OPINION / COLUMNISTS

Neva Makgetla

NEVA MAKGETLA: The frustrating power of small groups

They often seem able to have their interests prioritised over those of the entire society or economy

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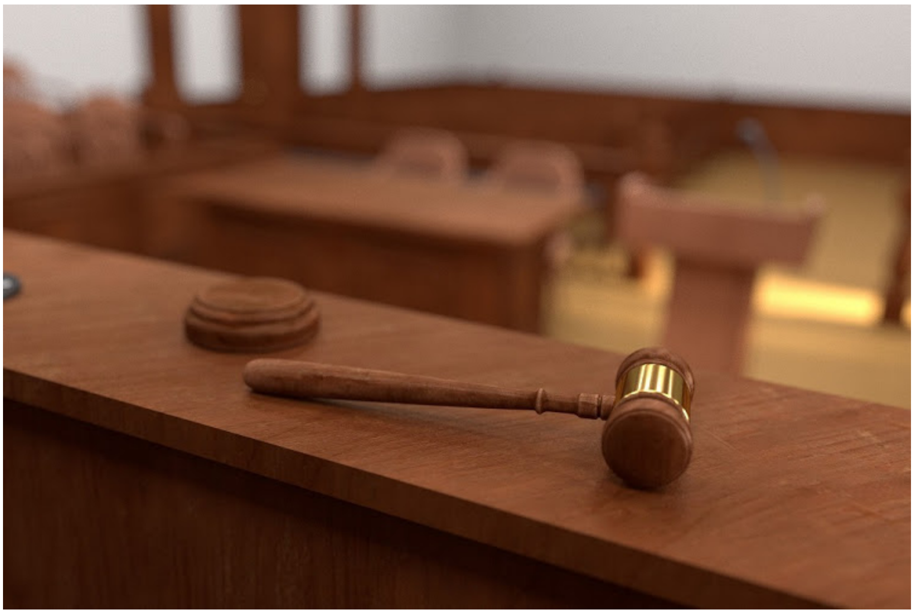

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One of the most frustrating things for policy wonks is how often measures that are in the national interest get blocked by small groups. The reasons are obvious. The benefits of a strategy to manage socioeconomic risks or initiate structural change may be huge, but are usually spread out over many people, intangible and delayed.

In contrast, the costs to a few companies — and their workers and communities — are often high, visible and immediate. Faced with targeted protests, politicians may find it easier to back down altogether instead of exploring ways to mitigate the burdens on affected groups. These easy, short-run decisions often ultimately entail far higher costs for the economy and society.

The climate crisis is the most notorious example. Already, it has imposed enormous costs on SA through droughts and flooding. And we are not innocent bystanders. Per rand of GDP, greenhouse gas emissions in SA are 80% higher than in other upper-middle-income economies excluding China, largely because we are far more dependent on coal.

Measures to limit coal use would help to tackle the climate crisis, mitigate the risk of international restrictions on SA's exports, and generate new investments and jobs to build clean energy systems. For most people, however, these benefits are abstract. In contrast, developing cleaner, more competitive energy sources inevitably cuts into profits from the coal value chain.

In response, the affected businesses, from Eskom to the coal transporters, have delayed and weakened every proposal. Yet as a whole, from mines to refineries, the coal value chain directly contributes 5% of the GDP and 1.5% of employment. And the costs of inaction are mounting rapidly.

A similar dynamic has emerged around the Covid-19 pandemic. There is growing evidence that the higher the infection rate, the deeper the economic depression and the slower the recovery. The main reasons are that, as cases escalate, household demand plummets and businesses face mounting costs on workplace infections. In consequence, from the standpoint of economic growth and job creation, legal restrictions on high-risk activities — notably bars and other in-door entertainment — are a necessary trade-off.

Yet in SA, as internationally, the affected businesses often undertake no-holds-barred lobbying to stay open. In effect, they demand that we risk the whole economy to save their livelihoods. Yet bars, for instance, directly generate less than 1% of employment, and tourism as a whole less than 4%.

Yes, restrictions to limit contagion impose real burdens on high-risk industries. But it makes more sense to provide additional funds to cushion the affected small businesses and workers than to encourage activities that, however enjoyable today, pose a threat to the entire economy.

In SA, two factors compound the effect of lobbying by small economic interests. First, SA faces an imbalance between political democracy, which aims to empower every voter equally, and the economic structure, which is one of the most unequal in the world. That opens the door to businesses to use their economic power as well as their legal and communications capacity to influence political decisions.

Second, the government's economic authority is fragmented among national departments divided largely on industry lines; autonomous regulators; parastatals; and the provinces and municipalities. These divisions enable businesses to forum shop, replicating the contestation in society within the state.

Where economic development strategies have succeeded, they have generally managed the challenge of lobbying by moving beyond technocratic, theoretical approaches. Instead of sticking to textbook solutions, they have found ways to identify the affected businesses, workers and communities and help them manage the costs of change.

In some cases, that means accepting second-best measures — but that is preferable to letting small lobby groups block necessary policies altogether.

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

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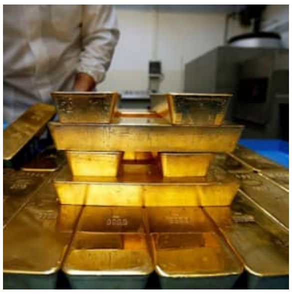

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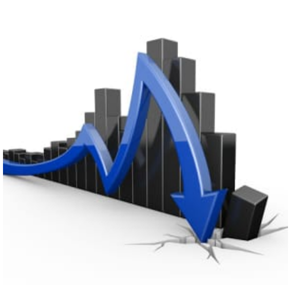

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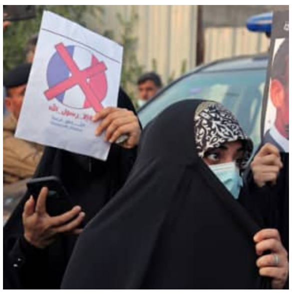

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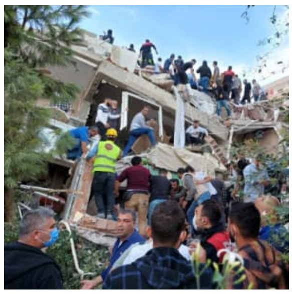

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