

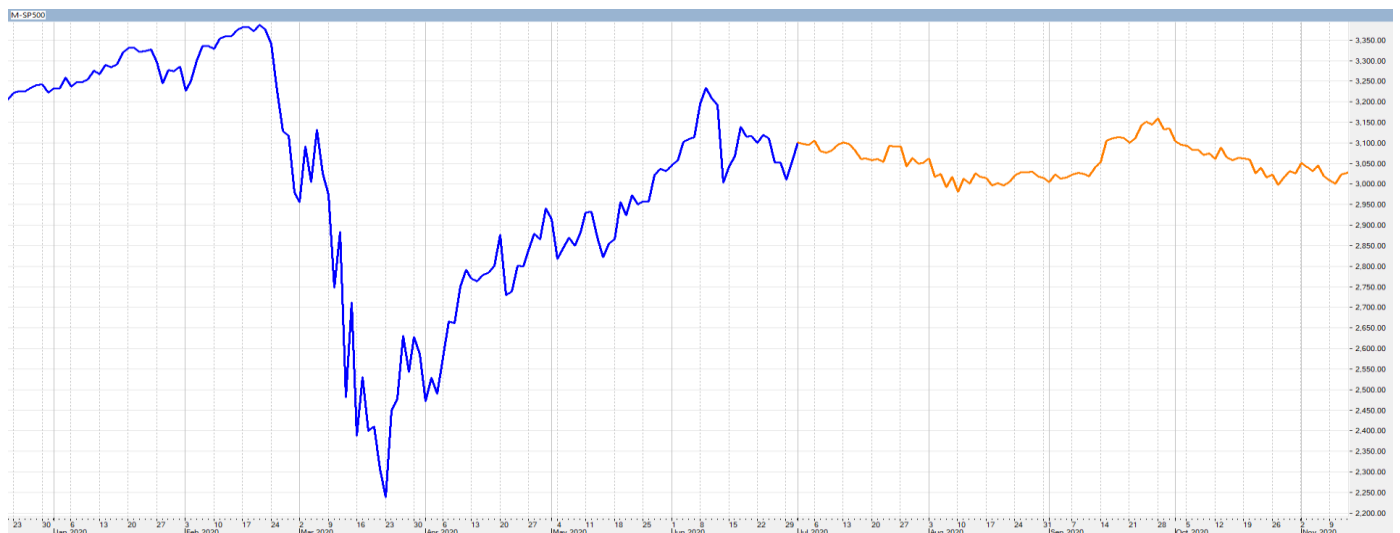


Wall Street was cock-a-hoop this week after the most representative indicator of share market behaviour, the Standard and Poors 500 Index ended the second quarter of the year up 20 percent; its biggest quarterly gain since 1932. Then came the news that the US had added 4.8 million jobs in June, ahead of market forecasts of 2.9 million, while the unemployment rate fell from 13.3% to 11.1%. And, to cap it all there have been signs that domestic demand is growing in mainland China.

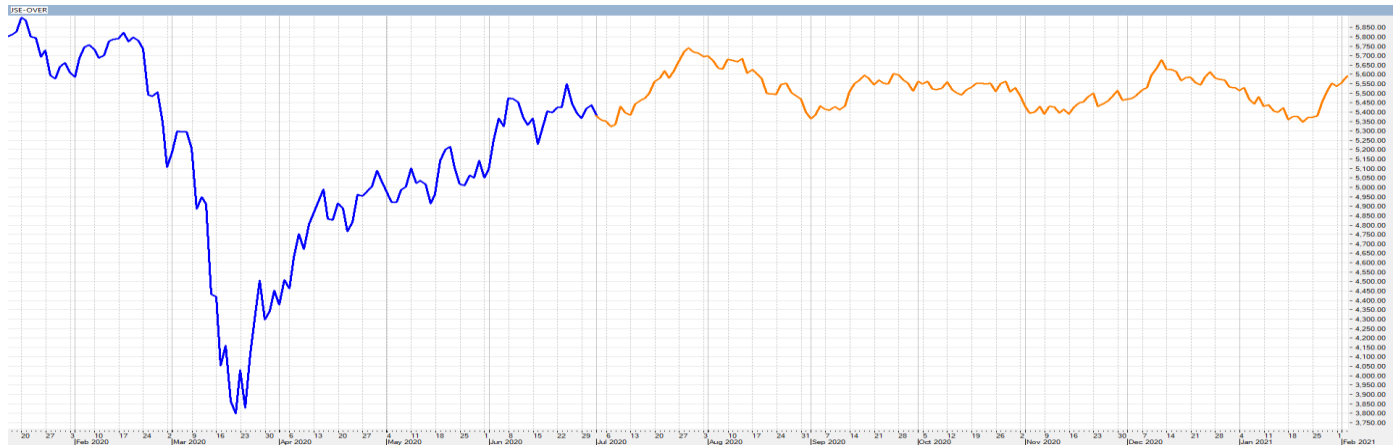
Though the index is still down about 4 percent on the year, according to S&P the last time there was a bigger quarter-to-quarter swing was back in 1932. The perplexing thing for many observers is, however the analysis estimate that the profits of blue-chip American companies fell 44 percent in the second quarter and earnings are expected to continue sliding in the second half of the year, ending with a 22 percent drop.

They are, however, flying blind, since many companies have stopped providing earnings guidance, citing the uncertainties of the pandemic. Nearly 200 companies in the S&P 500 have withdrawn their customary forecasts for the year and half as many companies as usual are providing quarterly earnings guidance.

My first graph today therefore tracks the S&P500 Index since the start of the year to illustrate the full extent of the recovery since Wall Street bottomed on March 23 and, as I have recently been predicting, it adds ShareFinder's projection that the down-trend which began on June 9 is likely to continue at least until early August before the next up-trend is probable:



Here in South Africa, the economic outlook is probably even more dire with economists labelling Finance Minister Tito Mboweni's interim budget as improbable and that sentiment has been echoed by the ratings agencies which are now expecting the country to run into a debt crisis within a few short years if the Government continues to ignore all the warnings it has lately been offered. Accordingly, it is equally remarkable that the JSE Overall Index has completely mirrored Wall Street and, furthermore, ShareFinder's projection for the future is a similar mirror image:

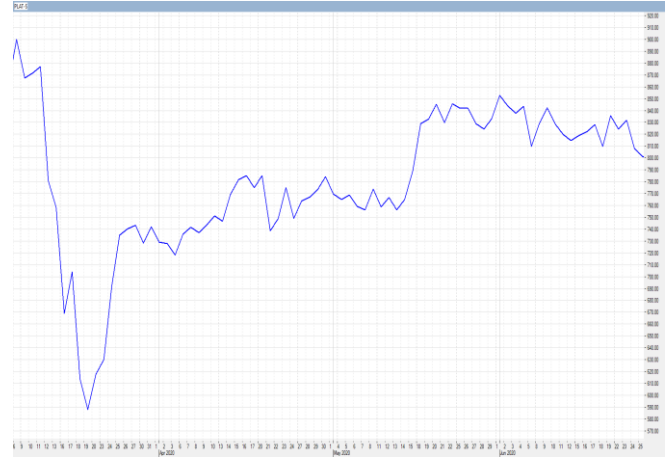
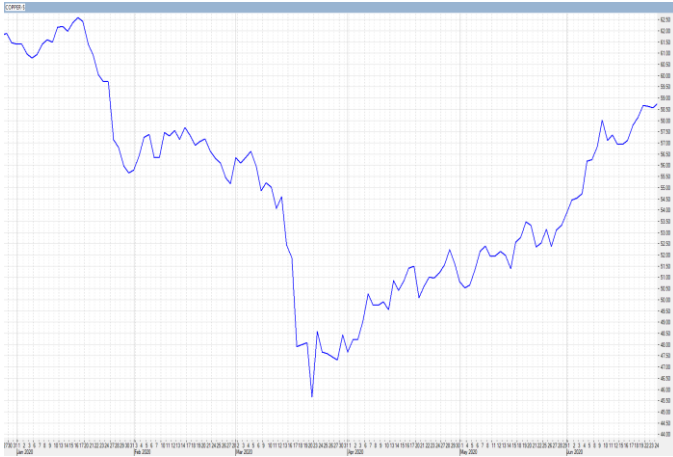


Well we should not be surprised that there is such a disconnect between corporate profitability and the performance of equities in both of these markets and, indeed, in most markets worldwide. The new reality is that investors know that whenever a systemic crisis occurs, the world's central banks will ride in to the rescue with tidal waves of cheap money which in all other circumstances would have led to subsequent massive waves of inflation. After all, simple Keynesian logic tells us that if you create money out of thin air, both commodities and hedge investments like precious metals will rise in value to compensate....and share prices will soar!

So, let us consider the gold price as the ultimate arbiter of monetary value. On the left below I have depicted the price of gold in US Dollars since the onset of the last major monetary crisis in 2007. My red trend lines indicate that gold grew in value at a compound average annual rate of 27.5 percent annually between early 2007 and September 2011. Note, furthermore, that the yellow metal anticipated the current crisis, this time rising at an annualised rate of 25.2 percent from August 2018. In the graph on the right, I have tracked the gold price in Rands and, predictably the trend lines were steeper at a compound growth rate of 30.3 percent in the post 2007/8 monetary crisis for in our case the Rand was also losing value relative to the dollar. The gold price gain since early 2018 to the present was similarly steeper at 42.7 percent compound. Indeed, in Rand terms gold has gained at an annual rate of 16.4 percent since 2007 while, over the same period, the JSE Overall Index only gained at 6.8 percent compound though it did simultaneously pay a 3 percent average dividend adding up to a 9.8 percent total return.



The big question that seems to flummox investors is whether the share market V-shaped recovery is in any way rational for it appears to be an unrealistic portrayal of the prospects of a global economic recovery any time soon. So, it is important to turn to some basic commodity prices which generally give us a good indication of how global industry is faring. So, note on the left below the dollar price of copper is also demonstrating a V-shaped recovery having gained 28.7 percent since March 23. Platinum, on the right, has gained 36.34 percent.



And, of course, everyone is aware of the 165.8 percent recovery of benchmark Brent crude oil from a low point of \$25.71 on March 30 to \$42.62 last week. So, nobody needs to doubt that the world is recovering rapidly.

Indeed, if we look at the copper price over the past five years and add in ShareFinder's price projection for the rest of this year, the outlook is for a burgeoning recovery towards the peak of the last cycle in June 2108 when, driven by the longest industrial recovery in US history, the metal briefly touched \$72.58.



And thus, we get an inkling of what comes next. I have long believed the world has over-reacted to the pandemic, but I am also critically aware that global debt is reaching unprecedented peacetime proportions under the pressure of the war on the virus.

Having risen across all sectors by over \$10 trillion in 2019 to top \$255 trillion, global debt is now at over 322 percent of GDP. That is 40 percentage points (or \$87-trillion) higher than at the onset of the 2008 financial crisis.

Gross government debt issuance hit an all-time monthly record of over \$2.1-trn in March (\$3.2 trillion including other sectors). Using a simple top-down estimation, if net government borrowing doubles from 2019 levels—and there is a 3% contraction in global economic activity (nominal terms)—the world's debt pile will surge from 322% of GDP to over 342% this year.

According to the Institute of International Finance, governments have accounted for the lion's share of the rise in global debt since 2007—from less than \$35 trillion to \$70 trillion in 2019. While the U.S. and China accounted for over half of this increase, over 85% of the 52 countries in their sample now have higher government debt-to-GDP ratios than before the 2008 financial crisis.

Of note, Spain, the UK, Japan, France, Italy, and the U.S. have all seen a surge over 40 percentage points. Across emerging markets, the rise has been over 25 percentage points in South Africa, Chile, Brazil and Argentina while Turkey and India saw a modest drop.

Household debt now tops \$48 trillion, up from \$35 trillion in 2007. Switzerland, Denmark, Norway, Canada and the Netherlands have the world's most indebted household sectors relative to GDP. The build-up in household debt has been sharpest in China (up 35%) and Norway (up 30%) since 2007.

Non-financial corporate debt has surged over 70% since 2007 to near 92% of GDP (\$74T). Non-financial corporate debt-to-GDP ratios are at or near record levels in Canada, Chile, France, Philippines, Singapore, South Africa, Switzerland, UAE and the U.S. With high-debt corporate sectors facing serious refinancing risks, firms with limited cash buffers are highly sensitive to prolonged disruption.

Economists accordingly talk about “The Great Reset” which will likely happen within the next year or two when all government revenue is insufficient to meet their borrowing costs. At that stage one might imagine, for example, the US Congress requiring the Federal Reserve to buy Treasury debt. Though such a thought has already alarmed our own Reserve Bank, the fact is that the Bank of Japan is already doing it. The BOJ has well over 140% of Japanese GDP on its balance sheet. It is now, like the Swiss National Bank and the ECB, buying equities and private debt in order to push money into the economy, with seemingly no consequences because interest rates are being suppressed by the quantity of money that has been created.



Our launch last week of a new venture aimed at offering some light reading in the Covid-19 era, the first issue of a collection of Richard Vane novels, has seen many of you downloading the free trial. So please let us have some feedback. Do you want us to release more? **Write to:** support@rcis.co.za

If you have not yet done so why not try the free download of the first 50 pages. [Click here to download the opening chapters.](#)

If you then wish to read on, at a cost of \$5, [Click here](#)

We in South Africa have been the painful witnesses of the ultimate outcome of such monetary policy in Zimbabwe and watched it turn the breadbasket of Africa into a begging bowl that has made refugees of the majority of its people.

Once politicians realize they can tap the central banks, the dire consequence will regrettably not be immediate. It takes time for the consequences of monetary mismanagement to manifest themselves and so politicians have usually thought they have got away with it...at least until someone else is in office and has to deal with the problem. In the end, however, once politicians conclude there is no need to balance the budget, monetizing their debt inevitably leads to a crisis of soaring inflation which in turn leads to the problem of stagflation such as the world experienced in the 1970s.

Those who remember that era will recall that it was not a fun time to be around...and it is likely to worsen this time around!

Have a good weekend!

The month ahead:

New York's SP500: I correctly predicted that, amid much volatility, it was likely to be down-hill until early August followed by a seven-week run-up to the end of September before another down-trend begins.

London's Footsie: I correctly predicted the decline which I still see lasting until early August followed by a recovery trend lasting until mid-October and then down until late January.

Germany's Dax: I correctly predicted a decline which I still lasting until mid-August followed by gains until the second week of October and then a final run down until early December.

France's Cac 40: I correctly predicted volatile gains which I now see lasting until the latter part of this month followed by a shortish decline into mid-August and then another recovery trend until late September.

Hong Kong's Hangsen: I correctly predicted the start of a long volatile recovery until the end of December when the next down-turn is likely but with some interim weakness which I correctly predicted was likely to begin about last week. Now the recovery begins.

Japan's Nikkei: I also correctly saw a brief up-tick followed by a fresh down-turn likely to begin mid-week until early August ahead of the next short up-surge until around the third week of September and then down-hill again until mid December.

Australia's All Ordinaries: I correctly predicted an up-surge until July 15/20 and then downhill until the second week of August before the last up-surge until mid-September.

JSE Industrial Index: I correctly predicted a volatile decline which I expect to last until late June followed by a recovery which is now under way and likely to last until the end of July ahead of a decline until late August.

JSE Top 40 Index: I correctly predicted a recovery until late July/early August and then a decline until the end of August before another recovery until mid-September.

ShareFinder JSE Blue Chip Index: I correctly predicted declines until the first week of July followed by volatile gains until late July ahead of a long decline bottoming in late January.

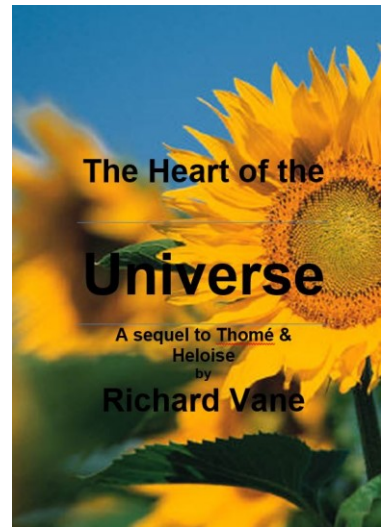
JSE Gold shares: I correctly predicted gains until + - July 9 before the next down-turn until the second week of August when the next month-long recovery is likely.

Gold Bullion: I correctly predicted the continuation of a long recovery likely to continue well into 2021.

The Rand/US Dollar: I correctly predicted gains as part of a volatile sideways to strengthening trend until late August when the next weakness is likely.

The Rand/Euro: I correctly predicted brief weakness until mid-June followed by a volatile recovery trend which I still see lasting until the end of October.

The Predicts accuracy rate on a running average basis since January 2002 has been 85.86%. For the past 12 months it has been 96.5%.



Richard Cluver

Economists ask Parliament to reject Budget

First published by [GroundUp](#) & The Daily Maverick

Attention: Standing Committee on Finance

We are writing as a group of economists and economic policy analysts to recommend your rejection of the Supplementary Budget tabled by the Minister of Finance on Wednesday 24 June 2020.

The Budget reneges on President Cyril Ramaphosa's R500-billion rescue package announced on 21 April 2020. The Budget undermines the constitutional obligation to progressively advance the rights of all.

As we noted in our [Open Letter](#) to the President on 30 March 2020, South Africa faces an unprecedented crisis. That crisis has become clearer. The Minister projected a fall in GDP of 7.2%, and estimates of jobs at risk vary to as high as two million. Millions will be plunged deeper into poverty.

In this context it would be a dereliction of duty for Committee Members to vote in favour of a budget that reduces government expenditure by R230-billion over two years when the country needs a targeted injection of resources to mitigate the damage caused to households, workers and businesses by the Covid-19 crisis.

This comes on top of previously announced cuts in the 2019 MTBPS and 2020 National Budget.

The rescue packages

As noted by both the President and Minister of Finance the purpose of the Supplementary Budget was to give effect to the R500-billion rescue package announced on 21 April 2020.

The Budget, however, fails to do so. Instead of R500-billion, the Budget presents a net increase to non-interest spending in the current year of just R36-billion. This is because, of the R145-billion targeted at Covid-19-related expenditure, R109 billion is funded through the suspension of baseline allocations and reprioritisations.

Five \$ Publishing is delighted to offer you another novel by Richard Vane, a sequel to the story of Thomé & Heloise, his sensitive examination of teenage sexuality. In the Heart of the Universe, we meet an adult Thomé who is confronting some of the greatest challenges of the 21st century.

To download the four opening chapters, [Click Here](#).

If you then wish to read on, at a cost of \$5, [Click Here](#).

This naturally undermines critical aspects of the rescue package:

- **Social security:** The President announced a R50-billion allocation towards social grants. The Budget allocates R41-billion of which only R25-billion is new spend. This is on top of the implementation failure of the new Covid-19 grant and the irrational restriction of the Child Support Grant “top up” to caregivers rather than per child.
- **Job protection and creation:** Only 6% of the President’s R100-billion is allocated for 2020/21. This comes largely from budget reprioritisation, including from existing funding related to small business support and unemployment reduction.
- **Health:** The Budget provides only R2.9-billion in net new funds for health spending. Although the President’s R20-billion allocation is increased to R21.5-billion, this comes largely from a reprioritisation of existing health spending.
- **Municipal support:** R20-billion remains allocated to support municipalities in providing proper water and sanitation, sanitary public transport, food provision, and accommodation for the homeless. R11-billion comes through an increase to local government’s allocation, and R9-billion through the reprioritisation of existing municipal budget expenditure.
- **Wage support (TERS):** The R40-billion allocated to the Temporary Employer/Employee Relief Scheme from Unemployment Insurance Fund surpluses remains in place. Thus far, less than 30% of the workforce has been supported with 60% of the budget used, highlighting the inadequacy of the allocated budget.
- **Credit guarantee scheme:** The R200-billion in off-budget credit guarantees remains in place. According to National Treasury, R10 billion has been accessed, a fraction of the need.
- **Tax relief:** R70-billion in tax deferrals were expected. Thus far a tax shortfall of R26-billion is reported potentially indicating little of the R70-billion has been accessed. Small and medium businesses have struggled to access these programmes.

The National Treasury originally lauded the rescue package as injecting spending of 10% of GDP (Gross Domestic Product) into the economy, visually presenting South Africa in relation to other countries in its presentations of the package to position the package positively in comparison with international norms. The Budget goes nowhere near meeting this target. New spending this financial year constitutes less than 1% of GDP.

It is difficult to interpret this Budget in any other way than as a violation of both the spirit and letter of the President’s announced package.

Reprioritised and medium-term expenditure

As noted, the Budget reduces planned expenditure by R230-billion over two years. It also reduces a number of 2020-21 allocations so that funds are reallocated towards Covid-19 expenses. This is at a time when most governments globally are recognising the need for countercyclical measures to offset the economic impacts of Covid-19 and associated lockdowns.

The current approach leaves the government unable to ensure service delivery and advance the socio-economic rights guaranteed in the Constitution.

Examples of particularly dangerous reductions include:

- **Basic education:** R2.1-billion has been cut from the Department of Basic Education’s budget reducing funds for longer-term projects like school buildings and support for maths, science and technology. A further R4.4-billion has been reallocated from these grants to cover Covid-19 expenditure.
- **GBV:** There are no additional funds allocated towards tackling Gender Based Violence.
- **Transport:** Cuts of R4.6-billion, including to the provincial road maintenance grant, the planned transport network grant, and the embattled Prasa.
- **Higher education:** Close to R10-billion cuts to higher education and training (includes science and technology and innovation) threatening skills development; research into vaccines; retrofitting of machinery to produce ventilators; and other innovations which are needed now more than ever.

- **Human Settlements:** A reduction of R2.3-billion from human settlements weakening our ability to tackle the material circumstances that create greater vulnerability to health risk.
- **Agriculture, land reform and rural development:** A reduction of R2.4-billion limiting our ability to transform the agricultural sector and further entrenching the rural/urban divide with regard to access to services.
- **Department of Mineral Resources and Energy:** A reduction of R1.5-billion to the programme that focuses on connecting households and utilising non-grid solutions to provide energy, at a time of crisis within Eskom, rising tariffs, and the need for a transition to renewables.

The alternatives

We appreciate that budgeting is, at the best of times, a delicate process.

We submit that in the current crisis the Budget should be guided by the need to support the public health response and keep businesses afloat, workers employed and incomes in the pockets of the poorest.

The potentially catastrophic economic crisis that would result from failing to achieve these objectives, would see the economy shrink, tax revenue plummet and public debt soar. Failing to undertake the necessary expenditure now leads to worse, not better, public finance outcomes.

Alternative approaches to those taken by the Minister have been widely articulated, including by previous senior National Treasury officials, leading economists, trade unions, business formations and civil society organisations. These would involve significant increased expenditure in the areas identified within the rescue package and could be financed through some combination of solidarity taxation, increased borrowing, mobilising domestic quasi-public funds and reserve bank action.

The Budget presented betrays the rescue package announced by the President and threatens the viability of our economy and the lives of millions, in the short and medium term.

We call on the Committee Members to reject the Budget.

Yours Sincerely,

Signed by the names as below.

1. Dr Gilad Isaacs – Co-Director, Institute for Economic Justice, and Lecturer, University of the Witwatersrand
2. Dr Pali Lehohla – Pan African Institute for Evidence and the former Statistician-General
3. Dr Lorenza Monaco – Senior Lecturer, University of Johannesburg
4. Professor Mark Swilling – Distinguished Professor of Sustainable Development, School of Public Leadership, Stellenbosch University, Stellenbosch University
5. Busi Sibeko – Researcher, Institute for Economic Justice and Steering Committee Member, Budget Justice Coalition
6. Lumkile Mondi – Senior Lecturer, School of Economics and Finance, University of the Witwatersrand
7. Niki Cattaneo – Senior Lecturer, Rhodes University
8. Neil Coleman – Co-Director, Institute for Economic Justice
9. Professor Vishnu Padayachee – Distinguished Professor and Derek Schrier and Cecily Cameron Chair in Development Economics, School of Economics and Finance, University of the Witwatersrand
10. Carilee Osborne – Researcher, Institute for Economic Justice
11. David Fryer – Senior Lecturer, Rhodes University
12. Nolithando Mkhize – Student, North West University
13. Dr John Reynolds – Senior Researcher, Rhodes University
14. Michael Nassen Smith – Assistant Lecturer, University of Cape Town
15. Dr Loyiso Mbabane – Senior Research Fellow, Institute for Economic Research on Innovation (IERI)
16. Dr John Khumalo – Senior Lecturer, University of the Witwatersrand
17. Lebohang Liepollo Pheko – Senior Research Fellow, Trade Collective
18. Professor Rasigan Maharajh – Chief Director, Institute for Economic Research on Innovation

19. Funzani Mtembu – Investment Analyst, Academics in Solidarity with Free Education
20. Dr Ilan Strauss – Senior Research Associate, University of Johannesburg
21. Professor Matthew Ocran – Deputy Dean, Faculty of Economics and Management Science
22. Dr Vishwas Satgar – Associate Professor, University of Witwatersrand
23. Segametse Dikolomela – Director, Atlegang Holding Group
24. Dr Bheki Mfeka – Director, SE Advisory (Pty) Ltd
25. Pregs Govender – Author & Writer
26. Dr Jeff Rudin – Research Associate, Alternative Information & Development Centre
27. Professor Christopher Malikane – Associate Professor, University of the Witwatersrand
28. Palesa Shipalana – Head of the Economic Diplomacy Programme, South African Institute of International Affairs
29. Cheryl-Lyn Selman – School of Economics and Finance, University of the Witwatersrand
30. Dante Mashile – Public policy analyst, On Trend Media (Pty) Ltd
31. Professor Pundy Pillay – Professor of Economics, Wits School of Governance
32. Siyaduma Biniza – Executive Director, Political Economy Southern Africa
33. Dr Zavareh Rustumjee – Independent Consultant
34. Dr Dick Forslund – Senior Economist, Alternative Information & Development Centre
35. Dominic Brown – Economic Justice Programme Manager, Alternative Information & Development Centre
36. Professor Andrew Maredza – Associate Professor, University of Mpumalanga
37. Professor Ben Fine – Emeritus Professor of Economics, School of Oriental and African Studies, University of the Western Cape
38. Laura Brooks – Economist, Ilifa Labantwana
39. Mandlakapheli Sishi – Labour Research and Education Practitioner, Labour and Social Studies Group
40. Professor Dori Posel – Distinguished Professor & Helen Suzman Chair, University of the Witwatersrand
41. Dr Nicolas Pons-Vignon – Senior Researcher, University of the Witwatersrand
42. Dr Asghar Adelzadeh – Director and Chief Economic Modeller, Applied Development Research Solutions (ADRS)
43. Isobel Frye – Director, Studies in Poverty and Inequality Institute (SPII)
44. Sacha Knox – Senior Researcher and Budget Analyst, Studies in Poverty and Inequality Institute (SPII)
45. Professor John Sender – Emeritus Professor of Economics, SOAS, University of London
46. Redge Nkosi- Research Head & Executive Director, Firstsource Money
47. Shaeera Kalla – Researcher, C19 People's Coalition
48. Professor Bill Freund – Professor, Human Sciences Research, University of KwaZulu-Natal
49. Nikhil Jinabhai – Student, University of the Witwatersrand
50. Professor Ruth Hall – DST/NRF Chair in Poverty, Land and Agrarian Studies (PLAAS), University of the Western Cape
51. Sibulele Nkunzi – Lecturer, University of the Witwatersrand
52. Joshua Budlender – Economics PhD candidate, University of Massachusetts, Amherst
53. Ihsaan Bassier – PhD candidate, University of Massachusetts, Amherst and Southern African Labour and Development Research Unit
54. Nasreen Ameen – Lecturer, University of the Witwatersrand
55. Dr Mulatu F. Zerihun – Senior Lecturer, Tshwane University of Technology
56. George Kean – Independent
57. Dr Basani Baloyi – Inequality Programme Lead, Oxfam South Africa
58. Professor Chris Callaghan – Professor, University of the Witwatersrand

The stalemate in Tshwane is a manifestation of coalition arrangements that serve the partisan interests of parties, to the detriment of citizens. They prove that political parties should not be trusted with running cities. The solution lies in citizens ditching political parties, to end or lessen their stranglehold on municipalities. But what should the political parties' system be replaced with?

First published in the [Conversation](#)

The City of Tshwane, home to South Africa's government and foreign diplomats, has been rocked by political turmoil [for nearly a year](#). The squabbling between political parties has meant that the city council is "unable to conduct its business and cannot serve its residents". This was [according to a judge](#) when the city's problems ended up in the High Court.

The city has been run by a coalition of minority parties cobbled together by the Democratic Alliance (DA), the main opposition to the governing African National Congress (ANC). Coalition arrangements were first made after the [2016 municipal elections](#) when smaller parties banded together with the DA to keep the ANC out of power. The coalition has had a torrid three years, finally collapsing earlier this year.

This jockeying for power by the parties has led to a failure to elect a mayor and to appoint a municipal manager, with dire consequences for the provision of municipal services.

As the saga dragged on the provincial government stepped in and placed the city council under administration. That decision was successfully contested by the DA, which accused the ANC-led provincial government of ulterior motives.

The stalemate in Tshwane is a manifestation of coalition arrangements that serve the partisan interests of parties, to the detriment of citizens. They prove, in my view, that political parties should not be trusted with running cities. The solution lies in citizens ditching political parties, to end or lessen their stranglehold on municipalities. But what should the political parties' system be replaced with?

The answer may lie in the Spanish idea that ["democracy begins where \(people\) live"](#). This is embodied in the notion of [new municipalism](#). This nascent system of managing urban affairs asserts the autonomy of the local government.

The new municipalism movement includes re-imagining cities as embodiments of social justice, the custodians of the common good, and the means to make residents the fulcrum upon which the management of urban affairs revolves. The approach has been tried in Barcelona, with some success. Other examples abound across the world.

How the dysfunction began

The DA and the Economic Freedom Fighters (EFF) agreed to enter into a coalition arrangement when the EFF won 11.63% of the vote in the city in 2016. The DA-led coalition governed with 45.87% of the total votes of council. This translated into a total of 99 seats. In the opposition benches, the ANC [held 89 seats](#).

The DA-led coalition was vulnerable to the EFF's political capriciousness as the kingmaker. In addition, their ideological differences meant that the two parties made the most unlikely partners from the start.

Things turned sour when the DA refused to support the EFF's radical land policy in the country's national parliament. As a result the EFF decided to [oust](#) DA mayors in metropolitan councils that had secured their positions through coalition arrangements.

This was hardly a year after the parties had established their pact.

The ANC exploited the fallout and the political wrangling became inordinately protracted. The ANC and the EFF frequently staged walkouts or stayed away from council meetings, robbing them of quorums. This led to the council collapsing. Because of this, important decisions on the running of the city's affairs could not be taken.

Numerous blunders of its own, especially leadership indiscretions in the municipality, added to the DA's woes. This started under its first [mayor, Solly Msimanga](#), and continued under his successor, [Stevens Mokgalapa](#).

Legal slugfests

The parties' inability to coexist amicably has seen the courts being used in political slugfests.

The courts are the custodians of the rule of law in a constitutional democracy. Thus, it's no surprise that political parties take legal action against one another to settle disputes. But in many instances cases have bordered on [vexatious litigation](#).

In addition, courts shouldn't be called on to fix problems caused by the failure of political parties to deliver local democracy and serve the interests of local residents. Legal solutions to political questions do not always bring lasting political solutions.

Hence the recent ruling by the Gauteng High Court, which found that the Gauteng government's decision to dissolve the Tshwane city council was [unlawful and set it aside](#), won't end the governance crisis in the city.

Instead, the focus should be on stopping parties from holding municipalities to ransom. This is the function of political processes, not the courts.

Not only have the parties in Tshwane bastardised local democracy, they have also imperilled the very idea of a developmental local government.

A White Paper on local government drawn up two decades ago defined a developmental local government as one that was [committed to](#):

working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of lives.

Democracy in a context of developmental local government means ["returning power to the ordinary people"](#).

But this is not possible when parties put their own partisan power interests above those of citizens, as shown by the paralysis in the running of Tshwane.

The Solution

Ada Colau became the first woman mayor of Barcelona in 2015 as part of [Barcelona en Comu \(Barcelona in Common\)](#), the citizen-led platform that took power from a political caste that had ruled the city for four decades.

The idea of citizen-led city leadership – as opposed to party-led leadership – has gained momentum ever since. In 2017, for example, the new urban movement convened in Barcelona under the banner of [Fearless Cities](#) embraced the [new municipalism](#) as the theoretical construct for the pursuit of citizen-led city leadership.

This trend counteracts the party system, which [concentrates power in the political elites rather than the citizens](#). New municipalism ensures local democracy, which the party system sometimes fails to deliver.

Local democracy should be citizen-centred. The Greeks called this *demos*, which meant "the body of citizens collectively". Political parties often strip democracy of this important dimension.

Fortunately, the basis for situating local governance within the people already exists in South Africa's electoral system. For the purpose of local polls, a city is divided into wards, each electing its representative for the municipal council. Many such representatives stand as independents.

This arrangement is not ideal because such a ward candidate may be a representative of a political party. But this can be countered by having the majority of candidates directly elected by residents.

A ward candidate should be the nominee of the residents of the ward and should be accountable to them directly. Ideally all – or most – seats in the council should be filled by the representatives of wards. This will ensure that the leadership of cities is made up of the ["representatives of urban society"](#).

Mashupye Herbert Maserumule, Professor of Public Affairs, Tshwane University of Technology.