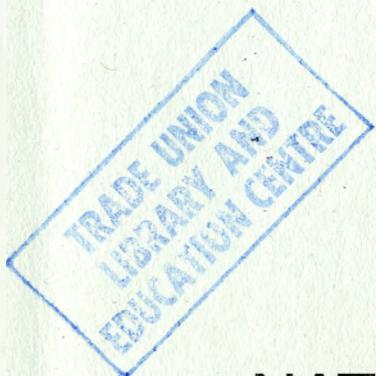


FOOD & ALLIED WORKERS UNION



BI-ANNUAL NATIONAL CONFERENCE

TRANSFORMATION

THEME:
*"Unite Deepen,
the National Democratic Revolution
for Working Class Interest"*

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CHALLENGES OF INDUSTRIAL POLICY [STRATEGY] AND CONSEQUENCES OF RESTRUCTURING AS A RESULT OF “GLOBILISATION”

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1. INTRODUCTION

In this paper I attempt to ideologically locate globilisation and explain trade liberalisation and agreements within the World Trade Organisation [WTO] trade system. Secondly, to further discuss areas of industrial policy making in the light of the WTO provisions and consequent limitations it poses in this regard. Thirdly, to highlight the disastrous effect of globilisation on SA's industry and security net that must accompany the restructuring process of the domestic enterprises. Lastly, to suggest the role that South Africa could play in the “anti globilisation” efforts.

2. IDEOLOGICAL PERSPECTIVE

What is globalisation? The definite answer may not be forthcoming but the process of globalisation may be defined and contextualised. Generally I will loosely refer to this process [globalisation] as an expression of imperialism of the powerful rich north countries and their multinational companies [MNC or TNC] that undermine the economic borders and powers of the poor developing and underdeveloped south countries in terms of trade relations and economic interactions, i.e., I speak here of a kind of recolonialisation

It is recolonialisation in that the smaller, poor countries of the South are stripped of powers to virtually nothing regarding the scope to shape their economic policies in terms of the WTO trade system of the world. This state of affairs also allows free movement of capital and goods from rich countries to poor countries at the benefit of the former and the detriment of the latter

This globalisation, as signed by the WTO, gained momentum and was given impetus by the collapse of the Eastern Socialist Block and Soviet union in particular. This is because trade arrangements and economic relations within the socialist block and between socialist countries and developing countries collapsed

3. FROM GATT TO WTO

The multilateral trade system advocated by GATT [General Agreement on Trade and Tariffs] is that of free trade in the world. It is a body that came about by the aftermath of the second world war [1947]

Although GATT was pushing for “free global trade”, the then world trade system allowed individual countries some degree of industrial and economic policy making scope

It is the Uruguay round of GATT [re] negotiations that gave birth to the WTO. WTO advocates for more “free global trade” among the world countries [300 signatories]. Agriculture, service and other sectors are now included for trade liberalisation, which means rapid reductions in tariffs, quotas and subsidies. It is only the rich north countries that will benefit with poor country's industries [particularly the agriculture sector] standing to lose

3.1 TRADE POLICY AND SOCIAL CLAUSE

It is in terms of the above that South Africa should push for unequal trade relations with rich individual countries [example Germany] or trade blocks, the European Union [EU] in favour of itself [SA], as a developing country.

The rich north countries are not at par with the poor south, in particular given that some of the latter were colonial victims of the former. It is in this context that South Africa should press for TDA [Trade and Development Agreement] as opposed to FTA [Free Trade Agreement] and take its poor neighbours on board.

South Africa should also push to engage in trade agreements with countries that observe ILO labour rights and UN human rights. Hence the need for trade agreements that contain a social clause.

3.2 INVESTMENT CODE AND EPZ

In South Africa there is no concrete investment code for foreign investors. This will result in investment in areas that are not priority to the country and the RDP. In fact there are examples of foreign investment, by way of joint ventures in existing South African companies, resulting in massive retrenchments, attempts at reversing conditions and reducing benefits already enjoyed by workers. Indeed an Investment Code is necessary.

EPZs' [Export Processing Zones] can not be acceptable if it translates to poor working conditions, reduced benefits, starvation wages and above all the non-observation of labour rights as outlined by the ILO.

South Africa should formulate guidelines in this regard as EPZs' should not benefit investors at the expense of the country and its citizens [workers in particular].

4. INDUSTRIAL POLICY - ECONOMIC GROWTH AND DEVELOPMENT

In the light of WTO provisions, the under developed and developing nation-states are left with little space to shape their own economic policies independently from the prescription of the WTO, the IMF and the World Bank. Demand side interventions are being condemned and supply side support condoned.

4.1 DEMAND SIDE INTERVENTION AND THE RDP

This model of state role in the economy was born in the aftermath of the second world war when economies were in a mess. The model call for the state to invest in the economy and particularly in infrastructure and social service provisions with the consequent increase in aggregate demand and economic growth. For example investing in the building of houses, roads, hospitals, and provision of electricity, water, etc. The economies started to boom and grow. It was in the '70 that these economies [and thereby the model] suffered set-backs in the form of stagflation [i.e. economic stagnation and high inflation].

The RDP in general terms is based on this model and it is expected that SA take note of the problems associated with it in terms of fiscal discipline [or fiscal deficit] which should be reasonable, inflation rate or monetary policy that should be at a reasonable level, etc. The RDP, however, is not quantified in terms of a macro-economic strategy and hence the loophole for a right wing macro-economic strategy like GEAR [Growth, Employment and Redistribution]. The birth of GEAR in South Africa represents Reaganomics and Thatcherism of the 1980.

4.2 REAGANOMICS, THATCHERISM AND GEAR

The late 1980's saw the emergence of an "anti-thesis" to Kenessian economics [demand side intervention] after the coming to power by right wingers, namely Reagan [in the USA] and Thatcher [in the UK] and the reversal of Kenessian ideas. For instance, the role of the state was significantly reduced, i.e. privatisation of state assets, reduction in taxes [tax benefits for the rich and big business], market forces allowed to take "care of the poor" and provision of services in the hands of private profit making companies.

Although there was reduction in inflation and economic growth, there was no accompanying growth in employment and poverty reduction. It is in this era that the Uruguay round of the GATT negotiations was held and the WTO world order was born. WTO is hostile to Demand side intervention and friendly to non tariff supply side support with regard to industrial and economic policy formulation.

4.3 SUPPLY SIDE SUPPORT

The nation-states that are party to the WTO [signatories], with particular reference to poor south countries, have had their power reduced to virtually nothing and only allowed to engage in non tariff supply side support policies that are consistent with WTO provisions and stipulations. It is argued that these measures will increase productivity of inputs and consequently competitiveness of industries and attract in particular foreign investments to these developing countries.

5. SUPPLY SIDE SUPPORT IN SOUTH AFRICA

5.1 SA's ECONOMIC STRUCTURE

It is common knowledge that SA's economic structure is that of import substitution, inward directed, raw material orientated and [used to be] highly protected. Firstly, this means SA was producing costly goods of which it could cheaply import and could export profitable goods where it enjoyed a competitive edge. Secondly, it means the economy that primarily exports raw materials and non or semi processed products at a low price as compared to its huge importation of highly processed products and value added goods [in particular machinery and related parts]. Lastly, it means an economy with a manufacturing sector that is highly food industry based.

5.2 MANUFACTURING RESTRUCTURE - INDUSTRIAL STRATEGY

Clearly the above defined economic structure and in particular the manufacturing sector, cannot be regarded as ready to competitively inter-act with other economies and hence the government assembled the ISP [Industrial Strategy Project] to develop policy proposals to this end. At the heart of the proposal is the principle of enhanced productivity and consequent competitiveness. I will look at some issues raised by ISP and others in terms of supply-side measures.

5.3 ACTUAL SUPPLY SIDE SUPPORT AREAS

I will only touch the following areas:-

- A] Domestic competition
- B] HR development
- C] Technological development
- D] Research and development
- E] Small business development
- F] Tax incentives / holidays
- H] Subsidies

A] DOMESTIC COMPETITION [Intercompany co-operation and not price collusion]

In South Africa companies are vertically integrated into conglomerates that are hugely diversified and are not specialised to focus on specific products. The structure of ownership [conglomerates] makes these companies embark on price fixing exercise

South African companies cannot be expected to be globally competitive if they do not engage in domestic competition. Firstly, they need to **UNBUNDLE** and again have a specialise focus on specific products and improve quality. Secondly, they need not fix prices but let the price push them to competitive capabilities. However, intercompany co-operation on issues like technology, training, etc. are encouraged.

B] HUMAN RESOURCE DEVELOPMENT

It is commonly known that the South African workforce is largely, and on the whole, untrained, uneducated, [in fact a large percentage illiterate] and unskilled. It is also common knowledge that investment in this sphere not aggressively forthcoming is. It should be the union's argument that lack of productivity a result is of lack of ETD [Education, Training and Development] and of a HR development strategy.

Government is not doing enough in this regard although one welcomes the introduction of SAQA and NQF [SA's Qualification Authority and National Qualification Forum] and the tabling of the HR development strategy bill. It is a challenge for FAWU to develop ETD and HRD Policies and campaign for one **Training Board** in the food industry.

C] TECHNOLOGICAL DEVELOPMENT

South Africa is lagging behind many other countries in this area. While SA produce quality engineers, their quantity is far less. Secondly, the science and technology field are in general far behind. For instance, many tertiary students are in academic and non-science teaching fields as opposed to technicons and other technical fields. The union must push for **technical skills' empowerment and development** in South Africa and the introduction of Labour Friendly Technology as opposed to labour replacing technology

D] RESEARCH AND DEVELOPMENT

The above obviously calls for the country to increase its capacity of researching and developing in areas that are critical to the country's growth and development. For instance to be value added and high processed producers we need the development and expansion of non-food industries, particularly in capitals goods [equipment and machinery] industries given our big natural resource base such as gold, iron and ore. Also critical is the area of information technology.

E] SMALL BUSINESS DEVELOPMENT [SMME's]

It is widely accepted that small to medium micro-business enterprises employs quite a sizeable number of people in South Africa. Obviously their "death" does not mean increased employment of workers [particularly permanent] in big companies hence the need to protect and support [incentives] these enterprises. Although one welcomes initiatives such as NTSIKA the need still remains to excelarate small business growth. The support and protection should be extended to hawkers that engage in informal employment.

F] TAX INCENTIVE/HOLIDAY

Investment in areas that are compatible to the RDP such as urban renewal, rural development or infrastructural development may receive tax incentives as the RDP is meant to benefit the country and its citizens. Tax holidays cannot be given to EPZs' or any investment that is not observing ILO labour rights and allowing normal labour practises such as collective bargaining, etc. Tax incentives should be considered only on **"Prescriptive Investment"**, i.e. where government prescribes areas of investment.

G] SUBSIDIES

SA should continue to subsidise and inventivise growing sectors and industries in our economy as they remain a potential to increasing employment and foreign earnings. The non-tariff protection and support system should be developed and implemented but competitiveness emphasised

H] SUMMARY

Given the above area of industrial policy challenges [supply side support] I will argue that the government is to do a lot more and in fact a bit more faster. I do not see success if co-ordination is not taken into account between various ministries, i.e. Agriculture, Trade and Industry, Finance, Education, Science and Technology and Labour. There must be a launching of an **Inter Ministerial Supply-side Support Co-ordination Committee** that will interact with various but relevant stake holders in education and other such fraternities.

6. RESTRUCTURING

Enterprises are embarking on some form of restructuring. Their argument is that they need to be globally competitive. However, their approach remains narrow in that it targets labour [and in fact wage earners]. To say that labour costs are high and that productivity is low is to ignore certain realistic factors. **For example, salaries are abnormally higher than wage-labour costs and is inflated by [senior] management's' salaries and perks.** Secondly, it ignores poor skills and lack of training of workers

6.1 WORLD CLASS MANUFACTURING & SERVICE

To convert manufacturers and service providers into world class standards, one need to look at industry as a whole [but also individual companies] without quickly pointing to labour [the issue of "high" wages and low productivity] and at the expense of other inputs and processes like structures, pricing and marketing strategies.

PRODUCTIVITY should not mean increased workloads by a reduced workforce nor should it mean a reduced workforce amount with cost reduction and/or revenue increment. In fact productivity should be informed by the following two [2] areas:- Massive volumes that also enjoy export markets [quantitative] and that employ and upgrade labour-friendly technology with skills' empowerment [qualitative] and thereby reducing unit costs per labour with consumer friendly pricing. Work organisation, management structures and style, IR systems, etc. must also improve.

6.2 LABOUR FLEXIBILITY AND OUTSOURCING

South African companies argue that labour is costly and inflexible and hence their proposal of a two-tier labour market. They want to have a core and phesifcal workforce. The latter is expected to be cheap in terms of wages, conditions and benefits [i.e. downward variation]. In fact outsourcing is in line with the argument that workers in functions such as catering, security, sales and distribution activities are contracted out as these functions are outsourced and usually work in poor conditions with reduced pay and benefits. Labour intensity [increased workload] is not labour productivity [reduced unit per labour]. The union should push for outsourced functions to be a **JOINT VENTURE** between retrenchees and contractors

7. SOCIAL PLAN

The concept of social plan was seen as a kind of advance retrenchment package that is to have multiplireffects on the economy. Social plan advocates, over and above monetary and benefits payments, for the idea of skills' empowerment and small business development of retrenchees in the growing service industry such as tourism

This then means that retrenchment in stagnant and "uncompetative" industries and sectors will result in employment in growing competitive industries and sectors. There is a **SOCIAL PLAN DOCUMENT** that is still being discussed at NEDLAC and cabinet levels. FAWU must discuss, debate and response.

8. THE IDEOLOGICAL ARGUMENT

It is my humble opinion that while South Africa should take note of the realities of the WTO ushered trade agreements, it should not be a mere passive municipality of the so called Global Village. SA should be [seen] at the forefront of the creation of international solidarity networks and movements that are in opposition to this cruel phenomenon called Globilisation. For instance, South Africa should have strengthen the ILO position on the social clause as part of the trade agreement as negotiated with the WTO.

9. CONCLUSION

This paper is an attempt to locate avenues of economic policy making and industrial strategy policy development in the context of globilisation and the WTO trade system. Secondly, to contrast the role of the state as proposed by the RDP and as suggested by GEAR. Thirdly, to raise the need for a government driven supply side support industrial policy while still calling for demand side intervention by way of RDP and RDP centred macro economic strategy as the viable option for economic growth and development. fourtly, that while showing the drastic effects' globilisation has on the economy, the paper calls for a social plan [social security as a minimum] with multiply effects. Lastly it calls for South Africa's role as being that of **ANTI-GLOBILISATION** on international platforms but also in bilateral and multilateral trade agreements

10. POLICIES AND/OR RESOLUTIONS

- 10.1 Macro economic strategy that is RDP centred
- 10.2 GEAR
- 10.3 Trade Policy [and Social Clause]
- 10.4 Restructuring [and Social Clause]
- 10.5 Training Board
- 10.6 Anti-globilisation Campaign

- 10.7 Competition Policy
- 10.8 Investment Code
- 10.9 Productivity
- 10.10 HRD
- 10.11 Technological Development

BY: KATISHI MASEMOLA

DISCUSSION DOCUMENT
(November -1996)

THE STATE AND SOCIAL TRANSFORMATION

1. INTRODUCTION.

1.1 The struggle for the social and economic transformation of the South African society is essentially the task of replacing the Apartheid state with a democratic one.

1.2 The establishment of a democratic state is the task which continues to define the nature and character of the African National Congress (ANC), the Liberation Alliance as well as the broad national democratic movement. This broad political front continues to recognise the leading role of the ANC in the struggle for the economic transformation and social emancipation of South Africa.

1.3 It is the quest to reach this final objective which informs the policies, strategies and tactics of this movement. Over the decades, through its theory and practice, this movement has proved that it is the only vehicle which possesses the capacity to act as the leader of the people in their struggle to establish a truly democratic state.

1.4 The struggle to transform the South African society and emancipate the people takes place within a concrete and ever-changing national and international environment. This environment calls upon the forces for democratic transformation to pursue their objective always mindful of the changes as well as the subjective and the objective factors which characterise this environment.

1.5 These forces are called upon never to forget that practise is greener than all theory, and that the true test of revolutionary

practice, is to be found in the ability to narrow to the minimum the gap between theory and reality.

1.6 The political and constitutional advances which have been made by the ANC and the mass democratic movement since the 1994 democratic elections serve as a firm platform on which a fully democratic, non-racial, non-sexist and prosperous society can be built. The democratic movement has to take advantage of the many possibilities which this situation provides.

1.7 However, the full meaning of the opportunities and challenges facing the ANC and the democratic movement are contained in the correct identification and analysis of the subjective and objective factors in the national and international environment within which the struggle to establish the South African democratic state is waged.

1.8 If the philosophical tenet which says that 'freedom is the appreciation of necessity' is upheld as correct by social transformers, then the litmus test with which to judge the correctness of the conduct of struggle for social and economic transformation is to be found in the appreciation of the possibilities which these factors provide as well as the limitations which they impose on the conduct of this struggle.

1.9 The democratic movement has to strive, consciously and consistently, in the context of a dynamic domestic and international situation to understand the essence, potential and imperative of these factors, on the basis of which it can, therefore, measure the effect of its intervention to regulate them.

2. THE APARTHEID STATE

2.1 The Apartheid state was a social mechanism for the promotion and defence of a system of white minority domination, enrichment and super-exploitation of the black majority.

2.2 This state depended, in the first instance, on the social base of the Apartheid system, namely, the majority amongst the white population, for its defence against the revolutionary challenge.

2.3 Taking into account that this section was a small minority of the total population of the country, the ruling group saw it as one of its principal responsibilities to ensure that every white person was given a stake in the Apartheid system.

2.4 The situation had to be created such that no white person should feel that, in the event of the destruction of the system of white minority domination, they had nothing to lose.

2.5 With regard to the machinery of state, a number of steps were taken including the ones listed hereunder.

2.5.1 JOBS FOR WHITES

2.5.1.1 One of these was that many white people were absorbed into the public administration to ensure that they were guaranteed an income, with the resultant proportionate impact on the solution of the “poor white problem”.

2.5.1.2 Secondly, state corporations were formed to create other job opportunities, to direct resources to the white minority and to absorb any residual white unemployed, even if these were superfluous in terms of the organic requirements of these state corporations.

2.5.1.3 Ultimately, the Apartheid ruling group saw each and everyone of these whites as an armed counter-revolutionary combatant, active participants in the process on which, finally, the Apartheid system depended for its survival, terror and repression.

2.5.1.4 It was therefore not merely driven by altruism to seek a better life for all members of the white minority. It knew that when the moment came, it would have the possibility to use these white beneficiaries of Apartheid to defend their stake in the system of white minority domination.

2.5.1.5 Further to strengthen the cohesion of the white social base, it did all it could to infect the white population with the pernicious ideas of racial superiority.

2.5.2 STATE REPRESSION

2.5.2.1 Given the nature of the Apartheid system, the notion of the state as an instrument of repression assumed special prominence.

2.5.2.2 This necessitated that there should be placed within the state bureaucracy people whose tasks related directly to the execution of the function of repression, including the control of the population as a whole.

2.5.2.3 In addition, there had to be maintained security forces of repression at the necessary strength and with sufficient means to meet the mass revolutionary challenge, whatever its growing intensity.

2.5.3 THE SECOND FRONT

2.5.3.1 As this challenge escalated, the Apartheid ruling group decided on other constitutional measures in order to constitute a second

front for the defence of Apartheid. For instance, it instituted the bantustan system, cloaked in a fraudulent theory of separate development.

2.5.3.2 It sought to ensure that in each of the 'state' entities created by this system, there should exist as complete a state machinery as possible which, like its parent, would buy its legitimacy

by providing jobs in the bureaucracy as well as carry out the function of repression.

2.5.4 THE THIRD FRONT

2.5.4.1 The captains of Apartheid also decided to create another constitutional front for the defence of Apartheid, this being among the Coloureds and the Indians. Some of the concepts which defined this front was the job reservation, the "own" and "general" affairs and the subsequent thesis that the National Party was the political representative of the minority national groups.

2.5.4.2 As a result of this, yet another process was set afoot to put in place elements of a state machinery to be presided over by a thin layer of politicians who for better or worse, were prepared to work within the system.

2.5.5 BENEVOLENT APARTHEID

2.5.5.1 In the latter years of the Apartheid regime, noticeable changes took place with regard to the public accounts.

2.5.5.2 These were:

- * a sustained increase in spending on social services;
- * the transfer of resources from defence to the police;
- * a sustained decline in capital expenditure both by the government and the state corporations; and,
- * a rapid increase of total Government debt.

2.5.5.3 With regard to the first two of these, the 1991 Budget Review of the Department of Finance includes some interesting comments. With regard to expenditure on social services, the Budget Review says:

“ The host of urgent socio-economic issues in South African society requires that in certain respects, the composition of state expenditure be urgently and drastically further restructured to effect...greater fairness in government spending in respect of the different communities...In this process (of effecting this change) it is inevitable that in the short term a degree of duplication of government activities will occur, as the conversion of more effective methods of provision proceeds. “ (Pg. 3.6)

“ The important shift in emphasis in the composition of government expenditures in favour of developing communities is being done in full confidence that it will make an important contribution to greater domestic stability...The greater stress on socio-economic services represents a leap of confidence that is being made in order to create a more stable climate in South Africa. “(Pg. 3.7)

2.5.5.4 With regard to the police, the same budget says:

“ Regrettably, a portion of the resources released by the downscaling of Defence Force expenditure must go to the maintenance of law and order...Rising crime, the need for certain security steps and mass action requires (sic) a large visible police presence, implying that the emphasis must shift from reactive to pro-active police action with a larger personnel.” (Pg. 5.11).

2.5.6 BUYING ALLIES

2.5.6.1 Thus we have the party of minority white domination, foreseeing its demise, suddenly taking an interest in “greater fairness in government spending in respect of different communities”.

2.5.6.2 Unable to hide the truth, it confesses that it is taking these position to buy “a more stable climate in South Africa.”

2.5.6.3 In other words, it sought to wean the masses away from the revolutionary project by buying them out, as it had done with the working white people.

2.5.6.4 The figures below indicate the trends in the functional composition of non-interest consolidated government expenditure (as percentages of the total) during the years 1982/3 to 1994/5 for General Government or, in the latter years, National and Provincial Governments.

	1982/3	1991/2	1994/5
Protection services	22,6%	23,4%	22,1%
Social Services	44,4%	50,8%	52,8%
Economic Services	21,8%	15,2%	14,4%

These figures speak for themselves.

2.5.6.5 At the same time, to deal with those who would refuse to be deluded by the belated benevolence, it transferred resources from Defence, which could not pursue the campaign of external aggression and destabilisation any longer, to the police to empower them to handle "certain security steps and mass action."

2.5.6.6 More work needs to be done to disaggregate the figures relating to expenditure on social services.

2.5.6.7 In the context of our discussion, this relates in particular to a number of civil servants and administrative structures spawned by the additional funding of these services, in part referred to in the Budget Review as a "short term...duplication of government activities...".

2.5.6.8 This would constitute an additional layer of the state administration put in place to buy more allies for the Apartheid regime at a time when it was faced with imminent collapse.

2.5.7 LESS INVESTMENT

2.5.7.1 Of particular importance is that during the latter years of the Apartheid regime, there was, as it has been pointed out, a sustained drop in capital expenditure.

2.5.7.2 In general this means that increased government spending went into consumption - that is, spending on wages, salaries and other personal benefits, whether legally obtained or otherwise.

2.5.7.3 The aim of the additional spending was to increase the amount of money in individual pockets, including the pockets of those who could dispense direct patronage and was not directed at laying the basis for sustainable development.

2.5.7.4 The figures immediately below reflect total government capital expenditure as a percentage of General Government or National and Provincial Government expenditure in the years between 1982/3 and 1994/5.

	1982/3	1992/3	1994/5
Capital expenditure	17,4%	6,6%	7,7%

2.5.7.5 More work also needs to be done to assess the disbursements the Apartheid state made to increase both immediate and deferred emoluments to the management and other layers of the white civil service, again to purchase the allegiance of these sections of our population in the light of the then impending democratic transformation.

2.5.8 THE PUBLIC DEBT

2.5.8.1 To finance the expenditure associated with the efforts to buy space for the Apartheid regime during its last days, the ruling group went on a borrowing spree to finance a level of spending that could not be sustained on the basis of the extant revenue base.

2.5.8.2 The figures below graphically illustrate the evolution of this problem.

Total Government Debt (as at 31 March) has increased as follows:

	R billion	% of GDP
1985	37,1	33,4
1990	96,0	38,6
1995	244,6	54,9
1996	280,0	65,0

2.5.8.3 Further to illustrate the emergence of this problem in the latter years of the Apartheid regime, we reproduce immediately below figures indicating the Debt Servicing Costs associated with the rising debt.

	R billion	% of budget	% of GDP
1985/6	4,3	12,9	3,3
1990/1	11,6	14,2	4,1
1995/6	29,2	18,6	5,8

2.5.8.4 It is important to note that costs will continue to increase and to accelerate as a percentage of the GDP unless the deficit is brought down to sustainable levels.

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

3. THE APARTHEID STATE AND CAPITAL

3.1 An outstanding feature of colonialism and Apartheid in our country was the direct relationship between this socio-political system and the ability and practice of capital to engage, not only in shouldering an oppressive system, but also in maximising the super-exploitation of the oppressed majority.

3.2 The partnership between successive white minority governments and capital had its logic in the very act of colonisation of South Africa. The establishment of the outpost of the Dutch East

India Company in 1652 marked the beginning of the long history of colonisation. This outpost was a direct consequence of economic expansion in Europe and the emergence of a new commercial class which saw colonisation of foreign markets and kingdoms as one of the important ways of multiplying its fortunes.

3.3 The enemy of the oppressed majority therefore clearly defined itself in both national and class terms.

3.4 One of the consequences of this is that the national liberation movement has, for 70 years, contained within itself both a national democratic and a socialist tendency.

3.5 This was a response, not only to the origin of colonialism and Apartheid. It was also a response to the fact that a symbiotic relationship between the white minority Apartheid state and capital had been cemented. Who, and during which period, the dog was and who the tail, in this relationship, is a matter which the economic historians will have to sort out.

3.6 As the international struggle against Apartheid intensified, the racist ruling group found itself in a state of siege which was accompanied by extra-ordinary developments.

3.6.1 These developments included the isolation of the South African economy from the world inter-governmental financial institutions.

3.6.2 It also imposed particular forms of existence and operation of domestic capital. One of these forms was incubation and protection behind high tariff walls.

3.6.3 Another was the guarantee of access to cheap, untrained and unorganised labour.

3.6.4 Yet another was the growth of private monopoly control of the economy.

3.6.5 Another was the insulation of the private sector from the vagaries of foreign exchange fluctuations through the provision of

forward cover by the Reserve Bank, with all losses carried by the public accounts.

3.6.6 Yet another was, whatever the requirement to maintain foreign exchange reserves at certain levels, the creation of space for big domestic capital to capture strategic positions in segments of the international economy, so as to use these bridgeheads to break down the state of siege, among other things.

3.6.7 Another was the formation of long-term partnerships with particular international banking and industrial corporations to whom a premium was paid, to ensure their continued involvement in the Apartheid economy.

3.7 This symbiotic relationship contained the requirement that particular forms of interaction between the Apartheid state and capital should exist.

3.7.1 These included “permitting” the illegal flight of capital.

3.7.2 It made it possible for capital to accept the notion and imposition of the practice of “prescribed assets”.

3.7.3 It allowed for the elaboration and institution of “profit guarantee” schemes to capital such as continue to characterise the liquid fuels industry.

3.7.4 It created the possibility and necessity for the state to “turn a blind eye” to the process of tax evasion and avoidance, by running down the capacity of the inland revenue services to carry out their functions effectively.

3.7.5 Towards the end of the life of the Apartheid regime, during the 1980's, efforts were made formally and openly to institutionalise the partnership between the state and capital, both to enhance the legitimacy of the Apartheid state and to present the interests of capital as being conterminous with “the national interest”.

4.0 THE DEMOCRATIC STATE

4.1 As the struggle began to present the possibility of the defeat of the Apartheid regime, the slogan - Amandla Ngawethu! Power to the People ! - took its place as one of the principal battle-calls of the national liberation movement.

4.2 Students of the revolutionary struggle might be interested to note that this slogan replaced another relevant to its time, which was - Africa, Mayibuye - Freedom in our Lifetime!

4.3 Throughout the years that the ANC led with the slogan - Power to the People! - it waged a determined political and ideological struggle to ensure that, both in theory and in practice, this was not misinterpreted and vulgarised to mean - Power to the ANC!

4.4 This position, grounded on a particular understanding of the tasks of the democratic movement, continues to inform the perspective of the ANC on the nature of the democratic state.

4.5 The most important current defining feature of the South African democratic state is that it champions the aspirations of the majority who have been disadvantaged by the many decades of undemocratic rule. Its primary task is to work for the emancipation of the black majority, the working people, the urban poor, the rural poor, the women, the youth and the disabled. It is the task of this democratic state to champion the course of these people in such a way that the most basic aspirations of this majority assumes the status of hegemony which informs and guides policy and practice of all the institutions of government and state.

4.6 However, there is a need to recognise that the South African democratic state also has the responsibility to attend to the concerns of the rest of the population which is not necessarily part of the majority defined above.

4.7 To the extent that the democratic state is objectively interested in a stable democracy, so it cannot avoid the responsibility to ensure the establishment of a social order concerned with the genuine interests of the people as a whole, regardless of the racial, national, gender and class differentiation.

4.8 There can be no stable democracy unless the democratic state attends to the concerns of the people as a whole and takes responsibility for the evolution of the new society.

4.9 The democratic state should also address the important issue of the just and correct resolution of the national question, which question colonialism and Apartheid elevated to a special position of prominence, both theoretically and in practice.

4.10 In a similar vein, the democratic state must also seek to forge a democratic and equitable partnership as well as a working relationship between labour and capital in the interest of social stability, economic progress, reconstruction and development. In the context of the South African situation, the tension between labour and capital demands special attention by the democratic state because it can easily be confused with or can help to exacerbate problems associated with the national question.

4.11 There are a number of important things the democratic state will have to ensure in order to empower the people to be the real custodians of the process of social and economic transformation. The following few examples serve as an attempt at driving this point home.

4.11.1 POPULAR PARTICIPATION

4.11.1.1 The empowerment of the people to participate in the process of governance, expressed in the concepts of a people-centred society and people-driven processes of transformation, indicates the centrality of the concept of popular and participatory democracy to the democratic movement's understanding of the functioning of a democratic state. It shows the commitment of this movement to the proclamation in the Freedom Charter that 'The People Shall Govern!' It is the process of the people becoming their own governors.

4.11.1.2 This is one of the central reasons why the democratic movement must resist the liberal concept of "less government", which, while being presented as a philosophical approach towards the state in general, is in fact aimed specifically at the weakening of the democratic state. The purpose of this offensive is precisely to deny the people the possibility to use the collective strength and means

concentrated in the democratic state to bring about the transformation of society.

4.11.1.3 The effect of such weakening would be to enhance the strength and impact of other centres of power in society, with the resultant

disempowerment of the people. Reference here is to the wide variety of important centres of power which, thanks to the Apartheid inheritance, are decisively controlled by the white and privileged section of the population.

4.11.1.4 What this points to is the importance of community-based and non-governmental organisations in the system of governance of the democratic state. Where the people are no longer the enemy of the state, the question arises as to what role the people play with regard to state matters.

4.11.1.5 The issue turns on the combination of the expertise and professionalism concentrated in the democratic state and the capacity for popular mobilisation which resides within the trade unions and the genuinely representative non-governmental popular organisations.

5.11.1.6 The democratic state therefore has a responsibility to ensure that this independent and representative non-governmental sector has the necessary strength to play its role in the ensuring that the people themselves, and in their own interest, become conscious activists for development and social transformation.

4.11.2 POLICING

4.11.2.1 The police were front-line troops in the counter-revolutionary offensive in the defence of the system of Apartheid. Deployed to act against the oppressed, who constitute the majority of the people, they earned the just hostility of this majority.

4.11.2.2 As the struggle intensified, so did they continuously shift their focus away from fighting crime, towards intensifying their counter-insurgency role as guardians of Apartheid.

4.11.2.3 The political police (Security Police/Special Branch), gained pride of place within the police force and were treated as a favoured elite which became a law unto itself.

4.11.2.4 This set the stage for its systematic corruption. This also affected other echelons of the police force, which the ruling group ignored, as long as it was assured that this force was doing its work of protecting white minority rule.

4.11.2.5 Policing in a democratic state requires a radical departure from all these practices of policing in an Apartheid state. Policing has to be about ensuring the safety and security of the individual and communities from crime.

4.11.2.6 All states have an inherent “right” to the use of force against the citizen. The extent of the use of this force is directly proportional to the degree of legitimacy of the state and/or the breakdown of social order.

4.11.2.7 Whereas the continuous resort to force was a distinctive feature of the Apartheid state, as a state created as a social organisation directed against the people, the opposite is true of the democratic state. This is so because the latter is a social institution created to serve the interests of the people, with qualitatively diminished activities in the areas of repression and population control.

4.11.2.8 The people, the true beneficiaries of the democratic order and its attendant processes of development and social transformation, themselves share an objective interest in securing their own safety and security as an important factor in the struggle to improve their quality of life.

4.11.2.9 Those who have not understood the central importance of the creation of a new state, have put forward such calls as - “more police, less crime!”.

4.11.2.10 On the contrary, what the democratic state requires is:

* better-trained policemen and women;

* better policing;

* the engagement of the masses in the struggle for safety and security; as well as,

* trust and effective co-operation between the new police service and the people.

4.11.2.11 The point to be made is that once such measures have been put in place, as they should be in a democratic state, less police personnel will be required to protect the community and less state resources would be expended on policing work.

4.11.3 RIGHT-SIZING

4.11.3.1 The democratic state does not have the responsibility the Apartheid state had to purchase the allegiance of the people to an illegitimate order by placing people in unproductive jobs, as a device to grant them a means of livelihood.

4.11.3.2 This creates the possibility to look closely at the staffing of the state machinery from the Apartheid era to see what is justified in terms of desirable employment and what is merely a body of employees who hold their posts to satisfy the strategic needs of the Apartheid system as described above.

4.11.3.3 The logical conclusion to this must be that the construction of the democratic state necessarily entails removing some of the personnel from the public service, to the extent that these do not add value to that particular task of the democratic state with regard to meeting the needs of the people.

4.11.3.4 The democratic state must prepare and position its personnel and institutions in such a way that in terms of skills, efficiency and dedication to the interests of the customer, they can optimise their service. It must deliberately and systematically set out to ensure that it has the most skilled and the best motivated work-force in the country.

4.11.3.5 Building "a better life for all", requires of the democratic state that it constitutes itself in such a manner that it provides this better life in the most cost effective way.

4.11.3.6 The objectives of efficiency and high levels of productivity, and the levels of work discipline, managerial responsibility,

accountability and responsiveness to the public interest, have to become the hallmark of the performance of the public service. Organised sections of the public service work-force, who had been part of bringing into being the democratic state, must provide the leadership to the rest of the public service in upholding these norms.

4.11.3.7 The issue therefore does not turn only on “right-sizing”. It also bears on the skill levels, competitive earnings, the motivation and the philosophical orientation of the new public service unique to the democratic state.

4.11.3.8 Needless to say, this has an important impact on the structuring of public expenditures on wages, salaries, benefits, goods and services, whose acceptability has to be measured according to whether this restructuring is consistent with the objective of creating a lean, mean and customer-serving public service.

5. THE DEMOCRATIC STATE AND CAPITAL

5.1 The defeat of the Apartheid regime raises the question of what the democratic revolution should do with capital, which was such an important and central factor in the totality of forces responsible for the anti-human misery baptised as Apartheid.

5.2 Much of the confusion that occasionally afflicts the democratic movement arises from the oscillation within this movement, between the objective of the establishment of a democratic state and the wish to establish a state whose distinctive feature would be the total defeat and suppression of both the national and the class forces responsible for the system of national oppression and class super-exploitation epitomised by Apartheid.

5.3 Hazily understood though this may be at this moment, it is around this strategic choice that the ultra-left has failed to appreciate the objective imperatives of the current era in social development.

5.4 A number of practical issues arise out of this strategic “choice” to fight for the graduated creation of a democratic state to replace the Apartheid state. Firstly, it is instructive to note that the historic and objective reality at this stage of human development is that the bulk of

capital, as investible wealth, is in private hands, both domestically and internationally.

5.5 Secondly, investment, or capital, is crucial to the creation of the material conditions which make it possible continuously to improve the conditions of life of the people. To talk of new factories, new technologies, adequate job creation is, ultimately, is to talk of new investment.

5.6 Thirdly, already in the last century, students of political economy had noted the tendency of capital to operate internationally, unconstrained by questions of boundaries of national states or the sovereignty of these states. Clearly, in the modern period there has been a rapid acceleration of this tendency, with capital treating the entire world as one market-place.

5.7 This process of acceleration has also affected the speed with which capital relocates from one area of the world economy to another, driven by short-term or long-term considerations affecting the generation and accumulation of profit.

5.8 The freer and more rapid movement of capital across national boundaries has been described as a process of globalisation of the economy, one of whose effects is to reduce the sovereign capacity of states to take decisions without consideration of, and inserting such decisions within the context of the world situation as a whole.

5.9 It has already been stated that the democratic state has got a developmental and a transformative responsibility. Among other things, this responsibility has to do with the central question of the creation of material conditions to ensure that the people as a whole benefit from this process through a rising standard of living and a continuous and all-round improvement in the quality of life. This responsibility would be impossible without a similarly continuous process of increasing productive investment in the economy, in both absolute and relative terms.

5.10 Because of human intervention and therefore the social context within which this investment takes place, this process of creation

describes a set of social relations, whose study is correctly called political economy, to make the point that it is a study in social relations rather than an inquiry into the laws governing motion in nature.

5.11 Objectively, this places the process of investment, as an inalienable component part of material development, formally among the historic driving forces of progressive social change and transformation.

5.12 Consequently, the democratic state has an obligation to harness this driving force to ensure that the state and capital act in concert, balancing and meeting the interests of these two forms of social organisation. This consideration raises two urgent questions of strategic and historical importance which the democratic movement must address.

5.13 One of this is the determination that one of the central tasks of the democratic state is the mobilisation of "the surplus" both domestically and internationally, for investment and therefore the encouragement of the domestic and international owners of capital to take and act on decisions consistent with the attainment of this objective.

5.14 For their part, it should be acknowledged, these private owners are driven by the requirement continuously to reproduce and increase the volume of capital in their hands. They do this through the generation of profit, which is a fundamental condition for the existence of capital.

5.15 The second question arises from the pursuit of this objective and has to do with how the democratic state should therefore define its relationship, on the subjective sphere, with the class forces described as owners of capital.

5.16 Proceeding from the objective reality of the place and role of private capital described above, which exists independent of our subjective wishes, the correct strategic decision the democratic movement must take is that the democratic state must establish a dialectical relationship with private capital as a social partner for

development and social progress. The defining element is a working and harmonious, even at times, conflictual relationship between the democratic state and capital. It is a relationship which is necessarily complex and dialectical rather than simple and linear.

5.17 This is meant to describe a complex, contradictory, co-operative and dynamic relationship, many of whose elements are formed or decided at the international level. What is certain is that there is a need

for co-existence and co-operation between the democratic state and private capital in order to address social development, of which both the state and capital are an expression and on which they also have a decisive impact.

5.18 In the event of the failure of the democratic state to secure co-operation and necessary delivery from capital, which can translate to the failure to ensure the creation of new jobs, better social services and a sustained improvement in the condition of life, in both absolute and relative terms, the door shall have been opened to the forces of reaction and counter-revolution.

5.19 It is therefore imperative from the strategic point of view for the democratic movement and government to elaborate programmes of action to realise the objectives spelt out in this argument. What the democratic state and movement say and do in this regard has to be consistent, clear and without equivocation.

5.20 As it has been stated above that the democratic state has to attend to the genuine concerns of all other social and national groups, it also has to attend to the concerns of private capital if it has to ensure industrial stability, sustainable economic growth and a secure political democracy. It has to try to balance different and at times conflicting interests whilst addressing the needs of the people over a wide variety of spheres.

5.21 This point emphasises the fact that the democratic state serves the interests of the people in a differentiated manner, in part responding to the fact that each of the groups that make up society has the possibility and right to present its unique claims to the state. It is in that context that the obligations of the democratic state to the

people may not, at all times, be consistent with what capital may consider its legitimate and justified pursuits.

5.22 The days of the “robber barons” are clearly over. The regulatory role of the state, exercised through legislation, fiscal and monetary

policy and adherence to international agreements and conventions, is an integral part of the ordering of modern societies.

5.23 However, the democratic state must be aware that the vested interests of capital will try their best to ensure the protection of those of their interests which were guaranteed by the Apartheid state and which they feel they cannot protect through their own actions.

5.24 On the hand private capital must recognise that the democratic state offers the best possible environment for the realisation of the interests of capital. So the partnership between the democratic state and capital is mutually beneficial. The alternative is an environment of social and economic dislocation which is not conducive to the interests of the two parties. It is true that history has examples of the situation where capital made fortunes under dictatorial regimes.

5.25 The reality, however, is that that capital had to take joint responsibility with those regimes for the multiplication of the anguish suffered by the oppressed and super-exploited because, invariably capital had to take measures to try to stem the imminent or existent social upheaval. In addition, capital owners were themselves not free because they had to perpetually suffer the uncertainty of when the day of the upheaval would come.

5.26 Out of the multiple issues that belong with this relationship, what stands out as the defining element that enables the strategic partnership between the democratic state and capital is the progress achieved through new investment to increase the capacity to create improved material conditions.

6. THE DEMOCRATIC STATE AND LABOUR

6.1 Labour, just like capital, stand at the centre of the creation of the material conditions which make it possible continuously to improve the conditions of life of the people as a whole.

6.2 The creation of improved material conditions cannot be achieved nor can it be sustained without the working class's readiness and freedom to sell its labour power. The freedom to sell labour power should be understood also to mean that conditions must be created whereby the labour force can participate in economic production as a respectable and mutual beneficiary in the process of production.

6.3 This therefore has to mean that the working class together with the democratic state and capital complete the proverbial golden triangle necessary for the development and transformation of society.

6.4 However, the process of the building of the new democracy has to contend with the present material reality of the working class in general and the black section of the working class in particular.

6.5 This section of the working class, like the rest of the black people, continue to suffer from the legacy of national oppression the super-exploitation under the colonial and Apartheid system. This is expressed by such issues as the gross racial disparities in wages, incomes and skills, continuing racism at the work place, racial disparities in living conditions, the quality of life, unemployment levels and so on.

6.6 This objective reality provides the basis for one of the defining features of the relationship between the democratic state and the black section of the working class as well as the trade union formation representative of this class.

6.7 In addition, this is consistent with the reality that the black section of the working class was one of the principal motive forces in the struggle for the defeat of the Apartheid system. This section understood that it could succeed to address its class concerns, which are not different from those of the working class in socio-economic systems similar to that of the South African society, when it was freed of the disability imposed on it by its oppression as part of the system of Apartheid national oppression.

6.8 Then it is to be expected that this section of the working class, together with its representative organisations, would be best poised to assume a stance that is developmental and transformative. It will therefore be expected to do everything in its power to ensure the speediest advance towards the realisation of its material interests.

6.9 This understanding emphasises the centrality of the continuing and special role of the progressive trade union movement and its leadership to the mobilisation of the black workers to understand and adhere, to the broader objectives of the process of democratic transformation, in their own interest.

6.10 The instinct towards “economism” on the part of the ordinary workers has to be confronted through the positioning of the legitimate material demands and expectations of these workers within the wider context of the defence of the democratic gains as represented by the establishment of the democratic state.

6.11 If the democratic movement allowed that the subjective approach to socio-economic development represented by “economism” should overwhelm the scientific approach of the democratic movement towards such development, it could easily create the conditions for the possible counter-revolutionary defeat of the democratic revolution.

6.12 The task of educating the working class on the need to correctly balance the short term material gain with the longer objective to build sustainable economic growth and a secure democracy, is not the task to be left to the progressive trade union alone. It is the task of the unions as representatives of the working class but it is also the task of the entire democratic movement as the custodian of the aspirations of the democratic majority which includes the black section of the working class.

6.13 Furthermore, the democratic movement as led by the ANC should make it one of its priorities to ensure that, at all times, the progressive trade union movement is built, consolidated and made to appreciate its strategic role in the total emancipation of the South African society.

6.14 An infantile and subjective response to the democratic victory which resulted in an attempt by the popular forces to secure their sectional economic "victories" now and at all costs, would objectively produce its own opposite - the potential political defeat of these forces and the destruction of the economic base which is necessary for the sustained improvement in the conditions of life of the ordinary working people. The entire democratic movement, must assume the responsibility for the future of the country - today, tomorrow and the day after.

6.15 The democratic trade union movement has to take its place among the forces for democracy which through policy formulation and implementation of that policy, engage in the discharge of the developmental and transformative tasks of the democratic state, in the interests of the people.

6.16 It is to deny the progressive trade union movement the possibility to play this role, and to facilitate its regression to the positions of "economism" and narrow "revolutionary militancy", that the opponents of the democratic movement are vigorously promoting the idea that, as the ruling force, the rest of the democratic movement must distance itself from its trade union and working class component part.

6.17 As during the period of the struggle for the defeat of the Apartheid regime and the transfer of power to the people, the progressive union leadership cannot abandon its place and role among the political forces for the democratic transformation of society, by defining the interests of the working class as solely economic, and deciding that those interests are best served by a sectarian detachment of the working class from the rest of the people.

7. THE DEMOCRATISATION OF THE ECONOMY

7.1 The deracialisation and democratisation of the economy is one of the key tasks of the democratic state. This task should not be understood in the narrow sense of "black economic empowerment" whose only and ultimate goal is only the creation of a "black bourgeoisie". This task should be aimed at maximising the number of ordinary communities who increase their share of participation, not

only in creating improved material conditions, but also in determining the depth, direction and pace of economic transformation.

7.2 The democratic movement must resist the right-wing offensive for the "withering away of the democratic state", which includes an attempt to reduce the capacity of the democratic state to intervene in the economy. Equally, it must refuse to be converted into ideological adherents or opponents of privatisation. As on the question of privatisation, the guiding position should be that these processes are instruments which can be used to achieve reconstruction and development objectives.

7.3 The democratic state has the capacity to make an important impact on the economy through the capital in its own hands, represented by state corporations.

7.4 The democratic state should endeavour to address the deracialisation and democratisation of the economy in the course of addressing such questions as infrastructure development and provision of affordable services, attraction foreign investment, infusion of modern technology and managerial skills and acceleration of the human resource development. It should be ready to reposition these state assets so that they help to achieve these objectives. Surely the democratic state cannot adopt a "business as usual" approach as, indeed, these assets were built up and positioned to address the objectives of an Apartheid state.

7.5 The democratic state should also interact with big capital, domestically and internationally, with the aim of engaging these sections of capital in the process of economic empowerment of the black majority. Part of the answer to this question lies in the relationship between the democratic state and private capital. The democratic state has to define common mutually beneficial interests with private capital.

7.6 It is to be expected that some sections of capital, especially domestic capital, will respond in a lukewarm fashion to the objective of black economic empowerment and specifically it element of the deracialisation of ownership of capital. This arises, in part, from the force of the inertia of the Apartheid and racist past. It would also derive from fear that the growth of the volume of black owned-capital

represents an offensive ultimately to replace white with black ownership of capital as a whole.

7.7 It is the task of the democratic movement and state to make owners of capital aware that the democratic settlement is permanent and has its own authentic internal momentum. Owners of capital should be made to realise that their long-term interests are best served

by economic emancipation of the black majority, the creation of a non-racial economy, the attainment of a free and competitive environment, and ultimately by social and economic stability which can serve to further nurture the culture important to a modern economy.

7.8 Capital must be made to understand that one of the greatest challenges ahead is to achieve a full and unrestricted integration in world affairs and the need to cope with the demand for active and friendly relations with the entire world. The South African economy no longer operates in siege conditions of relative (economic) autarky.

7.9 Both the form and content of the relationship between the democratic state and capital has to be informed by the new objective reality that now a democratic state exists, and that this state is an unrestrained participant in the ordering of world affairs.

7.10 For its part, and as a fundamental condition for the discharge of its developmental and transformative responsibilities, the democratic state has an objective interest in ensuring that a "black bourgeoisie" does not get formed as a result of:

* theft of public resources, or,

* the prostitution of particular nationals by foreign capital.

7.11 Without the open intervention of the democratic state to facilitate the process of the democratisation of the economy, it is inevitable that these two processes of the birth of a "black

bourgeoisie" would occur, with a fatal impact on the building of a democracy representative of the people as a whole.

7.12 THE PUBLIC ACCOUNTS

7.12.1 Another instrument in the hands of the democratic state whose use also impacts on the economy is the national budget. It impacts on the economy in various ways.

7.12.2 These include the drawing of revenues from the economy through taxation and other levies, the spending of those revenues to meet government obligations, as well as borrowing from the capital markets, in the event of the levels of expenditure exceeding the revenues already mentioned.

7.12.3 Needless to say, the larger these quantities are, as a proportion of the gross domestic product, the more likely that their effect will be felt in the economy. To understand the nature of this effect, it is necessary to understand that every economic system has its regularities - what might be called its laws of development, which operate independently of individual wishes.

7.12.4 In the context of the discussion underway, this emphasises the point that, relatively, it is possible to predict the economic consequences of the budget decisions that the government may take. Given its developmental nature, the democratic state must of necessity concern itself about the impact that its budget policies may have on the possibility to build the capacity to create improved material conditions.

7.12.5 It would therefore seek to achieve the right balance between consumption and investment in its own expenditure patterns, mindful of the influence it can have on the interaction between the supply and demand factors in the making of the national economy.

7.12.6 But equally, in the context of the mixed economy, it would be sensitive about the effect, particularly on the capacity of the economy as a whole to invest, that the channelling, through taxation and borrowing,

of a portion of the gross domestic product into the state coffers, would have. This is more so if the greater part of this portion is devoted to consumption, or more broadly, recurrent expenditure.

7.12.7 To complicate the matter further, the servicing of the state debt means the diversion of public resources from other uses. Money spent to pay interest to the lender is money not available to build a classroom, a house or a clinic. This is why the resort to borrowing to finance consumption expenditure is, in the end, a recipe for disaster. Since such consumption does not produce new and improved material conditions the mounting service and redemption obligations would result in bankruptcy of the state. It is self-evident that this is a result to be avoided.

7.12.8 Of importance also is, apart from the volume of the debt, the cost of servicing it. This relates to the interest that must be paid as a first charge on the public revenues. In a situation of limited resources, public borrowing can have the effect of raising interest rates.

7.12.9 Not only does this increase the cost of servicing the public debt, and therefore result in the reduction of state resources available for development, it also increases the cost of borrowing on everybody else in the economy. This includes the individual who borrows to finance the purchase of a house, consumer goods, etc. as well as the person who borrows for the purpose of starting a new business or expanding operations, with particular reference to small and medium business.

7.12.10 The inflationary effect of these processes further impacts most negatively on the poorest, who include those who have no power to adjust their incomes to keep up with the rate of corrosion of their earnings, such as the unemployed or under-employed beneficiaries of the "social welfare system of extended families", pensioners, and small savers.

8. ECONOMIC DETERMINISM

8.1 The essential point being made here is that the democratic movement and state must never entertain the notion of voluntarism with regard to economic questions, according to which the concept takes hold that the subjective can assume ascendancy and

preponderance over the objective, in violation of the laws of motion governing the objective sphere.

8.2 It is this lurch into subjectivism which, in the history of human development, led to such experiments as “The Great Leap Forward”, which was, in reality, its own opposite. It also informs our knowledge of the reasons why many “economic bubbles” burst, despite the amounts of investible funds thrown at these economic mirages.

8.3 This is not to assert a theory of economic determinism, which is standard fare in modern right-wing political philosophy, according to which the creation of wealth is governed by some mystical “market”, which is amorphous, disembodied, colourless, odourless and ethereal.

8.4 The right-wing tendency in both domestic and international politics agitates for the universal acceptance of a false view of a world dominated by the impact of “the free market”. In reality, this serves as a means to expand the “predator space” of the most powerful sections of capital, whose socially negative impact has, within the present epoch, resulted in the condemnation by ideological adherents of private property of the phenomenon of “the unacceptable face of capitalism”.

8.5 This is not to deny that the process of the globalisation of the world economy is, simultaneously, accompanied, and perhaps driven, by a world tendency towards the concentration and centralisation of capital.

8.6 Rather, the point being made is that the subjective intervention in social development must take into account the reality that the possibility to intervene successfully is determined by the extent to which there is appreciation of the regularities which govern social behaviour.

8.7 In other words, a dialectical relationship exists between the objective and the subjective, according to which social transformers are neither prisoners of ineluctable forces of “free market” capitalist development, nor free agents of popular empowerment who can write any letter of the alphabet as they wish, because what they have in front of them is a *tabula rasa*.

8.8 The reality is that the democratic movement, which functions in a state in which capital is largely in private hands, is locked into an equation which contains both these elements. The ability to address this contradiction successfully, in the context of the developmental and transformative tasks of the democratic state, constitutes one of the major challenges of leadership for change.

8.9 With regard to this, the directive principle in the world of the philosophers is stated as - freedom is the recognition of necessity!

8.10 In other words, we are able to free ourselves from enslavement by the objective regularities of the process of development only to the extent that we understand the essence and imperatives of these objective regularities, and can, therefore, measure the effect of our subjective intervention to regulate these objective regularities.

8.11 The destabilising theoretical and practical reality and the enemy of dogmatic certainty is that - social transformers are neither slaves nor free agents: they are both slaves and free agents!

8.12 To deal with this real world, the democratic movement has to strive, consciously and consistently, and in the context of a dynamic domestic and international situation, to understand the impact on development and transformation of such issues as taxation and public revenues, public expenditure, budget deficits, monetary and exchange rate policy.

9. SOUTH AND SOUTHERN AFRICA

9.1 If the efforts aimed at defeating underdevelopment in South Africa are to succeed, they must of necessity be accompanied by the struggle to try and defeat underdevelopment in Southern Africa as a whole.

9.2 The Apartheid state could and did try to guarantee the growth of South African capital through its expansion into the rest of the region as a dominant and exploitative force, backed by a machinery of aggression and the extension of the white colonial order into the rest of the region.

9.3 On the contrary, the approach intrinsic to the democratic state is that capital must exist and grow in conditions of freedom and democracy, both within South Africa and in the rest of the region. This underlines the interdependence of the countries and peoples of our region and coincides with the tendency of capital to operate internationally.

9.4 The "elemental and spontaneous" process of the collapse of the colonially imposed national boundaries within the region has to be replaced by a conscious and inclusive process of constructing equal and mutually beneficial relations among the countries of Southern Africa. One of the results of this process must be the building of a common economic market which would ensure balanced economic development in the region as a whole.

9.5 This process of "conscious regionalisation and globalisation" would not only help the democratic state consciously and constructively to impact on the movement of people and goods already taking place within the region, but also create the best conditions for sustained regional development based on the faster reproduction of capital, the acceleration of the process of the attraction of foreign capital into the region, the growth of trade and the strengthening of the bargaining position of the countries of the region in the ordering of international economic and other relations.

9.6 This challenges the entire democratic movement, in the context of a democratic system of international relations, to address the complex issue of all-round regional co-operation and development as one of the fundamental objectives of our revolution.

10. AN HISTORIC OPPORTUNITY

10.1 The entry of South Africa into the community of democratic states has been greeted internationally as an epoch-making event. This has happened, in part, because this event took place at an historical moment marked by great changes in world politics and the world economy.

10.2 Coming at the moment that it did, the change in South Africa suggested that the new democracy was both an expression of these

changes and, more important, that it also had the possibility to be at the cutting edge of these processes of political and economic change.

10.3 This would happen because the new democracy would have the possibility to learn from the accumulated experience of all humanity and seize the historic opportunity presented by the challenge to destroy the old state, to construct its own policies, practices and institutions

taking into account the most progressive achievements of humanity to date. It is an historic opportunity the democratic movement dare not throw away through a refusal to think in a bold and innovative manner.

10.4 Part of that thinking must relate to the reconstruction and development of the South African economy on the basis of modern means of production, which draw their own dynamism from the scientific and technological revolution.

10.5 This suggest immediately, for instance, that the democratic state must push very hard to build the infrastructure that would put South Africa on the "Information Super-highway", with all the possibilities for the modernisation of society which this communication and information infrastructure would present.

10.6 Some of the basic things the democratic state must do if it is to take advantage of this historic opportunity would be to create the possibility for sustained economic success through such measures as:

- * the expansion of the domestic market;
- * raising the skills level of both management and workers;
- * modernising the technological base of the economy;
- * building a regional economy capable of providing a better life for all the peoples of Southern Africa;
- * improving marketing within and access to the world economy; and,
- * opening South Africa to the progressive impact of the international mobility of capital, skills, goods and services.

11. INTERNATIONAL REGULATION

11.1 Contrary to the views of the ideologues of “the free market”, the functioning of the world economic system is becoming more regulated. This has nothing to do with the nature of this market but rather it has to do with the reality that the world market is, in fact, less and less free.

11.2 This historical tendency serves to emphasise the importance of the international institutions that are relevant to, or impact on these economic questions.

11.3 Inevitably this enhances the importance of the Bretton Woods institutions. It also helps to stress the importance of such bodies as the WTO. The UN and its relevant specialised agencies do, in this context, also regain recognition of their importance.

11.4 An important feature of the modern world economy is also represented by the birth and development of regional economic groupings such as the EU, NAFTA, ASEAN, MERCOSUR, ECOWAS, SADC and others. Once more, these represent an attempt to regulate economic relations rather than allow a situation of international laissez faire.

11.5 In this context, the democratic movement must take into account the fact that the world is witness to the globalisation, centralisation and concentration of capital, which leads to the birth of corporations whose decisions affect millions of people across boundaries and the economic future of countries. The world economy is tending towards greater regulation, in the interests, and with the urging, both of capital and the state, both at the domestic and international levels.

11.6 Add to this the progress towards the development of international capital markets which further brings its own challenges to the assumed sovereignty of the nation state. The economic globalisation and the effect of technological progress on the world scale imposes a certain surrender of a nation state's control over many areas. These areas would include currency and fiscal policies, environmental control and global warming, the effect of the new

international division of production and labour and the illegal narcotics trade.

11.7 In this larger and more integrated sense, national security becomes increasingly inseparable from international security and there is increasing reliance on transnational or subnational agencies in the pursuit of overall social and economic security.

11.8 As South Africa inserts itself into the world described above, it must take seriously the task of ensuring that, as a state, necessary impact is made in terms of the evolution of international economic and social relations.

11.9 This calls for a sophisticated, complex and dynamic foreign policy which can be broadly defined, but clearly, not fossilised in a "foreign policy White Paper", whose distinguishing feature would be its irrelevance from the moment it was printed. There is a need for a foreign policy which would be informed not only by a government Department of Foreign Affairs, but also by those who, by playing a role in the economy, help to decide whether the people shall, or shall not have, a better life.

11.10 It must also be guided by the understanding that South Africa's ability to make a real impact on world affairs is dependent on the success achieved in forming stable alliances with other countries with whom, broadly, she shares the same strategic interests. Democratic South Africa cannot, on its own, influence world events.

11.11 The democratic movement must resist the illusion that a democratic South Africa can be insulated from the processes which characterise world development. It must resist the thinking that this gives South Africa a possibility to elaborate solutions which are in discord with the rest of the world, but which can be sustained by virtue

of a voluntarist South African experiment of a special type, a world of anti-Apartheid campaigners, who, out of loyalty to us, would support and sustain such voluntarism.

12. POSTSCRIPT

12.1 The democratic movement must elaborate its own slogans to express the strategic perspectives indicated in this Discussion Document.

12.2 These slogans must be consistent with the overall strategic perspective of the democratic movement, which remains the all-round emancipation of the black oppressed, especially the African majority.

12.3 The issues these slogans must address include:

- * the replacement of the Apartheid state with the democratic state;
- * the commitment of the democratic state to reconstruction and development;
- * a better life for all;
- * the mobilisation of the masses of the people to govern themselves in the context of the objective that “the people shall govern”;
- * a new and patriotic partnership for development and transformation;
- * the progress of the region of Southern Africa;
- * the African Renaissance; and,
- * the unity of the poor of the world, for peace, democracy and progress

ENDS