministries of Health and Agriculture) and vertically (by community-district-province-nation). Otherwise, a melange of competing, overlapping,
weak programmes will fail to meet basic needs or to yield value for money. Throwing more institutions at a problem is unlikely to be an answer; getting existing ones to acknowledge both the problem and their need to act together toward resolving it, can be. External actors - including at times UNICEF - are not usually helpful in achieving this, because each believes (as it should) that its programmes are important and looks for domestic sponsors and channels.

If a coherent domestic framework is to evolve and be sustained, domestic actors must recognise that danger and impose a negotiated national strategic and priority framework within which all actors (domestic and external) must operate or leave the game).

**Conclusion as beginning:** What prospects for South Africa’s children?

The previous tour de horizon may seem pessimistic. It is not so intended and need not be.

The horrendous state of the South African economy is a constraint, but it is also a spur to action. And, however badly it has performed for a decade, that economy is both very large by African, and moderately large by southern, standards. It is also an economy with substantial production, surplus generation, personnel and training capacity.

The criticisms of macroeconomic policy for usually overlooking the ‘moral economy’ and seeing (or rather, not seeing) children as invisible, are real. But, as the context of the criticisms shows, perceptions are changing or going back to their roots. ‘Moral economy’ dates to modern political economy’s founder, while ‘the struggle against absolute poverty’ dates to the World Bank’s initial 1970s entry into prioritisation of overall economic policy as well as to earlier discrete projects and to rehabilitation of production and employment during the World Bank’s (as the International Bank for Reconstruction and Development) founding years.

As to the lessons to be learned: South Africa has more resources, more analysts, more professionals, more community and social sector-based people’s organisations and NGOs than all the SADC states put together. Indeed, the most similar southern case is the Philippines. If there are lessons of success from the Filipinos’ experience, why be pessimistic about South Africa and the future South Africans can build for their children? Remember that affirmative action is basically about including and empowering, not excluding, just as poverty and gender strategies are - or ought to be - about mainstreaming, not setting up weak, marginal enclaves outside central economic and political concerns and resource allocations. Such strategies well-enacted can go some way towards realising the goal of passing on a better world to our children.