

**TRANSFORMATION: SELECTIVE HISTORY TO LEGITAMISE POLICY IN POST-APARTHEID
SOUTH AFRICA**

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Abstract

Attempts to transform South Africa since 1994 has been characterised by constant efforts to legitimise public policy by employing particular aspects of the country's history. Segregation policies under Apartheid are easily blamed for gross inequalities. Nearly all social, economic and political ills are similarly traced back to Apartheid and colonialism. Policies purportedly aimed at integration and equality is easily accepted, often without much debate, because they appear to be noble attempts to rectify the injustices of the past. This paper argues that this notion of transformation has provided authorities with a powerful teleological framework in which Apartheid fulfils the role of an axiom and equality that of a telos. Arguments outside of this framework are easily countered as being heretic.

Observations and diverse lines of thought on this issue have led to the conclusion that transformation will not just lead to greater inequality but is endangering, what is for Africa, an unusual, complicated and highly developed economic organisation that has taken more than a century to evolve. *The fundamental problem is that the framework has been build on two assumptions, one philosophical and the other historical, which conflict with the South African reality.*

The paper examines the following:

- The nature of the framework
- Weaknesses with the historical foundations of the framework
- Impact of these weaknesses on policy formulation
- The framework's impact on institutions
- The framework and reality

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Since 1994 South Africa has undergone radical changes much of which were underpinned by the idea of transformation. Given the country's Apartheid past the idea is considered laudable, having as its objective a more equitable distribution of wealth and income. An objective that is even enshrined in the constitution, which states that:

...to promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken. (Chapter 2, Section 9, 1996)

The sanctioning of legislative and other measures, giving mandated preferences to designated groups, has put transformation at the forefront of economic and political discourse from which a general consensus has emerged.

But transformation is no longer just an idea sanctioning methods pointing to a stated objective. It has also acquired characteristics that are ideological in nature. In short, it has evolved into a framework, founded on a number of philosophical and historical assumptions, through which to observe South Africa's social, economic and political reality and within which nearly every national policy should be conceived and described. This has helped to give proponents enormous authority and legitimacy when arguing for policies like, affirmative action, land redistribution, radical changes to public institutions and Black Economic Empowerment (BEE). Indeed, proponents regard criticism of such policies almost as heresy. Arguments and ideas outside of this framework are seldom entertained and are often treated with contempt.

But does this framework that has developed around transformation rest on solid foundations with the capacity to guide South Africa to greater equality of income and wealth? Developments within government departments, which had been at the vanguard of transformation, indicate that there are serious problems associated with the framework. The general complaint being that "they suffer from a lack of capacity." Institutions, which before the advent of transformation functioned with almost mechanical efficiency, are struggling to perform even the most basic tasks expected of them. Transformation policies adopted to transform the private sector, like BEE, have also brought to the fore serious concerns. Instead of greater equality these have resulted in greater inequality with a few politically connected being the main beneficiaries. The persistence of high unemployment, particularly among the black community, also indicates that transformation has so far failed to absorb millions of South Africans into the country's sophisticated modern economy. It's difficult to see how greater equality between the different race groups can ever be achieved when millions of black citizens, who are trying to enter the modern economy for the first time, are unable to find work. And the "lack of capacity" within institutions has made such integration even more difficult. The continuing protests over lack of service delivery in many parts of the country point to their growing frustration. What should be of grave concern to all South Africans is that the perilous state of many transformed institutions indicates that the framework is starting to undermine the complicated economic organisation that South Africa has managed to build, since the discovery of diamonds and

gold during the second half of the 19th century.

As a framework for radical state directed redistribution, transformation does not seem to have had the attention from economists that it deserves. There has been a general tendency to look at it from a reductionist perspective by examining how particular policies will impact on the behaviour of firms and other agents in the market place. Policies, like affirmative action, have been around in the private sector even before the state introduced legislation. Some of these have been examined and have generally been positively received with Black (1993, 1996) describing affirmative action in the private sector to be a rational response to a changing environment. Other policies, like land redistribution, radical changes to state institutions and Black Economic Empowerment have also been examined and, despite some criticism over implementation, have never cast serious doubt on the framework's ability as the roadmap to greater equality. But as a complete framework, transformation does not appear to have had enough attention. This might be because it needs a holistic approach for which the reductionist approach of orthodox economics is not well suited.

Transformation as a framework imposes on society a radically different notion of resource allocation in which the optimum use of scarce resources is not the prime objective. Instead, the emphasis is on a desired outcome: greater equality of income and wealth between the races. In other words, normal distribution via rewards for factors of production, i.e. functional distribution, is considered secondary. The emphasis on desired outcomes points to a system of distribution in which there is a *sharp divergence between rewards via income on the one hand and the inputs as well as outputs that is normally required for such rewards*. It is here where the framework appears to completely ignore (1) the nature and diversity of knowledge that is required within a modern economy as well as (2) the current distribution of such knowledge and skills among the South African population. The fact that knowledge required for the First World component of the economy is at present largely concentrated within the white community - the victims of discrimination under transformation - must mean that the framework's impact through legislative and other measures must result in the large scale misallocation of resources within the economy as a whole. But is such misallocation in the public interest at this stage of South Africa's economic development?

Observations and diverse lines of thought on this issue have led me to the conclusion that transformation will not just lead to greater inequality but is endangering, what is for Africa, an unusual, complicated and highly developed economic organisation that has taken more than a century to evolve. *The fundamental problem is that the framework has been build on two assumptions, one philosophical and the other historical, which conflict with the South African reality*. The flaw with the *first* assumption is its almost supernatural faith in human nature, while the flaw with the *second* is that it is founded on a selective view of history. The result is that the importance, diversity and the current distribution of knowledge, the ultimate resource within a modern economy, is not appreciated.

What is even more worrying is that the huge body of knowledge that used to be present in especially public institutions seem to have evaporated, because of the loss of institutional memory, which has resulted in many becoming dysfunctional. So instead of maintaining their first world character through the transfer of institutional memory to the beneficiaries of transformation, they have instead become decidedly Third World, characterised by corruption, maladministration and an inability to perform even the most basic of tasks.

The starting point for greater equality must be the absorption of millions of black citizens into the modern economy, because without that greater equality between the races will be unattainable. However, without efficient institutions in both the public and private sector with the capacity to expand quickly, that task will simply be impossible. And institutions can only be efficient if they draw on the best available resources. I am therefore convinced that the current notion of transformation, which misallocates resources on the basis of race, cannot be in South Africa's interest at this stage of its economic development. The flaw with transformation is to be found in its assumptions, principles and the characteristics, which emanate from them.

I shall use a holistic framework to make my arguments, which will be structured as follows:

- Explain the assumptions, principles and characteristics of transformation as a framework
- Point to their flaws
- Explain how those flaws impact on institutions
- Explain why the flaws will result in greater inequality
- Briefly give ideas on a different version of transformation

Let me make it clear that the transformation that I am concerned about is the dominant version that has to do with promoting racial equality. I will therefore largely ignore transformation that promotes equality between the sexes, greater opportunities for people with disabilities etc. However some of my conclusions with regard to knowledge and skills will have a bearing on those types of transformation as well.

THE ASSUMPTIONS, PRINCIPLES AND CHARACTERISTICS OF TRANSFORMATION

Definition

There is no definition of transformation that can be considered definitive. Definitions usually reflect the context in which transformation is to be applied, be it at institutions or different sectors of the economy or society. Nevertheless, *transformation can be defined as a framework that underpins policies and processes that aim to change South Africa's public and private institutions as well as aspects of national life so that they reflect the racial composition, characteristics and practises of the population as a whole.* Policies and processes aim to radically reduce the over representation of white minority within institutions as well as to change their institutional character and practises so as to be more reflective of the values and culture of the majority population.

Assumptions

Transformation as a framework is founded on two fundamental assumptions. *The first is a positive and relatively static view of human nature and the second is a selective view of history* in which Apartheid is assumed to be the prime reason for inequality between the different racial groups.

Transformation borrowed its *positive and relatively static view of human nature* from modern liberalism, which philosophical origins can be traced back to the Enlightenment. The philosopher Isaiah Berlin put considerable light upon this Enlightenment view of human nature and the doctrines that accompany it. Here he is in his essay 'The Counter-Enlightenment':

The central doctrines of [Enlightenment] thinkers, whatever their disagreements among

themselves, rested on the belief, ...that human nature was fundamentally the same in all times and places; that local and historical variations were unimportant compared with the constant central core in terms of which human beings could be defined as a species...; that there were universal human goals; that logically connected structure of laws and generalisations susceptible of demonstrations and verification could be constructed ...
 ...that methods similar to those of Newtonian physics, which had achieved such triumphs in the realms of ... nature, could be applied with equal success to the fields of ethics, politics and human relationships in general..... (Berlin, 1997)

The whole of liberal philosophy is based on the assumption that human beings are by nature rational and self-interested and that under conditions of freedom such behaviour will maximise the general well-being of society. This is a view that not only underpins modern liberalism, but also orthodox economics, where the assumption of predictable behaviour by economic agents under given stimuli, is at the very foundations of the discipline, accounting for the notion that its methods can be universally applied.

Transformation as a framework makes masterful use of this view of human nature as well as some liberal and economic doctrines emanating from it. To proponents of transformation the mere opportunities given by way of preferential policies will see human nature guide the previously disadvantaged to greater equality with their previously advantaged counterparts. This assumption has made it extremely difficult for liberals and orthodox economists to criticise transformation, because it will undermine their own assumptions as well as the reductionist nature of their frameworks.

The *second assumption* deals with the realities of modern South Africa and entails a selective view of history. Given the gross inequalities in income between the races the cause for such inequalities is traced to Apartheid. So given the uniformity of human nature it is assumed that without Apartheid these inequalities would not have arisen. Transforming the society and thus changing the reality requires major intervention so as to rectify the injustices, which restricted the natural abilities and potential of the majority of the population.

In other words, both the view of human nature and Apartheid impose on the mind a particular view of the South African reality and legitimise a particular notion of transformation as a framework to deal with that reality. The degree of legitimacy that it imposes on the mind is so powerful that advocates sometimes neglect to recognise or acknowledge contradictions within their arguments. An example of this is to be found in the Employment Equity Bill, which set out proposed laws that will discriminate against white males in the labour market. Here is Tito Mboweni, then Minister of Labour, setting out the boundaries for the debate:

Apartheid has left behind a legacy of inequality reflected in the disparities in the distribution of jobs, occupations and income. The government is of the view that it is necessary to redress these imbalances and to inculcate within every workplace a culture of non-discrimination and diversity. When it comes to jobs, training and promotion we want a fair deal for all workers.

...We want to build a South Africa with a diverse and representative workforce. We want to abolish discrimination in the workplace. Let this Bill be the subject of debate in every

workplace and by all workers and employers. (Government Gazette, 1997)

Principles

These assumptions have an important impact on the principles that guides transformation.

The first *principle is race*. The framework's understanding of the South African reality, analysis and policies are all framed within the racial categories inherited from Apartheid. Race is thus a crucial spectacle through which nearly every national policy should be conceived and described. Not surprisingly national debate, institutional reforms and even ordinary discussions are dominated by race.

The *second principle is the equality of racial groups*. This principle is derived from the first assumption about the universality of human nature. What it essentially implies is that the present inequality would not have existed if it was not for Apartheid, which discriminated against the black majority.

The *third principle is discrimination*. This principle legitimises discrimination, particularly against the white minority in order to "rectify the injustices of the past." In other words, discrimination is fundamental in bringing about equality between the races, which given the second principle and the assumption about human nature would not have been the case if it was not for Apartheid discrimination. The framework is therefore founded on a guiding principle that South Africa needs racial discrimination to rectify past racial discrimination.

These principles together with the assumptions therefore give to transformation a coherency in the abstract, which its proponents have used with great success during public discourse. The assumptions, principles and the object of equality, are especially difficult to argue against, particularly from a liberal perspective. However, much clarity about the potential conflict between the abstract and reality comes to the fore when examining the characteristics of the framework.

Characteristics

Firstly, transformation has a distinct *teleological character* in which the *telos* or purpose is the eradication of economic and social inequality between the races. Within this teleological nature of the framework Apartheid is axiomatic and acts as the starting point for a process of deduction that justifies policies aimed at transformation. To paraphrase Mboweni's argument above: Apartheid has caused inequality therefore we enact this legislation to rectify this inequality. It is assumed that equality will be reached by giving beneficiaries opportunities denied in the past.

What connects the axiom with the *telos* is human nature, which will make sure they will react to stimuli in the same way as the previously advantage group. The framework thus put enormous faith in human nature, by assuming that there will be no or little adverse results from transformation. The whole framework is thus held together by an article of faith with the belief that the *telos* will be the inevitable result.

The *second characteristic is its standard of evaluation*. Wherever it is applied its success or failure is measured by using a *quantitative approach*. However, this is not used to measure output or

efficiency. Instead data is derived from studying the racial makeup of institutions or racial distribution of resources as is the case with land. If these are found not be representative of the population then it means that they have not yet been transformed. Within institutions the emphasis is put on how representative they are throughout their whole hierarchy. Any statistics that show that an institution is dominated by the white minority will soon be under pressure to become more representative. So although the Springboks might have won the Rugby World Cup in 2007, the fact that they only had two non-white players and no ethnic African in the final means that they have not yet fulfilled the criteria of transformation.

A third characteristic is its notion of time. One of the most distinctive features of transformation is the tendency to set a timeframe within which transformation within an institution or a particular industry must take place. For instance with regard to land reform the government set a target that 30 percent of commercial farmland should be redistributed to the black majority by 2014. This target and timeframe has little regard for the body of knowledge and skills that need to be transferred so as not to impact on agriculture and food security.

A fourth characteristic is the perceived inevitability of transformation. Here the assumptions, particularly Apartheid, combined with the population profile, stressing the black majority, help to give the impression that there is no alternative to transformation as envisage by proponents. It also imposes on the mind a sense of fear that if transformation is not implemented the black majority will turn to violent revolt if inequalities continue. Transformation is thus inevitable.

A fifth characteristic is a peculiar mechanism, which transformation has borrowed from religious teleologies: charges of heresy and demonising of opponents who argue outside of its framework by daring to question either its *assumptions or telos or both*. If it is done by whites a charge of racism is invoked and if done by non-whites, a process of ostracising will be the result. Persons occupying a high position in either the public or private sector can kiss their career goodbye if they dare to question or criticise transformation. The effect is that debate is seriously curtailed and if it takes place it is sure to be within the framework of transformation. Those with views outside of the framework have to apply a form of self-censorship and only express their views in private.

The sixth characteristic is the hint of nationalism that permeates it. The idea that “Africans in particular” should be the main beneficiaries of transformation and that doctrines or policies should be followed, because they were proposed by Africans. This nationalistic tinge also underpins a desire for status and recognition. Views or advice of others are rejected, because they are not African and conflict with the view of the group or its leader. As Isaiah Berlin said of the outlook of nationalists “[it] entails the notion that one of the most compelling reasons, perhaps the most compelling, for holding a particular belief, pursuing a particular policy, serving a particular end, living a particular life, is that these ends, beliefs, policies, lives, *are ours.*” (1997)

So when culture and norms conflict with the functioning of modern institutions, they have to be accepted, because they *are ours* and institutions need to be transformed so as to reflect the culture and norms of the majority population. When the policies of government conflict with the best scientific evidence, they will still be pursued, because they were proposed by *our leaders*. The views of *our leader* are superior and will trump the views of the world’s best scientists even when the result is the needless death of hundreds of thousands due to AIDS.

THE FLAWS OF TRANSFORMATION AS A FRAMEWORK

Let me start with the *assumption of Apartheid* as the cause of inequality between the races. By making it the cause means that the framework was founded on a highly *selective view of history*. Apartheid definitely contributed to current inequality, but was not the only or even the ultimate cause. There were already major inequalities when Jan van Riebeeck arrived at the Cape in 1652. Let us pause for a moment to examine this early inequality.

Van Riebeeck arrived in South Africa with the aid of cultural developments drawn from vast regions of the world. His ships steered across the oceans with the aid of rudders invented in China, navigated the open seas with the help of trigonometry invented in Egypt, his calculations were done with numbers invented in India and his general knowledge was preserved in letters invented by the Romans. He arrived from a nation and continent with vast and expanding divisions of labour with multiple cities and with an intellectual tradition geared at the preservation and expansion of knowledge.

He came into contact with people at the Cape with cultural developments that were much circumscribed. With a division of labour that were limited to the extreme, with no written language no cities and towns completely isolated from the great cultural developments and interaction over many centuries, which took place between and within Eurasia and North Africa. Nearly two hundred years later when van Riebeeck's former countrymen beat the Zulus at Bloodriver, despite being vastly outnumbered, they could draw on European organisation and gunpowder invented in China.

The society and the economy of the African tribesman, who were the majority in the area making up modern South Africa, were the products of the most basic division of labour. They were essentially semi-nomadic pastoralists in which ownership of cattle played a major role in both the economic and social life of their communities. Crop production was of a minor significance which the division of labour relegated for women to do. Intensive arable farming common in Asia, Europe and parts of the Middle East was not practised, since it was the custom to abandon land whose productivity was declining and to cultivate virgin soil. The whole tribal economy depended on an abundance of land for its successful operation. The limited division of labour and the absence of writing mean that knowledge was limited with everyone sharing the same type of knowledge.

Inequality between whites and non-whites was thus present from the start. And the reasons for this inequality were the vast differences in knowledge, because of access to knowledge from two very different divisions of labour impacted upon by different cultural developments. The cultural developments were unequal and the outcomes were unequal.

What Apartheid did was to restrict access to that cultural universe and its vast body of knowledge. In that sense it was one of the contributing factors for today's inequality, but is not the ultimate cause. The vast inequalities that exist are due to the fact that the majority of the population have not yet accessed the resources in the form of knowledge and skills from the cultural and economic universe

that dominate the modern economy. Without this knowledge and skills and its application within the economy greater equality will never be attained.

The key here is knowledge and fundamentals at the core of people's worldviews. Knowledge and the worldviews that people use to interact within modern societies are the products of the expansion of division of labour as well as profound revolutions in human thought regarding attitudes to and interactions with nature, notions of causality, time and space. The body of knowledge and the rationalistic worldviews that dominate the modern western mind are the products from the Ancient World, the Renaissance, and Reformation, the Scientific Revolution, the Enlightenment, the Industrial Revolution and the great technological innovations during the past two and a half centuries.

Many of these developments predate Apartheid and even the arrival of westerners in South Africa. The problem with the use of Apartheid as a basic assumption of transformation is that it tries to legitimise a shortcut to equality of income and wealth by ignoring the importance of knowledge, skills and the rationalistic worldview, which is required to operate effectively in a modern economy. In short, income and wealth is to be had without the inputs or outputs required for that wealth.

Transformation's *assumption about human nature*, which it shares with liberalism and orthodox economics, and holds together its teleological framework, also does not appreciate the knowledge, skills and worldview needed to effectively navigate a manmade environment, especially when coming from a society with a limited division of labour that could not prepare its members for such radical change to the economic system.

This assumption puts great faith in human nature, but the environment within which human beings operate within a modern economy is artificial, bombarding them with numerous manmade stimuli, requiring systematic responses that are acquired through an elaborate and time consuming process of socialisation. Relying on human nature to bring about greater equality when millions among the black majority are the first generation to try and integrate into such an environment, without the aid of institutions that could perform the elaborate processes of socialisation, is like believing in a supernatural force on a par with a belief in magic.

Let us reflect on what has been achieved within South Africa, since the discovery of diamonds and gold during the second half of the 19th century, because that will tell us something about this unique manmade environment. Access to western knowledge, arrival of entrepreneurs, like Cecil John Rhodes, Barney Benato, etc, British civil servants in the form of Milner's *kindergarten*, capital, skilled labour and the institutional framework for an advanced industrial economy meant that South Africa underwent within a relatively short space of time - what is for Africa - an economic miracle. Under the guidance, since 1910, of a small minority within the white minority, large parts of South Africa acquired all the trappings of modern industrial state by way of the mass manipulation of nature by continued access to developments in Western countries.

When the ANC took over in 1994 they inherited the most advanced economy and infrastructure on the African continent. These were held together by sophisticated systems administered and maintained by public and private institutions in which senior civil servants and businessmen carried with them the values, knowledge, skills and experience passed down for from previous generations.

In other words, they were the guardians of institutional memory. What is crucial from our perspective is that this economic miracle on the southern tip of Africa through the mass manipulation of nature created a physical and institutional environment that was manmade.

Of course for a long time black South Africans were denied full participation in this manmade environment. But profound changes to South African society were already under way since the 1960s. These changes would probably have occurred decades earlier if Apartheid had not restricted the geographical and social mobility of black South Africans. The change that I am referring to is the final break-up of the traditional society, which for more than a century had a precarious existence alongside South Africa's expanding market economy. As the ideological cracks of the Apartheid system started to appear during the 1970s and 1980s, the complete break-up of the traditional society became inevitable. That break-up and the cracks gave to some black South Africans the opportunity to join the modern economy on an equal footing for the first time. Millions joined them when geographical and social restrictions were eventually lifted completely.

The key point here is that millions of black South Africans brought up in a Third World environment are the first generation inside its sophisticated market economy. They lacked the knowledge, skills and the core components of the worldview required to navigate this system. To expect them to respond to stimuli from that environment that conforms to liberal assumptions and the uniformities described by economists are to stretch faith in human nature a bit too far. However, to then also expect them to run the institutions that maintain that manmade reality of South Africa's market economy as effectively as their white predecessors, is pure and utter lunacy.

The *principles of race and discrimination* added to the framework's clash with reality. Discrimination against the white population means transformation is discriminating against the group in which knowledge is currently concentrated, which means against available scarce resources, something the nation can ill afford given its challenges. Greater equality will only be achieved if knowledge and skills are more widely distributed among the different groups. In short, the problem of inequality is due to the concentration of knowledge, which cannot simply be undone through discrimination. The only way to overcome that is with the black population acquiring knowledge and skills within efficient institutions as quickly as possible.

Also, by resorting to race, as a criterion for preferential policies, it clashes with individualism, which is an important principle for the effective operation of the market economy. Resorting to distribution of resources along racial lines will inevitably lead to market distortions impacting on efficiency. Sadly, by using race as a principle transformation has taken us back to our Apartheid categories.

Its teleological character, linking assumptions with a *telos*, is another flaw of transformation. It makes it difficult for proponents to think or reason outside of the framework. Teleological frameworks like these have generally a precarious relationship with reality. Adverse effects or failures will do little to convince or reduce the fervour of proponents. Instead, they will argue, using more complex deductive arguments, for more radical versions of the same teleology. Maybe the words of Isaiah Berlin sum up this particular characteristic of teleology best.

He wrote:

“... failure is excluded *a priori*, for at a ‘deeper’ level all processes will always be seen to culminate in success: and since there must always exist a level ‘deeper’ than that of any insight, there is in principle no empirical test of what constitutes ‘ultimate’ success or failure. Teleology is a form of faith capable of neither confirmation nor refutation by any kind of experience; the notions of evidence, proof, probability, and so on, are wholly inapplicable to it.” (1968: 55)¹

There is much evidence of this search for ‘deeper versions of transformation’ as data show that inequality is increasing. This urge for more complete versions of transformation has resulted in proposals for the nationalisation of mines and more radical redistribution of land, even though evidence show that land reform have taken vast tracks of land out of productive use.²

Under transformation statistics and timeframes become a curse. With no appreciation for quality in the form of knowledge and skills, and data only assessed on the basis of racial composition, institutions have a hard time choosing between transformation and greater efficiency. Transformation’s notion of time also has no appreciation of the sheer diversity of knowledge, skills and experience that a modern economy with an extensive division of labour requires and the different timeframes needed for it to be acquired, even in the same sector or institution.

The notion of *inevitability* and the *demonization* of opponents have had a debilitating effect on public discourse. Those with the most skills and experience are often forced into silence, creating a vacuum, which has increasingly been filled by nationalists, who have gained in confidence by urging more extreme versions of transformation. The tragedy here is that the framework leaves little space for rational discussion and debate. Everyone has to conform to the existing orthodoxy or suffer the consequences.

KNOWLEDGE AND INSTITUTIONS

To understand transformation’s impact let me give a brief description of the types of knowledge that normally makes a reasonably sized institution in both the public and private sector function effectively. I shall divide it into that pertaining to individuals inside institutions and that, which relate to the institution as a whole.

The individual and knowledge

The typical individual must have three types of knowledge to effectively operate inside the institution. *First* there is knowledge that is acquired through education. This knowledge is largely codified and can be found in textbooks or manuals. Within a specialised area it is the knowledge of technique or theories. This type of knowledge can also be acquired in codified form within institutions via codified systems and procedures. The *second* type of knowledge is practical knowledge, which the individual has acquired during his/her career. It includes knowledge of the application of systems and procedures of time and place, of people, local conditions, and of special circumstances etc. Much of this knowledge is not written down and is acquired through experience, especially within institutions themselves. Indeed, some are unique to the individual. The *third* type of knowledge is the person’s

¹ ‘Historical Inevitability’ in *Four Essays on Liberty*, 1968, p. 55 (Oxford University Press)

² D. de Jager, ‘Land Redistribution: The value of Commercial Agriculture in South Africa.’ *Solidarity Magazine*, 4 (31 July 2007)

worldview and refers to the framework of ideas, norms and beliefs through which an individual interprets the world and interacts with it. A person's worldview provides a framework within which the individual will use the first and second type of knowledge. Worldviews are acquired through socialization, education, experience and information.

The institution and knowledge

Let me use the Northcote-Trevelyan* categories to explain knowledge within an institution by dividing it up into two parts, the intellectual and the mechanical.

The *intellectual part* consists of knowledge pertaining to administration and general policy. It includes systems and procedures that integrate factors of production. Managers need this knowledge to design, amend and control systems. This requires unique knowledge of the institution as a whole, as well as specialized managerial areas. In addition, managers also need to have knowledge of the outside environment. But just as crucial is institutional memory, which is a collective set of facts, concepts, experiences and know-how, held by a group of people. As it transcends individuals, it requires the ongoing transmission of these memories between members within the institution. It is crucial in preserving the institution and protecting its identity and reputation. Institutional knowledge is gained by institutions translating historical data into useful knowledge and wisdom. Memory depends upon the preservation of data and also the analytical skills necessary for its effective use within the organization. To use Edmund Burke's dictum it links the living, the dead and future generations. How well this is done is dependent on the worldview of the managers.

The mechanical part consists of knowledge required to perform specialised functions within institutions. Individuals using this type of knowledge play the role of instruments within systems that were designed by the intellectual parts of the institution. Here both education and practical experience are important and a person's worldview is important for how efficient and trustworthy s/he is in conforming to systems and procedures.

THE IMPACT OF TRANSFORMATION ON INSTITUTIONS

Transformation of public institutions has followed a familiar pattern. A member from the previously disadvantaged is appointed to the position of director general or CEO, thereby immediately altering the intellectual part of the institution. The basis for the appointment is justified because he is qualified, which means the person has a certificate that attests to the possession of codified knowledge. Little appreciation is shown for either practical experience or the person's worldview.

Within no time and with supreme confidence a timeframe is set for radical transformation, which is deemed to be inevitable. The part of the institution that is immediately effected is the intellectual part, which sees the exit of senior and middle managers, leading to a catastrophic loss of institutional memory. Having little experience and understanding of the institution as a whole, radical change to policies, systems and procedures are introduced, leaving everyone in the mechanical part in a state of confusion, while existing systems start to disintegrate, because of a lack of controls.

□ Stafford H Northcote and C. E. Trevelyan in 1853 wrote a report that catalyzed in the development of the modern British civil service.

Having gotten his new fiefdom into a state of confusion, with continued strategies and policies of transformation, the new chief soon starts to display part of his worldview, acquired during early socialisation. Those virtues of the traditional society come to the fore with a process of recruitment and procurement underpinned with the values of kinship, friendship or regional or tribal affiliation. Formally the market is tested with adverts in the press, but the decisions have already been made.

Within a twinkling of an eye the institution no longer functions, like it did before. Inadequate controls and new systems that were badly designed start to adversely affect the institution. From both the intellectual and mechanical parts the most able staff that are left start to resign, frustrated by the breakdown in systems or the clear message that a glass ceiling have appeared, which diminish the chances of promotion.

Any systems that exist are difficult to control, because the culture has changed. Where systems previously were impersonal, they have now become personal. Reprimanding a staff member might just cause the displeasure of a relative or friend higher up the hierarchy who influenced an earlier recruitment drive. The institution soon becomes the battle ground for factions supporting different personalities who fight their battle with little regard for the institution. Within no time it becomes unable to perform even some of the most basic tasks. It is also not long before the media is filled with stories of infighting, maladministration and corruption.

The loss of skills and institutional memory is catastrophic with the institution suffering from an advanced form of what I like to call Institutional Alzheimer's. And in all this the real victims are the millions trying to integrate into the modern economy for the first time. The "lack of capacity" results in bad policy making, ineffectual implementation and maladministration. New recruits have no chance to acquire the institutional memory that existed before. The chains that link those who are dead with those yet to be born have been broken.

This has been the pattern throughout the public sector from departments of state to the lowliest municipalities.

POLICY PROPOSALS

The current notion of transformation must be abandoned and replaced with a version in which knowledge is paramount. It must thus be a qualitative process in which assessment is based on efficiency. The only quantitative link to the population must to make sure that enough jobs are created, because it entails the acquisition and transfer of knowledge. Transformation of this kind must be based on individualism.

In order to resurrect institutions that suffer from the disastrous effects of transformation the intellectual parts of institutions need to be restocked with the most able individuals from which ever race or wherever in the world they come from. If those special skills are lacking, import them, like South Africa did in early part of the 20th century. This will be a path to re-establish systems and controls within institutions. In the meantime recruitment for positions at the bottom of those intellectual parts must entail headhunting the most able students from our top universities.

There needs to be a serious change to the education system. The teaching of techniques and theories needs to be combined with actual knowledge of the vast cultural universe and the unique economic system in which many have entered for the first time. This must have the object of impacting on the worldviews of pupils and students. This role can best be performed by long established disciplines within humanities.

CONCLUSION

Transformation was founded on flawed assumptions and principles, because they clash with the South African reality. The result is that it completely ignores (1) the nature and diversity of knowledge that is required within a modern economy and (2) the current distribution of such knowledge and skills among the South African population. There is also little appreciation for the complex manmade environment that had been built up during the past hundred and fifty years. Greater equality between races will only be achieved through the spread of knowledge to the previously disadvantaged communities so that they can navigate that environment more effectively. But such a development must also be accompanied by a radical change in their worldviews.

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