

Department of Sociology

Globalisation and Social Change in South Africa

Authors:

Ruhr Martin

Derik Gelderblom (Study units 8.2 and 8.3)

Only study guide for

SOC202-3

University of South Africa
Pretoria

© 2006 University of South Africa

All rights reserved

Printed and published by the
University of South Africa
Muckleneuk, Pretoria

SOC202-3/1/2007–2009

97984914

3B2

SOS-Style

CONTENTS

	<i>Pages</i>
Study unit 1: Introduction	1
Study unit 2: The concept of globalisation	18
Study unit 3: The origins, nature and consequences of the apartheid system in South Africa up to the 1970s	82
Study unit 4: Crisis in the capitalist apartheid system	93
Study unit 5: The transition to liberal-democracy in South Africa	106
Study unit 6: The policy context of the new liberal-democratic government in South Africa	121
Study unit 7: From political democracy to neo-liberalism in South Africa	143
Study unit 8: Macro-economic neo-liberalism in South Africa and the possibility of an alternative	179
Glossary (by Derik Gelderblom)	217
List of sources	220

Study unit

INTRODUCTION

1

STUDY

Marais (2001:vii–6)

READ

Marais (2001).

Welcome to this sociology module on globalisation and social change in South Africa (SOC202–3). In this study unit we discuss and specify the aims and outcomes of this module as a whole. That is, we set out what we expect you to be able to do once you've completed the module, and how we plan to help you do so. In broad terms, this module is designed to help you to understand the nature of contemporary South African society, the ways in which it is changing, and what its short-, medium-, and long-term futures are likely to be. You should thus be better equipped to make your own informed decisions about how best to live and act in our society, as an individual, as a member of your own community, and as a member of broader South African society. In this regard, one of our main emphases is the question of how best we can live and act in South Africa in order to achieve prosperity, equality, and justice for all in the country.

One of our main premises in this module, is that in order to make such informed decisions and achieve such a goal, we need to have an adequate understanding of both our history and the broader, 'global' context we are situated in. In other words, we believe that it is firstly, our specific history that has brought us to where we are today, and continues to shape our present society and our possible futures. Secondly, we also believe that what we were and are, and are likely to be, has always been and will always be shaped by the nature of our relationships with both the local and the broader international or global community.

More specifically, this involves an understanding of the history of the interrelationships between the economy, politics, ideology and the state (and of course, the human agencies involved), that has shaped South

STUDY UNIT 1

African society. It also involves identifying and understanding the continuities and discontinuities bequeathed by these interrelationships, that still mark and influence our society in one way or another and will in all probability continue to do so. It also involves an understanding of how our relationships with the local and broader international communities have shaped our past and present circumstances, and will continue to influence our future prospects. And in the contemporary context in particular, we need to understand what is meant by the concept of globalisation, and any implications that the various characteristics associated with the concept have in store for us. Clearly moreover, making informed decisions and determining goals leads us towards the issue of ways in which we can attempt to realise our decisions and goals, and this involves, perhaps most importantly, the formulation and implementation of policy. Thus, in this module we also introduce you to the nature of policy activity, with a specific focus on salient policy initiatives (and possible alternatives) in contemporary South Africa. Also, given our stress on the importance of the historical unfolding of relationships between economics, politics, ideology, the state and society in South Africa, in the context of both the local and global levels, we need an appropriate theoretical and methodological approach. We introduce you to such an approach, and expect you to be able to both understand it and apply it to South Africa. Finally, we hope that you will be able to apply what you learn about South Africa, globalisation, policy and social theory in this module, to all of your other intellectual and practical interests/pursuits.

Once you have completed this module, we expect you to be able to do the following:

- (1) Understand and describe the history of South African society from the apartheid era to the present.
- (2) Understand and describe the nature of, and changes in, contemporary politically-democratic South African society.
- (3) Understand, describe and problematise the concept of 'globalisation', the relationship between globalisation and the historical emergence of a global capitalist system, and any implications this has had/might have for South Africa.
- (4) Understand and describe the theoretical and policy approaches used in this module, and how they are applied to South Africa.
- (5) Understand, describe and evaluate the contemporary South African government's macro-economic policy (ie, the Growth, Employment and Redistribution [GEAR] macro-economic strategy).
- (6) Make informed projections about and devise appropriate courses of action (or generate policy) for facilitating possible (alternative) futures for South Africa, based on (1) to (5), particularly in terms of achieving prosperity, equality, and justice for all.
- (7) Apply each interrelated outcome mentioned above to all of your other intellectual and practical interests/pursuits.

1.1 How to work your way through this module on globalisation and social change in South Africa

This module is based primarily on the prescribed book you must buy, which is “Marais, H. 2001. *South Africa, limits to change: the political economy of transition*. Cape Town, UCT Press”. This study guide takes you step-by-step through Marais’s analysis of South Africa, and the process of achieving the broader objectives of the module as a whole. Each study unit

- commences with instructions telling you which parts of the prescribed material you must study,
- contains its own set of aims and outcomes,
- has some text by us (which is prescribed and must be studied) designed to help you achieve the aims of the study unit,
- has a few ‘activities’ to enable you to gauge for yourself the extent to which you have grasped the learning materials thus far,
- has a conclusion where we briefly summarise everything that the study unit has covered, and
- concludes with a ‘final activity’ containing a list of possible assignment and examination questions and instructions.

Your final (end of year/semester) examination questions and instructions will be based on these lists of possible questions and instructions, so please work your way through them. They are based on the aims and outcomes of each study unit, and are very similar to those you can expect in the assignments and in the examinations themselves. Please compose responses to them, as doing this will help you prepare for the assignments and for the final examination of the module as a whole. Assignments and examinations are, after all, the main means by which we will assess whether or not you have achieved the objectives of the module.

You will no doubt have noticed that in this study unit, the second instruction is to ‘read’ Marais (2001) rather than ‘study’ a section of his book. This is because we want you to read through his entire book to get an overview of what he is arguing, before you get down to the nitty-gritty of studying his more detailed analyses. This is a very useful thing to do, as it will prime you for, and help you to keep a ‘global’ picture in mind of, what this module is about, as you proceed to work through and study its parts. So please do so. We also strongly suggest that you read through the whole study guide as well, for the same reasons. On occasion, you will only see an instruction to ‘read’, or no literature instructions at all. This means that you must still study carefully the text that we ourselves have provided. As already mentioned, both the prescribed text and the contents of this study guide are ‘prescribed materials’, and thus examinable.

Please note that you have to work through this module and achieve its objectives by yourself, by studying the prescribed textbook with the help of this study guide. The aims and outcomes of each study unit are interrelated sub-objectives designed to enable you to meet the seven broader outcomes of the module as a whole. For the most part, they are sequential and ‘build’ upon each other. Thus, they inform you about what

STUDY UNIT 1

we expect you to know and be able to do once you have worked not only through each study unit, but the module as a whole.

We hope you find this module interesting, and that it helps you to better understand the history, contemporary nature and possible future prospects of South African society, and your own life, circumstances and prospects in the country. We hope that you will be able to apply this understanding to a wide variety of different contexts. In particular, we hope that once you have completed the module, you will be able to understand and evaluate policy, and make useful, sociologically-informed inputs into policy debates and the making of policy generally, and especially into policy debates and policy activity aimed at creating a prosperous, equal, and just South African society. Finally, we hope that this module kindles your interest in sociology generally, shows you how engaging, insightful, useful and powerful it can be, both intellectually and practically, and that it motivates you to carry on studying sociology.

1.2 *Marais's theoretical and methodological approach towards analysing South Africa*

In this section of the study unit, we introduce you to Marais's theoretical and methodological approach to making sense of South African society. His approach develops and becomes clearer as you work your way through this module, but you'll find it useful at this stage to get an idea of what he's doing, and the intellectual context in which, and on the basis of which, he is doing so. Note that part of the title of his book indicates that he's 'doing' a 'political-economy' of social change in South Africa. It is this notion of a 'political-economy' that captures the theory and methodology he uses in his book, and which we'll be briefly illuminating here.

According to Marais, most accounts of South Africa's transition to democracy, and most accounts of the nature of the capitalist apartheid system as a whole, tend to both methodologically and theoretically emphasise its political and ideological dimensions while neglecting its socioeconomic ones. One salient exception, however, took place in the form of the 'race-class debate' between (neo-Marxist) radicals (or 'revisionists') and liberals on the functionality (or not) of apartheid for capitalism in South Africa. However, radical participants to this debate have been accused of simply 'reading-off' the state, the political and the ideological from the socioeconomic. That is, of simply reducing racism and apartheid to the needs and dictates of capitalism and the capitalist class. Some radicals, for instance, have argued that the socialist transformation of the economy, that is, the abolition of capitalism in South Africa, would end apartheid. This followed from their belief that apartheid was functional for capitalism, and that the two were indeed so intertwined in South Africa that the abolition of one would inevitably entail the abolition of the other.

On the other hand, many liberals have been accused of simply reading off the economic from the state, the political and the ideological, that is, of reducing problems in South Africa in general, and the crisis of its

capitalist economy in particular, to the racist ‘irrationalities’ of the apartheid state, apartheid politics and apartheid ideology. Liberals argued that liberal ideas and institutions, and the free-market in particular, should and/or would replace the interventions of the apartheid state. This would eliminate ‘irrational’ racist impediments to the flourishing of the country generally and its capitalist economy in particular. Both radicals and liberals, however, tended to underemphasise the complex symbiosis of capitalism and the apartheid system, as well as the flexibility of both. Importantly, they neglected the contingent nature of the relationship between them, as evidenced by the ways in which both (and/or the ideas of their respective ‘champions’) changed over time with changes in local and global circumstances.

However, returning to Marais’s point of view, as mentioned above, most accounts of South Africa’s transition are biased. They are politically and ideologically one-sided and indeed reductionist. They tend to involve a conceptually instrumentalist emphasis on the apartheid state as the main, most powerful cause and reproductive agent (that is, ‘instrument’, ‘maintainer’ or ‘enforcer’) of the apartheid system in South Africa. And the apartheid system itself is reduced to its ideological and racist elements and its institutionalised racial practices, injustices and inequalities in particular. Cohen and Kennedy (2000:377) write that ideology is: “a reasonably coherent set of assumptions and convictions shared by a particular social group ... For some social theorists ideologies can be contrasted with reason or science and are used deliberately by ruling groups to obscure real power relations in their own interest”. Marais clearly believes that ideological and political aspects need to be unraveled and understood in terms of the full complexity of social reality, and its underlying power relations in particular.

This bias has led to strategies for changing the nature of South African society that focus almost exclusively, and inadequately in Marais’s view, on changing and/or ‘capturing’ the state. In other words — change and/or seize the apartheid state, get rid of the racist, apartheid promoting government and thereby transform the entire apartheid social system (albeit over time, perhaps). According to Marais, this sort of instrumentalism holds true for agencies that wished to ‘normalise’ or ‘reform’ (ie, ‘de-racialise’) the South African polity and South African capitalism’s ‘irrational’ racist dimensions. (Examples of such agencies were the more liberal elements of South African ‘capital’ — that is, of South African capitalists as a whole — liberals contributing to the ‘liberal-radical debate’, and a ‘progressive’ faction within the Nationalist Party in the middle to late 1980s.) Marais also contends, however, that this sort of instrumentalist approach is also true of many of those wishing to ‘transform’ South Africa more fundamentally, including some radical contributors to the ‘liberal-radical debate’. He holds that most important among these was the African National Congress (ANC). This issue is discussed in more detail in later study units. It has significant implications for, in particular, the nature of and prospects for change in South Africa (now that it is a political democracy).

STUDY UNIT 1

ACTIVITY 1.1

According to Marais, in most accounts of South Africa's transition to democracy, certain theoretical and methodological dimensions are overemphasised and others are neglected. Identify them, and indicate what some of the conceptual and strategic consequences of this overemphasis and neglect are.

Marais attempts to overcome these theoretical and methodological limitations, including those associated with the liberal-radical debate, by arguing that an adequate understanding of South African society, requires an historically informed 'political-economy'. Marais also believes that it is only on the basis of an approach like this that the prospects for prosperity, equality, and justice in South Africa can properly be addressed. But what does he mean by such an approach? He believes that we need to adopt an approach characterised by an historically informed analysis of the interrelationships between the socioeconomic, political and ideological forces that have unfolded in South Africa. We also need to realise that these forces are both local and global in origin and character. Marais adds that we must conceptualise these socioeconomic, political and ideological relationships as being complex, contradictory and contingent in nature and outcome. We must also realise that these relationships have produced a set of contemporary conditions that show both continuity and discontinuity (a break) with the past. Finally, we must realise that, while these conditions are constraining and that they set 'limits to change', they are neither inevitable nor unchangeable. This is because contemporary conditions must also be seen as constituted by complex, contradictory, contingent and dynamic interrelationships between local and global socioeconomic, political and ideological forces, however 'limiting' they may appear at any given moment.

It is important to note that while Marais does tend to emphasise the socioeconomic dimension, he is not advocating a solely economic (or socioeconomic) analysis of South African society — this, he believes, would be as one-sided and reductionistic as overemphasising the political and ideological. It would also tend to reduce the political and the ideological to the economic, that is, reduce the apartheid state and apartheid ideology to the socioeconomic, and to the needs of capitalism and/or an homogeneous capitalist class in South Africa in particular. He highlights the socioeconomic mainly because he wants to rectify its relative neglect in most mainstream accounts of South Africa's political transition, and because it is this dimension that (still) looms so large in the lives of the majority of South Africans — in the form of massive socioeconomic inequalities and poverty. He also does so because his approach to political-economy is broadly 'historical materialist' (or neo-Marxist) in character, which we elaborate on below. (For more information on the sorts of problems that Marais is trying to overcome, and which form the basis of his own approach, you'll find it useful and enlightening to consult the following sources. Most of these deal critically with the 'liberal-radical debate' on South Africa, and should be obtainable from the UNISA library. Full bibliographical details appear in

the list of sources at the end of this study guide. These sources, by no means exhaustive, are Bozzoli [1981], Burawoy [1981], Fisher et al [1978], Glaser [2001], Goldberg [1981], O'Meara [1996], Saul [1991], Wolpe [1988], and Yudelman [1981].)

In this respect, note that on the very first page of his first chapter, Marais (2001) confirms his commitment to such an approach towards analysing South African society. Here he says that the apartheid system certainly entrenched, exacerbated and institutionalised gross, race-based injustices and inequalities, and that these injustices and inequalities still characterise South African society. However, he also argues that an exclusive focus on apartheid (that is, on the apartheid political system, the apartheid state and apartheid ideology) actually obscures our understanding of the apartheid system as a whole. This is because such a focus neglects the apartheid system's historical, socioeconomic and political bases. In other words, Marais believes that we need to be aware of aspects like the following:

- (1) Apartheid did not represent a major departure from the economics and politics of its colonial antecedents.
- (2) Apartheid was intimately part of the way in which capital accumulation and industrialisation took place in South Africa.
- (3) Apartheid helped to create the (political) formation of particular class alliances and the (political) furthering of particular class interests.

He also claims that these sorts of forces and underpinnings (that is, bases) still 'ferment' in numerous ways in the present, that is, still influence the present. Indeed, this continuity of the past in the present is a major reason for his doubts about the possibility, any time soon that is, of significant changes in existing patterns of power, privilege and inequality in contemporary South Africa. Note, however, as mentioned above, that this does not mean he believes that meaningful change is not possible.

Marais makes this methodological and theoretical point systematically throughout his analysis, in a variety of different contexts. He does so in his criticisms of academic and popular accounts of the nature of and recent changes in South African society. He also does so in his critiques of the way in which the major agents of social change in South Africa, both past and present, conservative and progressive, have conceptualised and carried out their activities. And he does so in the way in which he conceptualises and presents possible alternatives to the status quo in contemporary South African society — alternatives couched in terms of prosperity, equality, and justice for all South Africans.

ACTIVITY 1.2

Describe briefly the theoretical approach Marais believes to be the most adequate for analysing and explaining the nature of South Africa and its contemporary prospects for social change.

STUDY UNIT 1

1.2.1 *An introduction to ‘political-economy’*

In order to help you better understand what Marais means by a ‘political-economy’ approach to South Africa, we are now going to put it in broader perspective. The concept of political-economy is associated with a long line of thinkers that go far back in the history of ideas. However, political-economy came to the fore in Europe in the 17th century, as the modern state, the industrial revolution, industrialisation and capitalism all began to emerge at roughly the same time (see the remarks about Adam Smith below). Hoogvelt (1997:3–13) points out that the concept of political-economy emerged during this period in the work of certain thinkers who were trying to understand, analyse and explain the broad relationships between the emergence and growth of industrial capitalist economies, and associated changes in the state, politics and society (or ‘civil society’, a term used by many political-economists — see below). Cohen and Kennedy (2000:79) describe the industrial revolution briefly as follows:

Britain’s industrial revolution led the way for industrialisation across the globe and can be dated to around the 1770s, when machinery and full-time waged workers in permanent factories were increasingly deployed in manufacturing processes. The industrial revolution began with the cotton textile industry, but over about another 70 years spread to most other industries in Britain.

Cohen and Kennedy (2000:44) describe capitalism as follows:

In capitalist economies wealth-producing resources are largely privately owned rather than being subject to family, community or customary control. Most producers depend on wage employment for their livelihoods instead of self-provisioning, while the goods they produce are commodities sold in markets. Moreover, production is organised almost entirely for profit. This is earmarked for re-investment and further wealth accumulation.

And Cohen and Kennedy (2000:45) hold that ‘civil society’

consists of the networks of political groups and voluntary associations emerging in the social space between the individual and the state. These bodies are engaged in expressing their members’ interests and in trying to shape national political culture — its values, goals and type of decision-making practices. A flourishing civil society is likely to foster compromise, innovation, vigorous public debate and the minimising of state interference in social life.

Political-economists are usually also concerned with the nature, use, and dispersion of power, wealth and privilege that characterises societies and the relationships between them. They tend to be particularly concerned with the emergence and growth of industrial capitalist economies, and associated changes in politics, the state and society. And they are also usually concerned with understanding, analysing, and explaining these interrelationships both nationally and internationally. At the international level, this concern is often referred to as ‘international political-economy’. Political-economists are perhaps most concerned with what a state actually is, the ways in which a state is related to the

capitalist economy and society, and what a state does — particularly when it comes to economic policy.

Hoogvelt (1997) points out that there are a number of different approaches within the broader context of a political-economy perspective. Three of the most prominent are the mercantilist, systems and Marxist approaches. The mercantilist approach to political-economy dates back to a period of intense competition and conflict between emerging countries and peoples, and importantly, between newly-formed, but more or less modern nation-states in 17th century Europe (see the next study unit). The place and role of the state in this political-economy approach is, in a sense, 'prior' to that of the rest of society. In other words, in this approach the state is treated as if it is more important than the rest of society. The state is conceptualised as an agent or 'actor' in competition and conflict with other states, each of which differs in terms of wealth, power and influence. In this international competition, there are winners and losers and thus constantly shifting balances of wealth, power and influence between states.

The mercantilist argument is that the state should actively promote its (and thus the rest of its territory's) capacity to engage in profitable warfare and trade with other states in order to generate as much wealth, power, territory and prestige, relative to its rivals, as possible. This implies that the state (where it can't enrich itself by force) must ensure that it can sell more than it needs to buy from other countries, which also implies that the state must endeavour to ensure that the territory (and population) it 'presides over' produces most of what it needs and consumes. This then implies that the state must promote the development of the infrastructural and technological base of society, especially its military and productive base. This entails, among other things, nurturing the growth of military, trading and producing classes to increase military power and productive and consumptive self-sufficiency, and to generate revenues for taxation purposes.

Much of the wealth generated by trade, war and production (and the taxation mentioned above) is designated for the state. That is, for the rulers or government of a territory, for purposes of empire-building. Increasing the state's wealth, power, prestige and sphere of influence will then lay the basis for the creation of even greater wealth, power, prestige and influence for the state, whether by trade or war. As differentials in wealth and power emerge from warfare and trade, relations and exchanges between states increasingly take the form of gains to one at the expense of losses to another. This formed a basis for capitalist (or neo-capitalist) relations of exploitation between states, which reached a peak in the form of European imperialism and the colonisation of other territories, especially in Africa, Asia and Latin America. The mercantilist approach is rarely used nowadays, but it lives on at the level of international political-economy as 'realism', where relations between states are conceptualised as based on 'real-politik', that is, relations based largely on differentials in power, wealth and influence.

Can you see that the mercantilist approach to political-economy focuses on the relationships between the emergence of the modern state, the industrial revolution, and the birth of industrial capitalism? These

processes occurred simultaneously. This is because the focus of mercantilism is on the development of technology and production, and creating those conditions favourable to the growth of industrial capitalist wealth and power (albeit couched in terms of 'the glory of the state'). And can you also see how mercantilism is related to the emergence of a differentiated global capitalist system? This is because mercantilism fostered the expansion of capitalism all around the world in the form of trade, war and colonialism — much of the development of Europe, of European industrial capitalism, its power and wealth, was fed by the raw materials (including slave-labour) and other commodities repatriated (often by force) from the colonised territories. Can you also see that the gains made here by the European centres were often at the expense of (what was to become known as) the third world?

The systems approach to political-economy reflects the general 'systems' sociological perspective on the nature of society. This is the view that society is a system of interdependent cultural, political, social, and economic sub-systems or social institutions, regulated by a country's constitution and/or legal system. The constitution and/or the legal system helps to ensure that there is order, stability and consensus in society on the basis of shared values and norms. This does not necessarily mean that there is no social stratification in society, no division of labour and no great differentials in power and wealth in a society. Nor does it mean that a society does not contain conflict or competition. But it does mean that whatever division and conflict does exist, takes place within the context of, and is regulated in terms of, broadly shared and institutionalised values and norms.

For instance, in a free market, industrial capitalist society, there may be competition and conflict between capital, labour and the state. However, this will tend to be institutionalised, in the form of, say, a corporate relationship, regulated by shared norms and values, between representatives of the state, capital and labour. From a systems perspective, these different groups have some importantly different interests and values, and may be in competition with one another, but they also realise that they are interdependent (and that they are thus more or less equally powerful) and need each other. These groups therefore find ways of regulating, more or less harmoniously, their relationships with each other, on the basis of overarching and institutionalised shared norms and values.

Similarly, the systems perspective on or approach to international political-economy, entails the assumption that there is interdependence between states in a world-wide division of labour. This world-wide division of labour is characterised by capitalism, the operation of free market principles and by competition and (some) conflict. But it is also characterised by cooperation between states. This is because all states are aware that they need each other, that is, that they are interdependent. The systems approach to political-economy is also often known as 'institutionalism' or 'pluralism'. Its theorists stress the economic interdependence of all states and the view that cooperation in a growing world economy will benefit everyone. This interdependence and cooperation is encapsulated at the international or global level in the form of the institutionalised regulation of trade and other relations between

states and regions by various global and regional bodies (such as the United Nations, or UN, and the European Union, or EU). Various regional and international agreements (such as those associated with the New Partnership for African Development, or NEPAD, the North American Free Trade Agreement, or NAFTA, and the World Trade Organisation, or WTO) are also in place. This political-economy approach assumes that the world consists of a plurality of local, regional and international states and institutions, each with somewhat different interests and ideas. According to this view, all states are thus in competition with each other in an international, capitalist free market. But the underlying assumption behind this perspective is that all states and institutions are more or less equal (in part because of the international agreements and bodies they subscribe to and abide with), and that all are engaged in supplying each others' needs. These are the values and norms states share, and which in institutionalised form regulate their relationships in a more or less harmonious and consensual manner.

Now while it is possible to identify broad approaches to political-economy, it is actually quite difficult to place individual political-economists within a particular approach. Briefly, an individual theorist may both subscribe to and reject propositions from a broad range of approaches. Adam Smith, for example, was perhaps the most important theoretical founder of the political-economy perspective. His theory is viewed by many as a 'classic' in the political-economy tradition. He in fact established political-economy as a formal academic 'science', in the 19th century (Hoogvelt 1997:3–6). Rather than seeing society as existing for the glory of the state, however (as mercantilists do), Smith saw the state as primarily functioning to make possible three things: (1) the production of sufficient wealth for the subsistence of the general population, so that (2) the public service could function effectively, and (3) rulers (the state or government) could rule (rather than go to war and build empires). He also measured the 'wealth of the nation' in terms of its own production of goods and services, based on a burgeoning, efficient division of labour, rather than in terms of its military capacity to accumulate wealth from other states. In other words, Adam Smith focused on the production, rather than the transfer or appropriation of wealth.

The state's task, in Smith's theory, is to provide for and maintain the optimal conditions for producing wealth for everybody. And the best way to do this, according to Smith, was by means of minimal political and state intervention in the economy, that is, by means of the 'invisible hand' — a term used to describe the principles and operation of the free market. Put differently, he argued that the unfettered individual pursuit of private gain would (unintentionally) maximise production for all, and indeed bring about the 'collective good' in the most efficient and fair manner. In other words, Smith advocated liberal politics and free market policies for the optimal operation of the (capitalist) economy. He believed, for example, that liberalism and the free market would ensure the optimal and most efficient relationship between the supply of and demand for capital and labour, goods and resources, and the allocation of rewards. He also believed that liberalism and the free market would ensure that the allocation of resources and rewards, and the division of labour as a whole, was fair. That is, he believed that wealth gained

STUDY UNIT 1

through free and fair competition on the open market is far more just than inherited, extorted or stolen wealth. Do you think that Smith's views are closer to those of the mercantilists or the systems theorists? Why do you think so?

Many of the central propositions of contemporary economics, often called 'neo-classical' economics, derive from Smith's theory of the division of labour, political liberalism, and his vision of a world based on competitive, capitalist free market principles. However, many contemporary economists tend to focus almost exclusively on the economy and neglect the 'political' aspects of Smith's political-economy. Hence the label 'neo-classical' economics. In study units further on, such economists are called 'mainstream' or 'orthodox' economists. This is mainly because their theoretical work is conducted largely in isolation from social, political and ideological variables. It is derived almost exclusively from free-market 'principles'. (Note, however, that it might be more accurate to say that orthodox economists present their viewpoints as if they were free from social, political and ideological variables, or as if the latter only 'counted', if at all, in a peripheral manner.) In later study units, you will see that the ideology and institutions of neo-liberalism, and neo-liberal policies, largely draw on a selective combination of aspects of these approaches, that is, the mercantilist, systems and 'Smithian' approaches to political-economy, and they derive from and constitute contemporary mainstream or orthodox economics. According to Cohen and Kennedy (2000:378),

neo-liberalism is an economic doctrine that lays great emphasis on the free market and unconstrained competition. In the eighteenth century it was associated with the Scottish economist Adam Smith, who advocated the virtues of free trade over mercantilism ... neo-liberalism was revived in the 1980s by politicians such as Margaret Thatcher and Ronald Reagan — who helped to spread this philosophy to many countries.

The Marxist approach to political-economy (Hoogvelt 1997:5–10) draws on, but also entails a major critique of the work of other political-economists, such as Adam Smith. Marx was particularly concerned about the negative effects of liberal, competitive, free market capitalism. Marxist and neo-Marxist political-economy indeed entails a critique and rejection of competitive, free-market, liberal capitalist societies. This rejection is based on the reasoning that competition in such societies is by no means fair and free-market principles cannot yield an efficient and just allocation of goods and rewards. According to Marxism, free-market capitalism tends, instead, to lead to socioeconomic, political and ideological crisis and breakdown.

Why do Marxists say this? Because, the Marxist argument runs, such societies are characterised by differentiation and exploitation between classes — these classes have very unequal access to the mainly socioeconomic resources that yield political, ideological, and ultimately, state power. (And, because of this unequal access, the different classes are located differentially in the social division of labour.) Exploitation (and economic crisis) occurs because competing capitalists are constantly trying to find new ways of making profits and gaining a competitive edge

on their rivals. Invariably, these profit maximising initiatives tend to impact negatively on workers (through longer hours, intensifying work, introducing various time and labour saving technologies and forms of organisation into the workplace, etc), resulting in their increasing impoverishment and alienation. Cohen and Kennedy (2000:374) describe alienation as follows:

Marx believed that it is mainly through creative, self-directed work in the satisfaction of our own needs that we fully realize our inner selves and potential. However, under capitalism workers become estranged or alienated from their skills and their potential since now they are driven to work for capitalists in order to survive and the product of their labour no longer belongs to them. Sociologists have employed this term more generally to describe the powerlessness and lack of creativity believed to be endemic to many aspects of contemporary life.

Capitalism also tends to impact negatively on the economy generally (the economic crises mentioned above), in the form, for example, of periods of overproduction and underconsumption, which lead to crises of profitability. It is also characterised by class-struggle, sometimes overt, sometimes covert, over the alienating nature of work, and the unequal allocation of resources and distribution of power (as mentioned above). It is ultimately the variable outcome of this ongoing struggle, in conditions of periodic economic crisis, that shapes the nature of society. That is, it shapes the nature of the relationships between the economy, society (or 'civil society'), politics, ideology and the state, and the nature, use and patterns of power, wealth and privilege in society. Such an exploitative, conflict-ridden society cannot optimally and efficiently maximise production for the 'collective good'. From a Marxist point of view, the 'hands-off' liberal state and liberal politics in capitalist societies thus tend to reflect, promote and reproduce the interests of the dominant classes in society, or the balance of power between different classes that exists at a given point in time. In this regard, Hoogvelt (1997:5) says that "Marx's great theoretical contribution was to show how the formal equality of the market could produce socially structured inequality".

Marxists are also concerned about competitive, zero-sum (all or nothing) relationships between nations (as contained in the propositions of the political-economy of mercantilism or realism). And Marxists after Marx, or neo-Marxists (so called because they deviate from or reject aspects of Marx's own work or what has become Marxist orthodoxy), were particularly concerned, at the level of international political-economy, with the exploitative nature of the relations between capitalist states and their colonies. These were the colonies that were later to become known as third world countries. At the level of international political-economy, the Marxist approach is often referred to as 'structuralism'. This is because Marxists and neo-Marxists tend to view all states and societies as 'structured' by the profit-oriented activities of capitalists and the forces of free-market, international (or global) competitive capitalism. These forces distribute countries into different places in a global capitalist system. Capitalism, especially in its imperial or colonial form has, over time, expanded throughout the world and produced a global capitalist system (or global division of labour), characterised by a 'core' or 'centre'

STUDY UNIT 1

consisting of rich, advanced, highly industrialised capitalist countries, and a 'periphery' of poorer, less advanced, industrialising, but partly competitive capitalist countries. The vast majority of the world's population lives in very poor, backward, only partly developed countries. Most of these have been subject to one or other form of colonialism. You'll find out more about the global capitalist system, along with Amin's and Marais's discussions of 'centre' and 'periphery', and first to fourth 'worlds', in the next study unit.

There are a variety of Marxist and neo-Marxist approaches to international political-economy, but all tend to include the view that the nature of the contemporary global capitalist system must be understood in terms of the interplay between past and present socioeconomic, political and ideological interrelationships, both within and between countries. However, what distinguishes Marxist from other approaches, is a focus on the nature of and periodic crises within the capitalist economic system, and how this influences socioeconomic, political and ideological relationships within individual societies and between societies, and shapes the global capitalist system as a whole.

There are of course political-economy approaches other than those briefly referred to above, on the relationship between the state, society and the economy, and on relationships within and between societies. These may differ in various ways from the theories and approaches already discussed (and some are mere variants of the latter), and we discuss a few more further on in the module. These include 'Regulation theory' and the 'Gramscian' conception of state and civil society. Furthermore, a central theme of Study units 3 to 5 is Marais's account of the historically unfolding nature of the relationship between apartheid, the state, society and capitalism in South Africa. This, this constitutes, precisely, a political-economy of South Africa.

The nature of Marais's approach within the broader political-economy perspective is hopefully clearer to you by now. He is working with a broadly neo-Marxist approach to political-economy — which is why he tends to reject unfettered capitalism, free-markets and associated liberal institutions and neo-liberal ideological policies and justifications. From a neo-Marxist point of view, capitalism tends to be exploitative and destructive, because it privileges profit over people, resources, the environment, etc. It is inherently unstable and contradictory, and tends towards periodic crises of profitability. From a neo-Marxist point of view, competition in free and open markets tends to benefit the few who are already powerful and privileged, often at the expense of the many who have historically already been and remain disadvantaged by capitalism. This applies both within and between countries. And neo-liberalism is rejected, because it entails the advocacy and ideological justification of capitalism, free markets and competition, minimal state intervention, practices like reduced public spending, privatisation, deregulation, and the like (you'll learn more about these notions in the study units that follow). Marais's analysis is largely focused on how and why the ANC dominated government in South Africa came to adopt and implement a capitalist, neo-liberal policy orientation, on what the consequences of this have been and are likely to be, and on possible alternatives that may yet help bring about prosperity, equality, and justice for all in South Africa.

It is in this theoretical and related ideological context that Marais's usage of the term 'social transformation', can perhaps best be understood. At some risk of over-simplification, he tends to use terms such as 'social reform' and 'political transition' to refer to merely 'superficial' change, that is, to the merely formal abolition of apartheid (rather than the destruction of the iniquitous capitalist-apartheid system in its entirety) as in South Africa's transition to a liberal, political democracy. These changes have not, nor are they likely to produce, socioeconomic prosperity, equality, and justice for all — although the ANC believes that formal political democracy is a pre-condition of the latter. Marais is very sceptical about this sort of argument, as you will find in the study units that follow. His scepticism is linked to his critique of analyses that stress the political and/or ideological, rather than the systemic interrelationships between the socioeconomic, the political and the ideological. He does not rule out the possibility, however, that 'formal' democracy may open 'spaces' which can be exploited for the purpose of achieving more 'substantive' forms of democracy (for example, some form of 'social-democracy').

ACTIVITY 1.3

Compare (point out the similarities and differences between) the mercantilist, systems and Marxist approaches to political-economy. To what extent do you think a political-economy approach in general, and Marais's in particular, is a sociological one? Give your reasons.

Now Marais believes that his political-economy approach to South Africa yields three main things. Firstly, it uncovers the historical, complex and contradictory socioeconomic, political and ideological interrelationships and circumstances that led to and shaped the transition to formal democracy. Briefly, an impasse eventually developed between the pro- and anti-apartheid groupings. The former were unable to prevent resistance by reforming aspects of apartheid, and the latter had proven that they were unable to 'capture' the state and overthrow the system. The impasse was also accompanied by increasing local and international pressures. All this threatened South Africa's continued economic growth based on capital accumulation (and thus threatened the interests of the ruling bloc — capital and the apartheid state). At the same time, it frustrated the aspirations of the democratic movement, led by the ANC, whose leaders were mostly in exile and wanted to come home and rule the country. A new set of political arrangements, that is, a negotiated democratic settlement, promised a way out of this impasse — both for those wanting to reform and those wanting to transform South African society. The former envisaged that such a settlement could lead to the creation of a more 'normal', 'deracialised', but still predominantly capitalist society, from which they could continue to benefit. Those wanting to transform South Africa envisaged that a negotiated democratic settlement could lay the foundation for more far-reaching political, ideological and socioeconomic changes in existing patterns of power, privilege and opportunity.

Secondly, Marais believes his approach helps to explain how and why the new, democratically elected ANC government came to acquire its current pro-capitalist, neo-liberal policy orientation (see the conclusion below). Briefly, the negotiated way in which the ANC gained political power occurred in a context of both contestation and compromise between representatives of two broad sorts of interests and related conceptions of social change (see our remarks above). These two sets of interests are, firstly, the democratic movement's transformative interest in seeing a redistribution of wealth and the socioeconomic development of the historically deprived majority. The second set of interests is a combined state and capitalist ruling bloc wanting to reform the South African economy so that capital accumulation can continue. Such reform would mainly benefit an already privileged, mainly white minority, but importantly, it would also help to create the space for the emergence of a new black economic elite within the ranks of the already privileged. Marais actually traces the government's current neo-liberal policy orientation to a combination of factors. These factors include the politics of contestation and (particularly) compromise characteristic of the transition period, conservative (and deeply questionable) interpretations of the implications of globalisation for social change and development, and a legacy of flexibility, ambiguity and conservatism within the ANC itself.

Thirdly, Marais's analysis helps disclose contemporary prospects for, and perhaps more importantly, makes us realise the serious constraints on, any projects aimed at achieving an equal, prosperous and just South African society. Marais stresses that various forms of contestation continue, that new ones will no doubt emerge, and that no outcome is inevitable or immutable. However, he argues that on the basis of contemporary conditions, both local and global, and on the basis of the contemporary government's current policy orientations and initiatives in particular, all that is possible in South Africa is reform and the slight revision (or rather, the 'deracialisation') of existing inequality. The vast majority of South Africans will experience little beneficial change — indeed, they may find themselves increasingly impoverished and marginalised. Furthermore, Marais believes that from the self-interested viewpoint of the elites in post-apartheid South Africa (that is, the combination of the old, mainly white elite and the new, emerging black elite), this neglected majority may pose an increasing threat to the stability of the new, 'reformed', politically democratic status quo, and thus threaten the interests of these post-apartheid elites. According to Marais, this raises the possibility of an authoritarian response to this threat by the new elite in order to maintain the new order they now benefit from.

However, he argues that the sort of 'limits to change' he is referring to can and need to be changed. In other words, Marais believes it is possible that progressive social transformation may yet occur in South Africa. But, according to Marais, this largely depends on the possibility of revitalising the sort of popular organisations and movements that characterised a robust South African civil society until just before the period of the political transition from apartheid to democracy — a civil society that included and should still include fractions of the ANC itself, as well as its historical allies (such as the SACP and COSATU).

ACTIVITY 1.4

What does Marais think his political economy approach can tell us about South Africa's transition to democracy and about its future prospects?

1.3 Conclusion

As we indicated earlier, the objectives of this study unit involve giving you an introduction to and overview of the prescribed text (Marais 2001), which is the basis of this module on globalisation and social change in South Africa. We have done this to help you progress through this module.

You have been introduced to concepts such as 'first world' and 'third world', 'core' and 'periphery', and the way in which these all form part of the contemporary 'global capitalist system', that is, the broad context within which the issue of social change in South Africa must be addressed. Such concepts are central to this module, and you will come across many of them in much more detail as you work through the study units that follow. You have also been introduced to ideas about the nature of South African society, and where South Africa can be located in this global capitalist system. And you have briefly been introduced to Marais's 'political-economy' theoretical approach to analysing the nature of contemporary South African society, and the limits to and possibilities of social change in South Africa.

Do not worry too much if you do not fully understand all the concepts that you have come across so far. Most of these are explained in more detail in later study units and/or in Marais (2001) as he proceeds with his analysis and arguments. This is, after all, merely an introduction to and overview of his analysis and the module.

Hopefully, working through this study unit has indeed kindled your interest in and will improve your comprehension of the rest of this module on the implications of globalisation for social change in South Africa. In the next study unit, we introduce you to the general concept of globalisation, and to the link between globalisation and Marais's conception of a global capitalist system.

ACTIVITY 1.5

Possible assignment and examination questions and instructions

- (1) What is a political-economy approach? Which of the three approaches briefly discussed in this study unit is Marais's approach closest to? Give your reasons.
- (2) Write a five page essay in which you describe and discuss the political-economy approach Marais believes will produce an adequate account of the nature of contemporary South African society and its prospects for social change. In your essay, address the following two questions:
 - (a) What criticisms of other accounts of South Africa's transition to political democracy does Marais base his own approach on? Why is he critical of these accounts?
 - (b) What three things does Marais believe his own approach reveals about the country's transition, that other accounts cannot?

Study unit

2

THE CONCEPT OF GLOBALISATION

STUDY

Marais (2001:vii–6, 105–121, 138–159)

2.1 Aims and outcomes of study unit 2

Our main aim in this study unit is to introduce you to and help you gain a critical understanding of the concept of globalisation. Aside from the usefulness of knowing something about this concept for its own sake (because we hear and read about it and its implications so frequently), we want you to be able to apply your critical understanding of globalisation to social change in South Africa in particular. In this regard, the outcomes we hope you will achieve, are

- to be able to give a definition of globalisation,
- provide a description of its scope,
- discuss its historical origins,
- describe its characteristics and consequences, and,
- be able to critically apply all this to social change in South Africa, hopefully, in terms of your own experiences.

Furthermore, when we talk of a ‘critical understanding’ and application of the concept, we are referring to the fact that globalisation is a controversial, much debated and contested idea. Thus, we want you to become familiar with and be able to discuss and draw your own reasoned conclusions on the debate that surrounds it. This is what we mean by the critical understanding we want to help you develop and apply to social change in South Africa. You’ll mainly do this application in later study units, after we have discussed society and social change in South Africa to the present. However, while working through the latter, keep in mind what you’ve learned about globalisation. You’ll find that phenomena associated with the idea of globalisation begin to appear early on in South

Africa's history, and can indeed be said to have shaped this history. What follows is a more specific list of the outcomes we hope you'll achieve in this study unit. Note that we have structured this study unit in terms of this list.

Once you have completed this study unit, we expect you to be able to do the following:

- (1) Give a definition of globalisation and describe the scope of the concept. This includes showing an understanding of the idea of a 'world-' or 'global system', as well as South Africa's position within it. The notion of a 'world-' or 'global system' is closely related to the concept of globalisation, and a country's position in this system has implications, among other things, for its developmental prospects.
- (2) Discuss the debate that surrounds globalisation, and, more specifically, provide reasoned answers on the basis of your understanding of this debate, to questions like whether globalisation really exists, and if it does, what it is, and if it doesn't, what people are referring to when they use the concept. We also hope you'll be able to provide your own reasoned answers to questions raised in the debate about, for instance, globalisation's causes, characteristics and consequences. You should then be able to apply your now critical understanding of such matters to society and social change in South Africa further on in this module.
- (3) Describe and discuss globalisation's historical origins, and specifically, its linkages to the emergence of a globalising, industrial capitalist system.
- (4) Describe and discuss the relationships between globalisation and, in particular, (a) the economy and the world of work, (b) the nation state, (c) global inequalities, and (d) culture.
- (5) Provide reasoned answers to the question of whether globalisation is utopian or dystopian (simply put, whether it is a 'good thing' or 'bad thing', respectively) — in general and for South Africa in particular. (You'll probably only be able to properly address this last issue towards the end of the module.)

Note that your achievement of outcomes 1, 3, 4 and 5 depends on and will be shaped by the critical conclusions you have come to on the basis of your understanding of the debate about globalisation in outcome 2. This, as already mentioned, constitutes the critical understanding of globalisation you'll be applying to questions about society and social change in South Africa later on in this module.

2.2 Introduction

We have all heard and read about the phenomenon called globalisation. On the radio, on television, in newspapers and magazines, by governments, etc, we are often told that globalisation now characterises the world we live in and that it is indeed changing our world. The term is currently very popular and fashionable, and used by many different people in many different contexts, and certainly not only by academics. We've all come across all manner of assertions about what globalisation entails, and about various 'exigencies' (that is, demands, needs) that

STUDY UNIT 2

globalisation imposes on us. In this regard, a variety of changes, implications and consequences, both negative and positive, have been associated with globalisation; for the world as a whole, continents and regions, countries, governments, economies, groups and individuals. We go into these in more detail as we proceed through this study unit.

Typically, 'globalisation' is used to refer to the emergence of quite radical social, economic, political, cultural, environmental, etc, changes, in what is now considered to be an increasingly 'global' or 'globalised' world. We look at these aspects in some detail below, but briefly, 'globalisation' is used to refer to an increasingly closer interconnectedness and interdependence between us, no matter who we are or where we are in the world. We're sure you've read or heard talk about us now living in a 'global village', a 'shrinking world', and similar phrases. This is held to be a characteristic and/or consequence of globalisation, depending on who is doing the talking. For many, globalisation is closely linked to unprecedented advances in transport and information and communications technologies. Just think about how modern high-speed air and rail transport enables the rapid movement of masses of goods and people over vast distances to just about any destination in the world. And think about how computers, the internet, email and the mobile telephone have enabled almost instantaneous communication between people located anywhere on earth. These technologies are held to be underpinning our increasing interconnectedness and interdependence and the increasing volumes and spread of trade, finance and exchanges of information, that are linked to the social, economic, political, etc, changes mentioned above.

However, different people in different contexts often attach very different meanings to the term or concept of 'globalisation'. There are a number of different and indeed competing conceptualisations of globalisation, which associate the notion with often quite different causes, characteristics and consequences. To take two extreme positions, there are, for instance, authors who reject altogether the idea of a new and radically different 'globalised, world order. These authors might argue, for instance, that the causes, characteristics and consequences associated with the term 'globalisation' are no more than a quantitative variation on or development of an old theme; namely, the nature and dynamics of industrial capitalism. In other words, such authors believe and argue that what is called 'globalisation', is merely the latest phase of a now more 'global' than ever industrial capitalism. They believe, for example, that contemporary advances in transport, communications and information technologies are caused by developments in industrial capitalism.

Other authors, on the other hand, while not necessarily rejecting some sort of link between changes in industrial capitalism and globalisation (for instance, the idea that the latter is loosely based on the former in one way or another), argue that globalisation is a totally new phenomenon, that is indeed radically and rapidly changing our world. They may believe, for instance, that the world is changing into or has already become some variant of a post-industrial, post-capitalist society. They may hold that this is a function of the ongoing development of industrialisation rather than capitalism, and in particular, of developments in modern transport and information and communications

technologies (ICT), as mentioned above. There are a variety of positions between these two extremes, and there is thus a great deal of disagreement, controversy, and debate about the nature and even existence of globalisation, and about the need for or usefulness of the idea or of theories developed to account for it. It is a highly ‘contested’ notion. In this module a main focus is on the relationship between globalisation, or, rather, various interpretations of globalisation, and the possibility of achieving prosperity, equality, and justice for all people in South Africa. We shall return to this idea of contestation, and the relationship between globalisation and social change in South Africa in particular, further on.

ACTIVITY 2.1

What is the main difference between the two extreme positions mentioned above on the causes of globalisation?

In this study unit, we describe, analyse and clarify the concept of globalisation. We also attempt to ‘demystify’ and problematise it, in the sense that we treat it as a question with many possible answers, as a ‘contested’ rather than ‘given’ phenomenon. That is, we treat it critically, as a debate about many possible explanations for the ways in which the world is changing. We pose the question, for example, of whether globalisation is the cause of contemporary change, or a continuation or consequence (or current interpretation) of other, older, more familiar causes and courses of change. And we attempt to both weigh up the positive and negative consequences commonly ascribed to globalisation, as well as project further possible positive and negative consequences on the basis of the forces driving contemporary social change, that is, on the basis of what we are (somewhat tentatively, given our questioning approach) calling ‘globalisation’.

We do strongly suggest, however, that whatever globalisation may involve, it must be understood in historical context, as a phenomenon characterised by both continuities and discontinuities with the past. We also suggest that it is in one way or degree to another linked to changes and developments in industrial capitalism, that have had implications at the global level. Whether or not this is the case, and/or whether or not globalisation represents a radically new departure from industrial capitalism, are questions we hope to help you answer for yourselves. This is how we will look at the impact of globalisation on the nature of South Africa and social change in South Africa, and on South Africa’s place within our global system. For example, in the next few study units, you will see that one of our premises is that the emerging global industrial capitalist system was the broad context in which the capitalist apartheid system in South Africa emerged, and that the latter developed and ultimately came to an end, in the context of changes in the global industrial capitalist system. This study unit thus provides a general, ‘global’ conceptual context for the study units that follow.

STUDY UNIT 2

2.3 The scope of the concept of globalisation, the idea of a global or 'world capitalist system', and South Africa's place in this system.

Once you have worked through this section of the study unit, we expect you to be able to do the following:

- (1) Describe the scope of the concept of globalisation.
- (2) Understand and describe our world in terms of the idea of a 'world-' or 'global capitalist system'.
- (3) Situate or place (find a position for) South Africa within the global system.

Cohen and Kennedy (2000:3–4) argue that in order to make sense of the idea of globalisation, sociologists must expand dramatically their intellectual horizons. They must recognise, or at least seriously entertain the possibility, that local communities and national societies are being influenced by profound changes at the global level — and that the global level is also being influenced by the local. Cohen and Kennedy (2000) hold that the scope of the changes associated with globalisation encompass the following (among other) spheres of societies and the world as a whole:

- the economy and the world of work
- the political sphere, the state and the city
- the nature, levels and distribution of inequality and poverty
- population and migration trends
- the nature and significance of patterns of consumption
- the media, transport, and information and communications technology, and
- culture and changing patterns of identity and belonging.

Hoogvelt (1997) also argues that forces associated with globalisation are profound in scope. She (1997) is particularly concerned with the implications of globalisation for the possibility of development in the poorer parts of the world, especially the ex-colonies. She links the emergence and nature of contemporary globalisation to the historical expansion of industrial capitalism in the form of colonialism, and to current crises (such as crises of profitability) and resultant changes in the global capitalist economic system. Can you see here that she is stressing that the global system we are concerned with is industrial capitalist in nature? In other words, unlike either of the two extreme positions we briefly discussed above, she believes both that globalisation is a reality, and that it is fundamentally capitalist in nature. She also associates globalisation with new conceptions of time and space (sometimes called 'space-time compression') brought about by developments in transport and ICT, and new global (rather than national, such as in the form of the nation state) regimes of discipline and regulation (such as those associated with massive transnational corporations [TNCs] like oil companies and banks, and international governmental organisations [IGOs] such as the United Nations and the World Bank). We examine most of these ideas

and terms in more detail below. Can you see that her conception of the scope of globalisation reflects Cohen and Kennedy's (2000) list above?

But on the implications of globalisation for the postcolonial world (the ex-colonies), her focus is on how there is now a shift away from the geographical expansion all over the world of the industrial capitalist system, as occurred during the colonial era, towards 'deeper' and 'thicker' flows of capital, goods and information within and between the 'centres' of this system. Hoogvelt (1997), along with others, holds that there is now a marked and growing tendency to exclude and marginalise the postcolonial world at the peripheries' of this system, particularly Africa, and most severely, its sub-Saharan region. However, this rather bleak picture need not necessarily always be the case for all peripheral countries. Human intervention, in the form of, say, various anti-globalisation or pro-third world social movements, can have and has had some (albeit limited) successes in improving some conditions in some parts of the periphery. And capital, etc, flows may increase and have increased in parts of the periphery, as TNCs scramble for natural resources. Thus, for Hoogvelt (1997), the scope of globalisation is profound, but it is concentrated in and relatively utopian for the centres (the rich, developed parts of the world), and marginal in and dystopian for the periphery (the poor, mainly once colonised, un- or under- or less developed parts of the global system). For her, our increasing interconnectedness and interdependence is marked by increasing inequalities between us, and growing poverty in the periphery in particular.

2.3.1 The idea of a 'global-' or 'world capitalist system'.

At this point in our discussion of the scope of globalisation, let us expand briefly on what we mean by the global- or 'world capitalist system', characterised by 'centres' and 'peripheries', that we have been referring to. We can also take this opportunity to think about where South Africa fits into this system, given that our focus in this module is on the implications of this global system, or globalisation, for South Africa's developmental and related prospects. Drawing on ideas developed by writers like Andre Gunder Frank (1989, 1993) and Wallerstein (1979), Amin (2001 — himself an important 'world systems' and 'dependency' theorist) actually identifies four 'worlds' within the global- or 'world capitalist system', namely, the 'first', 'second', 'third', and 'fourth' worlds. (World- or global industrial capitalist system theories and concepts are important precursors, in one way or another, of contemporary theories of globalisation.) According to Amin, the 'first world' refers to prosperous, highly advanced, highly industrialised, capitalist countries such as the USA, and the 'second world' refers to relatively advanced, industrialised, mainly formerly socialist countries, like Russia (then the Soviet Union). The concept 'third world' refers to modern, relatively recently industrialised or industrialising countries such as Brazil, and the 'fourth world' refers to countries that are mainly rural, relatively unindustrialised, usually very poor, and tend to rely almost exclusively on the export (rather than processing) of raw materials. An example of a fourth world country is Angola.

STUDY UNIT 2

These 'four worlds' are closely related to the terms the 'centre' and the 'periphery' of the 'world-' or 'global' capitalist system. (Sometimes world systems theorists also refer to the existence of 'semi-peripheries', but this is a complex and controversial concept that we need not explore for present purposes.) The emergence of this system coincided, historically, with the period of European colonial expansion that began in the 17th century. (We elaborate on the historical, colonial origins of globalisation further on.) The idea of a 'global capitalist system' refers generally to the interconnectedness and integration of all countries and regions in the world, on the basis of mainly (but not exclusively) economic activities. These activities are mainly capitalist in nature and focused primarily on making a profit. However, the global capitalist system is not evenly or equally integrated. Based historically on colonialism and expropriation and exploitation of various kinds, it was always and still is characterised by an enormous differentiation between countries and regions in terms of power and wealth. It is polarised around a 'centre' or 'centres' that consist of first world countries. These countries have enormous wealth, power and privilege. The economic and other activities of these first world countries have had and still tend to have increasingly significant (and more often than not, destructive) implications for the remainder of the global capitalist system, that is, the 'periphery' and 'the rest' (see what is meant by this latter term below).

The periphery is constituted by a few second, third, and fourth world countries. However, most of the countries in these three categories can only aspire towards periphery status. Most of them, at best, exist only on the margins of the periphery (see Hoogvelt 1997). Fourth world countries are particularly marginalised within the global capitalist system of today. For Amin (2001) this means that fourth world countries are part of, and greatly influenced by this system, but mainly negatively. Because they are at the 'bottom of the pile', so to speak, within this highly differentiated, hierarchical and unequal global capitalist system, they have little influence on the system, and increasingly little influence over their own affairs too. In this regard, Amin (2001) talks of the 'real' periphery and a 'real' centre in the global capitalist system of today. What he means by this, is that in today's rapidly globalising industrial capitalist system, the periphery is increasingly comprised by only those countries, such as South Korea and Brazil, that have not merely industrialised, but have also achieved a degree of global economic competitiveness. Such countries constitute the real periphery of today. However, far from gradually becoming part of the centre, as many tend to believe will happen, they continue to lag behind the 'real' centre.

Until quite recently, the world or global capitalist system has been characterised in largely 'tripolar' terms, a reference to the first, second and third worlds, or in 'bipolar' terms — a reference to the differences and division between capitalist and socialist societies. But since the collapse of socialism and the end of the 'cold war', the second world no longer really exists. And, owing in part to forces associated with globalisation, the concept of a third world, while still in use, has thus also lost much of its meaning. The world is increasing 'unipolar', a reference to the global ascendancy of free market capitalism and the ideology of neo-liberalism (more on these notions further on). The real centre today consists solely of those few countries and regions that, owing to their

historical monopoly over economic, financial, technological and military power, can and do influence, and indeed control, the global capitalist system and most of its resources. And this historical monopoly came about in large part (at least initially) due to the colonial activities of the countries of the 'real' centres of today, which forged or at least created the basis for the nature of the contemporary, highly differentiated world- or global capitalist system.

All countries that do not have or gain a degree of global economic competitiveness, including relatively modern and industrialised countries such as some of those from the old second world, Egypt, and significantly, South Africa, will, according to Amin, tend to become part of an increasingly marginalised fourth world. Indeed, the enormous and growing polarisation, unevenness and inequality between countries and regions within the global capitalist system is becoming so extreme that the only countries or regions that really 'count' are the relatively few that comprise the centre and the periphery. The category of a fourth world is also becoming quite meaningless: it is now more a case of centre, periphery, and 'the rest'. The 'rest' (the term we left undefined a few paragraphs back), unfortunately, already includes most countries in Africa.

Hoogvelt (1997) points out that the relationship between the centres (or the 'core') and the periphery is increasingly no longer mainly 'geographical'. Her point is that due to the way in which the world is rapidly becoming more globalised, both centres and peripheries can exist anywhere in the world. In other words, a small centre can exist in an otherwise peripheral or even more marginal geographical region. And a periphery, or worse, can and does exist in just about all of the most advanced countries and regions. Hoogvelt is arguing that there is an increasing shift away from the national or regional origins and nature of what we usually refer to as the centre and the periphery. Instead, the factor that now tends to determine centre or periphery status is the degree of competitiveness within and/or usefulness to and/or marginalisation and exclusion within the global capitalist system. The contemporary globalised capitalist system is constituted (or perhaps 'dominated' would be a more appropriate term) mainly by a handful of powerful, wealthy and economically highly competitive centres (located mainly in the USA, western Europe and Japan) and by some partly competitive peripheries (located mainly in East Asia and some parts of Latin America) that are useful in one way or another to the centres. There are also a few small centres and peripheries elsewhere in the global capitalist system, including, for example, peripheries in western Europe.

The majority of the world's population, however, is marginalised and excluded from most of the benefits that can be obtained from full participation within the global capitalist system. Indeed, as the centres (and the peripheries, relatively, and to a lesser extent) get richer and more powerful, so the majority of the world's population gets poorer and increasingly powerless. This part of the contemporary global capitalist system, often referred to as the fourth world, or more disparagingly as 'the rest', is located mainly in the ex-colonial regions of Asia, Latin America, and in sub-Saharan Africa in particular. However, as already mentioned, fourth world 'pockets' in the form of, for instance, inner-city

STUDY UNIT 2

slums and ghettos, can even be found in the USA and in the richest cities of western Europe, just as small centres can be found in the poorest parts of the world.

Hoogvelt prefers to use the term ‘postcolonial’ world, rather than third or fourth worlds to refer to the regions containing the ex-colonies (usually called the third world). Her reasoning for this is similar to Amin’s (and see Cohen & Kennedy 2000:380): pockets of third world characteristics, like fourth world characteristics, appear just about anywhere, even in the most advanced capitalist countries (ie, in northern America and western Europe). She uses the term ‘postcolonial’ to refer to those countries in Africa, Asia and Latin America that were once the colonies of mainly European states. Importantly, not all ex-colonies can be characterised as peripheral or third world or fourth world countries — both the highly developed USA and Australia, for instance, were once British colonies. Some ex-colonies can be characterised as centres and some as peripheries; but most are marginalised and excluded within the contemporary global capitalist system. (A family analogy can be used here to illustrate this seemingly paradoxical idea of being marginalised yet still within the system. A family member may be treated as an outcast, and thus excluded in various ways from some family activities and benefits. But nevertheless, he or she may still remain in and be a member of that family.) Are you getting the idea of the world or ‘global’ scope of the concept of globalisation? Can you see that it is based on processes that gradually began to make countries all over the whole world increasingly interconnected, interdependent and integrated, but in a highly differentiated and very unequal manner? For instance, colonialism involved very close economic, political and cultural-ideological ties between coloniser and colonised. But these close ties involved the exploitation and domination of, and hegemonic (briefly, ideological rule by means of manufacturing the consent of the ruled) ascendancy over, the colonised.

Now where does South Africa fit within this global capitalist system? In which of the four worlds can it most accurately be placed? Is it a centre or a periphery? Or is it a marginalised part of what we have referred to as ‘the rest’ of the system? Clearly, given the uneven and unequal way in which this global system has evolved, and differentially placed or distributed countries within it, this is an important question. This is because any country’s developmental prospects, including South Africa’s, are profoundly influenced by the nature of its distribution and location/ place within this system.

ACTIVITY 2.2

- What is meant by the idea of a world- or global capitalist system? How did it come about?
- What do the terms first-, second-, third-, and fourth worlds refer to? In what ways are they related to the concepts ‘centre’ and ‘periphery’?

2.3.2 Samir Amin on South Africa within the global capitalist system

According to Amin (2001), South Africa occupies a very ambiguous position within the global capitalist system, which makes it extremely difficult to classify and place within this system. This is because both after being colonised, and under the apartheid regime, capitalist industrialisation took place in large part on the basis of the creation of a racist, exploitative, cheap black labour migrant system, and a market reliant mainly on the rising incomes of a ruling white minority. He argues that these and other peculiarities of apartheid-based capitalist industrialisation in South Africa have led to the internal manifestation in the country of attributes of all four worlds. This is why he contends that South Africa is a ‘microcosm’ of the global capitalist system. (We look at central aspects of the historical emergence, development and decline of apartheid South Africa in study units further on.)

More specifically, Amin argues that firstly, the white section of the population in South Africa seems to have many of the characteristics of people living in the first world. And, until quite recently (that is, until the middle 1980s), South Africa also had a ‘statist’ apartheid policy and system, reminiscent ironically (in form if not content) of second world countries. (Second world, formerly socialist countries were characterised by a great deal of state intervention in and control over society generally, and the economy in particular.) This is ironic for at least two reasons. Firstly, the apartheid regime was vehemently anti-socialist, mainly due to left-leaning and socialist support for the anti-apartheid movement. Secondly, although during the apartheid years the state espoused the principles and virtues of free market capitalism, at the same time it intervened massively in and controlled both society in general and the economy in particular — mainly on behalf of whites and (particularly) Afrikaners and Afrikaner capital, to the detriment of the black community. An unambiguous advocacy of free market capitalism is a stance that the Nationalist Party (NP) punted increasingly from the early 1980s onwards, particularly when it became apparent that apartheid rule was no longer sustainable and that a new political dispensation was on the cards.

The other two reasons why Amin contends that South Africa is a microcosm of the global capitalist system are that South Africa has a relatively modern, urban black population, that appears to have the characteristics of a third world country. And, lastly, South Africa has a rural black population with characteristics that can only be associated with the fourth world. According to Amin, the peculiarities of South Africa’s history have produced a situation in which the country as a whole now seems to ‘straddle’ both the third and fourth worlds, but it is more like a fourth world than third world country. It is true that South Africa is modern, industrialised and capitalist. But unlike ‘real’ periphery countries such as Brazil and South Korea, it does not really possess global economic competitiveness. This is a direct result of the peculiar way in which capitalist industrialisation (referred to above) took place in South Africa, a point we elaborate on in greater detail further on.

Given his location of South Africa within the global capitalist system,

STUDY UNIT 2

what are Amin's views on the prospects for prosperity, equality and justice in the country? Amin argues that, despite its successful transition from apartheid to democracy, South Africa's prospects remain uncertain. In the main, all the right sort of (liberal) democratic political institutions and arrangements are in place (more on this in later study units). But the country (or, more precisely, the new government) faces a mammoth task. It must redress the iniquitous consequences of the apartheid past. But it must also ensure that the sort of development that takes place will enable the country to be both economically viable and internationally competitive. This requires economic policies designed to bring about redistribution, development, and growth.

Here Amin is referring to policies facilitating the type of overall development that can meet basic needs, stimulate demand (both within the country, by increasing and equalising the ability to consume, and by creating external markets), and increase productive capacity (for example, by investing in, educating and increasing the productivity of the labour force, and by upgrading production facilities). Increasing productivity is crucial if South Africa is to achieve a degree of global competitiveness, and avoid becoming increasingly marginalised (becoming part of 'the rest') within the contemporary global capitalist system. And this mammoth task, according to Amin, must be accomplished in the context of the following:

- (a) economically unfavourable conditions, determined historically by the peculiar way in which capitalist industrialisation developed in South Africa,
- (b) the associated injustices and worsening inequalities bequeathed by the past, and
- (c) a far from 'friendly' and rapidly changing contemporary global capitalist system.

It must be noted here, however, that Amin (and Marais below) tend to firstly, overemphasise South Africa's dependence on the export of primary products. We also export a variety of more or less processed primary products, such as steel, paper and plastics. Secondly, they tend to underemphasise our (albeit limited to certain sectors, such as motor manufacturing) productivity and ability to export manufactured goods competitively. Here though, our productivity has come at the cost of employment, as it is very capital intensive. See our related discussion of 'jobless growth' further on.

2.3.3 Hein Marais on South Africa within the global capitalist system

Like Amin, Marais (2001) too is uncertain about the likelihood of achieving a prosperous, equal and just South African society. Marais holds that the historical forces (both local and global) that shaped apartheid South Africa have produced a set of enduring socioeconomic, political and ideological circumstances that cannot simply be wished away. He also holds that these circumstances (or 'limits to change' — part of the title of his book) were not (nor could they have been) overcome during and immediately after South Africa's transition to political democracy.

Marais believes these same historical forces still underlie and continue to influence the nature of contemporary South African society in various ways. You will learn more about these forces and circumstances in later study units. Very briefly, however, Marais is referring to factors such as the apartheid legacy of massive inequality, the peculiar, 'stunted' way in which capitalist industrialisation took place in South Africa, and the implications of the way in which South Africa has over time become inserted into the global capitalist system. (This 'peculiar', 'stunted' development is a reference to, among other things, the racially-based way in which the economy and local market developed, as well as the reliance on raw materials for export rather than on local manufacturing. However, see our qualification of Marais's and Amin's positions above.) He holds that any attempt to initiate 'progressive' social change, that is, broad, transformative change that will result in prosperity, equality and justice for all South Africans (rather than merely political reform that leaves structured socioeconomic and other inequalities more or less intact), will have to take these historically determined, yet enduring conditions, these 'limits to change', seriously into account — and overcome them.

For the most part, Marais's (2001) view coincides with Amin's. He rejects the quite commonly held belief, that since the beginning of apartheid, South Africa had largely been cut off from the global capitalist system. He argues that this may have been true, from about the 1960s, as far as diplomatic, cultural and sporting ties were concerned, but was not true of economic ties. Economically (and technologically), South Africa had only really been cut off from the rest of the globe (owing to international sanctions) from the middle 1980s, and then only partly (various forms of 'sanctions-busting' international exchanges continued throughout this period). He argues that in fact the nature of South Africa's incorporation into the global capitalist system had remained more or less the same for most of the 20th century. South Africa has been, and remains, in large part an exporter of primary (and semi-processed) commodities and other resources, and an importer of capital goods and technology for a mainly inward-looking (that is, oriented towards domestic demand) manufacturing/industrial sector. South Africa has also been a recipient of investment from multinational corporations. This was mainly for the exploitation of raw materials and to gain a share of the domestic market. (Recently, however, significant FDI has flowed into banking, telecommunications, the motor industry, etc). South Africa also has a relatively sophisticated transport, communications and information technology infrastructure. It is this combination of characteristics that leads to Amin's difficulty in locating South Africa in the global capitalist system. It also resonates with Hoogvelt's (1997) idea that 'centres' can be found even in geographical areas that are otherwise peripheries or worse.

But Marais is, if anything, even more uncertain about South Africa's development prospects than Amin. He argues that, like many third world societies, from the 1950s South Africa's path to development was in the form of state-led capitalist industrialisation and import-substitution (offsetting the costs of importing expensive capital goods in various ways, subsidising local manufacturing, etc). As you will see in later study units, the apartheid state protected capitalist industrialisation in South Africa, and did so mainly on the basis of finances generated from the primary-

STUDY UNIT 2

product exporting sector (particularly mining). Indeed, industry, and the economy generally, boomed in South Africa in the 1950s and early 1960s, as a result of the large amount of foreign investment the UK and the USA put into the manufacturing sector. The investment was attracted by a combination of an expanding (white) domestic market, low (black) wages and relative political stability (due, in large part, to the power of the apartheid regime's security forces).

But, unlike some third world countries, South Africa, until quite recently, failed to develop the export capability of its manufacturing sector, and failed to shift its economic base from the export of primary-products to exports from the secondary-sector (that is, to the processing of primary products, manufacturing, etc, for export, which as mentioned above, it has now managed to do). South Africa did and still does export manufactured goods, but, until recently, mainly to the quite limited market consisting of its nearest neighbours. (Now, however, roughly 50% of South Africa's exports go to the European Union or EU, North America and countries in the East, including China.) Its racially-created (and thus limited) domestic market soon became saturated, and its racially-based, migrant low wage system limited the development of skills and productivity. Productivity was also undermined by insufficiently developed capital goods and technology sectors, and an undeveloped research and development (R & D) capacity. (Some R & D did take place, but mainly for purposes of armaments and alternative fuel supplies.) In the later years of the apartheid period, productivity and competitiveness were inhibited by an unwillingness and/or inability to invest in the manufacturing/industrial sector owing to a combination of factors. These included balance of payments deficits, voluntary committing to International Monetary Fund (IMF)-like conditions, increasingly expensive capital goods and a sanctions-related inability to obtain much in the way of foreign investment, even loans.

Importantly, South Africa has long remained primarily a minerals exporter, and heavily reliant on earnings from this sector for the purchase and import of capital goods and technology for both primary extraction and manufacturing. As we have already said, manufacturing was from its beginnings very dependent on the import of capital goods and technology, and was thus very capital-intensive. The result is that South Africa is chronically subject to balance of payments ('balance of payments' means the ratio of money flowing in and out of the country, based on imports/exports, capital flows, etc. Currently, the balance of payments is 'healthy', but this can change if investment flows out due to the volatility of financial markets) problems, caused mainly by fluctuations in the demand for and price of its primary commodities on the world market. An economic crisis began to emerge in South Africa from 1973, which became 'organic' (that is, very intense at all of the economic, political and ideological levels) by the 1980s, and led to massive capital outflows from participating transnational- and multinational corporations (TNCs and MNCs), and from local corporations also. Moreover, economic sanctions really began to 'bite' in the middle to late 1980s.

Whereas Amin appears to believe that South Africa occupies an ambiguous position in the global capitalist system and 'straddles' the

third- and fourth worlds, Marais places the country firmly in the fourth world. Like Amin, Marais's conception of the fourth world includes those countries that are becoming increasingly marginalised within the global capitalist system. Marais places South Africa in the first of three categories that he believes constitute the fourth world. This category represents countries (or regions or even parts of countries anywhere in the world) that are only partially industrialised, globally uncompetitive (although South Africa is now competitive in certain sectors), and require major restructuring if they are ever to become competitive. Marais includes Egypt and Russia in this category. Much of the rural areas in South Africa are almost completely unindustrialised, and the industry that does exist in the urban areas is characterised by poor productivity and non-competitiveness, as already discussed.

Marais's second fourth world category is marked by countries that are mostly unindustrialised, but relatively or potentially prosperous due to the presence of highly developed primary-production industries (oil, minerals, agriculture) for export. Marais includes the Gulf States, Gabon and Cote D' Ivoire in this category. A third category involves countries that are unindustrialised, and do not or cannot profitably export primary-products (which could otherwise compensate for a lack of industrialisation). Unfortunately, this category includes most of sub-Saharan Africa. In Amin's and Marais's views, these impoverished countries are to all intents and purposes marginalised and excluded within the global capitalist system, with little if any prospects of development.

Marais obviously believes that if South Africa undergoes major restructuring (more on this idea later), it may become more industrialised, productive and competitive and thus avoid complete marginalisation in the global capitalist system. Please note, however, that he is not suggesting, as many in South Africa seem to believe, that the country can 'catch-up' with or emulate first world countries. He argues that an altogether different paradigm for or perspective on development is required.

Briefly, while the categories of first- to fourth worlds have some classificatory value and are still being (and will no doubt continue to be) used, they are becoming increasingly meaningless in the context of the contemporary global capitalist system. This is because the second world no longer exists, and the global capitalist system is simply not characterised by more and more countries catching-up with the first world. Rather, a handful of countries, those that constitute the periphery of the global capitalist system (some in Asia, others in Latin America) are 'running faster' to merely maintain, not narrow, the 'distance' between themselves and the mainly western European and North American countries that, along with Japan, constitute the 'core' or centres of the global capitalist system. Some of these periphery countries (such as China, India and South Korea) do seem to be 'closing the gap', but they are characterised by enormous inequalities between different sectors and rich and poor, and it remains to be seen whether such countries can indeed join the ranks of the 'core'. The global capitalist system is becoming more and more polarised and unequal, not less so. The contemporary reality, according to Marais (and Amin), is that it is only these periphery countries that are fully integrated into the global capitalist

STUDY UNIT 2

system. They can compete sometimes, in some areas and at some levels, with the centres — but they are not catching-up and indeed cannot. The simple historical and structural fact is that the centres are already dominant. They completely monopolise and dominate the world's financial markets, trade, access to the world's resources, the weapons industry, the media, the means of communication, new technologies, etc. And they dominate the various international and regional institutions, organisations and agreements. These include: the United Nations, the IMF and World Bank, the European Union (EU), the World Trade Organisation (WTO — which replaced the General Agreement on Trade and Tariffs or GATT) — the North American Free Trade Agreement (NAFTA), NATO and the like. These organisations and agreements exert increasing influence over and regulate world affairs, particularly global markets. This does not rule out the possibility that some countries can gain some leeway to improve their situations, depending on what they have to 'offer', but this of course depends on what the global powers and conditions 'allow'.

Countries such as South Africa, and former second world countries such as Russia, can aspire towards peripheral status and may become part of the periphery. But that is all. As for the rest (and as indicated above, the 'rest' includes most of sub-Saharan Africa), current global capitalist trends suggest a future that is not even worth thinking about. In summary, the contemporary global capitalist system consists of the following: a handful of centre countries, a few periphery countries, some aspirant-periphery countries (eg, South Africa), and a few natural-resource rich countries (as in the second category of Marais's description of the fourth world). All other countries, in terms of this scenario, are already in dire straits, and face an even bleaker future.

Importantly, we hope that by now you have a clear idea of the scope of what is called globalisation, as well as some grasp of the differentiated way in which it has developed and become manifest in what we have called a 'world-' or 'global capitalist system'. In this regard, we've illustrated this section with some ideas about South Africa's incorporation into and place within the global capitalist system. Some of the information we've used here may not be clear to you, but we elaborate on it in greater detail further on in this module.

ACTIVITY 2.3

- Describe the scope of the concept of globalisation. Give reasons for where you would place South Africa in the world or global capitalist system. In this respect, do you agree more with Amin or Marais? With both? With neither? Whatever your answer, give reasons.
- Do you think you live in a centre, a periphery, or in a marginalised context? Give your reasons.

2.4 Defining globalisation

Once you have worked through this section of the study unit, we expect you to be able to do the following:

- Give a definition of globalisation.

Before we proceed with defining globalisation, please note that while we have so far talked about globalisation as if it is relatively unproblematic, it is, as we've already indicated, a controversial and debated or 'contested' concept. We've dealt with the concept in this way thus far, to give you an idea of and feel for what globalisation involves, before we proceed to introduce you to the debate that surrounds the notion. This we do in section 2.5 of this study unit. What this means is that what we've said about the scope of the concept of globalisation, and the ways in which we define it now, are nonetheless still subject to debate. Ultimately, you'll have to make up your own mind on where you stand in this debate. This will influence how you'll define globalisation and describe its scope. It will also influence what causes, characteristics and consequences you attribute to globalisation, and inform your decision as to whether it really is something new or a variation or outcome of more familiar forces of change, is utopian or dystopian (or both), etc. However you must do this consistently, giving clear reasons for why you do so and the way in which you do it.

There are many definitions of globalisation, and many of the statements we've produced so far are also definitions of globalisation in one way or another. On defining globalisation, Cohen and Kennedy (2000:10–11, 23–34) claim that it refers to people in different parts of the world becoming increasingly and more intensively interdependent and closely connected to each other. Local events and ideas, and individuals, groups and organisations, are increasingly being influenced by events and ideas, individuals, groups and organisations all over the world. The local is also being influenced by world institutions, organisations and global forces. The converse is also true: the global, for instance, some world organisations, groupings, and regions, is also being influenced by the local. An example here would be the (local) USA's (global) 'war on terror'. Importantly, according to Bromley (1999:280–281), we are also becoming increasingly conscious of the global nature of our exchanges, interactions and interdependencies, and of their global consequences (see Waters's discussion of Robertson's important contribution towards the idea of the emergence of a global awareness or consciousness in this regard — 1995:38–46). People, places and events are indeed becoming increasingly closely 'knitted together'. This is being brought about by, among other things, greater volumes of "increasingly free flows of goods and money", as well as more frequent and voluminous global interchanges between people, with regard to information, knowledge and culture. There is now also an "increased density and lower cost of travel and communication" (Cohen and Kennedy 2000:11). Much of all this is in large part facilitated by developments in transport and ICT.

STUDY UNIT 2

Cohen and Kennedy (2000), Hoogvelt (1997), and Waters (1995), among others, hold that globalisation involves space and time being 'compressed'. What they mean by this is that distances increasingly appear to be shorter and easier to travel and it generally takes less and less time to do things. Space-time compression involves a faster, ever-increasing and intensifying volume, depth and density of movements, interactions and transactions of all sorts, all around the world. Communication, and information and financial exchanges in particular, can take place just about anywhere, instantaneously and anytime. Clearly, this is related to developments in transport and ICT. However, as mentioned above, these global exchanges and their benefits (and deficits) are unevenly distributed among the centres and peripheries of the global system. All sorts of regional and international agreements and associations have emerged to facilitate and regulate these global interactions, such as the World Trade Organisation (WTO), the North American Free Trade Association (NAFTA), the United Nations (UN) and the European Union (EU). There is indeed a growing network of transnational actors, social movements, organisations and agreements (such as the WTO and others just mentioned, and the TNCs, IGOs, INGOs and global social movements referred to previously). And it is worth mentioning here that we all seem to be facing the same sorts of problems, that is, global problems. For instance, we all need to solve the problems of pollution, resource depletion, environmental despoilation, the disposal of nuclear waste, and global warming, to mention just a few of these problems, and we need to do so collectively, at the global level. Such problems traverse so many national boundaries that not much can be done about them by one state acting alone. Which brings us to another characteristic often ascribed to globalisation — this is the declining power and sovereignty of the state, due to the increasingly free flow of information, goods, money, people, etc, that nation-states often seem powerless to control. Furthermore, the TNCs, IGOs and INGOs referred to above, imply that increasingly, 'governance' is shifting from the national to the regional and global levels. We have more to say on this further on.

As we have said, many of these characteristics that we have suggested are definitive of globalisation are obviously facilitated by relatively recent developments in transport and ICT. Examples are jet travel, satellite television, and the internet. According to Cohen and Kennedy (2000) and others, however, what is really definitive of globalisation and what is really important (given that there almost always has been some sort of international interaction) is that all these global phenomena are occurring simultaneously and reinforcing each other, and they are occurring and interacting much more quickly, regularly and intensely. This is laying a foundation for the possibility of new, and emergent global phenomena, and increased globalisation.

Important, too, is the fact that the technological developments that seem to underlie much that is deemed to be definitive of globalisation have not emerged autonomously or overnight. Most of these global phenomena have emerged over a long, historical process of socioeconomic, political and ideological change, associated with the emergence and development of industrial capitalism and its expansion on a global scale. Indeed, globalisation is strongly associated with a shift from 'industrialism' to

‘post-industrialism’, from ‘Fordism’ to ‘post-Fordism’, from ‘capitalism’ to ‘post-capitalism’, etc. We shall be looking at many of these ideas and views in more detail below, but for now it’s enough to mention that these shifts involve not only technological change, but are inextricably bound up with socioeconomic, political and ideological change too.

Furthermore, earlier we referred to deeper and thicker flows of capital, goods and information; increased inequality and poverty; new patterns of consumption; and the rise of powerful TNCs. We also referred to the link between globalisation, or the world/global capitalist system, and the historical, global expansion of industrial capitalism by means of colonialism. These are all quite obviously not merely technological, but socioeconomic, political and ideological changes.

Moreover, many other definitive characteristics ascribed to globalisation are also clearly related to mainly socioeconomic change. For example, changes associated with the state in our globalised order include its supposedly decreasing sovereignty and its increasing inability to make and act upon decisions on behalf of its own citizens. These changes are linked to economic changes such as the increasingly free flow of capital and the unfettered activities of large and powerful TNCs. State power is also constrained by the regulations of the international organisations states belong to and the international agreements they subscribe to. And many of these organisations and agreements are about economic issues such as trade, production, the exploitation of natural resources (ie, fishing quotas, mineral rights and the like). Changes in and the development of the media, transport and ICT themselves are strongly linked to the historical development and expansion of industrial capitalism. This is because these developments are closely bound up with and frequently motivated by the pursuit of profit on a worldwide basis. And many of the global problems we now all face, such as global warming, and environmental and natural resource destruction, despoilation and depletion, are also functions of the pursuit of profit.

So, while the definitive characteristics ascribed to globalisation are obviously a multidimensional set of social, economic, political, cultural, ideological, technological, etc, phenomena, they are nonetheless also fundamentally socioeconomic in nature. The profound global changes associated with globalisation are interrelated with historical, global socioeconomic changes, and with changes in industrial capitalism at the global level in particular. Most commentators on globalisation agree that its socioeconomic dimension is one of globalisation’s most important, if not the most important definitional characteristic. This is why we said in our introduction that one of our points of departure is that whatever globalisation may be, it is bound up with changes and developments in industrial capitalism.

ACTIVITY 2.4

Give a definition of globalisation, providing reasons for why you’ve defined it in the way you have rather than in another way/other ways.

STUDY UNIT 2

2.5 The debate about globalisation

Once you have worked through this section of the study unit, we expect you to be able to describe and discuss three positions in the debate about globalisation, and come to your own conclusions about what globalisation involves.

Thus far we have been defining globalisation and discussing its scope. However, as we said in the introduction to this study unit, any definition, description and discussion of globalisation is subject to debate and contestation. Therefore, what we have said so far about the concept can only be seen as provisional, and as not much more than a way of introducing you to the debate. Ultimately, you'll have to formulate your own position on whether globalisation exists and what it involves, etc, and what implications it holds for South Africa. Definitions of globalisation abound, as do descriptions of its causes, characteristics and consequences. Interpretations range from the position that globalisation is not a particularly useful concept at all, given that what it refers to is hardly new, to the position that new theories of globalisation need to be generated, to capture the radical changes the concept refers to.

While many scholars suggest that globalisation represents a new important phase in human history, others argue that there is nothing new about economic, political, etc, networks which interconnect the world. Critics may argue that globalisation can be explained in terms of older, existing theories such as those of Wallerstein's (1979) world-system theory (also see So [1990] and Kiely [1995]). Even among those observers, however, who accept that globalisation is a reality, there is a lively debate about its causes, nature and consequences. There may also be disagreement about the extent to which a new theoretical paradigm or a new 'global' way of thinking about our contemporary world is required, and what such a theory should comprise.

More specifically, the debate on globalisation hinges on a number of related aspects which include the following key questions:

- Does globalisation really exist and is the concept of globalisation meaningful?
- Do we need a new theory in order to understand contemporary reality?
- What are the characteristics that we can associate with globalisation?
- How can we/can we periodise the history of globalisation?
- What are the causes of globalisation?
- What are the consequences of globalisation now and what will they be in the future?

Held, McGrew, Goldblatt, and Perraton (1999) identify three broad positions in this debate. They distinguish between the so-called 'hyperglobalists', the 'sceptics' and the 'transformationalists' (also see Amin [1997], for a similar identification of positions on globalisation). It is difficult, however, to identify these three camps in terms of clearly defined perspectives or world-views, because they cut across most

conventional intellectual, theoretical, methodological, political and ideological divides. Each position has its 'conservatives', 'liberals' and 'radicals'. There are, for example, representatives from the pro-capitalist 'neo-liberal' (a 'new' form of 'liberalism' involving the advocacy of free markets, reduced state spending, etc — see the discussion of neo-liberalism further on) camp and the anti-capitalist neo-Marxist camp in each of the hyperglobalist, sceptical and transformationalist positions.

(a) **Hyperglobalists**, such as Robinson (1996), Albrow (1996), Sklair (1995), Waters (1995), Drucker (1992), Hoogvelt (1997) and Womack, Jones and Roos (1990) tend to argue for the emergence of an historically unprecedented, fundamentally new type of globalised world. Many of the more extreme claims that are frequently made about a new global world order can be attributed to hyperglobalists such as these. They tend to emphasise the uniqueness, ubiquity, inevitability and irreversibility of globalisation, and they argue that it has momentarily positive and/or negative consequences. They associate contemporary society with historically unprecedented global change which is occurring in socioeconomic, political, cultural and technological areas. Consequently, they call for a corresponding 'paradigm shift' in human perception, theory and action in order to understand and deal with the challenges of globalisation.

As with sceptics and transformationalists, hyperglobalists operate from within a variety of ideological and theoretical traditions. Drucker (1992) and Womack et al (1990), for example, argue from a conservative, pro-capitalist and neo-liberal orientation. They claim that capitalism's global ascendancy since the end of the Cold War (marked by the collapse of the socialist Soviet Union, and socialism more generally), reflected in increasingly free trade, global markets and technological innovation, is what is driving globalisation. They argue that this latest phase of the development of Western capitalism is inexorably transforming the whole world and that it will eventually benefit all people and all countries in the world. They believe, therefore, that unrestricted free competition and participation in this emerging, single global capitalist market, is a positive development with (ultimately) benign (or 'utopian') consequences for all human beings.

However, there are hyperglobalists who are very critical of what they see as the destructive consequences of globalisation. Hoogvelt (1997), for example, contends that globalisation will increasingly marginalise and impoverish people in peripheral and sub-peripheral areas, and will thus exacerbate the global polarisation of wealth and poverty. An anti-capitalist, neo-Marxist hyperglobalist like Robinson (1996) argues that the characteristics and consequences associated with globalisation are directly attributable to the unfolding profit-seeking character and logic of the capitalist mode of production and the related activities of a global monopoly capitalist and state elite. Departing from a more or less orthodox Marxist reading of the 'laws of motion' (or socioeconomic 'workings') of capitalism, Robinson proceeds to present globalisation as the contemporary, but radically new manifestation of globalised capitalism. He argues that capitalism must incorporate new arenas, and not merely by means of geographical expansion, as happened during the colonial era. This is because capitalism is inherently contradictory, rapidly exhausts existing avenues of profit and continually exacerbates

STUDY UNIT 2

class distinctions and inequality. The result is that it is now producing contradictions at the global level.

Robinson (1996) reaches an interesting conclusion. He argues that there are two broad possible outcomes of globalisation. Firstly, he suggests that 'barbarism' could result from the unchecked contemporary trajectory of global capitalism. What he means by this is that it is likely to bring about increasingly exacerbated resource depletion, environmental destruction, untrammelled TNC domination and exploitation, rampant unemployment, poverty, crime, and famine. Only a privileged minority may be able to live a wealthy, abundant and sheltered life style. On the other hand, the vast majority of the world's population may become increasingly impoverished, deprived, dehumanised and marginalised. They may, therefore, resort to extreme measures, violence even, possibly in the form of fundamentalist social movements, or even robber bands, in order to claim a more equitable distribution of power and resources. This in turn may be met with increasingly brutal official and private security measures. The second possible outcome, according to Robinson, could be socialism. He derives this from the classical Marxist argument (see Marx & Engels 2000) that as capitalism develops on the global level, so do its contradictions and crises. As capitalists develop the forces and relations of production of capitalism, they are simultaneously developing the conditions (exacerbated class division) and the socioeconomic (rising class inequality) and technological (easy, world-wide communication) means for, the mass mobilisation of anti-capitalist protest. This could help bring about global anti-capitalist revolutionary action.

Indeed, many scholars, whether hyperglobalists, sceptics or transformationists, are concerned with the future consequences of the increasing contemporary global polarisation of power, wealth and opportunity. Even some neo-liberal authors, such as Drucker (1992) and Fukuyama (1989) are aware of this problem, although they argue that the economic and political benefits of globalisation will ultimately 'trickle down' to all people in the world. On the other hand, Huntington (1996) and Barber (1996), not unlike the neo-Marxist Robinson, foresee great conflict between the 'haves' and 'have nots' as a result of the globalisation of neo-liberal free market capitalism and its associated 'Western' values of individualism, materialism, and consumerism. They believe that these disparities could be articulated as a 'clash of civilisations', and/or as conflicts between cultures, ethnic groups, religions, ideologies and classes, at a global level, and with global consequences. Perhaps the current aggressive activities of the Bush regime in the USA against Muslim countries, regions and groups, and the counter-reaction by Muslim militants, indicate that this is already starting to happen?

Some hyperglobalists tend to conceptualise globalisation in a rather monocausal and linear manner. For example, Daniel Bell (1976) and Alvin Toffler (1980) tend to de-link the causes and character of globalisation from capitalism. They tend to stress the independent dynamics, structures and processes of industrialisation. Those who hold this type of view tend to attribute the causes of globalisation to technology, particularly computerisation, as an independent variable. Developments in ICT are even held to be among the most important causes of the decline of the state, given that the state is no longer able to monitor, let alone control, the exponentially increasing free flow of

information, ideas and capital, a volume of electronic traffic directly attributable to developments in information-processing technologies in particular.

(b) **Sceptics**, such as Hirst and Thompson (1996) (see also Scott 1997, Du Boff et al 1997, Meiksins Wood 1996, Tabb 1997, Koechlin 1997, Kleinknecht & ter Wengel 1998, Sweezy 1997, and Williams et al 1987), problematise and even question the usefulness of the concept of globalisation on both empirical and theoretical grounds. Indeed, Hirst and Thompson (1996) argue that there is nothing even quantitatively different about contemporary trade, production, finance and local and international governance. However, other sceptics argue that quantitative — but not qualitative and thus not ‘new’ — changes have occurred or are occurring. Still other scholars concede that qualitative changes have occurred, but reject the idea that these are the result of a new set of global forces. All sceptics tend to agree, however, that understanding contemporary social reality does not require a radically new set of ‘global’ concepts or a new ‘global’ theoretical paradigm. Rather, they argue that whatever changes may have occurred merely represent variations on old themes, such as the contemporary, but now global manifestations of industrial capitalism.

Hirst and Thompson (1996 and 1996b), among others, base their criticism of the globalisation thesis on mainly empirical grounds. They associate talk about globalisation with increased global volumes of trade and finance flows, worldwide free-market capitalism, (neo) liberal ideology, and the decline of the nation-state. But they argue that the connection between the world economy and the role of the nation state has not changed significantly since the late 19th century. They hold too that the nature and extent of global free market capitalism, and its legitimating neo-liberal ideology, is today not appreciably different from what it was a century ago. However, they, and other sceptics, argue that an intervening period, dating roughly from the middle 1940s to the late 1970s, characterised by a reformist ‘welfarist’ variant of capitalism (see the next part of this study unit), differentiates the late 19th century from the present. But, on the basis of the steady dismantling of the welfare state from the late 1970s, epitomised by ‘Thatcherism’ in the UK and ‘Reaganism’ in the USA, some sceptics argue that in important respects the contemporary era represents a regression to the (neo-) liberal free market capitalism of the 19th century (see Foster [1999] and the discussion of the effects of globalisation on the state further on the study unit). They contend, therefore, that the claims made about globalisation are insufficiently grounded, as is the need for new concepts and theory. Sceptics have been accused, however, of using a narrowly conceptualised empirical methodology as the basis for their rejection of the concept of globalisation. There are, nonetheless, also sophisticated theoretical arguments that ground a sceptical position (see Scott [1997] — whose position we elaborate on later in this study unit, and Rosenberg [2000], who provides a complex but very interesting philosophical critique of theories of globalisation).

(c) **Transformationalists**, such as Amin (1997), reject both hyperglobalist and sceptical positions as being too excessive, and hold a variety of positions between these extremes in the debate on globalisation.

STUDY UNIT 2

Held et al (1999) characterise a transformationalist position as one which entails a provisional acceptance of the emergence of a new form of globalised society. The transformationalist, unlike either the hyperglobalist or the sceptic, conceptualises globalisation as an incomplete and largely indeterminate phenomenon. They view globalisation as an extremely subtle and complex aspect of contemporary reality that has to be analysed very carefully. Transformationalists refer to an increasing interdependency and reciprocity between local, regional, national, and international aspects of globalisation. From a transformationalist view, globalisation has historical continuities and discontinuities, and they tend to periodise globalisation in terms of aspects like the intensity and volume of global exchanges and interdependencies over time (see Held et al 1999).

Transformationalists, along with some hyperglobalists and sceptics, are concerned about global inequalities of power and wealth and global environmental problems. They also tend to attack the neo-liberal ideology that frequently accompanies the discourse, practices and occurrences associated with globalisation, for reducing democracy to participation in the market as a consumer (see Frank 2001). They also criticise the related neo-liberal collaboration between TNCs and governments because it weakens democracy (see Hertz 2001 & Monbiot 2000). We elaborate on the link between neo-liberalism and globalisation below, but one important reason why neo-liberalism weakens democracy is that the state leaves more and more public and social issues to the market. The market, rather than the people affected/involved, is thus what ultimately determines the nature, quality and provision (if at all) of what are really public, social goods, such as health care, education, transport, pensions, etc — goods that we should have the definitive say about.

At first glance, the transformationalist position seems to be the most 'reasonable' position to hold in the debate about globalisation. Some critics, however, have argued that it is precisely the very 'provisionality' of this position that is also its greatest weakness. While the transformationalists are trying to do conceptual and theoretical justice to a complex and elusive problem, their analyses of globalisation have been criticised as vague and unconvincing. For example, the attempt to 'periodise' and identify 'degrees' of globalisation from past to present, tends to contradict the contention that it is a 'new' phenomenon.

As for the question of whether globalisation is inevitable and irreversible or not, sceptics, and to a lesser extent transformationalists, do not see globalisation as 'given', that is, as something that is here, now, and to stay. On the other hand, hyperglobalists, and indeed most popular commentators on globalisation, do take it as 'given'. In fact, most view it as inevitable and irreversible, and as somehow being independent of human agency, regardless of whether they think it is a 'good thing' or not. In other words, the prevailing view is that there is not much that we can do about globalisation. We should accept and adapt to it, perhaps at most trying to shape the way in which it unfolds. In this respect, those that argue that globalisation is negative in its consequences, mostly either throw their hands up in despair, or urge that we learn to offset as best we can the damage globalisation can do and has done. Those that think that globalisation will ultimately benefit us all, advocate that we should all get

onto the globalisation ‘band-wagon’, and do everything we can as quickly as possible to facilitate and hasten its unfolding. And governments everywhere, including South Africa’s, tend to take this view. That is, that capitalist, neo-liberal globalisation is inevitable and irreversible, and policy must be couched in terms of both making the most of the benefits that globalisation has to offer, and avoiding the negative implications of not doing so. And a great deal of policy activity by governments all over the world is in fact couched precisely in these terms — that is, in terms of making the best of globalisation. Your grasp of this issue, as well as your critical understanding of globalisation in general, will improve as you work through the next few parts of this study unit.

ACTIVITY 2.5

Think about the debate on globalisation with reference to the hyperglobalists, sceptics and transformationalists. Then, write down your answers, with reasons, to the following questions:

- Does globalisation exist?
 - What are the causes, characteristics and consequences of globalisation?
 - Is the idea or concept of globalisation a useful one?
 - Do we need a theory of globalisation to capture what it is associated with?
- [Please note that you will find it useful to return to this activity and revisit your answers once you have completed this study unit.]

2.6 The historical origins of globalisation

Once you have worked through this section of the study unit, we expect you to be able to describe and discuss globalisation’s historical origins.

Early on in this study unit we talked about the importance of making sense of globalisation in terms of both its continuities with and discontinuities from the past. We also talked about the salience of its socioeconomic dimension and of its links to industrial capitalism. Here we discuss what we think is a plausible account of globalisation’s historical origins. Note that what we say here links back to our discussion of political-economy in the previous study unit.

Cohen and Kennedy (2000:41–59) argue that the contemporary dynamics, characteristics and consequences associated with globalisation had their origins in 17th century Europe. They link globalisation historically to the emergence, development and ultimate globalisation of the industrial capitalist system. They hold that the causes of the latter must be found in a complex combination of economic, social, political, and ideological phenomena that occurred more or less simultaneously in Europe during this period. What were these developments? Briefly, a system of more or less modern nation states slowly began to emerge in Europe, owing mainly to almost continuous competition, conflict and warfare among the various peoples, communities and countries in the

STUDY UNIT 2

region. Nation-states emerged largely as a function of the latter; they emerged to collect taxes, develop military capacity, improve the means of transport and communication, secure and concentrate resources, improve production methods for self-sufficiency, and to foster and cement a sense of national identity. In a sense, the endeavours of these emerging states represented an early form of state-led capitalist industrialisation (this notion, along with the idea of a ‘developmental state’, is explained in more detail in later study units). They helped bring about, or at least helped create the optimal conditions for, the emergence of the industrial revolution and industrialisation. They also, more or less simultaneously, helped bring about the emergence of a hierarchical, competitive, free market, industrial capitalist system.

As these nation states became more industrial capitalist in character, they entered into even more conflict and competition with each other, and were constantly searching for new sources of wealth and profit. They thus began to look towards the rest of the world to secure cheap supplies of labour and raw materials, and new markets for their products. From about the 17th century, but in the early 19th century in particular, they proceeded to conquer, colonise and exploit much of Africa, Asia and Latin America, in the process exporting European (especially English) culture, and, perhaps most importantly, exporting capitalism on a worldwide basis. The European powers were able to do this because of their economic, technological, military and organisational powers — powers that they had developed for the most part on the basis of competition, conflict and warfare among themselves. According to Cohen and Kennedy (2000:53), “European expansion and colonialism had ... drawn far-flung parts of the world into a ... global economy. However, it had done so often with great cruelty and without the consent of the colonised peoples”.

In short, it was European imperialism or colonialism that first ‘connected’ people from all over the world, and ‘knitted together’ large parts of the world — forcibly, and on terms firmly dictated by and most favourable to the relatively powerful Europeans. And the same set of complex processes that underpinned and precipitated this initial ‘knitting together’, namely, those associated with the emergence of industrial capitalism in Europe, also underpinned our technological ‘revolutions’ (especially in transport and ICT) — revolutions that have facilitated further, deeper, and thicker global ‘connectedness’ today, that is, greater globalisation.

Marx provided one of the most influential accounts of the emergence and nature of industrial capitalism (see Marx & Engels 2000). He held that industrial capitalism was a ‘mode of production’ that replaced the feudal mode of production. He believed industrial capitalism to be “a highly dynamic and indeed unstoppable force for generating social transformation” (Cohen & Kennedy 2000:47). Cohen and Kennedy (2000:378) write that the concept of a mode of production “was used by Marx to describe the characteristic social relations that marked a particular way of organising production. Slavery, feudalism and capitalism are all modes of production in this sense”.

Many factors gave rise to the emergence of industrial capitalism from feudalism (some of which we have already discussed), but Cohen and Kennedy (2000:47) cite two especially important ones:

The creation of a fully commoditised economy in which everything, including land and labour, had a price and so could be bought and sold in a market (and) the exercise of, often violent, measures to dislodge self-sufficient peasants and craft producers from their farms and workshops — so forcing them in ever greater numbers to live by selling their labour to capitalist entrepreneurs as wage workers.

Depriving self-sufficient producers from their means of production (their land, animals, tools, etc), otherwise called ‘proletarianisation’, and turning them into wage labourers (or ‘proletarians’) was a vital condition for the emergence of industrial capitalism, because they were now brought under the direct control and domination of capitalists (often called the ‘bourgeoisie’). This was important for three reasons. Firstly, capitalists were now the sole owners of the means of production. They could now organise labour and all other aspects of production (or the ‘labour process’) as they liked in order to maximise profit. A further ‘bonus’ for capital here is that, under the discipline of the capitalist, and organised in shifts of a given period of time within the factory, the now wage-dependent worker, supplies ‘labour power’ rather than simply labour.

Cohen and Kennedy (2000:378) write that labour power “is the capacity to work for a given time, a given rate of pay and at a particular level of skill and effort”. In other words, the worker is paid a daily wage, and whatever he or she produces in this period belongs to the capitalist, even if the value of what is produced exceeds the wage paid to the worker. This ‘variable’ nature of labour power is an important source of profit to the capitalist, who endeavours to transform the labour-process in ways that enable even more to be produced during the same period. This may include various ways in which the worker can be encouraged or forced to work harder, a more efficient organisation of the labour process, or the introduction of technology or machinery that increases the productivity of labour.

Secondly, Cohen and Kennedy (2000:48) point out that because workers can no longer meet their needs through self-employment, they need their wages to buy necessities. In other words, they become consumers who form part of the market that capitalism depends on for the sale of its products and the realisation of profits. Thirdly, in its relentless pursuit of profit, capitalism competes with and increasingly eliminates all non-capitalist forms of production (such as peasant and craft production). To do this, and due to competition between capitalists, capitalism entails the constant, ongoing transformation of the labour process, both internally (through the way in which it is continually organised and reorganised, and through the constant introduction of new productive technologies), and externally (in the form of the constant expansion of capitalism to previously non-capitalist spheres).

This inherent dynamic of industrial capitalism, that is, of constant change, innovation and expansion in pursuit of profit, is closely associated with two other characteristics inherent in capitalism. These are

STUDY UNIT 2

(1) the constant and increasing competition between different capitalists, and (2) the constant class competition, conflict and struggle (sometimes open, sometimes hidden) between workers and capitalists over working conditions and the distribution of profits. Cohen and Kennedy (2000:375) point out that the struggle between workers and capitalists is a function of the fact that, in capitalism, social relationships are based on inequality and exploitation, which is what made “goods sold in the market possible in the first place”. According to Cohen and Kennedy (2000:48), in combination,

these factors impelled capitalists constantly to find ways to cheapen and improve their products so as to capture new markets or to displace their rivals. As the labour force gained in maturity and organisational strength, employers were compelled to raise the productivity of labour by investing in more advanced plant and machinery and adopting more streamlined systems of business organisation and marketing. An important consequence was the tendency for capitalism to expand the productive forces by developing ever more advanced technology, harnessing the power of science, increasing the scale of production and developing business arrangements to facilitate greater capital pooling. Thus, as Marx observed, nothing under capitalism ever remains static for long. Rather, constant change, not only in the productive process but at all levels of society, is inevitable.

Marx (and Engels, Marx’s most important collaborator — see Marx & Engels 2000) indeed anticipated (in 1848) that capitalism must globalise, and that it will change the rest of the world ‘in its own image’ in the process. Cohen and Kennedy (2000:48–49) quote Marx and Engels at length on this issue:

The need for a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.

The bourgeoisie has through its exploitation of the world-market given a cosmopolitan character to production and consumption in every country ... All old-established industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the products of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations. And as in material, so also in intellectual production ... National one-sidedness and narrow-mindedness become more and more impossible ...

The bourgeoisie, by the rapid development of all instruments of production, by the immensely facilitated means of communications, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians’ intensely obstinate hatred to foreigners to capitulate. It compels all

nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation in their midst, that is, to become bourgeois themselves. In one word, it creates a world after its own image.

Two other significant historical phenomena in the emergence of industrial capitalism, the global capitalist system, and contemporary globalisation, are (1) the rise of 'modernity' or the 'modern era' and (2) the growth of 'rationality'. According to Cohen and Kennedy (2000:378), modernity

can usefully be dated to the 15th and 16th centuries. Symbolically, the so-called 'discovery' of the 'New World' in 1492 and the circumnavigation of the world can be taken as convenient markers opening the modern era. However, the orientations towards modernity crystallized in the 17th century and spread and accelerated in their impact during the 18th and 19th centuries with the growth of a questing spirit, a strong leaning towards the purposive pursuit of material and social 'progress', rationality, industrialisation, urbanisation and the triumph of the nation state.

Modernity (and the growth of rationality too) is closely associated with the emergence of 'Enlightenment' thought which gradually spread across Europe during the 18th century. According to Cohen and Kennedy (2000:45), the Enlightenment's "optimistic view of the potential for human progress through the power of reason was considerably assisted by advances in science and philosophy. Enlightenment thinkers saw the importance of critical reason, scepticism and doubt, but were certain that self-realisation could be attained through practical involvement in, and attempts to transform, the material world".

Enlightenment ideas must be understood as a reaction to the then prevailing, mainly religious beliefs, that human beings inhabited a largely preordained and given universe and social order created by god that no one (perhaps apart from the clergy) was supposedly able (or allowed) to understand, let alone subject to intellectual scrutiny and practical change. Enlightenment thinkers used the tools of reason and rationality to challenge this religious view of the world. They made it clear that they believed science had the power to enable human beings to choose and shape their own circumstances and destiny. More to the point, for the purposes of our discussion, Enlightenment thinkers believed that science could help people rationally bring about individual and wider social development and progress (Cohen & Kennedy 2000:45-46). In short, there was a growing belief in progress and rationality. According to Cohen and Kennedy (2000:49), this was an important ingredient in the industrial capitalist transformation of society; they write that "once established, capitalist rationality and modernity were mutually supportive, each creating scope for the other". In organisational form, rationality and rationalisation became manifest in industrial capitalist enterprises (and in the public sector) in the growth of widespread 'bureaucracy'. On bureaucracy, Cohen and Kennedy (2000:374) write:

We owe our understanding of the working of modern bureaucracies principally to Max Weber, who first enunciated the ways in which such formal organisations worked, or were meant to work. Bureaucracies comprise legally recognised positions with clearly defined responsibilities; these positions being hierarchically ordered

STUDY UNIT 2

into career paths. Ideally, bureaucrats follow laws, rules and precedents, operate impersonally and impartially (“without hatred or passion”, says Weber), and are committed to efficiency and rationality.

According to Cohen and Kennedy (2000:61), Weber also added another ‘prerequisite’ for the emergence and success of industrial capitalism (at least in Europe), namely, the ‘Protestant ethic’. Briefly, people of the protestant faith believed that at birth each person was already predestined for heaven or hell. However, they also believed that god was not a deceiver, that success during life was a sign that one was destined for an ‘after-life’ in heaven. This encouraged people to work hard and strive to be successful on earth (which would indicate that they were destined for heaven), and invest any savings for the purpose of enhancing their chances of achieving success, rather than spend it on ‘sinful’ or otherwise wasteful consumption. For Weber, hard work, thrift and the reinvestment of profit in production for enhanced productivity are prerequisites of industrial capitalism.

In summary, a mixture of economic, social, political and ideological variables in 17th century Europe led to the emergence of an industrial capitalist mode of production. Through colonialism in particular, this mode of production spread all over the world and created a hierarchical and unequal global capitalist system. This laid the foundation for the emergence of the socioeconomic, political, geographical and ideological characteristics and consequences associated with contemporary globalisation.

ACTIVITY 2.6

Write an essay of about 3 pages in which you discuss the historical origins of globalisation. In your essay, discuss the link between the emergence of globalisation and of industrial capitalism. Refer also to the role of the nation-state, ‘modernity’ and the ‘enlightenment’, and the ideas of Marx and Weber in this regard.

2.7 Globalisation and the world of work, the nation state, global inequalities, and culture

At the end of this section of the study unit, we expect you to be able to discuss the relationships between globalisation and the world of work, the nation state, global inequalities, and culture.

2.7.1 Globalisation and the world of work

According to Cohen and Kennedy (2000:12, 60–77), after the long growth period and high standards of living that many people enjoyed between 1945 to 1973 (see the discussion of globalisation and global inequalities below), the Fordist ‘industrial capitalist growth model’, or the Fordist

‘regime of accumulation’ (according to Regulation Theory) was in crisis and, in fact, beginning to collapse. Regulation theorists believe that, because industrial capitalism is inherently exploitative, unequal and unstable (by ‘unstable’, they mean it is subject to periodic crises), it needs various kinds of support. Regulation theorists refer to this as the need for a ‘mode of regulation’.

Briefly, a mode of regulation refers to measures that help maintain the stability of industrial capitalist society. For instance, the state may need to implement policies that encourage investment and provide protection against international competition, which might be done in the form of ‘non-tariff trade barriers’. Non-tariff trade barriers “involve the attempt to protect domestic industries by imposing bureaucratic regulations about such things as product ‘quality’ or technical standards. Through these means the appearance of free trade is preserved” (Cohen & Kennedy 2000:378). The state also usually needs to invest in various forms of infrastructure (such as transport, education and training, welfare measures, etc) to improve a country’s international economic competitiveness and facilitate local political stability. And citizens must be willing to pay taxes (so the state can spend money on infrastructure), tolerate some inequality, and cope and put up with changes in their lifestyles (changes which occur as a result of constant changes in the industrial capitalist mode of production, as discussed previously). A mode of regulation also refers to the ways in which norms and values are disseminated through society (say, through the education system and the mass media), which help legitimate inequalities, alienation and the like. This is a form of ‘socialisation’.

processes through which we learn to understand, assimilate and reproduce the rules, values and meanings shared by members of our society and which are constantly enacted and negotiated in everyday life. The child’s relationships within the family are normally crucial to this learning process — along with school and peer group — but socialisation continues throughout life as we are continuously exposed to different social experiences, including the media (Cohen & Kennedy 2000:380).

As we have indicated, Fordism was the predominant form of the industrial capitalist mode of production from 1945 to 1973. Named after its pioneer, car maker Henry Ford, Fordism involves the “mass production of standardised goods by huge, integrated companies. Each company was composed of many different, specialised departments each producing components and parts that were eventually channelled towards the moving line for final assembly” (Cohen & Kennedy 2000:376). Fordism also involves ‘Taylorisation’. Taylorisation (or Taylorism) got its name from its inventor and most famous advocate, Frederick Taylor. Taylorism “is the name given to the process accompanying Fordism whereby most work processes were scientifically studied by managers so as to find ways to break them down into highly specialised and efficient tasks while removing most of the skill and responsibility formerly exercised by the workers” (Cohen & Kennedy 2000:380).

While the Fordist form of industrial capitalism is exploitative, unequal and alienating, people were to a large extent compensated by, for example, relatively high wages and acceptable conditions and benefits at

STUDY UNIT 2

work. They were also compensated by the mass consumption of relatively cheap goods made possible by the mass production techniques characteristic of Fordism, techniques which led to the achievement of 'economies of scale'. "Economies of scale arise when savings can be made in the purchase of a large volume of raw materials, the organisation of high-output assembly lines or in mass consumption. Bulk purchases are cheaper for producers while many retail outlets have followed the advice to 'pile them high and sell them cheap' — taking smaller profits on each item in exchange for selling more goods. Mass consumption and mass production are closely related" (Cohen & Kennedy 2000:376).

This sort of 'compensation' (an important part of the mode of regulation characteristic of Fordism) temporarily solved problems inherent to industrial capitalism. Examples of these problems are: worker resistance to low wages; poor conditions; alienation (due to, for instance, the deskilling effects of Taylorisation) and unemployment; and the more general problem of overproduction and underconsumption.

The Fordist mode of regulation was largely 'Keynesian' in nature, both nationally and globally (see the section on 'globalisation and global inequalities' below). Keynesianism is a reference to the key role played by different states locally, and, in particular, by the USA internationally, in helping to stabilise and regulate the Fordist regime of accumulation. This attempt at stabilisation and regulation involved implementing the sort of compensatory measures referred to above. It also involved establishing the Bretton Woods system to help participating countries (mainly the USA, Japan and countries in Western Europe) recover from the effects of World War II, and enjoy economic prosperity (more on this issue in the section on 'globalisation and global inequalities' below). Nationally, the Fordist growth model was regulated by fostering good relationships between capital and labour, allowing full union rights and representation, and giving workers good and improving wages, working conditions and benefits (which was also at least partly motivated by capital's fear of the spread of communism in the context of the 'cold war' — see below). And, at the same time,

issues of social cohesion and social justice were given much more attention. The state sought to establish a consensus with its citizenry similar to that being pursued by employers in the work sphere. State intervention was designed to achieve a social-democratic accord. This implied that everyone had a right to a minimum of lifetime protection and security. In the European countries — less so in Japan and the USA — governments improved the welfare state. Keynesian spending policies were widely adopted to stimulate growth through increased investment in publicly owned services and enterprises. Full employment policies became the top priority while some attempt was made to achieve income redistribution through progressive taxation (Cohen & Kennedy 2000:66).

The USA played a prominent, leading role in regulating Fordism internationally — that is, globally. It took political leadership of Bretton Woods and most emerging international forums, and it largely financed capitalist countries' war effort against the socialist countries during the cold war. This, in turn, helped to make possible a great deal of investment and growth centred around a massive build-up of weapons of mass

destruction. However, from the early 1970s onwards, the whole Fordist 'growth model' started suffering a major crisis and decline set in. "The 'golden age' of high production, high consumption and secure employment slowly began to disintegrate in the late 1960s, a tendency that gathered pace during the 1970s" (Cohen & Kennedy 2000:66).

Cohen and Kennedy (2000:66–69) cite several reasons for this crisis. Briefly, the very successes of the Fordist growth model began to bring about its demise. The strength of the unions made it very difficult for employers to refuse wage increases and bring about changes in production that would have profited capital, but increasingly alienated workers. This led to inflationary pressure, and began to make more and more firms uncompetitive. Worker productivity was not rising with increased wages, profits were falling and economic growth began to slow down. This deepening economic crisis was worsened by a rise in world oil prices in the early 1970s. This set of circumstances brought about the beginning of the end of the previously "successful linking of rising profits, wages and productivity and the unspoken agreement that employers would recognise union power and share rising prosperity with workers in exchange for increased output" (Cohen & Kennedy 2000:67). Furthermore, there was a growing 'postmodern' pressure by consumers for a greater variety of more individualised and 'customised' goods. This pressure grew out of consumers' concern with their 'personal identities' — a concern which the fairly rigid Fordist mass production system simply could not accommodate. According to Cohen and Kennedy (2000:67), postmodernists hold that

unlike the earlier era of modernity, our lives are now said to be less and less determined by family, class, community and national loyalties or by social expectations linked to such things as gender or race. Instead, these structures, along with the moral and political certainties about the nature of truth, reality and destiny with which they were associated, have largely disintegrated. Accordingly we are free to forge our own identities — although this may also cause us some anxiety. In doing so we choose from an increasingly diverse, pluralistic and sometimes confusing cultural repertoire — one that emanates especially from the all-pervasive mass media.

Gradually, a more adaptable system of production began to emerge, characterised by "smaller enterprises, a greater ability to cope with rapid changes in demand and more immediate contacts between producers and their market outlets" (Cohen & Kennedy 2000:67). The Fordist regime of accumulation was being replaced by 'Japanisation', 'flexible labour' and 'post-Fordism', and the Fordist mode of regulation was collapsing nationally and globally. Local capitalists and governments blamed organised labour for falling profits and began to attack unions in order to weaken them. Keynesian policies were discredited and rejected and a free market agenda became generalised (see the section on [neo-] liberalism and the state below).

To stimulate the economy, business incentives, and economic and financial deregulation and privatisation replaced government spending. Welfare benefits and public spending were reduced, full employment policies were abandoned, and indirect taxation on consumption was increased, while taxes on capital and the income of the rich were reduced.

STUDY UNIT 2

Governments substituted monetarist policies for Keynesian policies, because they preferred to control interest rates, the money supply and inflation. Globally, the Bretton Woods system was collapsing and the USA's previous form of economic (among other dimensions) leadership was declining. Large TNCs and banks became increasingly deregulated and began to operate internationally and as they chose to, and largely independently of governments — all in pursuit of profit. And the USA became increasingly subject to rising inflation, due to its rising energy needs and its rising military expenditure. It was also threatened by international economic competition (from the countries of western Europe and Japan in particular — ironically, the countries it had assisted through the Bretton Woods system).

As far as changes to the Fordist regime of accumulation were concerned, many firms in the USA and Europe began to imitate Japanese methods of management. This was because of the international success of large Japanese TNCs, especially in vehicles and electrical goods. This is called 'Japanisation' which, according to Cohen and Kennedy (2000:378), "refers to the conscious attempt, especially in the 1980s, to imitate the organisational culture developed by Japan's huge companies, such as Toyota, and especially their highly effective strategies with regard to managing labour relations in factories. Such attempts at transplanting Japan's methods to other countries have not always been completely successful".

What was unique about Japanese production methods? Briefly, after 1945, Fordism took on a unique form in Japan, which helped make Japanese workers and firms very flexible, productive and technologically innovative, and thus able to easily and successfully adapt to and exploit changes in the market, and indeed change the nature of the global market. Cohen and Kennedy (2000:70) point out that there is a unique 'supporting culture' for production in Japan, which entails the following:

- A third of the work force is employed in large companies. Such workers are given life-time employment and are paid according to both performance and seniority.
- The labour market is segmented (see the discussion of 'core' and 'periphery' labour below), in the sense that the smaller the firm, the lower the pay and the fewer the benefits workers receive.
- An extensive, interlinked, sub-contracting system exists, consisting of specialised firms of various sizes, each providing specific services and products (or parts) to the larger firms. This minimises the investment and risk the larger firms undertake — and also enables them to take advantage of both specialisation and the smaller firms they subcontract to.
- Skill upgrading, technical improvement and flexibility are encouraged in the workplace itself, by, for example, job and skill rotation. Furthermore, management tends to be 'hands-on', and worker input into the improvement of every step of the production process is both encouraged and rewarded.

In all, this has resulted in a production system called 'just-in-time' and/or 'lean' production. What this means is that large companies do not have to invest in, produce and store large quantities of parts, or themselves

provide for a variety of different services. They can focus on whatever they have decided is their 'core business', and simply order and secure the parts and services they require from their numerous sub-contractors as they need them. When this is added to good pay and benefits (at least in the largest firms) and a management style that motivates workers to constantly improve their own abilities and their own production processes, it becomes clear why Japanese firms have been so competitive and flexible. Or does it? Cohen and Kennedy (2000:70) also point out that there is a different interpretation of the Japanese 'success-story', one that emphasises that 'lean' production is actually a sort of 'mean' production, because it entails "an intensive kind of Fordism based on unlimited managerial control over a super-exploited work force made possible by the defeat of Japan's organised workers in the early 1950s".

For instance, the famed efficiency and flexibility of the large Japanese firm is often based on a relentless 'squeezing' (in terms of when and how much of a part or service is required — and how much it costs) of sub-contracted firms, which in turn put enormous pressure on their own workers to work longer hours for less pay and fewer benefits. This would not be possible if Japanese workers were well-organised in unions, and puts a different light on the notion of the loyal, hard-working, innovative, productive and flexible Japanese worker. Whatever one's interpretation, however, many scholars believe that 'Japanisation' reflects a "world-wide shift towards post-Fordist or flexible work conditions" (Cohen & Kennedy 2000:71). According to Cohen and Kennedy (2000:379), "Post-Fordism exists where most workers are employed on a temporary or casual basis, enjoy few, if any pension or other rights and where labour has limited power to organise in order to resist employer demands. Capitalists therefore enjoy much more direct control over their employees than was possible under Fordism, including the ability to maintain a highly flexible and adaptable labour force".

In short, unprecedented technological changes (especially in the use of ICT) and significant organisational changes have occurred in the world of work. This has occurred against a background of a global profit crisis, changing consumer demands and intensified international competition. And the area in which capitalists have been most active is in the creation of a flexible, multi-skilled work force, capable of easy adaptation to rapidly changing fashions, new demands and new technologies. This involves the need to overcome any worker resistance to changes introduced by management, and thus the need to eliminate strong trade unions and any state legislation that protects employment. Workers have long resisted such changes introduced by management. An historical example of such resistance would be the English 'Luddites', who were "artisans who rioted rather than accept mechanical and technical changes. It was not just unemployment they feared, but also the threat of de-skilling and lower wages" (Cohen & Kennedy 2000:378), but since the Fordist growth path began to collapse, worker resistance has proved increasingly futile.

Safe jobs, good pay and benefits and state welfare are things of the past. And this involves just about everyone — it "is especially threatening for the poor and unskilled, but even educated people with marketable credentials face an insecure future of frequent career changes and

unreliable incomes” (Cohen & Kennedy 2000:71). Cohen and Kennedy (2000:72) also point out that to cut costs and enhance profitability, management also wants to reduce labour costs wherever it can, possibly because it is easier to drive down or even eliminate labour costs, than it is to reduce expenditure on capital goods and new technology. In general this has led to capital-, rather than labour-intensive production. According to Cohen and Kennedy (2000:375), “Capital-intensive manufacturing relies on investment in plant rather than labour. This preference may arise where labour is scarce, uncooperative, expensive or well-organised. However, capital intensity may also arise in high-tech industries by virtue of the materials and product”.

Capitalists have indulged in various practices to reduce labour costs. TNCs have relocated “the more labour-intensive aspects of business to ‘safe-labour havens’ with low wages, unorganised workers and repressive governments” (Cohen & Kennedy 2000:72), both within and outside their home countries. In the case of the latter, labour functions are often relocated to ‘export processing zones’ (EPZs), mainly in periphery or sub-periphery countries. According to Cohen and Kennedy (2000:376), EPZs are created by governments as free trade enclaves to attract foreign firms to locate and produce there — “In all cases, EPZs benefit from tax and financial incentives”. This has brought about a progressive ‘internationalisation’ of work, and greater job and general economic insecurity. More and more firms are being broken up (‘down-sized’ or ‘right-sized’) and many jobs are being lost in the process. Goods are produced only in parts, and processed, assembled, manufactured, and stored in a multitude of different countries (depending on factors such as cost-benefit calculations — and especially relevant here is the cost of labour), before being released for sale on world markets. What is emerging, according to Cohen and Kennedy (2000:378) is a ‘new international division of labour’, which

divides production into different skills and tasks that are spread across regions and countries rather than within a single company. From the 1970s onwards hitherto agricultural countries, particularly in the Asia-Pacific region, became rapidly drawn into the new international division of labour as key production functions were shifted away from the old industrial zones.

The world of work, and indeed, the world as a whole, is increasingly subject to and being shaped by, the activities of massive capitalist TNCs with enormous power, influence, and resources (Cohen & Kennedy 2000:13–14; 117–132). TNC activity has been facilitated by the general liberalisation and deregulation of national economies and the related increasingly free flows of goods and money, and by faster and cheaper means of transport and communication. Generally, it has been mainly the TNCs, and banks, that have profited most from post-Fordism, and ‘deregulation’ in particular, that is, the opening of economic and financial borders and the lifting of economic and financial barriers. TNCs also have the power to, and do, protect their own trade interests through government representation at forums like the WTO. An example here would be centres still massively subsidising their farmers while demanding that states in the peripheries and sub-peripheries stop doing the same. According to Cohen and Kennedy (2000:375), TNCs are forming global

‘commodity chains’, that is, “economic networks linking firms, countries and industries” which “span producers, distributors and consumers of goods, increasingly on a global scale”, and each link in the chain is located where it is most cost-efficient and profitable.

Increasing use is being made of labour-saving technologies to keep costs down, raising unemployment levels everywhere, and production that has to be labour-intensive is transferred to areas where wages are generally quite low (and/or kept low by suppressing labour organisation). Cohen and Kennedy (2000:375) point out that even agriculture is now predominantly capital-intensive. This “involves the substitution of technology, credit, machinery, irrigation, tractors and commercial seed, for human beings growing crops in the old way. In addition to the social consequences of displacing labour, capital-intensive agriculture can carry some risks, for example, in reducing biodiversity”.

These developments have led to the labour market becoming much more flexible. This has resulted in increasing numbers of women being employed relative to men, largely because they are more vulnerable than men, less likely to become unionised and can be paid smaller wages. This is called the ‘feminisation’ of work. Minority groups and even illegal immigrants are sought after for the same reason. Generally, work and workers are becoming increasingly ‘segmented’. A clear distinction is emerging between a small ‘core’ labour market, characterised by workers with good qualifications, skills, pay, benefits, security and prospects, and a ‘periphery’ labour market that is being increasingly ‘casualised’. This means that the types of jobs that are available are usually poorly paid and are increasingly sub-contracted and temporary, and more and more workers find themselves in this segment of the labour-market. As a result, they have little job-security, and few if any benefits or prospects. And, as relative employment levels fall, more and more workers find themselves in service sector jobs such as the fast-food industry, which is notorious for the peripheral nature of employment there (ie it is poorly paid, with long hours and generally poor conditions, and few if any benefits. Seldom unionised, workers in this sector are also easily hired and fired — especially in circumstances of high unemployment). As post-Fordism proceeds, so society is becoming more ‘post-industrial’. According to Cohen and Kennedy (2000:379), this is a reference to when

the service industries — including the knowledge-, media- and information-based sectors — have become the most important source of wealth and employment. Accompanying this, therefore, is a relative decline in the contribution of manufacturing industry to national wealth, a fall in the numbers of manual workers, a huge expansion of university or tertiary education and a growing middle class.

Indeed, the service industry is beginning to serve as an exemplar for all other forms of employment in just about all sectors. This is often referred to as ‘McDonaldisation’, which

originally referred to the irresistible dissemination of business systems associated with the US fast-food industry. These aimed to achieve intense control over workers and customers in order to supply cheap, standardised, but quality products in pleasant surroundings. This drive for efficiency and predictability has now

STUDY UNIT 2

spread to many other economic activities and countries so that the McDonald's burger franchising chain is merely the 'paradigm case' (Cohen & Kennedy 2000:378).

The main beneficiaries of changes in the world of work associated with globalisation have been big capital in particular, and large TNCs and banks and other financial institutions generally. The main victims of post-Fordism and flexibility have been trade unions (which are systematically being emasculated) and workers generally (pushed into peripheral employment, or out of employment altogether) and the young, the old, the poor, women, minority groups, and people with little education and/or marketable skills, in particular.

However, Cohen and Kennedy (2000:76) conclude that it is quite problematic to simply blame globalisation for these changes, as if its nature and consequences are inevitable and inexorable. We shall quote their point of view on this at some length, because it bears strongly on the link between globalisation and social change in contemporary South African society:

The era of high productivity, high consumption and employment security is now over. Instead we have moved to a period of economic globalisation, rapid technological change, post-Fordism and the widespread adoption of free market policies. In contrast to the 'golden' post-war years, their combined net effect has been to weaken labour's bargaining power and to expose a growing proportion of employees everywhere to the risk of unemployment or to conditions of work and pay that reduce workplace autonomy and increase lifestyle insecurity. At the same time, a growing proportion of the global population have been sucked into, and become dependent upon, the capitalist, profit-oriented market system for their livelihoods.

Globalisation tends to be blamed for these and other problems. But increased globalisation also needs to be seen partly as a consequence of the widespread adoption of free market economic policies. These have removed earlier constraints on capital flows and torn down the remaining barriers to the spread of capitalist production. At the same time ... work insecurities ... owe as much to the deliberate shift, since the late 1970s, towards deregulated markets, greater inequality and policies designed to undermine worker's rights and to reduce public spending, as they do to economic globalisation.

Meanwhile ... many governments have allowed themselves to 'become convinced' that only private markets and those who juggle money between them should be permitted to determine the world's shape and direction; not states, political leaders or, presumably, the citizens that elect them ... As world capitalism becomes more complex and extensive its dependence on a supportive mode of regulation at global (and national) levels, forged by far-seeing and co-operative governments, would seem to be more relevant now than ever before. Even George Soros ... one of the most prominent financial speculators who profited from the deregulation of the global economy, has complained about the present generation of world leaders. He suggests that they seem to lack the imagination and be unwilling to provide the leadership to challenge orthodox views of how the world's economy might better be organised and managed.

We say more about the relationship between globalisation and the nation state in the next section of this study unit, but can you see the clear link between globalisation, changes in industrial capitalism, changes in government policy, and changes in the economy and the nature of work and employment? Can you also see that the nature of these sets of relationships has implications for the question, among others, of whether globalisation is inevitable and/or irreversible?

ACTIVITY 2.7

Write an essay in which you discuss the effects of globalisation on the nature of economic activity and the world of work. In your essay, answer the question of what it is about globalisation that you think has produced these effects. Also, answer the question of whether you think there may be powerful interest groups with strong motivations for promoting and driving what we are calling 'globalisation'? If your answer to this question is in the affirmative, name these groups and identify and give reasons for their motivations. If your answer is in the negative, also give your reasons. Finally, in what ways (if any) do you think globalisation has impacted on your own work situation?

2.7.2 Globalisation and the nation state

The main question on the state that Cohen and Kennedy (2000:78–95), and commentators on globalisation more generally, are concerned with here, is the sovereignty and autonomy of the modern (nation-) state in the context of powerful transnational agencies, such as TNCs (eg Toyota and Microsoft) and IGOs (eg the World Bank and IMF). The sovereignty of states

means that they have the sole right to exercise a monopoly of legal and coercive control both over their territories and the people living within their borders ... Nowadays, states have found it difficult to retain their sovereignty without 'pooling' it with allied, often stronger, states. Therefore, although politicians do not always admit this in practice, sovereignty is shared. Britain provides a good example in the period of the cold war, which had a considerable stock of nuclear weaponry, but could not fire it without the agreement of the US president (Cohen & Kennedy 2000:380).

In other words, can the state or government of a country still make decisions on behalf of its citizens and meaningfully and autonomously act on such decisions? Cohen and Kennedy provide a general discussion of when, why and how states sometimes can and sometimes cannot (and indeed, in some cases, should not) act independently. For the purposes of this module, however, it is important to look for answers to this question in terms of the relationship between globalisation and state policy in contemporary South Africa. We've already said some things in this regard about the state in this study unit so far, and also do so at the end of this section, but Cohen and Kennedy make two points that are particularly relevant here. These are firstly, that the issue may be more that the role of the state has changed, rather than that its sovereignty and autonomy have been undermined. They point out, for instance, that

STUDY UNIT 2

in an attempt to force down wages, politicians across the world use globalisation as a pretext to cut welfare expenditure, remove trade union rights and deregulate labour markets. Between 1979 and 1990, the Thatcher government in Britain was largely successful in centralising the state apparatus. This went against all the supposed trends towards the diminution of state power. Ostensibly, it was carried out to liberate market forces from government interference and to make the British economy more competitive internationally. Political power and strong policy preferences in the hands of determined governments remain highly significant (Cohen & Kennedy 2000:93).

Secondly, they stress something that we have been looking at throughout this study unit, which is that “the role of states in overcoming economic backwardness has historically been paramount everywhere. Thus, during the early stages of industrialisation, most governments invested in infrastructure and education, fostered local capitalists and protected infant industries from foreign competition. Many Asian states have gone much further than this ... It is difficult to see how the remaining poor countries could escape their current situations without adopting similar state-led strategies” (Cohen & Kennedy 2000:93).

We have already referred to the idea of a ‘developmental state’ in this study unit, and you will come across it again later on. Cohen and Kennedy (2000:376) describe the developmental state as referring “particularly to the attempt by certain Asian states to foster an Asian variant of capitalism, bringing together the financial sector, public policy and large companies in a common effort to penetrate overseas markets, raise profitability and enhance the security of the state”. But the idea of a developmental state can be used in a wider, much more general sense to refer to any state’s active role in helping bring about development (however this might be conceived) for its territory and citizens. Can you see why this sort of state may be considered to be at odds with neo-liberal orthodoxy?

We think it is now opportune to introduce you to what we think are important interpretations and critiques of two closely related ideas. Firstly, the idea that globalisation is inevitable and irreversible and reduces state power, and secondly, ideas about the link between globalisation and neo-liberalism. These are offered by Scott (1997) and Foster (1999), respectively.

Scott (1997) focuses on the neo-liberal claims made about free-market capitalism, and the idea that the role of the state is declining. In short, he argues that there has always been tension between free market competition and social needs, that is, between the self-interested, and rational economic calculations of individuals, and ‘irrational’ social-community based values, ties, and reciprocal obligations and expectations. And this is a tension that regulatory institutions like the state have always had to mediate, by alternately deregulating and (re-regulating) markets. He holds that neo-liberal globalisation represents the ascendancy of a deregulatory phase, and this is why he argues that globalisation has to be seen in large part as a political project.

More specifically, Scott (1997) argues that the ‘rhetoric’ (common ideas usually associated with a phenomenon) of globalisation, involves the central idea that politics and the state are powerless in the face of inevitable and unstoppable global capitalist market forces. In this rhetoric, globalisation is all but reduced to inexorable market forces that, facilitated by developments in transport and ICT, are transforming the world.

Furthermore, both markets and technology are held to be ‘neutral’ (in the sense that they supposedly exist or emerge ‘naturally’ or ‘spontaneously’ and serve no particular interests or interest groups) — globalisation and the globalisation of the capitalist free market are not merely inevitable and unstoppable, but neutral too. Can you see how this links up with the socialisation and associated legitimating functions of neo-liberal ideology we talked about earlier? In other words, so the rhetoric goes, whatever effects globalisation might have, we can’t really do anything about it, nor can we say that globalisation is either ‘good’ or ‘bad’ in and of itself. Can you see how this effectively removes and thus protects the neo-liberal globalisation of the capitalist free market from public discourse about the ‘good society’, that is, from discussion and debate about the kind of society we’d all like to live in and comparisons of the latter with the kind of society we do live in? (Remember we talked earlier on about how neo-liberalism undermines democracy?)

However, drawing on accounts (especially the ideas of Karl Polanyi) of the history of the rise and decline of markets, Scott (1997:9) argues that markets are neither natural, inevitable or neutral. They’ve always been “the outcome of political action and decision” and, furthermore, have always been “regulated ... by state institutions”. He holds that modern globalisation, or the modern globalisation of the capitalist free market, is also the result of political or state decision, action and regulation. According to Scott (1997:9–10),

globalisation ... is the realisation or side-effect of economic deregulation and the lowering of social costs within national communities ... Deregulation ... is not a response to competition but a means of extending it into areas which were previously protected, or partially protected, from commodification. It is deregulation that undermines the ability of nation states to protect themselves and the community they represent from the social destructiveness of markets, but it is also the nation state that is the key actor in bringing deregulation about internally (eg through privatisation and lowering social costs within its borders) and externally (eg by participating in and agreeing to proposals from international fora) ... contemporary neo-liberalism has been successful because it has persuaded many politicians, and perhaps voters also, that the direction of causality runs from economic development to political response and thus presents itself merely as an objective or at least neutral diagnosis rather than as a contributor to the emergence of the very conditions it purports to analyse ... one might ... characterise deregulation as that disease which purports to be its own cure.

Thus, in opposition to common beliefs about the inevitability and/or inexorability of globalisation, and the globalisation of the capitalist free-market and how it reduces the power of the state in particular, Scott

STUDY UNIT 2

argues that, on the contrary, globalisation has been brought about, promoted and regulated by the political action of the state.

Thus far we have often used the term ‘neo-liberalism’ in the context of our discussion of globalisation, and in the context of the latter’s links with the rise and dominance of global free-market capitalism in particular. We’ve already told you that neo-liberalism refers to a ‘new’ form of liberalism, that began in the 1970s, involving deregulation, reduced state spending and the idea of minimal state intervention in society, particularly when it comes to the economy. We are now going to look at the idea of neo-liberalism a bit more closely, with a special focus on the belief that globalisation involves the reduction of the power, autonomy and sovereignty of the (nation-) state.

Earlier on in this study unit, when we discussed the historical origins of globalisation, we linked it to the rise of the nation-state, the beginnings of industrialisation, the emergence of capitalism, and the world-wide spread of industrial capitalism, particularly by means of colonialism. We’ve talked about the facilitating role of the rise of Modernity and Enlightenment ideas, and also about the Fordist regime of accumulation and mode of regulation as a response to crises in the industrial capitalist system (which we further elaborate on in the next section of this study unit). What we have not yet discussed in sufficient detail is the role played by ideas associated with liberalism in the rise of the nation-state, industrial capitalism, and the global spread of the latter, primarily by means of colonialism. We discuss this, and the link between liberalism and contemporary neo-liberalism, to end this section of the study unit.

According to Foster (1999), liberalism was used by capitalists to help bring about and ideologically legitimate capitalism. But what does liberalism involve? It entails the core idea that a free-market society based on the individual pursuit of self-interest is the best sort of society. Liberals hold that such a society is true to human nature, and that it will yield prosperity for all. Here the appeal is to a sort of ‘invisible hand’ (remember our discussion of Adam Smith in the previous study unit?) that translates the individual pursuit of self-interest, profit or gain, into the best result for society as a whole. Even inequalities must be tolerated, if they are functions of the individual pursuit of self-interest in a free-market society — and in any event, liberals believe that inequality will produce a ‘trickle-down’ effect that will be to the benefit of those less fortunate or able than others.

Liberals claim that, in consequence, any barriers to the free market will limit the beneficial results any society based on individual self-interest can yield. The barriers liberals are concerned with are perceived to be external to the free-market system; they reject in principle the idea that the free-market can contain or produce and perpetuate internal contradictions. Such barriers are conceptualised as ‘external’ to the free-market system, and include ‘irrational’ traditions, cultural and/or religious beliefs and practices, nationalism, etc. In particular, these barriers include (and liberals adamantly reject) any interference from the state in the workings of the economy. It follows from this set of views that any barriers to or restrictions on the individual capitalist pursuit of profit, or on any free-

market exchanges, such as those involving wages for work between capital and labour, are 'external', 'artificial' and 'irrational'.

How did these liberal ideas, or the liberal ideology help bring about and legitimate the emergence of industrial capitalism? According to Foster (1999), the modern nation state, and industrial capitalism, emerged in the context of the despotism, absolutism and excesses of the feudal aristocracy (and/or the collusion between the monarchy and the church). Briefly, this produced a series of popular uprisings for liberal individual freedoms and rights in Europe, waged by both emerging capitalists and the hungry masses, which laid the groundwork for the ascendancy of the capitalist class and liberal-democratic capitalist societies. In other words, one of the ways in which the capitalist classes extracted themselves from the yoke of the then existing ruling classes, and established and maintained their rule, was by means of articulating and disseminating 'liberal' ideas, ideology and associated institutions (such as a liberal constitution and liberal-democratic state). Liberalism helped them legitimate their quest for social supremacy — and importantly, enabled them to gain the support of non-capitalist classes in this regard.

Foster (1999) points out, however, that there is a distinction between the 'classical', and perhaps, 'extreme' free-market ideas of the liberals of the time (such as Smith, Malthus and Ricardo) and the ideas held by liberals in the late 19th and early 20th centuries. No doubt prompted by the crises that capitalism was producing, later liberals took on a much more 'reformist' position, however reluctantly (Foster 1999). The capitalist commitment to liberal notions about free trade, free markets and the non-interference of the state, was not 'written in stone'. Capitalists could be quite flexible when it came to struggling for (and maintaining) their ascendancy. For example, they were quite willing to enter into political alliances with elements of the ruling classes they were struggling against, as well as with elements of the working classes they were soon to 'rule'. In any event, by the late 19th century, liberal economists and politicians in Europe and the USA were already aware of the dangers of rampant free-market capitalism and knew that capitalism needed to be saved from itself. They advocated forms of 'welfare liberalism' and 'social democracy' (as opposed to merely 'political democracy'), and, after the series of crises in the first half of the 20th century (such as the First World War, the Russian Revolution, the Great Depression, the rise of Fascism and the Second World War), the 'Keynesian revolution' occurred.

Briefly, what this entailed was a state that intervened to regulate and, to a certain extent plan, the capitalist market economy. Measures were introduced to offset the worst effects of capitalism on the working classes. These included state-subsidised housing, free education, unemployment insurance, old-age pensions, communal facilities, and other forms of state welfare provision. Clearly, the 'classical' liberal opposition to state interference in a free-market capitalist economy had become softened, even if only temporarily, or even if only for reasons of expediency.

This 'turnaround' in the thinking of the liberal ideologues of capitalism, in the way in which capitalists and the capitalist state now thought it 'acceptable' to manage capitalist economies and the contradictions and crises they were prone to, was undoubtedly linked to other factors. Such

STUDY UNIT 2

factors included their fear of the spread of socialism and communism, especially given the emergence of self-declared communist states, and the ‘superpower’ status of the Soviet Union in particular, following World War II. And this fear was no doubt given added force by the socialist rhetoric characteristic of so many large pro-working class organisations in the West at the time, particularly trade unions and socialist/communist political parties. In any event, this altered thinking led to policies and practices that ameliorated the lot of the working classes, and brought about the Fordist ‘golden age’ of capitalism mentioned earlier. However, as already mentioned (and see the next section of this study unit), by the 1970s, capitalism was once again in severe crisis. The result was that the more ‘classical’ variant of liberalism, now called ‘neo-liberalism’ began to return. Capitalist free-market ideas and institutions had come full circle, and, ironically, were brought back mainly by the state. The irony is that neo-liberalism, like its earlier versions, involves a rejection of state interference in economic affairs (Foster 1999, and see Tabb 1999 too). The ‘golden age’ of capitalism was characterised by economic growth and general prosperity (at least in the West) that brought about a situation in which the working classes, if not wholly ‘buying into’ the capitalist system, enjoyed various compensatory benefits. But these very measures used by capitalists and the capitalist state again produced profitability crises, this time on a global level, and they (social pacts, social welfare, etc) were systematically ‘rolled back’ as the ‘golden age’ of capitalism declined, and the rise of global, capitalist neo-liberalism began. This was no doubt given much impetus by the collapse, especially since the 1980s, of ‘actually existing socialism’. If you remember, the ‘red threat’ was one important factor that encouraged capital and the capitalist state to implement the ‘Keynesian revolution’ and the compromise with labour that brought about the ‘golden age’, in the first place. And what we have now, according to Wallis (1998:13), is “a ‘neo-liberal’ reaffirmation of naked economic prerogative ... capitalism’s essentially predatory character now stands in sharper relief than ever.”

We now have a situation that Lowy (1998:16–17) describes as follows:

Never until this end of the 20th century has capital succeeded in exerting such a complete, absolute, undivided, universal and unlimited sway over the whole world. Never in the past has it had its current ability to impose its rules, its policies, its dogmas, and its interests upon all the nations of the globe. Never have international finance capital and multinational corporations been so out of control by states and peoples. Never before now has there existed such a dense network of international institutions — International Monetary Fund, World Bank, World Trade Organisation — devoted to controlling, governing, and administering human life according to the strict rules of the capitalist free market and unrestricted pursuit of capitalist profitability. Finally, never in any preceding epoch have all spheres of human life — social relationships, culture, art, politics, sexuality, health, education, sports, recreation — been so completely dominated by capital, so deeply submerged in “the icy water of egotistical calculation”.

ACTIVITY 2.8

Discuss the relationship between globalisation and the power and sovereignty of the nation state. Focus on the issue of whether it reduces the state's ability to rule over and make decisions on behalf of its citizens, and the changing nature and role of 'liberal' ideas in this regard. Argue (provide reasons) for your own stance on this issue, and also offer evidence from your own experiences/knowledge if you can.

2.7.3 Globalisation and global inequalities

As we pointed out previously, the origins of the contemporary global capitalist system and globalisation can be found in the emergence of capitalist industrialisation in 17th century Europe and its subsequent worldwide expansion in the form of colonialism. Hoogvelt (1997:15) points out that the emergence of the global capitalist system and globalisation, was always

guided and steered by politics and power, and that it always, and indeed cumulatively so, ended up in concentration of wealth and prosperity for some people in some places, while causing abject misery, poverty and appalling subjugation for a majority of people in most other places

and that, historically, the first capitalist countries,

the 'core' states, who gained the historical upper hand were able to protect and assist, with gunboat diplomacy and other forms of political coercion, their own capitalists in imposing world market relations and shaping these to their advantage.

By the end of World War II, Germany and the rest of the 'axis' countries (Italy and Japan) had been defeated. The 'allies' (the UK, the USA, and the USSR in particular) had emerged victorious, but, like the axis countries, depleted and ravaged (much less so in the case of the USA, however) by the war. Western Europe needed rebuilding, as did the former axis countries, especially in the face of the threat posed by the 'eastern socialist bloc' during the 'cold war' that emerged in the aftermath of World War II. Under the leadership of the USA, the 'Bretton Woods' financial system was put in place, to help rebuild (mainly) the western countries after the war. The Bretton Woods system involved mainly monetary measures and the relaxation of trade restrictions between the parties to the Bretton Woods system. Importantly, Bretton Woods also resulted in the establishment of international governmental organisations (IGOs) such as the World Bank and International Monetary Fund (IMF), for the purposes of long- and short-term loans for development projects.

In brief, Bretton Woods was a tremendous success. In combination with Keynesian social welfare economics, which entails fuelling demand by means of state-directed spending on the poor and on those generally disadvantaged by free market capitalism (using measures such as progressively taxing the rich), it helped produce, from roughly 1945 to 1973, one of the longest ever periods of sustained capitalist growth

STUDY UNIT 2

(capitalism's 'golden age', as mentioned earlier). By the mid-1950s, both Europe (including West Germany) and Japan had not only recovered from the war, but had entered a period of unprecedented prosperity. This was a period characterised by the prevalence of Fordist mass production methods, mass consumption and relatively high standards of living. It was also the period in which the USA became the dominant economic and political power in the 'free' (non-socialist) world, mainly through its leadership of the Bretton Woods institutions, its granting of aid and loans on generous terms to Europe, Japan and South Korea, its promotion of great volumes of trade with the latter, and its growing military strength. This growth period was coming to an end by the early 1970s, however, and the global capitalist system began to plunge into crisis (as discussed in 'globalisation and the world of work' above).

However, as Cohen and Kennedy (2000:134) point out, "globalisation impacts very differently on different regions of the world", and is "characterised by extremes of poverty and wealth, power and powerlessness. Gradually, and working on a global scale, capitalism has created an increasingly integrated world economy dominated by the logic of profit and the market" (Cohen & Kennedy 2000:135). Today, the global capitalist system is characterised by its demarcation into core, periphery and sub-periphery countries/regions (as discussed earlier on in this study unit), and by a new, international division of labour and associated differentiated reward. In other words, the world system is fundamentally uneven and unequal, and marked by globally patterned inequalities in the distribution of wealth, power, income and status (Cohen & Kennedy 2000:135–152). Despite globalisation giving rise to

high hopes of shared greater prosperity by the rapid processes of change and adjustment ... it has ... been accompanied by more poverty, unemployment and social disintegration, too often residing in isolation, marginalisation and violence. The insecurity that many people, especially vulnerable people, face about the future — their own and their childrens' — is intensifying (Cohen & Kennedy 2000:137).

However, along with the growth and prosperity experienced by countries benefiting from the Bretton Woods system until the early 1970s, today more than a billion people live in grinding poverty, and most of these are women, blacks, children, single parents, the unemployed, the disabled and the elderly. Africa has 12% of the world's population, yet only about 1% of world trade and investment. And in sub-Saharan Africa in particular, famine is common and there are many deaths from hunger, and it is the young, the poor, the elderly and women that suffer most. In 1966, according to Oxfam, the richest fifth of the world's population had an income 30 times that of the poorest fifth — but by 1997 the richest fifth had an income 78 times that of the poorest fifth.

Magdoff (1998) too argues that the globalisation of capitalism has occurred in a very unequal way. Colonialism, and the mainly western bias of the nature of and benefits that followed from Bretton Woods and the 'golden age', have meant that there is now a huge and growing polarisation of wealth and power between a small number of rich nations and the rest of the world. According to Magdoff (1998), 20% of the

world's people now live in countries which have an 83% share of global goods and services. And the top 10% have access to 56% of these goods and services. The share of the poorest 20% of the world's population is just 1,4% of global goods and services. And on relative shares of global income, the poorest people in the world's share is steadily declining, while the share of the richest 20% increased between 1965 and 1990 from 70% to more than 83%. Globalisation has produced a situation in which 60% of the world's population has 5,3% of global output and income, while the richest 20% have more than 83% of output and income. Similar inequalities characterise the global distribution of capitalist forces of production. For example, on the one hand, in the West, and for elites in poorer parts of the world, there is the electronics revolution, and on the other, a billion people do not have access to safe drinking water.

Leys and Panitch (1998:18–19 and see Meiksins Wood 1998) argue that the contradictions and crises of capitalist neo-liberal globalisation are becoming increasingly obvious. This is because its impoverishing and other effects on the majority of the world's population are becoming more and more acute. These effects include the effects of global neo-liberalism on the environment, on rising levels of unemployment, on the affordability of health care, on homelessness, and even on sport, culture and education (all three of which have now been commercialised and commodified). Simultaneously, the glowing rhetoric, in the popular media as well as in academe, justifying the general prosperity that neo-liberal globalisation can supposedly bring about, is becoming increasingly less convincing. It is probably only convincing, if at all, to those, the elite capitalist minority, who have indeed benefited from it. And it is, again, becoming quite clear that the vast majority of the world's population are distinctly and unambiguously working class (see Wallis 1998, Lowy 1998 and Ahmad 1998), whether employed, underemployed or unemployed. And in much of Africa, Central and South America, and Asia, despite the handful of elites there that benefit from the status quo, "the misery and barbarisms provoked by 'structural adjustment' ... or the rape of the public sector ... have done nothing to make neo-liberalism more beguiling to ordinary people anywhere in the Third World." ('Structural adjustment' is a reference to severe austerity programmes imposed on poor countries by organisations such as the IMF, in return for loans and/or the rescheduling of loan repayments. However, it should be noted that, generally, states in Africa and elsewhere in the periphery were failing to deliver long before the imposition of Structural Adjustment Programme's or SAP's — due to, among other things, a lack of appropriate infrastructural and institutional underpinnings, and also corruption. Also, thinking within organisations like the IMF and World Bank has since shifted somewhat towards measures other than mere austerity programmes and the like.) And even workers in those First World countries that once benefited from capitalism's 'golden age', are now subject to the steady dismantling of social welfare systems, insecure and 'casualised' (temporary, part-time and often poorly paid with few benefits) forms of employment, and rising levels of unemployment. In short, even workers in First World countries are also 'feeling the pinch' of neo-liberalism.

Poverty and marginality are thus not restricted to the poorest parts of the world. They are increasingly to be found in the old 'second world', the

STUDY UNIT 2

better off peripheral countries and regions, and in the centres of the globalised world too, especially in the form of an urban poor ‘underclass’ in major cities. The ultimate losers in the increasingly globalised world are those in the poorest countries exposed to famine, those that are refugees, the unskilled, the unemployed, and those discriminated against in various ways. And the destitute of the world tend to be found most concentrated in what were once the colonies, particularly in Africa, of the now richest, most powerful parts of the world (see also pages 99–115, and pages 134–150 in Cohen & Kennedy [2000], and Hoogvelt [1997]).

ACTIVITY 2.9

Why do we say that globalisation is characterised by unprecedented differentials in power and wealth? While answering this question, write down who is powerful and wealthy, who is powerless and poor, and where in the world they are. Also write down what proportions of the world’s population belong in each of these categories. Finally, has globalisation brought about these inequalities? Do you think that a non-neo-liberal form of globalisation (if possible) would be more benign than the neo-liberal form that predominates today? Give reasons for your answers.

2.7.4 Globalisation and culture

When you’ve worked through this section of this study unit we expect you to be able to discuss and apply to your own life a general overview of the relationship between globalisation and culture, and the view, in particular, that this relationship involves a ‘culture of consumerism’.

On the relationship between globalisation and culture, Held et al (1999:327) suggest the following:

Few expressions of globalisation are so visible, widespread and pervasive as the world-wide proliferation of internationally traded consumer brands, the global ascendancy of popular cultural icons and artefacts, and the simultaneous communication of events by satellite broadcasts to hundreds of millions of people at a time on all continents. The most public symbols of globalisation consist of Coca-Cola, Madonna and the news on CNN. Whatever the causal and practical significance of these phenomena, there can be little doubt that one of the most directly perceived and experienced forms of globalisation is the cultural form. Despite the complexity of cultural interactions between societies over the last three thousand years, the intensifying movement of images and symbols and the extraordinary stretch of modes of thought and modes of communication are unique and unparalleled features of the late twentieth century and the new millennium. There is no historical equivalent of the global reach and volume of cultural traffic through contemporary telecommunication, broadcasting and transport infrastructures.

Held et al (1999) clearly believe that culture is being globalised and that the globalisation of culture is one of the most salient features of contemporary globalisation. They argue that the characteristics associated with the globalisation of culture are concerned mainly with the globalisation of a ‘popular culture’, as captured by the ubiquitous

symbolic significance of “Coca-Cola, Madonna and the news on CNN”, simultaneously communicated to “hundreds of millions of people at a time on all continents”. Broadly speaking, though, what do we mean by the concept ‘culture’ (ie, when viewed in general terms rather than as a particular, contemporary variant such as the one which Held and his co-authors call ‘popular culture’)? According to Held et al (1999:328–329) the concept of culture refers to

the social construction, articulation and reception of meaning ... a lived and creative experience for individuals as well as a body of artefacts, texts and objects; it embraces the specialised and professional discourses of the arts, the commodified output of the culture industries, the spontaneous and unorganised cultural expressions of everyday life, and, of course, the complex interactions between all of these.

Thus, the concept of culture refers to a socially contextualised set of ideas, symbols, practices and objects that reflect and embody the experiences and activities of more or less organised individuals and groups. Since culture is ‘out there’, as it were, and it endures over time, it influences people’s thoughts, actions and interactions in their communities. The concept of culture is, however, a very broad and comprehensive concept, and also includes aspects such as belief systems, traditions, religion, ethnicity and language. The culture ‘out there’ shapes people and feeds into their thoughts and actions by means of their socialisation from birth onwards. One of the most important and frequently cited functions of culture is, therefore, its functioning as a sort of ‘social glue’ which binds people together and guides their thoughts and deeds from birth onwards, by way of a common system of beliefs, traditions, values, norms, language and prescribed practices. Please note that this does not mean that people are necessarily ‘cultural dopes’; human beings have a capacity to reflect and can, therefore, be quite aware of the cultural constraints they are subject to. Moreover, while culture certainly puts restrictions on human activities, it is necessary for social survival and general community life. And although culture forms the basis for thought and action, we may, nonetheless, deviate from or even change existing cultural constraints in thought or deed.

If culture is to be shared by a community and, indeed, if it is to take on anything like a global dimension, it has to be communicated. We have already mentioned that the communication and inculcation of culture primarily takes place by a process of socialisation. The communication of culture, even that which takes place via the socialisation process from the family through to education and work, entails various prerequisites. According to Held et al (1999:328–329), the communication of culture

refers to the ways in which these artefacts, beliefs and messages are moved through time and space. This in turn can be broken down into a number of discrete processes. For messages and meanings must be recorded, preserved and reproduced. In turn, they must be physically transmitted or moved to another place and another time. Communication therefore requires media of storage and transmission, institutions that make that storage and transmission possible, and media of reception.

The global dissemination of popular culture today, obviously involves

STUDY UNIT 2

relatively recent developments in transport, contemporary telecommunication, broadcasting and ICT generally. If we return to the notion of the primary socialisation that occurs in families (rather than the modern electronic transmission and reception of popular culture), it is the family itself that provides the organisational prerequisites for much of the early and more general inculcation of culture in human beings.

On the origins of the globalisation of culture, Held and his co-authors (1999:330–336) assert that it had reached a peak even before the contemporary era. The historical period leading up to the contemporary era was dominated by a multiplicity of more or less secular (non-religious) and more or less insulated nation-states and national cultures. These cultures were linked to the idea of, say, ‘British’ or ‘French’ nationalism. The cultural cohesion of each state was often underscored by a broadly common educational curriculum and more or less centrally controlled telecommunications systems. Prior to this, they argue, was an epoch characterised by (often mutually reinforcing) world religions and imperial cultures, in which culture was even more globalised. The Romans, for example, faced great difficulties ruling their widely dispersed Empire from its centre. They consequently resorted to using a variety of mechanisms in an attempt to create cohesive bonds between themselves and the rest of the Empire. One of the most important mechanisms employed was their dissemination of Roman Law and Latin. (Later, as the empire was declining, they vainly used the Christian religion to create a culturally cohesive ‘Holy Roman Empire’. This, however, was only really a feature of medieval Europe, incorporating mainly France and Germany.) In addition, after their conquest, Rome would endeavour to incorporate local elite groups by both pandering to their material interests, and stressing their mutual cultural ties. This latter form of cultural ‘inclusion’ comprised an emphasis on a shared culture of literacy, learning and art, and the dissemination of a theatrical culture in particular (including the construction of amphitheatres for more popular forms of entertainment aimed at culturally incorporating the non-elite masses).

Analogously, the British later fostered a commitment to incorporating a global imperial culture among local elites within the ambit of the British colonial empire around the world, by creating access to and encouraging participation in the British education system (either in Britain itself or in similar institutions created in the colonies). They, like the Romans before them, hoped that this would create the sort of ‘social glue’ that could help ‘cement’ their empire. According to Held et al (1999), a common set of cultural beliefs and practices was of far greater global importance with the Roman and British Empires than in any other nation-state system, including the contemporary period.

Held et al (1999) assess the different views of the globalisation of culture put forward by the hyperglobalists, the sceptics and the transformationalists. Briefly, they hold that the hyperglobalists believe that a cultural homogenisation, in the form of Western, liberal and capitalist consumerism, is taking place on a global basis. Sceptics believe that this cultural form is extremely superficial and that religious, national and other local forms of cultures remain far more important, particularly outside the Western world. Hyperglobalists and sceptics both highlight the increasing potential for both local and global conflict to arise between

Western and other cultural forms, as the former slowly but surely spreads to all corners of the globe in one form or another. (See Barber [1996] and Huntington [1996] for versions of the possibility of ‘cultural clashes’, and Fukuyama [1989] on the idea of a ‘one-world-culture’.)

Transformationalists tend to argue that globalisation is bringing about various forms of cultural intermingling and hybridisation. After examining these different views, Held and his co-authors (1999:330) conclude that the contemporary globalisation of culture may produce any number of different results, including “homogenisation, contestation, hybridisation, and indifference”. However, they also suggest that today’s global proliferation of popular culture is nonetheless historically unprecedented, no doubt due to the development and power of modern, especially mass, transport and ICT.

In summary so far, we have introduced you to the globalisation of culture, and have indicated that it is indeed taking place. We have discussed a general concept of culture and have suggested that the globalisation of culture taking place today is characterised by a ‘popular’ cultural form. We have also suggested that its unprecedented dissemination is based on, if not necessarily caused by, contemporary developments in transport and ICT. Finally, we pointed out that there is much debate about the impact and consequences of the contemporary globalisation of culture, and that the impact of the globalisation of culture today remains indeterminate. We return to these issues again in the next section of this study unit, this time focusing on a theory of the causes and consequences of the contemporary globalisation of a ‘culture of consumerism’.

ACTIVITY 2.10

What is ‘culture’? Give a definition of culture and discuss the concept briefly. Write a paragraph in which you describe the difference between ‘popular culture’ and ‘culture’ in general.

Why do Held et al (1999) argue that the globalisation of culture reached a high point before the contemporary epoch? Why do they also claim that the globalisation of ‘popular culture’ is historically unprecedented? Are these 2 claims compatible?

“Communication is a necessary prerequisite for the dissemination of culture”. Do you agree with this statement? Discuss the most important ways in which culture can be communicated. Give reasons for your answer.

2.7.4.1 The globalisation of a ‘culture of consumerism’

Earlier on in this study unit, we discussed some of the most salient interrelated socioeconomic, technological, political and ideological aspects associated with globalisation. We pointed out that contemporary global society is (neo-) liberal, capitalist and profit-oriented, and that the main agents of our rapidly changing global capitalist system are a relatively small number of enormously rich and powerful multinational or

STUDY UNIT 2

transnational corporations (MNCs or TNCs). We also pointed out that in the pursuit of profit, these massive corporations are fundamentally changing the nature of the world economy — the relative importance of different sectors of the economy, the nature of production, the nature of work and employment, and the distribution of the fruits of economic activity, etc. We emphasised that the TNCs activities are bringing about an increasing global polarisation of wealth, poverty, opportunity, and effective marginalisation. The dualistic notions of ‘core’ and ‘periphery’, and ‘inclusion’ and ‘exclusion’ were used to describe the growing global contemporary stratification of wealth and privilege, and poverty and deprivation between the rich countries in the ‘north’ and the poor countries in the ‘south’, and even between elite and non-elite in both the poorer and richer countries.

We also discussed the view that there is an almost symbiotic interrelationship between these changing socioeconomic characteristics, and between salient technological, political and ideological features of the contemporary global capitalist era. Burgeoning developments in ICT, for example, produced and/or used by the TNCs themselves, have greatly facilitated their changing activities and their increasingly global reach and sphere of operations. Moreover, the capitalist free market system has expanded, since states all over the world have become increasingly more friendly to TNCs. This is associated with policies of deregulation, liberalisation and privatisation which are often justified in terms of an ‘inevitable’ development towards a neo-liberal world order (which we’ve already problematised). Many observers argue this view, which furthers the profit-oriented cause of the TNCs and helps to justify their activities and the resulting global polarisation of power and wealth. Neo-liberalism not only enables states to claim that they cannot do anything about the escalating inequality, but it also enables them to claim that intervention in this regard is indeed undesirable, given the inviolability of the principles associated with the free market. It is this ideology, and its associated ‘culture of consumerism’, that we are concerned with here.

On the globalisation of a ‘culture of consumerism’, Burbach et al (1997:22–23), in observing the effect of contemporary capitalist globalisation on culture, point out that there is a

crass materialism and fetishism of commodities that is at the core of contemporary capitalism. It is a major virus inherent in capitalism as it spreads to every nook and cranny of the world. It eats away at the very fabric of society, making people more and more cynical as they see that the rich take what they want, and then taunt the rest of society through the media, the movies and advertising with the “good life” of consumerism.

They hold that any other cultural values and norms that may once have bound people together and encouraged respect for the law (which, perhaps only ideally, involves the codification of social values and norms), are now subject to growing “delegitimisation and breakdown”. They argue that the

mass media through its enshrinement of consumerism has now so permeated virtually all societies of the world — First, Second and Third — that rampant materialism is the dominant ethos. Be it the advanced and hedonistic consumerism of the First World, or the

migration of people from the Second and Third Worlds to the metropolitan centres, the goal and objective is the same — to gain access to material luxuries and the good life. Except for a very few isolated pockets, there are no longer totally separate or independent cultures and societies. They have now all been penetrated by a specific form of secularism, the market economy which drives people to possess commodities ... a ‘permissive cornucopia’ has become the new utopia replacing old religious and ideological values in the world. The Western world through the media spreads materialism and consumerism as the paramount values. In 1965, there were only 180 million television sets in the world. Today there are well over a billion. With one television for every five people, almost everyone in the world has a visual conception (coloured of course by the ideologies and biases of the media) of what other people in distant countries or continents are doing and how they are living. Provincial, isolated views of the world are eclipsed, making interests more global and at the same time more insatiable. Those in a position to participate in the permissive cornucopia sold by the media orient their lives around the accumulation of material pleasures and goods to the detriment of more important values that deal with the quality of life. Simultaneously, much of the world’s population, unable to obtain many of these goods, grows frustrated, resentful and rebellious.

Burbach et al (1997:103–105) hold that commercialism in the USA, in particular, and its associated culture of consumption and consumerism, has had a pervasive nihilistic and community/family bond-breaking effect on those (in the USA and wherever on the globe these values are disseminated by the mass media) unable to materially ‘buy’ into this world-view. They (Burbach et al 1997:104) argue that the

images that corporate America uses to sell its culture of consumption to the public are those of comfort, convenience, machismo, femininity, violence and sexual stimulation ... the primary motivation of the corporate world is to make profits, and their basic strategy is to convince the public to consume. These institutions have helped create a seductive way of life, a culture of consumption that capitalises on every opportunity to make money. Market calculations and cost-benefit analyses hold sway in almost every sphere of US society. Corporate commercialism feeds on and develops some of the basest tendencies of human nature. It fetishes love, foments rank consumerism, generates mediocrity, augments selfish tendencies and encourages aggressiveness. These values, while edging out non-market values that are more community and family oriented, play upon and accentuate the individualism that has permeated US society throughout much of its history. And for ... groups at the lower income end of ... society, ... their inability to purchase many of the pleasures and goods hyped by rampant commercialism leads to deep-seated despair and nihilism. They feel that their situation is hopeless, that they are doomed to live on the margins, denied access forever to all that corporate America holds up as the “good life”.

Burbach et al (1997:105), therefore, link contemporary negative socioeconomic trends, ranging from unemployment to crime, to the symbiotic relationship between neo-liberal government policies and the activities of the TNCs. They also add that rising rates of crime, and drug-dealing in particular, can also be understood in terms of the perception

STUDY UNIT 2

(some would say the reality) among the poor and marginalised that such activity constitutes one of the quickest and most lucrative ways to tap into the consumerist ‘good life’, especially in the increasing absence of formal employment opportunities. (Note that the idea here is not to eulogise or call for the reinstatement of religion or ‘family values’ and the like. The point is that the globalisation of consumerism subordinates all other values and/or commodifies them.)

The plight of the homeless and the underclass in general makes their living conditions increasingly indistinguishable from those living in the Third World. In all the major cities of the United States one commonly sees people begging in the streets, scouring garbage for bits of food, and living in squalid sub-human conditions, making their lives similar to many in cities like New Delhi, Sao Paulo, San Salvador, and informal settlements in South Africa. The percentage of the destitute may still be larger in Third World cities, but as the corporate and financial elites of the United States internationalise their activities, the numbers and percentages of the dispossessed and downtrodden in America are increasing.

We live in a world in which “a minority enjoys a grand banquet while large numbers are castaways” (Burbach et al 1997:143) and in which there is

a profound sense of despair and nihilism. The poorest people — be they in the United States, Mexico, the Philippines or Great Britain — feel they are trapped, that neither they nor their children have any hope of escaping from a life of poverty. Besieged by the media hype that the good life of consumerism is the only way to live, the poor continually face those who are prosperous or well-to-do, those who have a piece of the modern material dream. This type of environment naturally breeds complete despair, and a turn to crime, alcohol and drug abuse (1997:144).

And, according to Burbach et al (1997:144–145), the globalisation of a ‘culture of consumerism’ does not only negatively affect poor people. Even among those “middle sectors” around the globe

who have access to much of the material world, there is a sense that one’s life is controlled by a “deus ex machina” comprised of the “marketplace”. Many feel bound by a daily grind in which all they can do is try to survive through continual hard work. They have no time or space to improve the quality of their lives or that of their neighbours. Under globalisation it is a dog-eat-dog world for much of humanity. Who can worry about the decline of the environment or unrepresentative political systems when it is difficult to eke out a living on a day-to-day basis?

These extracts from Burbach et al (1997) resonate with the hyperglobalists, and, to a somewhat lesser extent, the sceptical views in the debate on the globalisation of culture. However, despite Held et al’s (1999) rejection (for the most part) of these two positions, they express a similar view in places. They claim, for example, that transport technologies, and telecommunications technologies, including broadcast, radio, music, television, movies and satellite, are owned and controlled by massive media and other TNCs — whose main motivation is the pursuit

of profit (Held et al 1999:341–375). And it is precisely these TNCs that have generated the contemporary globalisation of a ‘popular’ culture, expressed most saliently in the form of the consumption of goods associated with “Coca-Cola, Madonna and the news on CNN”.

Furthermore, Held et al (1999:368) also emphasise the importance of today’s transport and ICT, because they are

intensively used for business and commercial communications as well as for the production, transmission and reception of popular culture. Elite cultures, high cultures, academic and scientific cultures, while obviously making use of these technologies, and occasionally featuring as content within them, are drowned in the high seas of business information systems and commercialised popular culture. No historic parallel exists for such intensive and extensive forms of cultural flow that are primarily forms of commercial enrichment and entertainment ... this phenomenon has historic predecessors ... but in scope and scale ... is dwarfed by today’s industry.

Held et al (1999:368) argue that TNCs (particularly dedicated media corporations), whose “cultural reach and power is historically unparalleled”, are transforming the entire ensemble of transport and media and ICT industry in the interest of private profit and ownership rather than any cultural values. Consequently, “even though most people remain rooted in a local or national culture and a local place, it is becoming increasingly impossible for them to live in that place disconnected culturally from the world in which it is situated” (1999:369). Instead, they are locked into a popular, consumerist culture.

Finally, Held et al (1999:372) point out that

the ownership of culture industry MNCs is overwhelmingly Western and within that predominantly American. British, German, French, Dutch, Australian and Japanese corporations have a stake but often on the basis of ownership of American-based subsidiaries. The majority of export markets are controlled by these corporations. Thus there is a flow of imagery, genre and content mainly from the USA and some Western cultures to other Western states and most of the developing world.

And

in the end, Hollywood, Microsoft and AT & T are in the business of making money — not founding alternative centres of political identity and legitimacy. Yet the huge flows of information, people and imagery that circulate around the globe, crossing borders with impunity, have changed the context in which national projects of any kind must develop (Held et al 1999:374).

And this context is informed by a culture of consumerism.

STUDY UNIT 2

ACTIVITY 2.11

What does it mean to say that the globalisation of a popular culture amounts to a globalisation of a 'culture of consumerism'? What are the implications of this globalisation of a popular culture, for both rich and poor?

2.7.4.2 A theory of the globalisation of a 'culture of consumerism'

Leslie Sklair (1995) offers a theory of the globalisation of a culture of consumerism (or a 'culture-ideology of consumerism' as he prefers to call it) linked to its central role in the 'transnational practices' of a 'transnational capitalist class' (TCC). Sklair argues that this TCC serves to legitimate the hegemony and promote the interests of 'transnational corporations' (TNCs), which amounts to legitimating and promoting profit. This, for Sklair, is what the culture-ideology of consumerism in the contemporary global capitalist system is all about. In other words, the TCC disseminates a culture of consumerism that facilitates the survival and promotion of the contemporary global capitalist system. (More recent contributions to a variety of theories of cultural consumerism linking the interests of nation-states, state and other elites, and the profit orientations of large multi- or transnational corporations, can be found in the writings of Monbiot [2000], Hertz [2001] and Frank [2001].)

Sklair (1995:6–8, 20–21, 60–61) argues that transnational practices (TNPs) in the contemporary global capitalist system, occur in and consist of a totality of interrelated and mutually reinforcing economic, political and cultural-ideological levels or spheres. The USA, in his view, is hegemonic in all three spheres, but other countries and coalitions of various kinds share hegemony in some spheres to varying degrees. He holds that the contemporary global capitalist system is now qualitatively different from previous phases in the development of capitalist society. It has changed and continues to do so, because it is driven for the most part by the qualitatively changing nature of capitalism — from an international capitalist system to a transnational, global one. He argues that each of the three levels of the global capitalist system has its own agent(s) of transnational practice, although in reality, these agents often occupy overlapping positions and exercise overlapping functions in each sphere. According to Sklair, TNCs are the main agents of the transnational economy, a 'still-evolving' transnational capitalist class is the main agent of TNPs at the level of politics, and the main agents of transnational cultural-ideological practices of consumerism are the transnational mass media, also controlled by the TCC.

TNCs produce commodities and provide services. But they also need to sell them. The transnational capitalist class produces the political environment within which the products of one country can be successfully marketed in another. The culture-ideology of consumerism produces the values and attitudes that create and sustain the need for the products. These are analytical rather than empirical distinctions. In the real world they are inextricably mixed. TNCs get involved in host country politics, and the culture-ideology of consumerism is largely promulgated by the TCC through the transnational corporations involved in mass media and

advertising. Members of the transnational capitalist class often work directly for TNCs, and their lifestyles are a major exemplar for the spread of consumerism (Sklair 1995:60).

Sklair combines both culture and ideology in the predominant consumerism, because that we consume, what we consume and why we consume (that is, why we need or want particular things), is determined both culturally and ideologically. By this he means that consumption patterns are not necessarily related to needs, and/or shaped by local culture, because they are increasingly being shaped by the transnational practices of the TNCs and the TCC in terms of their interests. Sklair (1995:48–49), holds that

Culture always has an ideological function for consumerism in the capitalist global system, so all cultural transnational practices in this sphere are at the same time ideological practices, thus cultural-ideological ... The idea of cultural-ideological transnational practices and, in particular the idea of the culture-ideology of consumerism in the global system, are conceptual tools in the theory of the global system. Global capitalism does not permit cultural neutrality. Those cultural practices that cannot be incorporated into the culture-ideology of consumerism become oppositional counter-hegemonic forces, to be harnessed or marginalised, and if that fails, destroyed physically. Ordinary so-called counter-cultures are regularly incorporated and commercialised and pose no threat, indeed through the process of differentiation (illusory variety and choice), they are a source of great strength to the global capitalist system. For example, the celebrations of the twentieth anniversary of the student revolts of 1968 became a media event in Europe, less so in the Americas, and were relentlessly commercially exploited, with the willing and presumably lucrative participation of many of those who had then been (and still are) dedicated to the overthrow of the capitalist system. Consumerist appropriations of the bicentennial of the French Revolution are another interesting example. We shall have to wait for the year 2017 to see what the culture-ideology of consumerism makes of the Bolshevik revolution! The culture-ideology of consumerism is, as it were, the fuel that powers the motor of global capitalism. The driver is the transnational capitalist class. But the vehicle itself is the mighty transnational corporation.

Sklair (1995:46–49) argues that as the global capitalist system has unfolded, it has become increasingly characterised by the selective inclusion and exclusion of people at economic and political levels (as we said early on in this study unit). Economic globalisation is, for example, characterised by the decreasing importance of the manufacturing industry and organised labour with all the usual benefits it affords workers. There is an increasing emphasis on the service sector and a strong trend towards casualised, non-unionised labour with few benefits, and decreasing numbers of employed generally. However, this 'brave new economy' uses cheap labour profitably wherever it can be found in the (usually, Third) world. This is due to the ability of TNCs to quickly and easily relocate parts of the production process anywhere they like, especially the labour-rather than capital-intensive parts of the production process. Politically, the tendency is towards the increasing irrelevance and exclusion of subordinate classes. In parliamentary democracies, voting is seldom

STUDY UNIT 2

compulsory and turn-out is usually low. “While political organisation is usually unfettered, the structural obstacles to genuine opposition to the capitalist system are such that there are rarely any serious challenges to it” (Sklair 1995:47). Anything like a serious challenge can be countered successfully by the TCC in and via the state, by mobilising the army, police, and other sectors of the ‘establishment’. In one-party states, political participation is actively discouraged and repressed, and challenges generally are usually really about shifting people at the top (in the form of a coup d’etat), rather than about changing the nature of the local and global capitalist system.

However, at the level of culture-ideology, things are totally different — here global capitalism is concerned with including all classes (and it goes without saying that the bourgeoisie are already included). In Sklair’s (1995:47–8) words

the cultural-ideological project of global capitalism is to persuade people to consume above their own perceived needs in order to perpetuate the accumulation of capital for private profit, in other words, to ensure that the global capitalist system goes on for ever. The culture-ideology of consumerism proclaims, literally, that the meaning of life is to be found in the things that we possess. To consume, therefore, is to be fully alive, and to remain fully alive we must continuously consume. The notions of men and women as economic beings, or political beings, are discarded by global capitalism, quite logically, as the system does not even pretend to satisfy everyone in the economic or the political spheres. Men and women are consumers. The point of economic activity for ordinary members of the system is simply to provide the resources to be consumers, and the point of political activity is to ensure, usually through inactivity, that the conditions for consuming are maintained. This system has been evolving for centuries, first for bourgeoisies all over the world, then spreading to the working classes in the First World, and slowly but surely penetrating to those with disposable income everywhere.

TNCs, for example, operate worldwide and spread — in a variety of ways — the culture-ideology of consumerism to even the poorest regions of the globe, including the poorest Third World countries. According to Sklair (1995:57)

modern techniques of communication have intensified the demonstration effect whereby the practices and beliefs of one society are introduced to other societies and have increased the speed with which consumption patterns common to one socio-cultural grouping spread to all corners of the world. Few will wonder why the products and lifestyles of the industrialised world seem desirable and relatively accessible to many in the developing countries.

According to Sklair (1995:71), there is a segment of the transnational capitalist class (TCC) who are “professional purveyors of the culture-ideology of consumerism”, which involves “the mass media and promotional personnel whose task it is to sell the consumerist goals of the global capitalist system to the masses. These goals have to be sold to producers, citizens and consumers”. For Sklair, this class is motivated to perform this function for a number of reasons. These include that they

“tend to have global rather than local perspectives on a variety of issues; they tend to be people from many countries, more and more of whom begin to consider themselves ‘citizens of the world’ as well as of their places of birth; and they tend to share similar lifestyles, particularly patterns of luxury consumption of goods and services”. Sklair (1995:71) constitutes the TCC as follows:

TNC executives and their local affiliates.
Globalising or globalisation-oriented state bureaucrats.
Capitalist-inspired politicians and professionals.
Consumerist elites (merchants, media personnel, etc).

Elaborating on the nature, function and motivation of the TCC, Sklair (1995:71–72) argues that the TCC “sees its mission as organising the conditions under which its interests and the interests of the (global capitalist) system (which usually but do not always coincide) can be furthered within the national and local context”. They are thus involved in one way or another in the political struggle between capital and labour in various forms of local and transnational political organisational forms, often using the power of TNCs to influence local politics and labour in particular. They, especially those involved in the “brain drain from indigenous to transnational enterprises, mainly ... TNCs”, tend to glamourise transnational over domestic practices, and, when it comes to their domestic origins, they tend to create a so-called ‘comprador mentality’ (a local ‘buy-in’) there, by politically, ideologically and culturally trying to “persuade co-nationals that their interests are identical with, or at least best served by, those of the TNCs”.

Sklair points out that in today’s unprecedentedly unequal global capitalist system, it has become more important than ever for the powerful and privileged (the TNCs and the TCC) to be able to exercise effective hegemonic control, especially over those most marginalised from the ‘good life’ enjoyed by the few. Some sort of consent to the status quo must be manufactured if it is to endure. Fortunately (for those who benefit from the status quo that is), according to Sklair, it is precisely within the cultural-ideological sphere where the greatest opportunities have opened up for hegemonic control (1995:85–86). In large part, this is based on the development of modern communications technologies, which have emerged within and as a result of the innovation characteristic of the global capitalist system. This technology is now owned and controlled by a few TNCs (1995:87) who basically own the media industry, and for whom national boundaries are virtually meaningless. These TNCs

strive for total control in the production, delivery, and marketing of what we can call the cultural-ideological goods of the global capitalist system. Their goal is to create a ‘buying mood’ for the benefit of the ... media, advertising and consumer goods manufacturers. ‘Nothing in human experience has prepared men, women and children for the modern television techniques of fixing human attention and creating the uncritical mood required to sell goods, many of which are marginal at best to human needs’ ... by the age of 16, the average North American youth has been exposed to more than 300 000 television commercials ...

STUDY UNIT 2

The mass media do many things for the global capitalist system. Advertisements speed up the circulation and consumption of commodities. As media consumers get younger and younger, eg, as more children of few years watch greater amounts of television, so the dominant culture-ideology of consumerism becomes inculcated from an earlier age. This, according to Sklair “creates the political/cultural demand for the survival of capitalism. The systematic blurring of the lines between information, entertainment, and promotion of products lies at the heart of this practice” (1995:87). For Sklair (1995:88), it is not that a culture of consumerism is new. He points out that capitalist elites have long subscribed to one or other variant of such a culture to varying degrees. What he thinks is indeed new and of major import today, “is a reformulation of consumerism that transforms all the public mass media and their contents into opportunities to sell ideas, products, in short, a consumerist worldview”.

Here he gives a different example of the ‘selling’ of a culture of consumerism to the masses, that of the seductively designed and ubiquitous shopping malls geared to enhance the consumer experience — and here again, people are exposed to the shopping mall culture from childhood onwards, even in the poorest parts of the Third World. In the case of the latter, the malls are designed to cater for expatriates and the local elite. The impoverished majority can only look on in awe and envy — and hope that they too may one day, somehow, join the ‘banquet’. Goods, according to Sklair (1995:89) “are framed and displayed to entice the customer, and shopping becomes an overtly symbolic event”. The symbols and images inherent in the malls and advertising are crucial. Regarding the dissemination of a culture-ideology of consumerism, they “play a central part, constantly created and circulated by the mass media”. The result is the creation of a lifestyle and self-image ‘ideal’ defined by consuming from which few people are able to escape.

The USA has played, and continues to play a central role in universalising this consumer culture-ideology. According to Sklair (1995:90)

through Hollywood, and the globalisation of the movies, via Madison Avenue ... the modern advertising industry, to the more geographically diffuse but ideologically monolithic television networking conceptualisers, the transnational capitalist class in the United States has assumed leadership of the culture-ideology of consumerism in the interests of global capitalism in the twentieth century ... The universal availability of the mass media has been rapidly achieved through relatively cheap transistor radios, cassette recorders and televisions, which now totally penetrate the First World, almost totally penetrate the urban Second and Third Worlds, and are beginning to penetrate deeply into the countryside in every country. Thus, the potential of global exposure to global communication, the dream of every merchant in history, has arrived. The socialisation process by which people learn what to want, which used to occur mainly in the home and the school, is increasingly taking place through the media of the global communications industries.

Sklair (1995:94–95) summarises his theory in the following way:

The global system is made up of economic transnational practices and at the highest level of abstraction these are the building blocks of the system. The political practices are the principles of organisation of the system. Their agents work with the materials on hand, but by manipulating the design of the system they can build variations into it. The cultural-ideological practices are the nuts and bolts and the glue that hold the system together. Without them, parts of the system would drift off into space. In order to work properly the dominant forces in each of the three spheres have to monopolise the key resources for which there is great competition. The transnational corporations strive to control capital and material resources, the transnational capitalist classes strive to control global power, and the transnational agents and institutions of the culture-ideology of consumerism strive to control the realm of ideas. Effective TNC control of global capital and resources is almost complete. There are few important national resources that are entirely exempt from economic transnational practices. Transnational capitalist classes rule directly, through national capitalist political parties or social democratic parties that cannot fundamentally threaten the global capitalist project, or they exert authority indirectly to a greater or lesser extent as the price levied on non-capitalist states as a sort of entrance fee into the global capitalist system. In the last resort, it is the global control of capital and labour that is the decisive factor for those who do not wish to be excluded from the system. The control of ideas in the interests of consumerism is almost total. The ideas that are antagonistic to the global capitalist project can be reduced to one central counter-hegemonic idea, the rejection of the culture-ideology of consumerism itself. Without consumerism, the rationale for continuous capitalist accumulation dissolves. It is the capacity to commercialise and commodify all ideas and the material products in which they adhere, television images, advertisements, newsprint, books, tapes films and so on, not the ideas themselves, that global capitalism strives to appropriate.

He summarises the application of his theory to the poorer parts of the world, particularly the Third World, as follows (1995:186–187):

The choice of high prestige, relatively costly non-essentials is deliberate, because it is precisely the contradiction inherent in these ‘mass-luxury’ products of foreign origin that symbolises the problem that the global capitalist system faces in extending itself over the whole world. The questions remain: can capitalism ever achieve its global goal of transforming all the people of the world into genuine consumers? Can it even meet the basic biological needs of the world’s people? Despite the ingenuity of the TNCs, the efforts of the transnational capitalist class, and the hegemony of the culture-ideology of consumerism, the answers are by no means clear. This sentiment encapsulates what many Third World thinkers fear most about the impact of the TNCs on their countries in the future. The spread of the new international division of labour, in its widest sense, has indeed brought many jobs and a good deal of prosperity to the transnational capitalist class and other groups in the Third World. Nevertheless, many in the Third World believe that, despite the apparent successes of the culture-ideology of consumerism, the

STUDY UNIT 2

material benefits, such as they are, will never percolate through to the masses ... products developed in advanced countries are likely to have inegalitarian effects when introduced to poor countries and may, under certain conditions, cause losses among some or all consumers ... capitalism will also have left behind in the Third World, as its most enduring contribution to Third World development, an almost unfettered and wild consumerism, undergirded by the new electronic entertainment technologies ... most would agree that the TNCs have played a crucial role in raising consumerist expectations that cannot be satisfied within the foreseeable future for the mass of the population in the Third World.

ACTIVITY 2.12

Write a 3 to 5 page essay in which you discuss Sklair's theory of the globalisation of a culture of consumerism, with particular reference to both the role of TNCs and the TCC, and the implications that the globalisation of this culture has for both rich and poor.

2.8 Conclusion

We hope that we've helped you gain a critical understanding of the concept of globalisation, make it your own, and be able to apply it in the study units that follow to social change in South Africa. In brief, we have argued that the world is indeed changing in the sense that it is increasingly 'global'. We have suggested that this is largely a function of processes set in motion by the emergence of industrialisation and capitalism, associated technological developments, and (neo-) liberalism, particularly from the 17th century onwards. We said that the increasingly global character of the world is also characterised by an unprecedentedly unequal and disproportionate distribution of its advantages and disadvantages. Capitalist neo-liberal globalisation tends to entail an increasing tendency towards an ever richer and more powerful and privileged minority in the centres (and to a lesser extent in the peripheries) and an increasingly impoverished, disempowered and disadvantaged majority, excluded from and marginalised within the global capitalist system. We suggested that a culture of consumerism plays an important role in justifying and sustaining this situation. And we said that this is particularly true of Africa.

But we have also suggested that the 'fact' of the existence, characteristics and consequences of globalisation is highly contestable. We also said that it is inherently neither utopian nor dystopian. Nor is it irresistible or inevitable. It can be criticised, challenged, shaped and even changed. This is a very important premise underlying our application of the concept to social change in contemporary South Africa.

For instance, Cohen and Kennedy (2000:361–363) agree that the pressures generated by TNCs and the media are immense, and that this scenario represents a real danger, but they counter that it is not inevitable or irresistible and thus not necessarily disempowering. They argue that

despite the global onslaught of the TNCs and the media, there is always space for personal and group autonomy and creativity. They also argue that we do not simply 'swallow whole' the ideology and culture of consumerism associated with globalisation — we tend to more or less consciously select elements from this 'alien invasion' and incorporate them into our own consciousnesses and lifestyles. Cohen and Kennedy call this 'hybridisation' or 'glocalisation' (2000:377), the process of "how global pressures and demands are made to conform to local conditions. Whereas powerful companies might 'customise' their product to local markets, glocalisation operates in the opposite direction. Local actors select and modify elements from an array of global possibilities, thereby initiating some democratic and creative engagement between the local and the global".

On the question of globalisation bringing about a clash of civilisations and ethnic/cultural conflict and violence, that is, that there is and will be an increasingly violent cultural, ethnic, religious and nationalist response to the individualistic, materialistic and hedonist consumerism associated with the hegemony of the 'western' world, and of the USA in particular, Cohen and Kennedy (2000:364–366) counter that not all different cultural, religious, etc, groups are equally opposed to all aspects of western consumerism, or are at least ambivalent about it. They give examples such as environmental and religious groups protesting quite vigorously about western domination of the United Nations, the World Bank and the IMF, while wearing Nike footwear and communicating with each other via popular brands of mobile 'phones or even electronic-mail from their lap-top computers. They point out that not all cultural and religious conflict is caused by or directed at western industrial capitalism. They also point out that different cultures do not always necessarily 'clash'. They already are, and always have been mixed, borrowing from each other since they first came into contact with each other. Finally, they point out that there is as much inter- and intra-cultural (or ethnic or religious) conflict, as there is between the 'west and the rest', citing the long-standing (at least in large part — religious) conflict in Northern Ireland as a case in point.

And on the question of whether globalisation will lead to a dystopian future, Cohen and Kennedy (2000:366–367) cite the fears of trade wars, global unemployment, destructive financial speculation, the collapse of the poor countries, the 'gutting' of inner-cities in rich countries, the rise of a 'barbaric' bourgeoisie in the post-socialist world (and anywhere else deregulation, liberalisation and the neo-liberal advocacy of free markets goes hand in hand with weak or corrupt states) etc. In this respect, Cohen and Kennedy (2000:367) respond as follows:

The emergence of a new global age is a painful, uncomfortable and often distressing process. Not to recognise this pain, discomfort and distress would be to promote a blinkered perspective, as well as showing a total insensitivity to the many marginalised and excluded people round the world. The angry and desperate Russians in queues outside banks bitterly denouncing their country's flirtation with global capitalism further demonstrate the point ... But it has to be recalled that Marx himself saw the dual nature of capitalism. It was both destructive and potentially liberating. Just as capitalism consigned feudalism and slavery to the dustbin of history (just

STUDY UNIT 2

about), so too it can be argued that globalisation is undermining nationalism and other impediments to the full realisation of capitalism on a worldwide scale.

The point they are making is that global capitalism is still unfolding and that individuals and groups can still intervene in this process. Thus, “there is no need to collapse into an impotent sense of predestination”. While some hold the view that globalisation will be destructive and dystopian, they (2000:367) argue that this may happen, but only if “we allow it to be so; if we remain deaf to the cries of help from societies presently being destroyed; or to the voices of those who still believe in the possibility of building stable, prosperous societies in which people can live in harmony with nature and with each other, while spending time in less stressful, more interesting jobs and devoting an increasing part of their lives to social and cultural pursuits. Technology has made this dream a possibility; politics must realise it”.

They also say that the kind of politics that can perhaps make this dream possible, can be based on one of the cornerstones of globalisation (or modern, neo-liberal, global capitalism) itself, namely, modern technology. On the basis of developments in transport and ICT, social groups can coordinate and mobilise themselves on a global level and organise global resistance (as the ‘Greens’ do, and as evidenced by the frequent mass protests against the WTO, the IMF and the World Bank) against the forces and agencies of the more pernicious aspects of globalisation. It’s not only governments, TNCs and banks that can ‘act’ transnationally.

Cohen and Kennedy (2000:372) continue that

Globalisation has so far done little to diminish the blight of poverty and wretchedness in which about half of the world’s inhabitants is forced to live. Social movements have still not proved effective in mobilising efforts to reduce global inequalities. Thus, we are not dealing with a unilinear process that will inevitably take us to a better world ... In itself globalisation will lead to neither a dystopia nor a utopia. The future directions of global society depend on us as ordinary world citizens, on what moral positions we choose and what battles we are prepared to fight ... The world remains lopsided. Many powerful and wealthy actors profit disproportionately from global changes ... “global winners” use their privileged access to power, wealth and opportunity to feather their own nests. The TNCs, crime syndicates, rich tourists ... are all major beneficiaries of the opportunities for transnational activity. But it behoves us to remind you, in a final word, of the many “global losers” — the refugees, poor peasants, the underclasses of the collapsing cities — who still peer through the bars of the gilded cages of the rich and powerful. The key social challenge of the twenty-first century is to prise open the bars for these disadvantaged people so that they can discover the transformative possibilities globalisation has generated. A vibrant civil society and active global social movements provide far-off glimpses of that benign future.

ACTIVITY 2.13

Possible assignment and examination questions

- (1) Define the concept of globalisation, and list its main characteristics.
- (2) Describe the historical origins of globalisation and its links to the emergence of a global, industrial capitalist system.
- (3) Describe the relationship between capitalist, neo-liberal globalisation and the world of work, the nation state, and global inequalities.
- (4) Discuss the relationship between globalisation and culture, with reference to the globalisation of a popular culture and of a culture of consumerism in particular.
- (5) Discuss the debate that surrounds the concept of globalisation, with reference to the views of the hyperglobalists, the sceptics, and the transformationalists. Who do you think is 'right' in this debate? Whatever your answer, give your reasons.
- (6) How have the conclusions you have come to in (5) influenced your responses to (1) to (4)? Also, on the basis of these same conclusions, what are your answers to the questions of whether globalisation exists, is inevitable, is reversible? And to the questions of whether globalisation is dystopian or utopian? Write a five page essay on this topic, giving clear reasons for your answers.

Study unit

3

THE ORIGINS, NATURE AND CONSEQUENCES OF THE APARTHEID SYSTEM IN SOUTH AFRICA UP TO THE 1970s

STUDY

Marais (2001:Chapter 1)

3.1 Aims and outcomes of study unit 3

The aims of this study unit are to enable you to understand and describe Marais's conception of the origins, nature and consequences of the apartheid system in South Africa up to the 1970s. As we indicated in Study unit 1, Marais's political-economy approach to analysing the nature of South African society is used throughout this module. Thus, in this study unit, we expect you to be able to understand and describe the origins, nature and consequences of the relationships between the main social, economic, political and ideological variables, both local and global, that shaped South African society up to the 1970s.

3.2 The capitalist origins of the apartheid system in South Africa

The discovery of gold and diamonds from the 1860s onwards, brought about rapid capitalist development in South Africa. This, in turn, set in

motion developments that would have an enduring effect on South African society. The mining industry needed a great deal of foreign investment for capital goods, it needed skilled and semi-skilled labour, and it needed a reliable supply of cheap labour to enable it to profitably extract South Africa's plentiful but low grade ore. Securing this foreign investment inserted the South African economy into the emerging global capitalist system — as an exporter of primary commodities (minerals) and a capital goods importer. Skilled and semi-skilled labour was brought into the country from Europe, and mainly from Britain. This led to the growth of a large settler population, which soon became politically and economically dominant. Cheap labour was secured mainly by dismantling (breaking up and dislodging) the African peasantry, and the supply of this labour was maintained in a variety of ways — chiefly, however, in the form of the expropriation of land and the creation of highly controlled 'native reserves', by the colonial state.

The mining industry's endeavours to secure its particular labour requirements produced a long-term racial division of labour in South Africa. This division of labour was constituted by, firstly, skilled and semi-skilled, union-organised and relatively well-paid and privileged white workers in the urban areas. These workers, mainly imported from Britain, brought with them their traditions of union organisation. This, and their status as members of the colonial power, provided them with the political means to secure relatively high wages from the mine-owners and urban social services and benefits from the colonial state. Secondly, this racial division of labour was constituted by an unskilled, cheap, migrant African 'reserve army of labour'. This African labour supply was forced into rural 'native reserves', without the provision of health, welfare or educational facilities. It was kept migrant largely by being prevented from moving permanently into the urban centres by measures such as the 'pass laws'. And it was kept cheap on the basis of the justification that African workers and their families had access to land (and thus subsistence) in the reserves (later to become the 'homelands'). As the reserves became increasingly non-viable (see below), this became an increasingly implausible justification. In this sense, African labour was forced to bear the full costs of its own reproduction, unlike white labour. (White workers' reproduction, that is, their ongoing maintenance, was partly subsidised by relatively good wages and benefits, and a variety of welfare measures provided by the state — black workers were denied all of this.) Marais thus argues that cheap, migrant African labour actually subsidised the growth and profitability of early capitalism in South Africa. It also subsidised the relatively high wages and other benefits of white workers. For Marais, this signals the emergence of what he calls a 'two nation' society, long before the institutionalised racism of the apartheid system 'proper'.

Marais points out that soon divisions and tensions also began to emerge within the 'white' segment of the 'two nation' society. This was largely because capitalist agriculture began to emerge. Increasingly mechanised, large capitalist farms began to make an appearance shortly after the 'Great Depression'. This combination of events drove many mainly non- or only partly-capitalist Afrikaner farmers and their families off their lands and into the urban areas in search of work. This produced a 'poor white', mainly Afrikaner 'proletariat' (ie, people forced to work for a

STUDY UNIT 3

wage, having no other means of subsistence) that had to compete for employment with a skilled, already established and relatively advantaged, largely British urban proletariat. This competitive situation, coupled with historical tensions between 'Brit and Boer' dating back to the Anglo-Boer wars, ultimately spawned the emergence and growth of Afrikaner nationalism. In short, Afrikaner nationalism emerged to protect and further the economic and other interests of the marginalised Afrikaner section of the white population. Furthermore, tensions soon began to emerge between the ascendant mining capital, and the much smaller but developing agricultural and industrial/manufacturing capital sectors. These tensions centred mainly on demands for different forms of state intervention in the economy, and in particular, on demands for the state to take different initiatives to secure the supply of African labour.

In summary, Marais argues that a capitalist economy emerged in South Africa owing to the discovery of mineral wealth. From then on, the South African economy was inserted into an emerging global capitalist system as an exporter of primary products and importer of capital goods, and based on the exploitation of cheap African labour. This laid the foundation for the emergence of a 'two nation', racially-divided South African society. Note that Marais characterises these unfolding events as constituted by interrelationships between local socioeconomic, political and ideological variables, as well as global ones. Also, his notion of a 'two nation' society refers to the coming together of socioeconomic, political and ideological/racial inequality (ie, not to racism or racial inequality alone).

ACTIVITY 3.1

Marais traces the 'roots' of the apartheid system in South Africa to the late 19th century, when capitalism began to emerge. Why did capitalism emerge at this point in time, what form did it take, and what long-term developments did it initiate?

3.3 The rise of African nationalism in the 1940s

In line with Marais's multi-faceted approach to understanding contemporary South Africa, he also thinks it essential to analyse the character of the historical resistance to apartheid, particularly its leader, the ANC, and how the latter played a critical role in shaping not only the transition to democracy in the country, but its aftermath too.

Now a number of things helped bring about the rapid growth of a mechanised, capitalist manufacturing sector in South Africa. Namely, economic growth and foreign investment in the 1930s, state interventions in the form of various (tariff and other) protections, subsidies and the provision of infrastructure (financed largely by taxes from the mining industry), and the demand for goods created by World War II. This, in turn, led to an urgent need for more African labour, which in turn spurred the rapid growth of an urban African proletariat, or urban African working class. This growth was given further impetus by the fact

The origins, nature and consequences of the apartheid system...

that the reserves were rapidly becoming economically unsustainable and unviable — mainly due to overcrowding and the resultant exhaustion of the soil. (As a result of various land-related legislation, only 13% of the land had been set aside for ‘native reserves’.) However, due to the long-established migratory labour system, the urban African proletariat still retained strong ties with the rural areas. Furthermore, despite the decline of the reserves, the peasantry was by no means a spent force yet, and most Africans were still located in the rural areas — and managing to survive. You will see the relevance of this further on in the module. For now, it’s important to note that the ANC originally drew its leadership and support from a largely middle class African peasant base, that is, a minority of African peasants who had managed to prosper, or retain their relative prosperity, to a certain extent.

As it grew in numbers, this African proletariat became increasingly organised, and rapidly grew in strength and militancy. African workers began to engage in various resistance activities, culminating in the famous 1946 mineworkers’ strike. Their militancy was fuelled largely by discriminatory government initiatives that had led to a racist white class alliance (an alliance between white capitalists, workers and the state). (During the 1920s and 1930s, the government had increased white workers’ racism and commitment to a capitalist ‘two nation’ society as a whole by ensuring that there were large wage differentials between black and white workers, and by implementing job reservation and social welfare for the benefit of whites.) The African majority was in fact continuing to subsidise the profits and privileges of a small white minority. However, the state all but crushed this resistance and African worker organisation and militancy declined rapidly.

What is particularly important about this brief but intense rise and decline of African worker militancy, according to Marais, is a consequent shift away from class politics, and the rise of African nationalism. The main organisational vehicle for the rise of African nationalism was the ANC Youth League (ANCYL). Briefly, the liberal, middle-class and peasant-based agenda (which excluded the representation of ‘less sophisticated’ Africans) of the ANC, had, since its formation in 1912, failed to wrest any real concessions from the South African state on behalf of the marginalised majority. In the middle 1940s, the ANCYL emerged, dominated by much more militant urban intellectuals and professionals, espousing a mass liberation struggle by and for (an exaggeratedly unified and harmonious conception of) the ‘African Nation’. They rejected both the liberalism of the ‘old’ ANC and class politics (owing to their own middle class aspirations, but also because of the defeat of African worker militancy in the middle 1940s). By 1949, this brand of African nationalism was dominant in the ANC, but it was eventually ‘watered-down’ to include two other oppressed ‘nations’, namely, ‘Indians’ and ‘coloureds’. This, in turn, led to the break-away of extreme Africanists and their formation of the PAC in 1959.

For Marais, this was portentous (ie significant into the future) in the sense that African nationalism was from then on the binding, dominant force within the emerging, ANC-led resistance movement. Nationalism, rather than socialism or class politics, continued to hold sway in the democratic movement right up to South Africa’s political transition during the 1990s.

STUDY UNIT 3

According to Marais, the discourse (that is, the ideas, interests and world view) of African nationalism that emerged in the 1940s would eventually play an important role in negating prospects for broader transformation in contemporary, liberal-democratic South African society. We discuss this issue in more detail in later study units.

ACTIVITY 3.2

What factors led to the rise of African nationalism in the 1940s? What 'portentous' consequences does Marais derive from this development?

3.4 Was the apartheid system 'proper' (that is, after 1948) *sui generis* (that is, unique)?

Marais argues that the explicitly racist, institutionalised apartheid legal and administrative measures imposed by the Nationalist Party (NP), 'hardened' and intensified South Africa's oppressive, unjust and unequal 'Two Nation' character. It made race the main criterion for segmented and differential access to socioeconomic and political opportunities and rights. The NP, for instance, intensified influx control over African labour and the pass laws in particular, and cracked down on resistance organisations such as the ANC and the SACP. It also cracked down on African trade unionism.

However, he argues that the apartheid system 'proper' was not much more than an elaboration and intensification of trends already present, in fact, since British colonialism. Thus it is overstating and oversimplifying the case to hold that apartheid signalled an historical rupture that represented the triumph of the (racist) ideology of Afrikaner nationalism. According to Marais, 'liberal' (and other) accounts emphasising the ideological and irrational nature of apartheid neglect the economic, and indeed capitalist nature and interventions of the apartheid state. For instance, central to the rise and policies of the NP was the input of the 'Broederbond', a secretive group of middle class Afrikaners committed to providing a binding ideology for the promotion of Afrikaner interests as a whole, but of Afrikaner capital in particular. Marais argues that the NP represented the economic class interests of an alliance of (mainly, but not only, Afrikaner) white workers and small-scale capitalists, especially those drawn from the ranks of 'poor whites'. 'Poor whites' were the group of white farmers proletarianised after the 'Great Depression', and the small-scale capitalists referred to here were mainly located in the agricultural and manufacturing capitalist sectors. In other words, the NP state actively intervened in socioeconomic life, and focused in particular on promoting Afrikaner capitalism, and the welfare of Afrikaners generally. For example, it began to implement a comprehensive 'affirmative action' programme which consisted of giving government accounts to Afrikaner banks, government contracts to Afrikaner firms and top government posts to Afrikaners. It also opened up the civil service generally to Afrikaner workers, and in the process gave them access to all sorts of state benefits. It thus effectively created an Afrikaner

The origins, nature and consequences of the apartheid system...

middle-class (or at least a segment of Afrikaner workers who enjoyed rising incomes and benefits in a class alliance committed to the racially-exclusive status quo). (For a similar, but slightly more nuanced view, read Glaser 2001.)

Marais argues that the rise and success of the NP and its policies reflected not only the continuities, but also the contradictions and crises in capitalist South African society that the existing state (then controlled by the United Party) could not adequately deal with. A case in point here is that the UP had failed to satisfy the middle-class aspirations of Afrikaners. Furthermore, South African capitalism depended on cheap, migratory African labour. But the reserve system had become increasingly non-viable, which had led to growing, semi-permanent African urbanisation. This was of great concern to mining capital, because its profitability depended heavily on cheap migrant labour. Agricultural capital was also concerned, because it did not want to lose its source of cheap labour to the cities. Both mining capital and agricultural capital wanted to see the maintenance of the reserve system and to contain the geographical mobility of African labour. However, manufacturing capital needed a permanent urban labour supply and thus wished to see the reform or relaxation of the migratory labour system. In other words, different interests and needs of different branches of capital were making different demands on the state.

The NP government acted in response to all these pressures. It shored up the reserve system, but exerted flexible control over African labour to accommodate these divergent interests. It calmed the fears of the white working and middle classes, who were worried about competition from African labour and it protected nascent white small-scale entrepreneurship from competition from African entrepreneurs. The NP solved, or at least ameliorated, just about all the contradictions of the 1940s for all branches of capital and benefited all whites generally. The NP indeed increased the profitability of South African capitalism to the extent that foreign investment flowed in, and it was successful enough to remain in power for 40 years. The costs of this, of course, were borne by the black majority.

ACTIVITY 3.3

Why does Marais reject the view that the apartheid policies of the Afrikaner Nationalist Party, after their election victory in 1948, were *sui generis* (that is, unique)?

3.5 Apartheid rule from the 1950s to the 1970s

According to Marais, during this period the apartheid state continued to develop and indeed further refine the capitalist growth path it had mapped out for South Africa in the interests of a racist class alliance (as it had done since the NP came into power in 1948). However, this growth path began to encounter various economic crises and led to fresh outbreaks of African resistance. State reaction to this resistance brought

STUDY UNIT 3

about a significant strategic paradigm shift in the ANC-led popular democratic movement. This strategic paradigm shift included the adoption of tactics involving insurrectionism and armed struggle, which was to have long-term implications for the eventual transition to political democracy in South Africa (but more on this below).

In addition to raising the status of Afrikaners generally, from 'third' to 'first' world, the actions of the apartheid state were increasingly geared towards realising its vision for modernising South African capitalism. The state made it easier for Afrikaner capital to be integrated with the dominant English monopoly capital. In many ways, the state actually encouraged corporate conglomeration and monopolies (despite its anti-monopoly rhetoric), by means of, for instance, fiscal and tax policies that benefited the most efficient organisations (ie, large, rationalised corporations capable of making good use of economies of scale). The state chose an industrial strategy of import-substitution (a strategy which includes high tariffs on certain imports to protect the local manufacturing industry), still based on cheap African labour, to modernise the South African economy and bring it up to first world status. The economy as a whole remained heavily dependent on mineral exports, however, which to a considerable extent financed (through, for instance, taxes from mining capital) state intervention in other aspects of the economy. The expansion of the manufacturing sector was also based on the state-aided rising purchasing power of whites, who could increasingly spend more of their income on consumer goods. The apartheid state also made capitalist growth easier by setting up infrastructural parastatals such as Iscor for the provision of steel and Eskom for electricity, and by improving transport and telecommunications infrastructure. These parastatals also became avenues to soak up white workers and grant them good wages and various benefits. Slowly but surely, a modern working class and modern industrial capitalism, characterised by concentrated, monopoly ownership, began to emerge in South Africa.

However, this strategy for the modernisation of capitalism in South Africa continued to be based on, and was thus in large part still subsidised by, the cheap black migrant labour and homeland system. By contrast elsewhere in the world, state intervention aimed at developing capitalism took different paths. In various East Asian countries, it took an export-substitution path (which included providing various tax, industrial relations, and import etc incentives for the local manufacture of goods for export, but, importantly, also included the expansion of the local market). In South Korea and Taiwan, for instance, government growth strategy included a focus on the production of labour-intensive goods and creating local markets for them. This development strategy provided employment for the surplus labour brought about by urbanisation, and led to the creation of local markets and, as a corollary, demand for the absorption of locally manufactured goods. In South Africa, on the other hand, labour surpluses were forcibly kept in the homelands (influx control was intensified and millions of people were forcibly removed from 'white' land and urban areas). Furthermore, growth in South Africa became increasingly mechanised and capital intensive and thus increasingly unable to absorb surplus labour. This had obvious implications for both unemployment and an ultimately limited domestic market for

The origins, nature and consequences of the apartheid system...

manufactured goods. [See chapter 6 of Cohen & Kennedy (2000) for further information about growth paths in East Asian countries.]

The racially-exclusive nature of these NP policy initiatives led to various forms of renewed popular resistance in both the rural and urban areas. The increasingly African-nationalist ANC strove to bring about mass resistance and mass struggle under its leadership. Mass actions, such as the Defiance Campaign in 1952, brought about cooperation between a variety of political groupings, and this led to the formation of the Congress Alliance (with SACTU as its trade union component) and the creation and adoption of the Freedom Charter in 1955. The South African Communist Party (SACP), despite its socialist goals and frequent disagreements with the nationalist agenda of the still largely middle-class ANC leadership, ultimately joined the alliance. This was on the basis of the conciliatory view that national liberation was a precondition for the achievement of socialism. The Freedom Charter played an increasingly important, albeit mainly symbolic role, in popular resistance from then on. It served as an expression of ‘the will of the people’, and as a broadly (but largely, at least within the movement, uninterrogated) democratic and social-welfarist alternative to the capitalist apartheid system. It was also used by the ANC to help gain and cement its hegemony (that is, consent to its leadership) over the different organs and sentiments that made up the popular democratic movement. Also central to the ANC’s efforts to gain this hegemony was its emergent and increasing commitment to African nationalism. The latter helped to unite the discrete elements of the popular movement, but also, as indicated earlier, diluted the class politics and socialism that resided within its strong working class component (and in the ideas of the SACP).

By 1960, the ANC and other resistance groups had been banned. This banning precipitated a shift in strategy from non-violent resistance to armed struggle. Marais holds that this was a crucial moment in the history and nature of the ANC and the ANC-led resistance movement. Within the movement, the main reason given for this shift was its inevitability — the ANC argued that it had no choice but to resort to armed struggle in the face of the severity of the state’s crack-down on any form of resistance. However, Marais questions this reasoning. He argues that other strategic options were still available to groups opposing apartheid, despite being very difficult to pursue due to the severe repression of the apartheid security apparatus, and that this strategic shift really reflected a more fundamental paradigm shift (as mentioned above) in ANC/SACP thinking. This shift was based on the view that the apartheid political/ideological system itself was responsible for all the ills that beset the majority of South Africans. In terms of a political-economy approach, this view emphasises the political and neglects the socioeconomic. From then on, reforming the apartheid system was held to be impossible — the only way to change society was by means of an ‘all or nothing’ armed confrontation with and (instrumentalist) seizure of the state. Seize the state, change the social system. All other forms of struggle and resistance were relegated to the strategic background, even dismissed as ‘reformist’. This shift had implications for mass struggle too, and ultimately reduced the masses to passivity. The fate of the masses now rested with the deliberations and actions of a militarist elite. Mass political mobilisation, organisation and action, and a political

programme generally, were for the most part neglected from then on by the ANC/SACP. The effects of this shift were to haunt the ANC/SACP for several reasons, and, according to Marais, were to have important implications for the future transition to political democracy in South Africa.

Marais says this because firstly, armed struggle was largely ineffectual. The strong military capacity of the apartheid state dealt relatively easily with this option. This gave the state the space to regroup and reorganise itself to resolve various contradictions that were emerging within South Africa's ruling class. This also meant that the ANC/SACP had little to show for its efforts over the next decade other than defeat. Secondly, the all-or-nothing, 'destroy the state' sentiments associated with armed struggle would lead to a strategic disorientation within the movement during and after the 1980s. According to Marais, this is because the movement's neglect of broader political and socioeconomic organisation and forms of struggle, would only result in resistance tendencies towards 'ungovernability' and 'non-collaboration' and calls for 'insurrection' and a 'people's war'. This tendency would continue to have effects long after liberal-democracy had been achieved.

The consequences of apartheid policy during this period for whites was the creation of a welfare-state which increased white consumptive power and encouraged the growth of a white middle class. This enabled the consumption of products from a growing capitalist (and, in particular, manufacturing) economy. Whites had access to a vast range of public services, and white trade unions were able to secure protection against competition from low-paid African labour by preventing the job colour bar from being raised. The NP's repeated election success was due to its pursuit of a nationalist, racist class alliance that prevented Africans from gaining political and other rights and opportunities. African communities (unlike the 'Indian' and 'coloured' communities — which were afforded some, albeit limited access to various aspects of the 'fruits' of apartheid) were excluded from such benefits, with the result that class formation and differentiation among Africans emerged in a very rudimentary fashion, if at all. Importantly, this racist exclusion also prevented Africans from becoming a significant market for the goods produced by the expanding manufacturing sector. There were, however, significant merchant and professional middle classes emerging within the Indian and coloured communities.

The South African economy 'boomed' until the early 1970s, attracting foreign capital for investment in the manufacturing sector in particular. However, the manufacturing sector was very capital-intensive (and thus unable to absorb much surplus labour and alleviate growing African unemployment). The South African economy also failed to become export-oriented. The major exporting sectors and earners of foreign exchange were the mining and agricultural industries. Furthermore, the capital-intensive nature of manufacturing, and of the parastatals, entailed a continued reliance on the import of expensive capital goods. The manufacture of capital goods hardly developed at all in South Africa. This placed great strain on the foreign reserves generated by the primary commodity exporters. After the oil crises of the early 1970s, economic growth slowed appreciably in South Africa, and indeed all over the globe.

The origins, nature and consequences of the apartheid system...

In South Africa, the latter was explained in various ways. For instance, the ‘liberal’ interpretation was that apartheid policies were inhibiting the ‘natural’ benefits that could be attained by free market policies, and were also the cause of international sanctions and decreased foreign investment.

But, according to Marais, South Africa’s economic problems were far too deep-seated and severe to be attributable to apartheid alone. And, furthermore, such an interpretation neglects how functional apartheid policies had been (at least until then) to capitalist industrialisation in South Africa (often called ‘racial capitalism’ or ‘racial Fordism’). Marais argues that South Africa’s economy was heading towards a crisis as a result of its capital intensive growth path, its dependency on importing capital goods, its increasingly saturated ‘white’ market, its failure to expand its export activities and its decreasing productivity (due in part to the deliberate, racially-motivated creation of a shortage of skilled black labour). Unemployment was rising, and the economy was becoming increasingly vulnerable to fluctuations in the prices of primary commodities on the world markets. This led to increasingly expensive capital goods, a net outflow of capital and thus balance of payment problems. This in turn led to a debt crisis, rising inflation and self-imposed International Monetary Fund (IMF) — like austerity measures. It was Africans who suffered most from the effects of this growing economic crisis. Renewed worker resistance emerged in the early 1970s. Low wages, lack of basic infrastructure in African communities, destitution in the homelands and escalating unemployment meant that already low incomes had to be stretched that much further. As a result, African urbanisation became virtually unstoppable — shoring up Africans on marginalised, non-viable land became increasingly impossible. African oppression under the apartheid system began to take on an all-encompassing, deeply politicised nature. This was because it had begun to manifest itself as a generalised struggle — simply to survive.

ACTIVITY 3.4

Describe Marais’s account of the interrelationships between the socioeconomic, political and ideological variables that shaped apartheid rule from the 1950s to the 1970s. What were the consequences of apartheid rule by the middle 1970s?

3.6 Conclusion

Marais’s main argument here is that, by the middle 1970s, the capitalist apartheid system was in severe crisis. Since the period of British colonialism, South African capitalism had grown and indeed flourished on the basis of the export of primary commodities, the import of capital goods, and a cheap African migrant labour and homeland system. This arrangement benefited a minority white class alliance at the expense of the black majority who were denied access to socioeconomic and political opportunities and rights. The apartheid state largely inherited, but continued, refined and elaborated upon this capitalist development path

STUDY UNIT 3

and, for a while, with great success — albeit on its own racially-exclusive and parochial terms.

However, deep-seated flaws in the capitalist apartheid system soon became apparent. These were exposed and exacerbated by various interrelated factors. The most significant of these factors was the global capitalist system in which South Africa was situated. The second significant factor was the increasing resistance from the popular democratic movement led by the ANC. As far as the first factor is concerned, global economic recession had severe consequences for South Africa's economy. Based heavily on primary exports, capital imports and artificially cheap labour, the rising costs of imports caused chronic balance of payments and debt problems. These problems could not be offset by increasing the exports of manufactured goods, because the latter sector was unproductive and uncompetitive by global standards, and there were also international sanctions on South African exports. And sufficient revenues from local manufacture could not be raised locally due to the fact that the market was saturated, because racially constructed and 'whites only'. The functionality of apartheid for capitalist growth and development in South Africa was now seriously in question.

With reference to the second factor, that is, increasing African resistance, the economic crisis and hardship were most severely felt by the oppressed and impoverished majority. Unemployment was rising owing to the capital-intensive nature of the economy, and even those in employment experienced extreme hardship due to rising inflation. There was renewed resistance, resistance which was often dealt with brutally. Note here that Marais singles out as historically important 'moments' (that is, crucially significant historical 'events') emerging from the latter, that the ANC-led resistance movement was increasingly characterised by African nationalism, and that its strategy swung towards armed struggle and the seizure of the apartheid state. According to Marais, economic crisis and these increasingly salient features of the popular democratic movement were to have far-reaching implications for both the later transition to democracy and the nature of the newly-democratic South African state.

ACTIVITY 3.5

Possible assignment and examination questions and instructions:

- (1) Why does Marais argue that the 'roots' of the apartheid system have to be sought in the emergence of capitalism in South Africa in the 19th century and not in the NP's coming to power in 1948? What long-term developments did the emergence of capitalism initiate in South Africa?
- (2) Describe the nature and consequences of the relationships between the main socioeconomic, political and ideological variables, both local and global, that shaped South African society up to the 1970s.

Study unit

4

CRISIS IN THE CAPITALIST APARTHEID SYSTEM

STUDY

Marais (2001:Chapter 2)

4.1 Aims and outcomes of study unit 4

This study unit has two related aims and outcomes. The first is to enable you to understand and describe the nature and consequences of the three phases of reform initiated in the 1970s by the apartheid regime in reaction to the deepening crisis of the capitalist apartheid system. The second is to enable you to understand and describe the mixture of socioeconomic, political and ideological circumstances that helped lead to the beginning of a politically negotiated settlement in South Africa in 1990.

4.2 The emergence of an 'organic crisis' in South Africa in the 1970s

Marais is here again taking up the theme of a growing crisis in the capitalist apartheid system, although now in a more systematic manner. He argues that the way in which capitalism had developed in South Africa had begun to produce contradictions that threatened continued capital accumulation (briefly, capital accumulation means making profit). The profit crisis was linked to corresponding crises in the social, political and ideological spheres. Capitalism in South Africa had long depended on a combination of cheap African labour, import substitution, capital-intensive industrialisation and the need for a growing market for manufactured products. But (repressively) keeping labour cheap was backfiring on and undermining capitalist development in apartheid South Africa. Low wages to African labour limited the possibility of expanding the local consumer goods market. Furthermore, the lack of services to

STUDY UNIT 4

African communities (and the denial of educational opportunity is particularly relevant here) and protections against cheaper, better quality imports, and the capital-intensive nature of industrialisation, created a scenario of low productivity, an inability to absorb surplus labour, and high unemployment levels. This crisis threatened the legitimacy of the apartheid state, in that it produced tensions between the state and parts of the rest of the ruling alliance (capital, and whites generally). And it also posed a threat to its authority, due to the re-emergence of African resistance.

After the lull in resistance activities during the 1950s and 1960s, African workers began to reorganise themselves in unions and, during the early 1970s, engaged in a wave of strikes all over the country. This period was also marked by the student uprisings in Soweto, which were mostly a reaction to (or at least triggered by) black students being forced to receive tuition in Afrikaans. According to Marais, there were four main reasons for this upsurge of resistance. Firstly, unemployment and inflation had risen steeply, which had a severe impact even on employed Africans. Secondly, national liberation struggles elsewhere in Southern Africa had raised expectations of liberation in South Africa too. (Indeed, during this period, many whites were thoroughly alarmed at the prospect of imminent revolution.) Thirdly, the Black Consciousness Movement (BCM) had emerged, and began to motivate many young Africans, both psychologically and ideologically, into taking up a position of resistance. The state cracked down on the BCM, and this motivated many young Africans to go into exile in order to return as liberation fighters. In exile, they found they had a choice between the PAC and the ANC, and many chose the latter (often because the PAC did not have as many bases, or because the bases did not appear to be that well organised). This injection of militant youth rejuvenated the ANC and added further impetus to its growing African nationalism. Fourthly, the masses of oppressed people became increasingly politicised. This was the result of a growing tendency to attribute all the increasing hardships they were enduring, particularly socioeconomic, but political and ideological too, directly to the apartheid system. (The black masses had long been denied basic political rights, such as citizenship and the right to vote, and the ideology of apartheid had always demeaned blacks.)

Marais's main point here is that the apartheid capitalist growth model was in 'organic crisis'. By this he means that the combination of socioeconomic, political and ideological factors that had sustained this growth model, based mainly on cheap, unskilled African labour, were beginning to contradict each other. The ruling classes in South Africa were trying to contain these contradictions, contradictions which at the same time were providing all sorts of 'spaces' for varied and increased forms of resistance. However, the exiled resistance movement (mainly the ANC/SACP alliance) rejected any form of resistance other than the overthrow of the state, as being 'mere' reform, and even 'selling-out'. Marais links this rejection directly to the paradigm shift mentioned earlier. This limited the strategic options open to the resistance movement, in spite of the spaces created by the attempts of the state and capital to contain emerging contradictions (see below). It also produced within the resistance movement a dominant culture of both loyalty and

coercion. You will understand the relevance of this further on in the module.

You will have noticed that Marais sometimes refers to the way in which capitalism developed in South Africa as an 'accumulation strategy'. If you consult Cohen and Kennedy (2000:61–63), you will realise that Marais is drawing on the conceptual tools of neo-Marxist 'Regulation theory'. Regulation theorists are concerned with the question of how it is possible that capitalism, despite its exploitative nature and characteristic, volatile periods of crisis, that is, its so-called upturns, downturns, booms and busts, can not only survive and reproduce itself, but also enjoy relatively long periods of growth. Cohen and Kennedy (2000:7) point out that the 'Great Depression' from 1929 to 1939

was the most severe capitalist downturn ever known. By late 1932, in the USA alone, around 15 million workers were unemployed. The crisis began in October 1929 when company share values on New York's Wall Street stock exchange crashed. A number of stock-brokers and investors jumped to their deaths from their skyscraper offices. A series of escalating bank and currency collapses soon turned the crisis into a global one. German Nazism and Japanese Fascism were partly caused by the world economic collapse.

According to regulation theorists, capitalist stability requires the articulation of both a 'regime of accumulation' and a 'mode of regulation'. Together, these form a capitalist 'growth model' or 'model of development'. The regime of accumulation refers to the way in which capitalism is organised to produce profits, and the mode of regulation refers to the way in which support and consent are gained from all the people involved with the regime of accumulation, particularly workers. The mode of regulation (sometimes called a 'mode of societalisation') refers to a mixture of rules, norms, institutions, and ideology, etc, that people more or less accept and adhere to. See the example of Fordism as a 'growth model' in Cohen and Kennedy (2000:61–63). If either the 'regime' or the 'mode' (or both) fails, or if some sort of disjuncture emerges between them, then capitalism, or its particular 'model of development' is said to be in 'crisis'. This is precisely the sort of crisis that Marais is describing when he refers to the crisis of the capitalist apartheid system in South Africa. In the next activity you will deal with various ways in which the ruling bloc in South Africa tried to make various adjustments to both the 'regime of accumulation' and the 'mode of regulation', in order to offset the crisis in the capitalist apartheid system. In fact, it could be argued that the eventual transition to political democracy, and even the new democratic government's policy initiatives, represent ongoing attempts to resolve the crisis of capitalism in South Africa, in the context of crises in the global capitalist system.

ACTIVITY 4.1

Marais argues that, by the late 1970s, a growing, multi-dimensional, 'organic crisis' (social, economic, political and ideological) had begun to emerge in South Africa. Briefly describe this crisis, and the renewed African resistance it gave rise to, and give four reasons for the emergence of this resistance.

STUDY UNIT 4

4.3 Three phases of reform

Marais argues that from the middle 1970s, the ‘ruling bloc’ (by which he means mainly the government and representatives of the various sectors or ‘fractions’ of capital) in South Africa attempted a series of reforms to contain the contradictions that were increasingly undermining capital accumulation in South Africa. In short, these were measures aimed at reforming and even reconstituting the capitalist apartheid system to enable capital accumulation to continue. Note that Marais observes that, with the partial exception of the trade unions, the resistance movement failed to exploit the gaps opened by these reform initiatives (for the strategic ‘all or nothing’ reasons already mentioned). He also warns that these reforms cannot be understood in a ‘conspiratorial’ sense. In other words, they cannot be seen as part of a systematic master plan hatched by capital and the state. They were the outcome of complex, contradictory and shifting interrelationships, and shifting balances of forces, between the state, capital and the popular resistance movement.

The first phase of reforms (from 1977–1982) involved attempts to restructure two central dimensions of the apartheid capital accumulation strategy (or ‘regime of accumulation’ and ‘mode of regulation’). These were urbanisation and industrial relations. Both dimensions were obvious targets for restructuring, given the centrality to capitalist development in South Africa of the oppressive, cheap African migrant labour system — and the emergence of increasing resistance to the latter. The Riekert and Wiehahn Commissions were respectively given the tasks of restructuring urbanisation and industrial relations, to ensure that there continued to be an African labour force that met the needs of capital and that this labour force had some of its own interests addressed — that is, had a stake in the system. The general idea was a restructuring in order to preempt the overthrow of the whole system (and the regime of accumulation in particular).

The Riekert Commission recommended that urban rights be granted to some Africans and that the remainder be ‘banished’ to the homelands. The idea was to create a privileged layer of urbanised, politically moderate Africans to act as a buffer between the existing system and the marginalised and revolutionary remainder, and satisfy capital’s need for a stable, semi-skilled work force. The Riekert Commission also proposed a cost-saving delegation of control over and revenue collection in the urban townships to local township councils. This was also, however, aimed at developing class formation and differentiation amongst the African community, and thereby also creating a buffer between a relatively privileged layer of blacks and the ‘rest’, and in turn defusing revolutionary conditions.

The Wiehahn Commission led to labour legislation that allowed African unions to register, negotiate with employers, and participate in an Industrial Council system. It also ended job reservation. The idea was to replace repressive control over labour with the bureaucratic discipline of an industrial relations system, and increase the productivity and spending power of an urban African work force. The Commission was also concerned to deflect the attention of African labour from political, to workplace and ‘bread and butter’ issues. Ultimately, some (‘political’)

unions did not want to register with the new system, on the grounds that it was far too restrictive, and because they feared being coopted by the system (further echoes of the 'all or nothing' orientation of the ANC-led democratic movement). Others registered with a view to exploiting 'spaces' opened up by the new system, despite its restrictions. Many were quite successful in this respect, especially in terms of building up their organisational capabilities and creating some shop-floor democracy.

In brief, both commissions were set up to design the reform of the cheap African labour system in order to secure capital's changing, but continuing, labour needs. Both made recommendations designed to do so in a manner that increased the legitimacy and authority of the state and buttressed the apartheid capitalist system as a whole. Both sets of recommendations entailed giving a privileged layer of urban Africans, particularly workers, a stake in the system, and setting these Africans up as a buffer against the revolutionary demands of those excluded from/within the system. The resultant reforms did to a certain extent exacerbate competition between urban and rural labour, and did contribute to creating the beginnings of class division and differences among Africans (which previous apartheid measures had tended to 'flatten'). However, the ruling bloc had underestimated the degree of urban-rural integration that already existed due to the long-standing migratory labour system. And it did not foresee the extent to which the unions could use the new industrial relations system to not only build shop-floor organisation and democracy, but also become organisational vehicles for wider, more popular political protest.

Marais also points out that a major contributory factor to the overall 'failure' of these reforms was the broader context of deepening global recession. This led to increasing capital outflows and deepening recession in South Africa itself. In reaction, the apartheid state made many 'free-market' policy adjustments, such as lifting some exchange controls (which regulate the amount of money leaving the country) and tightening up monetary policy (which controls interest rates). However, inflation and unemployment continued to rise, leading to fresh waves of strikes. This tended to undermine any gains the reforms may have secured for the ruling bloc. Furthermore, the devolution of control of the townships to township councils, and of revenue generation in particular, must also be partly understood as an action by the state to try to reduce its spending. The result was that the costs of running the townships were passed on to residents (in the form of higher rents, rates, etc), leading to a great deal of protest and resistance, directed against the new township councils and councillors in particular. This tended to offset any gains the Riekert reforms may have secured for South Africa's ruling bloc.

The second phase of reforms (from 1982–1987) was associated with a shift in the balance of power within the Nationalist Party (NP), a shift which was supported by 'modernising' fractions of Afrikaner capital. In fact, the NP was shifting away from its traditional class base (this being right-wing white workers and small Afrikaner business and agriculture). In other words, it was also moving away from its formerly rigid racist ideology. The government faced increasing popular resistance. It also had to contend with shifting relations and increasing tensions between contending classes (capital and labour) and fractions of classes (within the

STUDY UNIT 4

capitalist class itself — between ‘big’ and ‘small’ capital — and even within the increasingly class-differentiated African community). The situation in the country was also characterised by shifting relations between the state and capital (the state was moving increasingly closer to big capital), and even tensions within the state itself (between different government ministers and departments — some supported reform, others wanted a crackdown on resistance). Despite these shifts and tensions, and opposition from not only the popular resistance movement, but from within the old ruling bloc too, the government’s second set of reforms went even further than the first. Influx control and the pass laws, and indeed most ‘petty’ apartheid laws were abolished. A tricameral parliament with racially segregated white, coloured and Indian chambers and corresponding government departments was introduced, extending a limited franchise to all but Africans. In short, this second phase of reforms was aimed at deflecting radical resistance away from the system as a whole. It included a mild democratisation of apartheid itself (in the political and ideological spheres), combined with a continued, indeed intensified attempt to build a ‘buffer’ African middle-class, and the provision of material incentives to undermine political mobilisation (especially in townships or those areas in the townships deemed to be particularly volatile). These material incentives entailed various selective redistributive measures, such as infrastructural projects, and investment in African education.

However, as with the first set of reforms, the second set of reforms produced mixed results. Despite some ‘buffer’ and ‘deflection’ success, they also opened up new opportunities and avenues for resistance. Trade union organisation, action and power continued to grow with a vengeance, particularly after the formation of the Congress of South African Trade Unions (COSATU) in 1985. Trade unions and other popular resistance groupings became increasingly intertwined, lending each other numbers, resources, organisation and some continuity of membership and leadership. The establishment of the tricameral parliament led to the alliance of a variety of mushrooming resistance organisations in the form of the United Democratic Front (UDF). The UDF’s first campaign was against the racial nature of, and exclusion of Africans from, this limited political reform. The formation of the UDF was a signal event in the sense that, in many ways, particularly ideologically and politically, it represented and did the groundwork within South Africa for the later emergence of the then exiled ANC/SACP alliance. Importantly, the UDF continued the ANC tradition of broadly nationalist, popular political struggle, that is, of diluting the class-political and socialist content of mass resistance in South Africa.

As with the first reforms, global and local economic crises, which were among the primary reasons for the introduction of reforms in the first place, also tended to undermine their chances of success. Recession, unemployment, balance of payment problems, etc, all resulted in the state’s adoption of a host of even more ‘free-market’ policy initiatives in reaction to this crisis. These initiatives included the reduction or elimination of state spending on various aspects of social welfare, such as subsidies on basic commodities. The burden fell mainly on the already unemployed, poor and marginalised — but such measures affected everyone. Economic and material hardship proved to be the most

important and enduring cause of resistance to the apartheid regime in South Africa.

The third phase of reforms (from 1987 to 1989) was, in fact, a sophisticated combination of reform and repression. Burgeoning popular resistance activity throughout the first two phases of reforms had culminated in the declaration of a 'state of emergency' in 1986. NP policy-makers had from the late 1970s held that a 'total strategy' had to be designed to counter the 'total onslaught'. The NP was determined to reform the system, but now believed that the latter was only possible in conditions of stability. The state thus went no further with the limited 'democratic' dimensions of its reform agenda, but carried on with the redistributive and class-restructuring part. Only this time, however, under the auspices of the National Security Management System (NSMS). The NSMS functioned as a sort of parallel government, but with a great deal of concentrated and unconstrained power. It was accountable to and only represented the state president, the security forces, the military, and the law and order ministry. In brief, it identified potential problem areas, and was enabled to act promptly and efficiently (mainly because it was not shackled by bureaucracy) to effect the type of delivery appropriate to defuse or prevent the development of revolutionary 'hot' situations. In effect, it functioned to 'put out fires' to prevent them spreading in conditions that, to take the metaphor further, can be likened to 'dry timber'.

ACTIVITY 4.2

Marais argues that in reaction to the 'organic crisis' that became increasingly manifest during the 1970s, the apartheid state initiated three 'phases of reform'. Identify and describe these three phases of reform and their consequences.

4.4 The 'insurrectionism' of the ANC/SACP

The 'insurrectionism' that Marais is referring to here, is the dominant strategy that emerged within the ANC/SACP after their 'paradigm shift' in the 1960s. That is, their belief in armed struggle, the advocacy of a 'people's war', and the 'all or nothing' taking over or 'seizure' of the apartheid state. This tendency eventually permeated the entire democratic movement, largely through the UDF's adoption of the ANC's agenda. Marais argues that while the ANC had successfully gained hegemony and ideological predominance within the broad resistance movement, its neglect of other forms of resistance and struggle had not enabled it to develop much in the way of organisational capacity — and certainly not the kind of organisation required for insurrection. Furthermore, according to Marais, while political resistance was pervasive and conditions of 'ungovernability' prevailed in certain parts of the country, and while the ruling bloc was indeed beset by various uncertainties, contradictions and weaknesses, it was certainly not 'ripe' for revolutionary insurrection. The various reforms set in motion by the state since the late 1970s had produced a degree of division and disruption

STUDY UNIT 4

among the popular masses (which was often exploited, even leading to internecine violence, by the more ‘shadowy’ parts of the security forces). And the state had managed to centralise power (for example, through the activation of the NSMS), maintain its security and military potency, and gain the (albeit tacit) consent of capital as a whole (which had no coherent alternative anyway) for its most repressive interventions — especially after 1986. In short, the call for the overthrow of the state was a badly misconceived notion, and a ‘corrupt’ reading of conditions prevailing in the country.

According to Marais, the narrow focus on insurrectionism, combined, especially after 1986, with brutal state repression, bred a great deal of coercion and violence, especially among the more militant and youthful members of the popular resistance. Anything other than direct confrontation with the forces of apartheid was met with suspicions of betrayal. Exploiting the democratic and other spaces created by the series of reforms initiated by the state, which for the first time was a real possibility (as had been shown by the trade union movement), never even got onto the agenda of the popular movement, never mind off the ground. Marais adds that this inability to strategise and engage in other forms of resistance was a function of a number of factors. Firstly, the ‘paradigm shift’ to focusing on armed struggle, confrontationism and militarism. Secondly, the earlier adoption by the ANC of the ‘rejectionism’ characteristic of the BCM. Thirdly, the prospect of the violent overthrow of the brutal apartheid system (the cause of all African ills), struck a deep chord within the resistance movement, especially among the more militant youth. And, finally, Marais argues that in a sense the ANC’s call for ungovernability was an opportunistic attempt to hijack the militancy exploding in the townships. Hegemony was difficult enough to gain and maintain from outside the country. To argue for a more incremental, ‘reformist’ approach might have put the ANC’s hard-won hegemony on the line.

ACTIVITY 4.3

According to Marais, what were the nature and consequences of the ‘insurrectionism’ of the ANC/SACP? How does he characterise and evaluate this tendency?

4.5 A ‘new conjuncture’

Marais’s reference to a ‘new conjuncture’ is his way of summing up the economic, social, political and ideological consequences, manifest by the late 1980s, of the unfolding interrelationships between the state, capital and the ANC-led resistance alliance in apartheid South Africa. It is this collection of outcomes, trends and tendencies that led to, facilitated, and helped shape the opening of negotiations towards a liberal-democratic state in 1990. You will learn about the shaping of the actual transition process itself in the next study unit. Note that, in broad terms, the interrelationships between these parties had produced a ‘stalemate’ by the

late 1980s, a stalemate that could only be broken by a negotiated political settlement.

The democratic movement's resistance activities had been widespread and varied, but uneven and largely unorganised. Its resistance initiatives came to be increasingly constrained by state repression, and, as the ANC gained hegemony, the call for insurrection also limited its opportunities for resistance — and led to some ugly, and needless, consequences. Thousands of lives were lost — in battles against the security forces and in internecine organisational and factional fighting. Some were victims of an often violent, internal (and externally, in the camps in exile) intolerance for dissent and heterodoxy (heterodoxy means different views), despite the ANC's public endorsement of debate and tolerance. Such conflict within the democratic movement and its intolerance to heterodoxy was often brutally exploited by the security forces (particularly horrific examples of this sort of intervention occurred in the UDF/Inkatha 'war' in Natal). However, the democratic movement never really came close to overthrowing the apartheid system. Insurrectionism had been defeated and armed struggle ended (which was influenced by the collapse of the Soviet bloc — for long a major supporter and sponsor of the ANC/SACP alliance — and the loss of bases in Angola after the settlement in Namibia). By now (the late 1980s), the UDF too was just about a spent force. But, despite these setbacks, the democratic movement as a whole had not been defeated. The trade union movement, the ANC's largest and most powerful ally, remained strong both organisationally and in numbers. The democratic movement was now regrouping and rebuilding around, among others, the trade unions and progressive churches in the form of the Mass Democratic Movement (MDM). Importantly, the resistance activities of the democratic movement had managed to exacerbate the problems (particularly the economic problems) of and within the apartheid ruling bloc and force it in the direction of a political settlement.

But it is important to remember that the ruling apartheid state/capital bloc had also not been defeated. The security forces were still a potent force (and could be used as a last resort if other options failed — and could even be used to ensure that whatever transpired did so in circumstances that favoured the ruling bloc, by, for example, destabilising and dividing any political opposition). The combination of repression and (mainly, socioeconomic, but also to a small extent, political) reforms since the late 1970s had not brought the ruling bloc victory either — it had only bought them time. But these reforms had laid the foundation for the possibility of political restructuring. For instance, class differentiation was increasing in African communities and in the homelands in particular. And this was linked to ethnic mobilisation in the case of the Inkatha Freedom Party (IFP). These were factors that, along with the possibility of the apartheid state using the security forces for purposes of destabilisation, could undermine the hegemony of liberation leaders during and even after negotiations. And major players in the ruling bloc were slowly coming to realise that due to the extent to which all the ills experienced by the oppressed were being attributed to apartheid, a political, and not merely socioeconomic solution was needed. Both the regime of accumulation, and in particular, the mode of regulation, had to be changed if South Africa's crisis of accumulation was to be resolved.

STUDY UNIT 4

Serious divisions had begun to emerge within the ruling bloc. The state and capital had collaborated quite closely during the state of emergency from 1986 onwards, but differences within and between capital, the state and the NP government had emerged about how best to defend the future of capitalism. The economy was in crisis. It was in severe recession, and massive strain was being placed on the government's available resources by its spending on artificial racial divisions (eg, the tricameral parliament and homeland fabrications), and its military involvement in Namibia and Angola. The country was experiencing serious balance of payment problems. These problems were exacerbated by international economic sanctions, because sanctions tended to interrupt foreign investment and the ability to secure loans to deal with the balance of payments deficit. Economic austerity measures seemed likely, which, in turn, would probably lead to further resistance and thus renewed economic pressures. Furthermore, unemployment and crime were on the rise, the far right was on the move, and the democratic movement was rebuilding around the MDM, raising the spectre of renewed resistance.

Marais points out here that it is only rarely that capitalists can achieve 'political coherence' and agree amongst each other, let alone talk with a single voice to the state. Generally, capitalists are in competition with each other, and pursue policies that suit their own individual, parochial interests in accumulating profit. They make different demands on the state, in different, often informal ways, demands determined by their particular, often quite limited perceptions of how things can best be arranged to suit their often short-term interests. Marais points out that, in South Africa, different sectors or fractions of capital tended to experience the economic crisis in the country differently. For instance, manufacturing capital experienced many bankruptcies due to, among other factors, their reliance on the import of increasingly expensive capital goods. On the other hand, the bankruptcies enabled finance capital to engage in an orgy of acquisitions, thereby further concentrating ownership in the South African economy. Gradually, however, 'visionaries' and 'reformers' in the ruling bloc began to accept that, for capital accumulation to continue, a new political dispensation was essential. Importantly, the NP had consolidated its power in the state, and its social base had shifted towards the middle and capitalist classes. It was also aware that the ANC constituted a legitimate representative of the popular masses, and the existence of such a 'voice' was an essential ingredient of a successful political settlement. The reformed NP, along with important fractions of capital, came to realise that apartheid was not necessary for capitalism to continue (and prosper) in South Africa. On the contrary, the crisis of capital accumulation in South Africa could only be resolved by political and ideological restructuring. And so, in 1990, the ANC and other resistance organisations were unbanned, and political leaders, the most famous being Nelson Mandela, were released from prison.

Marais makes the point here that the ANC was actually quite surprised by the willingness of the NP to set about restructuring the political arena, especially in conditions that were far from insurrectionary. This is because the ANC was still infused by the belief that apartheid could not be reformed or negotiated — it had to be swept away. This 'surprise' was also related to the ANC's political reductionism — that is, its reduction

of the entire system of apartheid to its political and ideological manifestation in the form of the apartheid state. In a nut-shell, the ANC firmly believed that, once the state changed, so would everything else — all the evils, oppressions, deprivations and inequalities of the apartheid system as a whole.

According to Marais, although neither side had ‘triumphed’, the apartheid ruling bloc still had the edge over the democratic movement. Despite the crises, the former still controlled the economy, the state (including the security forces) and the media. Both parties, in the light of the pending peaceful negotiations, had the support of the West, and with the collapse of socialism just about everywhere, could look forward to being welcomed ‘back’ into a global community dominated by the capitalist USA, Western Europe and Japan — in short, on terms prescribed by the global capitalist system. This no doubt gave the old ruling bloc additional confidence going into the negotiations.

ACTIVITY 4.4

Describe the ‘new conjuncture’ that, according to Marais, led up to and helped create the conditions for the commencement of a politically negotiated settlement in South Africa in 1990.

4.6 The ANC’s hegemony over the resistance movement in South Africa

Marais is here discussing the ANC’s success in achieving hegemony over the democratic movement, and its smooth transition (without undermining its hegemony) from its mainly insurrectionist stance, to negotiating a settlement with the enemy. He argues that this is largely a function, firstly, of its considerable ideological and strategic flexibility (although armed struggle remained its dominant resistance mode and rhetoric). Secondly, the ANC was also (deliberately?) ambiguous on almost all matters socioeconomic, political and ideological. He suggests that the ANC’s great strength had long been its masterful manipulation of the symbolic. Its flexibility is reflected in the fact that the ANC, its immediate partners, and the rest of the democratic movement, comprised a contradictory combination of moderate and radical discourses and methods, leaders and members. Despite the existence of both heterodoxy and dissent even within the ranks of the core of the democratic movement, that is, the ANC, the SACP and COSATU, this core was firmly led by the ANC, and heterodoxy (ie, different viewpoints) and dissent were tightly controlled by the ANC and kept within the confines of the organisation.

The ANC’s flexibility and ambiguity enabled it to argue that both armed struggle and negotiation were compatible with its historical course and commitments. This gave the ANC a great deal of ideological, political and strategic manoeuvrability. It enabled an inclusive rhetoric that drew not only local (while it was in exile), but international support for its

STUDY UNIT 4

hegemony and status as the government-in-waiting. Marais suggests that even its advocacy of armed struggle can partly be seen as an ideological device to secure its political leadership. For instance, by continuing to advocate armed struggle, the ANC was proclaiming that the oppressive forces of apartheid were not all powerful, thereby giving hope and inspiration to the oppressed masses. Such proclamations also won and maintained the support of the more militant elements (especially the young and angry) within the democratic movement.

Marais illustrates his argument here by referring to the ANC's championing and use of the Freedom Charter. He argues that the Freedom Charter functioned as an important ideological and hegemonic device for the ANC. It was, quite cleverly, somehow raised above debate and dispute, and attained a mythical, almost religious status. The ANC never elaborated on and specified its provisions. Possible ambiguities and contradictions (such as whether the Freedom Charter — and thus the democratic movement as a whole — was mainly liberal, social-democrat or socialist in content) were 'glossed over' (for instance, both liberal-democracy and socialism were held to be on the cards, but the latter was predicated on first achieving the former), or never raised, and sometimes, not even allowed to be raised. The end result was something akin to a 'bible', that could mean all things to all people, and thus not divide them (or alienate them from the ANC, and possibly undermine its broad hegemony).

However, Marais also argues that this very strength of the ANC, the 'secret to its success' (ie, its flexibility/ambiguity), was to have important implications for the nature of the coming negotiations, the transition process and its outcomes. Partly because it had never unpacked its 'manifesto', the Freedom Charter, and also because it tended to see political transformation (the abolition and replacement of the apartheid state) rather simplistically as the panacea for all the ills of capitalist apartheid society, it had a very rudimentary vision of what a post-apartheid society would or should be like. In this respect, just before 1990, the ANC set up various policy-generating structures, consulting, among others, representatives from COSATU, capital, the media, western governments, the IMF and the World Bank. Significantly, the SACP played little role in the policy debate. According to Marais, the 'hurried' nature of this policy-generating initiative, the type of inputs that held sway, and their associated outcomes, were to have a quite significant impact on the policy orientation of the new ANC government.

ACTIVITY 4.5

What, according to Marais, were 'a few secrets' of the ANC's 'success' in achieving and maintaining hegemony over the resistance movement in South Africa?

4.7 Conclusion

In a nutshell, Marais is arguing that both the 'regime of accumulation' and the 'mode of regulation' in South Africa needed major adjustments, because, by the late 1980s, the capitalist apartheid system was in severe crisis. The ruling bloc attempted various reforms to control if not resolve this crisis, but these met with at best mixed results. They had some successes, but at the same time opened up new, and exposed old, sources of crisis. By the late 1980s the opposing forces in South Africa had reached a temporary stalemate. However, Marais points to two salient variables suggestive of a way out of the impasse. The first is that the limited success of the reform measures implemented by the ruling bloc helped push them into considering significant political changes, because they believed they could turn this to their advantage. The second is that, despite the ANC's commitment to insurrection, its orientation was sufficiently flexible, and indeed ambiguous enough, to also consider the possibility of a negotiated settlement.

ACTIVITY 4.6

Possible assignment and examination questions and instructions

- (1) Write an essay of three to five pages in which you briefly and concisely describe the 'organic crisis' that characterised the capitalist apartheid system in the late 1980s and the various reforms that had been initiated by the apartheid regime from the 1970s in its attempt to resolve this crisis. In your essay, you must refer to the elements of the crisis these reforms addressed, and the extent to which the reforms were successful in resolving the crisis.
- (2) Write an essay of five pages in which you describe the combination of socioeconomic, political and ideological circumstances, both local and global, that helped created the conditions for the possibility of a politically negotiated settlement in South Africa in 1990.

Study unit

5

THE TRANSITION TO LIBERAL-DEMOCRACY IN SOUTH AFRICA

STUDY

Marais (2001:Chapter 3).

5.1 Aims and outcomes of study unit 5

The aims and outcomes of this study unit are to enable you to understand and describe Marais's analysis of the nature and consequences of the transition to a liberal-democratic nation-state in South Africa. This study unit is the last one in the module that deals with the political-economy of the South African transition from apartheid to formal democracy in the early 1990s. From Study unit 6 onwards, our emphasis is on a description and critique of the development path advocated and implemented by the current government since then. From Study unit 6 onwards, we shall also be considering alternatives to the current government's development path. In other words, from Study unit 6 onwards, our emphasis falls on the current government's socioeconomic policy, and its prospects for bringing about prosperity, equality and justice for all in South Africa. We will be using a political-economy theoretical approach, as we have been doing throughout this module.

If you have achieved all the aims and outcomes of this module so far, you should understand and be able to describe — using a political-economy approach — the nature of the capitalist apartheid system up to the late 1980s/early 1990s. By now, you should understand and be able to describe the complex and contradictory socioeconomic, political and ideological relationships both between and within the apartheid regime and the

The transition to liberal-democracy in South Africa

democratic movement up to the late 1980s/early 1990s. And you should have some understanding of the way in which the capitalist apartheid system has been inserted into, and influenced by, the global capitalist system. Indeed, on the basis of the theoretical approach we have been using, you should be able to offer an explanation of (ie, give reasons for or state possible causes of) the origins, emergence and nature of the capitalist apartheid system, the crises it became increasingly subject to, and what brought about the transition to political democracy in South Africa.

This study unit is aimed at enabling you to understand and describe the set of complex and contradictory socioeconomic, political and ideological interrelationships that characterised and shaped the process and outcome (and future trajectory) of the actual period of transition to liberal-democracy in South Africa. Note that Marais is not interested in the ‘minutiae’ (the intricate details) of the negotiation process that ultimately led to the ANC’s landslide victory in the 1994 election. (If you are interested in these details, follow up his references to them in the endnotes of his Chapter 3.) Instead, Marais is far more interested in the relationships between the socioeconomic, political and ideological factors that produced and shaped the transition process and its outcomes, and that produced a set of circumstances containing both opportunities and constraints (and it is these constraints that Marais refers to as ‘limits to change’) as far as social transformation in South Africa is concerned.

Please note that in order to be able to do this study unit’s activities and achieve its aims and outcomes satisfactorily, you’ll find that you’ll have to draw on just about everything you have learned so far in this module.

5.2 The characteristics of South Africa’s new liberal-democratic state in the early 1990s

In this module so far, in your reading generally and in your exposure to the media, you will have come across numerous references to terms or concepts such as the ‘state’, the ‘nation-state’, a ‘nation’, a ‘country’, the ‘government’, a ‘democratic’ state, and a ‘liberal-democratic nation-state’. Some of these terms are often used quite loosely, and as if they were interchangeable. They are also frequently used as if their meanings were self-evident or unproblematic (ie, as if the meaning of such terms is quite clear, as if everyone agrees about their meaning, and as if the meanings ascribed are not subject to question, debate or disagreement). But what do these terms mean? Is it possible to distinguish between them and are there significant differences between them? To some extent, these terms can indeed be used interchangeably, and their meanings can be relatively unproblematic. But this depends a great deal on the context in which they are used. The context in which such terms occur can often tell us more or less clearly what they are meant to refer to.

However, it can in fact be quite difficult to determine a precise meaning for each of these concepts. Even if you consult a wide variety of authoritative sources, you will always find at least some inconsistency about what these concepts mean, and/or some blurring or sharing of

STUDY UNIT 5

meaning between them. For present purposes, we think it makes sense to try to unpack these terms as the authors referred to in this module use them.

If we start with Marais himself, although he does not provide many definitions as such, we can infer something about what he means by such terms from his characterisation of the state that emerged in South Africa as a result of the political negotiations and settlement that took place between roughly 1990 and 1996. His characterisation includes the following:

- (1) A liberal-democratic, multi-party political system based on a Constitution. This constitution can only be changed by a 2/3 majority vote in the constitutional assembly (or parliament).
- (2) A Constitutional Court for the resolution of disputes relating to constitutional issues.
- (3) A unitary (that is, not federalist state system, as in the USA) South Africa, albeit with some delegation of powers to local levels of government (to the 9 new provinces in particular).
- (4) Universal suffrage.
- (5) Multi-party elections every five years.
- (6) A Parliament with two houses: A National Assembly of 400 members determined by the number of national votes each political party secures, and a National Council of Provinces with 10 members from each of the 9 provinces, determined by the number of votes each party achieves at the provincial level.
- (7) The constitutional separation of the legislature (parliament), the judiciary (the court system) and the executive (the various departments of the nation-state concerned with carrying out important societal functions).
- (8) A Bill of Rights.
- (9) Several parastatal bodies to help maintain and implement the constitution. These include:
 - (a) a Public Protector's Office (PPO), to ensure democratic and ethical practices in the public sector
 - (b) a Human Rights Commission (HRC)
 - (c) an Election Commission
 - (d) an Independent Broadcasting Authority (IBA) to regulate the media
 - (e) an Auditor General
 - (f) a Cultural Commission, to protect minority cultures

Marais reminds us that the constitution that supports the new political dispensation in South Africa is one of the most progressive, liberal and, indeed, admired, in the world. It explicitly prohibits just about any sort of discrimination, and it includes the right of workers to engage in collective bargaining and strikes (which is off-set to a degree by employers' right to lock-out).

We can infer the meaning of many of the concepts initially mentioned above from Marais's list. The items on this list comprise some of the 'formal' characteristics (or structures, institutions, organisations) of the new South African nation-state (the concept of a nation-state is explained below) and political system. The term 'formal' also applies to rights (as

The transition to liberal-democracy in South Africa

enshrined in the Bill of Rights). In other words, we all have various rights, say, not to be discriminated against at work on arbitrary/unfair grounds.

But what are ‘rights’? It is important to realise that we may not actually be able to exercise our rights, that is, take some sort of action if we believe we are being discriminated against, for any number of reasons. We may, for example, fear losing our jobs in conditions of high unemployment. We also may not be able to afford long, costly legal proceedings. Or perhaps the bureaucratic (ie, institutional — such as in the institutions, organisation and procedures of the HRC or PPO or even the court system) machinery set up to deal with such issues may be ‘blocked-up’ with simply too many cases. In other words, it’s all very well to have formal rights, but they’re a bit pointless if we don’t have the means to exercise them. This is where the notion of ‘substantive’ rights (or substantive justice) comes into the picture. Briefly, this is a reference to, among other things, having the means (the resources, money, time, even education and literacy) to be able to exercise one’s formal rights (see the discussion of ‘citizenry’ and ‘social rights’ below).

The ‘executive’ that Marais mentions refers to all the new nation-state’s ministries and departments (such as departments of Education, Foreign Affairs and Finance) that carry out important societal functions on behalf of society and all its people. Each department is headed by a Minister who makes decisions about what is to be done and how it is to be done. This Minister is usually a top figure in, and appointed by, the ruling political party or coalition of parties that won the most recent election. The Minister is usually a member of cabinet, and makes his or her decisions based on the policy of the ruling political party as a whole. The cabinet is, in effect, the collection of ‘chief executive officers’ of the nation-state, and is usually headed by a Prime Minister or State President. The judiciary is the court system that interprets and implements laws enacted by parliament. The legislature refers to parliament, where laws are introduced, debated, voted on and enacted. Note that parliament, despite the presence of members of opposition parties, is usually dominated by the ruling political party or ruling coalition of parties that gained the most votes during elections. Thus the latter have the (numerical) upper hand when it comes to voting on bills and laws that may have significant implications for the whole country.

The ‘government’ is the successive body of persons, in the form of successive ruling political parties, or ruling coalitions, that governs a society or country through the institutions, organisations and machinery of the nation-state (ie, the various ministries and departments), on the behalf of the ‘citizenry’ (see below). The nation-state as a whole thus functions (to a greater or lesser degree) according to the decisions of the government of the day. And this government makes decisions on the basis of its own policy agenda. These decisions are codified in and implemented by the organisations, institutions and machinery of the nation-state, and thus have implications for the entire country and all its people. Can you see why the concepts ‘nation-state’ and ‘government’ (and even ‘the state’) appear to blur and overlap with and even merge into one another? Can you see why, in practice, the state, the nation-state and the government also tend to merge?

STUDY UNIT 5

One way to distinguish between them, is to understand the state as the formal, general set of institutions, organisations, structures and procedures that make possible the general governance of a society or country. In this sense, the state has no concrete content — it is a set of ‘empty places’ or a framework for governing a country. On the other hand, the government ‘fills-in’ this ‘empty’ framework. In this sense government represents a series of political regimes, that is, a series of particular political parties with particular policies that they try to implement through the framework provided by the state. If a different political party or coalition of political parties wins an election, the state will be run in a more or less different fashion, according to the policies of the new government. A new ruling party may even change some of the formal aspects of the state (eg, aspects of the constitution).

Put differently, elections, political parties and governments may come and go, but much of the state’s institutions, organisations and machinery, and many civil servants (especially the less political, more technical ones) will remain in place. However, in reality, newly elected governments may try to make changes to a greater or lesser extent in all these areas — a case of ‘new brooms sweeping clean’. But this will depend on a number of things. These include the balance of power between the new ruling political party and opposition parties, media reaction and even the possibility of resistance to change (through, say, various forms of industrial action) on the part of existing incumbents of offices and positions in the state bureaucracy (the institutions, procedures, etc, of the nation-state — in other words, civil servants may try to resist change and the possibility of losing their jobs). Here another sense of the ‘formal’ dimension of the state is relevant. A new government regime may indeed find it extremely difficult to make changes to and/or on the basis of existing state structures and procedures. In other words, a new government may be shaped and influenced by the existing state as much as (or even more than) it can shape the state in terms of its own purposes.

In practice, there is a ‘government department’ for just about every aspect of a society and social life (think a while on just how many government departments and ministers there are, ranging from finance to the environment to the performing arts). This means that a particular government has the potential to exert a profound influence over not only the entire state, but the whole of the country and people it ‘rules over’ too (by, say, getting laws passed in the legislature, particular allocations of resources, etc) and even neighbouring countries (by means of, say, its foreign policy). Potentially, it has a great deal of power. However, this power also depends on many factors, such as those mentioned in the previous paragraph. It is one thing to have policy and make policy decisions. It is often quite a different question altogether to get (new) policy implemented. We shall return to this notion of potential and constraint further on in the module — with particular emphasis on the relationship between the power of the state, government policy, and globalisation.

The concept of a ‘nation-state’, refers, at first sight seemingly uncontroversially, to the idea that the state, with a particular government in place, rules in, for and over a nation or country. The idea of a ‘nation’, further, usually carries with it connotations of ethnic or cultural

The transition to liberal-democracy in South Africa

homogeneity. (Think of the 'Zulu nation'.) However, the idea can be quite confusing if you ask yourself 'What is the South African nation?' For that matter, what state anywhere rules over a culturally more or less homogeneous nation? South Africa (and just about any nation-state) contains many cultures, ethnic groups and nations. So in what sense is the state in South Africa a nation-state? In Chapter 5 of Cohen and Kennedy (2000), you will find some interesting and clarifying reading on this and related issues. Their definition of the nation-state (2000:78) is particularly useful:

The nation state is constituted by a government assuming a legal and moral right to exercise sole jurisdiction, supported by force in the last resort, over a particular territory and its citizens. This involves institutions for managing domestic and foreign affairs. From the late 18th century ordinary citizens in most western countries began to feel strong loyalties to their nation states, while local and regional identities were suppressed. Popular nationalism has been more difficult to achieve in some developing countries.

It is reasonably clear from this definition that the nation-state is, in practice, a government that rules over a society or country. Cohen and Kennedy's reference to the 'legal and moral right to exercise sole jurisdiction ... over a particular territory and its citizens ...' suggests that a government must have met a variety of conditions to be a government at all. For example, as a political party or coalition, it must have won an election in terms of a multiparty constitution. The government must also be legitimate (by, for example, winning the election fairly), both in the opinions of the people in the country it rules over, and the outside world. 'Sole jurisdiction' is also a reference to the 'sovereignty' of a nation-state (Cohen & Kennedy 2000:84), 'its ability to make and enforce its own policies and laws in its own territory and over the people living within its borders'.

The reference to 'force in the last resort' suggests that, if necessary, such a government can use force to buttress or ensure its rule — both inside the country over its citizens, and against external interference. The moral right to and/or monopoly over the use of force is quite prominent in many definitions of the state. This is obviously related to the government's control over the military, the police and, to a certain extent (given the formal separation of the executive, the judiciary and the legislature), the courts and penal system. The reference to a 'particular territory' and the suppression of 'local and regional identities' suggests that the legitimacy, authority and rule of the nation-state does indeed extend over different cultures or nations. Why do you think Cohen and Kennedy write that this sort of 'popular' and 'nationalist' legitimacy and authority 'has been more difficult to achieve in some developing countries'? (To answer this question, go back to the first two study units in this module, and also read through Chapter 5 of Cohen & Kennedy [2000]. There you'll find, among other things, discussion about the emergence of the nation-state, and the functions it began to fulfil.) Finally, the 'institutions for managing domestic and foreign affairs', is an obvious reference to the 'ministries' or 'government departments' (eg, the education, military, and foreign affairs departments), that is, the entire system of institutions and organisation that make up the state.

STUDY UNIT 5

How and why did the modern nation-state emerge? Very briefly, Cohen and Kennedy (2000:79–82, and see the first two study units of this module) argue that the modern nation-state began to emerge as a result of a number of developments, in particular, colonialism, warfare, increased trade between nations, capitalist industrialisation and increasing urbanisation. The modern nation-state emerged in the form of a modernising, centralising and controlling agency over various groups of people, in a context of military and economic rivalry between nations. It had a protective and interventionist nature — it was on this basis that the nation-state claimed authority and legitimacy, and which helped unite (or at least softened the differences between) different classes, ethnicities and cultures, in terms of overall goals and interests. In other words, the new nation-state endeavoured to fulfil (or at least tried to convey that it was fulfilling) functions (such as the promotion of economic advancement or military defence) that all groups within its territory would plausibly benefit from, despite their differences. This created a new form of ‘popular’ nationalism — the ‘secular’ (that is, non-cultural, non-ethnic or non-religious) nationalism, involving a new type of ‘nation’, of the modern nation-state.

Cohen and Kennedy (2000:82–83) also make a strong link between the emergence and nature of the nation-state, the new nationalism, democracy and ‘citizenship’. They define citizenship as ‘membership of and inclusion in a national community ... (which) ... confers a set of entitlements ... but simultaneously requires the fulfilment of certain obligations to state and society’ (2000:82). These ‘entitlements’ (or rights) refer to legal equality and justice, having a political ‘say’ (in the form of, for instance, voting in elections), and ‘access to a minimum of protection against economic insecurity’. The ‘obligations’ they refer to include loyalty to the nation-state, the duty to pay taxes and obey the law, etc. In essence, citizenship in a nation-state implies a contract or bargain between citizens and society (in the form of the nation-state) that makes possible a commitment to society, and in particular, to the new type of nationalism associated with the nation-state. (‘New type’ in the sense that nation-state nationalism is pragmatic and secular rather than ethnic or cultural.) In other words, historically, the ‘nation’ that a nation-state rules over is quite a recent construction, and is an entity that may be, but is not necessarily linked to shared cultural or ethnic or religious identity.

Cohen and Kennedy (2000:82–83) list three sets of rights that have dominated our way of thinking about the nation-state and citizenship until quite recently:

- Civil rights, such as owning property, free speech, and an impartial legal system with laws that apply to all citizens equally.
- Political rights, such as the right to vote for the party of your choice in elections, and offer yourself as a candidate for election.
- Social rights, which include protective welfare provision for the old, disabled and unemployed. The thinking behind social rights is similar to the notion of ‘substantive rights’ mentioned above. It is assumed that ‘without them the inequalities and insecurities inevitably generated by capitalism might push some people to levels of permanent poverty where they are too weak to exercise their civil or political rights’ (Cohen & Kennedy 2000:82–83). Recently

The transition to liberal-democracy in South Africa

however, right-wing (that is, neo-liberal, socioeconomically, politically and ideologically conservative) thinkers and politicians have become stridently critical of welfare rights, asserting that citizens are neglecting their obligations and duties. Such people claim that, for example, all citizens have a responsibility to find work and look after aged and/or disabled and/or unemployed family members. According to Cohen and Kennedy (2000:83), part of the reason for this criticism is the fact that welfare provision has become increasingly expensive, especially in conditions of high unemployment and rising costs. Right-wingers also argue that welfare provision produces a 'dependency culture, which undermines' 'individual autonomy and moral responsibility.'

We return to this theme in various ways later on in the module, but for now, think of the following. If the assumption underlying social rights in the first place is to provide a sort of safety-net against the 'inequalities and insecurities inevitably generated by capitalism', which 'might push some people to levels of permanent poverty where they are too weak to exercise their civil or political rights', and capitalism has indeed resulted in high unemployment and rising costs, just how are people supposed to find work, and look after their families? What has caused or brought about the conditions in which welfare provision has become so expensive? Does this right-wing criticism indeed simply reflect a desire to eradicate the 'culture of dependency' that is decreasing "individual autonomy and moral responsibility"? It seems that at a time and in conditions (the very conditions that spawned the idea of welfare provision) that people need social rights most, these rights are under attack. Why do you think this is the case? You'll find some answers to this question in the second study unit of his module.

It is perhaps on the basis of the distinction between civil and political rights on the one hand and social rights on the other that Marais's use of the term 'liberal-democracy' can best be understood. Nation-states and governments that have a strong social rights or social-welfarist orientation are often referred to as left-leaning 'social-democratic' states. On the other hand, those states that stress civil and political rights and duties, and are only partially if at all oriented towards social rights, and the provision of social welfare, tend to be referred to as centre-right 'liberal-democratic' nation-states. And the more such nation-states tend to be oriented towards free-market capitalism, and reduced state spending on social welfare generally, the more likely they are to be labelled 'neo-liberal' nation-states (see Study unit 2).

ACTIVITY 5.1

Describe Marais's brief account of the formal characteristics of South Africa's new liberal-democratic nation-state. What is a liberal-democratic nation-state? In answering this question, take into account the difference between 'social' rights and 'substantive' social-democracy, and political and civil rights and (neo) liberal-democracy, and give reasons for what kind of state you think South Africa is.

STUDY UNIT 5

5.3 The orientations, goals, strengths and weaknesses the ANC, the NP and capital brought to the negotiations for a 'new' South Africa

Marais argues that the ANC, which was the leader of the democratic movement, brought a quite radical political agenda to the negotiations. But its socioeconomic agenda, despite the urging of its SACP and COSATU partners in the alliance, was by no means radical (and if it ever was radical, it quickly became far less so). The ANC did officially support a 'mixed economy' (capitalism, but with some state intervention in the economy — amounting to something like the social-democracy and 'social rights' discussed in the previous section of this study unit), and did want a development path that would enable the redress of socioeconomic injustices and other legacies of the apartheid past. But this certainly did not entail radical (socialist) economic change and redistribution. As we have already seen in previous study units, the ANC's ideology, politics and strategy had for long been centred around African nationalism, and the ideals of democracy and of civil rights. The ANC had always been short on class politics and socialism. And its associated tendency to reduce all the ills of apartheid to the apartheid state had produced a somewhat simplistic 'strategic' tendency to predicate the elimination of socioeconomic inequality on radical political change. Seize the state, change the state, change the world.

The ANC had clearly established its hegemony over the popular resistance forces and the popular masses, and had even convinced the international community that it was an exiled, but 'government in waiting' nonetheless. In short, the ANC had secured the ideological, political, moral and popular high ground. However, it was organisationally and militarily weak, and had little in the way of financial resources and muscle (for reasons already mentioned, such as its focus on seizing the state and associated neglect of popular political organisation, and the end of its support from the Soviet bloc). According to Marais, it also feared a number of developments that characterised this period, some of which were at least in part of the ANC's own making. In short, it was afraid of potential threats to the stability of the new democratic order it would negotiate and ultimately rule over. The period was characterised by endemic violence (particularly in Natal), an ethnically mobilised IFP supported militarily by shadowy, all but criminal elements in the apartheid security apparatus (and the latter were involved in various other destabilising activities too), and a militant, heavily armed and reactionary white right-wing element. It was also characterised by high levels of crime, and a largely marginalised African community (especially the township youth), prone to urban gangsterism and political warlordism. The violence, and the crime in particular, were obviously related to the general economic crisis in the country, and the resultant lack of material resources felt so keenly by those most marginalised and impoverished by the apartheid system. But these sorts of problems could not be dissociated from the ANC's own calls for ungovernability and insurrectionism over the years.

The transition to liberal-democracy in South Africa

Despite its military, organisational and financial weakness, and its fear of future instability, however, this did not mean that the ANC could or would not revert (or at least threaten to revert) to insurrectionism if negotiations did not go the ANC's way. The ANC still had the hegemonic, moral and popular upper-hand, and the popular resistance movement was slowly regrouping around the MDM (however, there was a great deal of international, mainly western pressure on the ANC to press ahead with a negotiated settlement, with existing and future economic support used as both carrot and stick in this regard).

The apartheid regime, represented mainly by the NP, came to the negotiating table mainly because it could not resolve the political dimension of the crisis that beset the capitalist apartheid state. As indicated in previous study units, it had tried various political and socioeconomic reforms, which had yielded only partial success. However, the regime still held and knew that it held the upper-hand in many ways. This gave it the courage to proceed with negotiating a political settlement. It had the support of capital, and thus plenty of resources. It had facilitated, albeit to only a small extent, the emergence of a nascent, black middle class 'buffer'. It had the support of the international community for entering into peaceful negotiations with the ANC to end apartheid politically (it must be noted, however, that the NP was also under a great deal of pressure from the international community to continue with the negotiations and end apartheid – otherwise, it faced the prospect of all sorts of intensified sanctions). The NP was also greatly encouraged by the collapse of communism, and emboldened by the prospect of the country being welcomed back into the global capitalist system. This is partly because it foresaw great benefits flowing from the capitalist system for its relatively new, now mainly middle-class and capitalist social base (ie, its new constituency). The 'new' NP, like the 'progressive' elements of big capital in South Africa, came to believe that the apartheid system was no longer necessary to perpetuate white power and privilege in capitalist South Africa. In fact, apartheid was now undermining the capitalist system in South Africa.

Importantly, the NP also had the continued support of the security forces. This meant that, firstly, the NP could deploy a 'twin-track' strategy — while negotiating with the ANC, it was simultaneously and surreptitiously using the security forces to exploit any potentially explosive situations in an attempt to undermine the ANC's credibility, popularity and hegemony. Secondly, as a last resort, the security forces could be used to forcibly reinstate the status quo if political negotiations did not go as expected or yield the outcomes desired by the NP and its constituency.

From capital's point of view, economic growth in South Africa now depended on a political solution. Capitalists differed on a number of levels, but shared the desire for political stability, a free-market economy, the continuity of the nation-state and governance, and the deflection or diffusion of political demands for the radical redistribution of wealth and resources in the country. They wanted a reorganised political hegemony that was more inclusive and nationalist (as in the nationalism of the nation-state discussed earlier) in nature to ensure and secure their stake in continued capital accumulation and economic growth. Capital desired a

STUDY UNIT 5

development path that could resolve the existing socioeconomic crisis, that is, a path entailing slight modifications to the regime of accumulation, and a more far-reaching restructuring of the mode of regulation.

ACTIVITY 5.2

What did the ANC, the NP and capital 'bring to the negotiating table'? Describe the orientations, goals, strengths and weaknesses Marais ascribes to each.

5.4 *Compromise, conciliation, inclusion and consensus*

Put briefly, and somewhat generally, Marais suggests that there were really only two parties negotiating the transition to political democracy in South Africa in the early 1990s. These were the ANC, representing the broad, 'black' popular resistance movement, and the NP, representing the interests of the 'white' minority, and, to a large extent, the interests of capital. Marais argues that the negotiations were characterised by a 'politics of compromise', conciliation, inclusion and consensus. He holds that this was a direct result of the orientations, goals, strengths and weaknesses of the ANC and NP (as discussed in the previous section) — strengths and weaknesses that had been determined historically by the unfolding socioeconomic, political and ideological relationships between and within these groupings up to the late 1980s.

An impasse had been reached between the apartheid and democratic forces, as already indicated. However, despite appearances to the contrary, there was a considerable amount of overlap between the agendas that the ANC and the NP brought to the negotiating table, albeit for different reasons. Both parties faced increasing international pressure to get together and bring about a peaceful transition to multi-party democracy. The NP faced increasing international isolation generally, and economic sanctions in particular. And both the NP and the ANC wanted to reap the economic and other rewards they believed would flow from full reinstatement within the international community. They did not disagree about the need for political and ideological transformation. Nor did they disagree too much on the need for a new socioeconomic development path (this is elaborated on in the following study units). And, in any event, both were confident of their respective fall-back positions in the event that the negotiations 'failed' (ie, that this could secure, in broad terms, what each wanted to see happen). The ANC could, in the last resort, revert to insurrectionism and the NP to renewed oppression.

Furthermore, despite the ANC's radical political agenda (which was hardly incompatible with the NP's and capital's new politico-economic reasoning), the ANC's weaknesses and fears, combined with the NP's and capital's reoriented and even confident expectations and hopes of the prospects of political restructuring (and an emerging awareness on all sides of common interests), created a climate of conciliation and

The transition to liberal-democracy in South Africa

consensus-building during the negotiations. An inclusive atmosphere soon began to envelope the representatives of the old and the (prospective) new order, and a willingness developed to assimilate elements of both the old and the new in a spirit of compromise. In short, an attempt was afoot to build a new South Africa on the basis of reconciling previously different and indeed conflicting interests.

In the spirit of negotiation, both parties made various compromises (although both continued to 'hedge their bets') in order to build a new South African nation and foster a new South African nationalism. But neither nation-building nor nationalism should be confused with social transformation. And the focus throughout this module has been, and remains, the prospects for prosperity, equality and justice for all in South Africa, in other words, the prospects for far-reaching social transformation. This focus requires identifying, understanding and describing the possibilities for, and in particular, the constraints that inhibit social transformation (that is, the 'limits to change') — and finding ways to overcome them. Marais argues that the outcomes of the negotiations were ambiguous in many respects. There were no clear 'winners' or 'losers' (as there were none prior to negotiations), and the end result remained 'contested terrain'. In other words, there were no clear signs of whose interests were most catered to and/or privileged and whose were marginalised. Nonetheless, Marais claims that various 'telling clues' were discernible.

What Marais means by this, is that the 'politics of compromise', conciliation, inclusion and consensus that characterised the negotiations produced various (quite ambiguous, as just mentioned) outcomes. Some of these outcomes would become enshrined in the constitution itself. These solidified and re-created (ie, in terms of both historical continuities and discontinuities) various conditions and circumstances that entrenched 'limits to change' with regard to broader, deeper, social transformation in South Africa. For instance, the ANC retreated from many seemingly strongly held positions. These included agreeing to the 'sunset clause' of a Government of National Unity (GNU) from the 1994 to the 1999 elections, agreeing to the inclusion in the final constitution of principles put on the table as early as 1993, and opting for a Truth and Reconciliation Commission (TRC) to permit amnesty, rather than criminal prosecution, for human rights abuses committed during the apartheid era. Marais holds that the TRC was mainly an attempt to pacify the security forces and prevent some sort of military coup, but it can also be read as an attempt by the ANC to avoid the consequences of some of its own excesses over the years.

Marais also points out that the ANC agreed to the recognition and maintenance of 'traditional leadership', which is obviously at odds with full democracy, and indeed reinforces existing ethnicism and racism in the new South Africa. Marais argues that this amounted to a concession to (and an acknowledgement of their fear of ongoing violence with) the IFP, in the form of the recognition of Zulu royalty. In somewhat similar vein, noises were made about investigating the possibility of a 'homeland' for Afrikaners, an obvious attempt to reduce the threat of violence from racist, right-wing Afrikaner extremists.

STUDY UNIT 5

Other important ‘telling clues’ that Marais refers to include the constitutional protection of the independence and impartiality of the Reserve Bank, and the inclusion of protection of private property clauses. In the case of the former, the Reserve Bank had always shown a commitment and subservience to corporate capitalism in South Africa (and to international capitalism). And a commitment to (existing) private property obviously has implications for the scope and scale of redistributive options.

ACTIVITY 5.3

Marais argues that a ‘politics of compromise’, conciliation, inclusion and consensus characterised the process of the negotiated political settlement reached in South Africa in the early 1990s. What does he mean by this and what consequences does he draw from it? Write an essay of about five pages on the process of the negotiated political settlement reached in South Africa in the early 1990s, and its implications for social change and transformation in South African society.

5.5 Conclusion

In this study unit we have looked at the reasons behind and nature of the process and outcomes of the period of transition from the apartheid regime to a liberal-democratic nation-state in South Africa in the early 1990s. We analysed the idea of a ‘liberal-democratic nation-state’, and looked at Marais’s brief description of the formal characteristics of South Africa’s own new liberal-democratic nation-state. We discovered, among other things, that the organisations, institutions and procedures, etc, of the nation-state, can be changed by successive governments, can facilitate their rule, but can also constrain them, and inhibit policy they may wish to implement. The implicit conclusion that can be drawn from this discovery is that the new South African government would similarly be facilitated and constrained by the existing state machinery.

In terms of the political-economy theoretical approach used throughout this module, we explored the historically determined socioeconomic, political and ideological variables and relationships that produced and shaped the transition process and its outcomes. We looked at the orientations, goals, strengths and weaknesses the ANC and NP brought to the negotiating table. We then examined Marais’s contention that the latter produced a politics of compromise, conciliation, inclusion and consensus during the negotiations. This led to a set of ambiguous circumstances with no clear winners, and contained both opportunities and constraints for social transformation in South Africa. However, we also discovered that the negotiated settlement contained important footprints or ‘telling clues’ about ‘limits to change’. That is, constraints on the prospects for social transformation that can bring about prosperity, equality and justice for all in South Africa.

According to Marais, the settlement could have yielded (among others of course) two important outcomes. Firstly, a new set of political and

The transition to liberal-democracy in South Africa

ideological bases, of the sort that could have helped to gradually dismantle what he has called a 'Two Nation' society. And secondly, a new set of political and ideological bases that would merely create a new form of 'Two Nation' society. By this he means a resolution of the political and ideological dimensions of South African capitalism's organic crisis, but not its socioeconomic dimensions, that is, those needed to secure prosperity, equality and justice for all. However, Marais argues that the nature of the negotiations led to the ANC making compromises that would constrain the prospects for dismantling South Africa's 'Two Nation' character. It emphasised political and ideological nation-building and retreated from and yielded positions necessary for socioeconomic transformation. In short, the outcome of the transition yielded political and ideological transformation alone.

However, Marais suggests that this is no surprise. The ANC had, for a long time, been characterised by ideological and theoretical flexibility and ambiguity, African nationalism, and an orientation towards democratic and civil rights. It had neglected class politics and socialism, and strategically had a politically reductionist and instrumentalist approach that emphasised 'seizing the state'. When it came to the negotiating table, the ANC's agenda contained little or no emphasis on general socioeconomic redistribution, creating employment, and improving the material conditions of the masses. The ANC actually had no socioeconomic policy coming into the negotiations at all. Such policy was provided, at least initially, by the trade union movement in the form of the Reconstruction and Development Programme (RDP). It was adopted by the ANC, quite conveniently, just before the 1994 elections (however, its more radical content was soon watered down to placate the NP and capital). The ANC's political reductionism entailed the belief that political solutions can solve all problems, including socioeconomic ones. Indeed, there emerged the conviction in the ANC that in today's post-socialist, global capitalist society, both domestic and international capital would have to be courted. Nelson Mandela assured the international community that nationalisation in particular and Marxist ideas in general no longer formed any part of ANC thinking. And the ANC underlined this point by signing a letter of intent to the IMF, confirming the new South Africa's commitment to macro-economic stability — that is, to terms defined by and in the context of a global capitalist economy. Were there indeed no winners and losers at the end of the negotiations? Whose interests do you think were most served by the final settlement?

ACTIVITY 5.4

Possible assignment and examination questions and instructions

- (1) Describe Marais's brief account of the formal characteristics of South Africa's new liberal-democratic nation-state. What is a liberal-democratic nation-state? In answering this question, take into account the difference between 'social' rights and 'substantive' social-democracy, and political and civil rights and (neo) liberal-democracy, and give reasons for what kind of state you think South Africa is.
- (2) Write a five page essay on Marais's analysis of the nature and consequences of

STUDY UNIT 5

the transition to a liberal-democratic nation-state in South Africa.

- (3) What combination of socioeconomic, political and ideological factors produced and shaped the process and outcome of the transition to liberal-democracy in South Africa?
- (4) Marais argues that a politics of compromise, conciliation, inclusion and consensus characterised the process of the negotiation of the political settlement reached in South Africa in the early 1990s. What does he mean by this and what consequences does he draw from it? Write an essay of about five pages on the process of the negotiated political settlement reached in South Africa in the early 1990s, and its implications for social change and transformation in South African society.

Study unit

6

THE POLICY CONTEXT OF THE NEW LIBERAL- DEMOCRATIC GOVERN- MENT IN SOUTH AFRICA

STUDY

Marais (2001:Chapter 4).

6.1 Aims and outcomes of study unit 6

This study unit has three aims and outcomes. The first is to enable you to understand and describe what is meant by the concept 'policy'. The second is to enable you to understand and describe the socioeconomic, political and ideological context within which questions of policy had to be addressed by the new liberal-democratic government in South Africa. The third is to enable you to critically apply your understanding of the concept of 'policy' to policy activity in a variety of different contexts in contemporary South Africa.

In Study unit 5 we dealt with the political-economy of the transition from apartheid to liberal-democracy in South Africa. We noted that the formal components of the nation-state can be changed by new governments, can make it easier for them to rule, but can also constrain them, and prevent them implementing policy. We also looked at Marais's argument that, briefly put, the political-economy of the transition was characterised by a politics of compromise, conciliation, inclusion and consensus that led to a set of ambiguous circumstances with no clear winners. For Marais this meant both opportunities for and constraints on social transformation in

South Africa. However, we also noted that there were some ‘telling clues’ in the negotiated settlement about ‘limits to change’, that is, about constraints on the prospects of bringing about prosperity, equality and justice for all in South Africa. We found that the transition involved real political and ideological change, but did not seem likely to yield much more than this. These factors have all impacted on policy activity in South Africa. We turn now to what is involved when we refer to ‘policy’.

6.2 The nature of policy

The nature of ‘policy’ is highly ‘contested’. In other words, there is a great deal of debate about what policy is, how it comes about and what it involves. And the concept is used to describe seemingly quite different things, ranging from a ‘no-smoking’ policy at a place of work, to a government’s ‘macro-economic’ policy. Some perspectives on policy, especially the more dominant ‘mainstream’ or orthodox perspectives, tend to focus on the authoritative (ie, ‘top-down’) making or formulation of policy. Others, more or less mainstream, focus on what happens after policy has been formulated, that is, on what is involved in and what follows from attempts to implement policy. Colebatch (1998) focuses on policy as an ‘activity’. This is because he believes that there is far more to policy than what is normally associated with merely making and implementing policy. Colebatch believes that policy is a far more ‘messy’ activity (ie, far more complex and contradictory) than most mainstream accounts of policy making and implementation tend to allow for.

6.3 A five-stage model of policy activity

Colebatch (1998:42–3, 55) observes broadly that the ‘dominant paradigm’ on policy involves the claim that policy is the “exercise of authority to achieve collective purposes”. The dominant paradigm generally involves five cyclical and reciprocal ‘stages’ of policy.

- 1 The first stage is determining goals. This involves the aims and objectives of a policy, which are usually decided upon by individuals or groups in positions of authority. These individuals or groups may include a government minister or the cabinet, or the chief executive officer or board of directors of a large corporation. Policy decisions are usually made on behalf or in the interests of (or at the very least will have implications for) a greater collective (such as the electorate or workers or shareholders).
- 2 The second stage is choosing courses of action that will bring about the aims and objectives desired by those in authority. This usually involves the rational calculation (on the basis of any combination of theoretical or mathematical or statistical models) of what would be the most effective and efficient means, methods or instruments to achieve the given goals. Factors taken into account here would include calculating whether various courses of action are in fact likely to bring about the desired result, how long this will take, how costly different options are relative to available resources, etc.
- 3 The third stage is implementing courses of action. This involves the

The policy context of the new liberal-democratic government in South Africa

management and detail of actually setting in motion the means chosen to attain the desired ends. This is usually done by people who the main decision-makers have delegated for the task.

- 4 The fourth stage is evaluating the results of implementation. This involves gathering and processing evidence to determine if, and to what extent, the desired goals have been realised by the means chosen. It also involves looking to see if anything has gone wrong, why this is the case and what can be done about it.
- 5 Finally, depending on the conclusions reached in the previous stage, modifying policy occurs. This may involve changing any aspect of the policy, including the objectives themselves (which may not have been sufficiently clarified to begin with, or may — now — be perceived as unrealistic or unrealisable to one degree or another). It may also involve reassessing the best possible means to achieve the objectives, and examining the means of implementation to find out if and why something went wrong when the means or instruments chosen were put into practice. And so the policy cycle continues. This is what is meant by the model being cyclical and reciprocal.

Colebatch (1998:72–114) claims that, superficially, this dominant paradigm is plausible. He argues that it is not counter-intuitive (ie, it is compatible with common sense), it is quite straightforward, and it is a defensible interpretation of policy. His main point, though, is that this is all that can be claimed of the dominant paradigm — it is only one possible interpretation of, or perspective on, policy. It represents only one small, albeit important, part of policy as a whole. The reality of policy activity is far more complex, and far ‘messier’, as mentioned above. He argues that if questions such as ‘who makes policy?’, ‘where is policy made?’, ‘what is policy for?’, and ‘what happens to policy?’, are vigorously posed and pursued, the answers we get start to make the dominant paradigm look rather incomplete and inadequate.

Supposing, for example, we pose and pursue the question of who makes macro-economic policy. The commonsense ‘mainstream’ answer will probably be that it is the ministers of finance, trade and industry. These ministers have been appointed by the ruling political party (which will usually have some sort of macro-economic policy orientation or agenda). Or the answer may be that it is the cabinet as a whole. Or the state president advised by the relevant minister. Or parliament (the legislature) which enacts laws pertaining to economic matters.

But supposing we shift our focus? Supposing we look at the senior public officials, the bureaucrats and technocrats that head the government departments the ministers preside over? What is their input into the relevant minister’s policy decisions? How is this input in turn shaped by the ‘standard operating procedures’, that is, the bureaucratic, routinised rules and regulations that characterise these people’s working lives? By the bureaucracy to which they are more or less committed, perhaps for purely personal, emotional and irrational reasons? How will the activities and commitments of these bureaucrats influence new policy and how will they influence existing macro-economic policy? Suddenly, the version of policy given out in (1) to (5) starts to look somewhat superficial.

STUDY UNIT 6

And what about the interpretations by the various experts who may be hired as consultants on macro-economic policy? These 'experts' come from a variety of academic and professional contexts. These contexts (which may be conservative or progressive, and/or favourable to one theoretical perspective rather than another, etc) will influence their policy advice. And experts, like all of us, may be influenced by fashionable trends, and give advice that is by no means based solely on academically or professionally reasoned criteria. And, of course, there are always powerful individuals and/or organisations that may have tried to influence the minister, possibly formally, through 'official channels', or even informally, socially, over dinner or a game of golf.

And, in the background, there is the 'big wide world' of global socioeconomic, political and ideological forces and contexts. Interpretations of the nature and effects of 'globalisation' (perhaps conveyed through the mass media), can also influence policy makers. It seems that the question 'who makes policy?' is not as easy to answer as we may previously have believed. Colebatch's answer to the question of who makes policy is that it could be any combination of and even all of these individuals, groups and organisations, and any number of different contexts can be taken into account.

We can also ask 'where is policy made?' Is it made in the minister's personal offices? Or in the offices of her department as a whole? Or in the offices of the macro-economic consultants she contracted? At the university of the economics professor the minister has known since her university days? On the golf-course or at dinner? Colebatch's answer to the question of where policy is made is that it could be made in any combination of and even all of these places.

Can you apply this line of probing, critical thinking to the other questions posed above? Take 'what is policy for?' The answer to this question, from the perspective of the 'dominant paradigm' will probably be that policy enables those who have been voted into power to 'exercise authority to achieve collective purposes', as we mentioned above. 'Collective purposes' might involve establishing a 'sound' macro-economic policy to make it easier for local business to compete globally. The 'exercise of authority' may thus involve the justified (because in line with 'sound' macro-economic prescriptions) allocation of human and other resources to achieve such a purpose (rather than another purpose, say, allocating resources to improve conditions in state hospitals).

But, once again, let us shift our focus. Policy may also be made for very different reasons. For example, simply to secure or increase the share of the company's or government's resource allocation for a department's normal, ongoing activities. These activities may be redefined to make it appear as if they constitute a new departmental policy, one that requires a continued supply of or even increased resources. Or policy may be more about trying to garner support for a political party before an election than actually achieving objectives for the electorate (eg, tax reduction for the rich, or increased welfare provision for the poor) after winning the election. For a government official or party in power, a proliferation of policy formulations and their dissemination for general discussion may even be a way of delaying policy decisions and decisive activity on a

The policy context of the new liberal-democratic government in South Africa

particular issue (eg, abortion). Politicians may prefer to ‘test the water’ of public opinion (or influence public opinion by manipulating the mass media) before committing themselves on a policy issue. Meanwhile, a flurry of policy activity can signal a keen, yet conveniently indeterminate concern with a controversial issue, especially where a ‘bad call’ (popularly or ‘electorally’ speaking) could be politically damaging. This is how political careers may be protected, even advanced — at least for a while.

Similarly, the proliferation of policy alternatives and discussion may simply be a cynical way of appearing to be concerned and doing something about a particularly sensitive issue. An example is environmental despoilation. The government may be unable or unwilling to do anything about the issue. Perhaps the polluter is a major industrial corporation and thus a big tax-payer or election-campaign contributor.

Finally, for a policy consultant (such as the ‘experts’ referred to above), policy may be primarily about earning a living. Do you think that this might influence her policy advice? Why? How? For this policy consultant, what is policy for? Can you see that seriously pursuing the question ‘what is policy for?’, reveals that the answer is, once again, by no means obvious? Can you also see that this is largely because policy is an activity that involves many individuals and groups, each with their own interests, agendas and interpretations, and because policy activity is always located in a variety of particular contexts?

6.4 Dimensions of policy activity

In the light of these sorts of questions, Colebatch points out that policy can perhaps best be understood in terms of a dynamic tension between and interplay of a number of different, but related dimensions. These dimensions include the following:

- 1 The definitional or ‘ideal’ (ie, official policy formulations and the, ‘unquestioned’, five stages referred to above), and the practical or ‘the real’ dimensions of policy (that is, what ‘really happens’ in practice — as revealed by the questions we subjected the five stages to).
- 2 The purposive (ie, the deliberate and intentional) and rational (ie, calculated and impersonal), and the accidental, unintended, non-rational or irrational dimensions of policy. By ‘accidental’ and ‘unintended’, Colebatch is referring to random, unexpected factors that may influence policy, and by ‘non-rational’ and ‘irrational’, he means that part of policy activity which no one can either predict or control, that is, its constitution by human emotions, moods, superstitions, frailties and the like.

Colebatch is particularly concerned with the dynamic tension between the ‘normative’ and the ‘empirical’ dimensions of policy, and between the (see below) ‘vertical’ and ‘horizontal’ dimensions of policy. These dimensions are related to those already mentioned, as you will see. ‘Normative’ means what ‘ought’ to be the case — the values and goals that policy makers intend to be realised. ‘Empirical’ refers to what ‘is’, in fact, the case — that is, what actually happens in policy activity and what we can actually see happening, which may be quite different from what policy

makers intend, for any number of unexpected and/or irrational reasons. The mainstream five-stage model discussed above is often presented as what policy activity 'is', but it is often not much more than what policy activity 'ought' to be.

The questions that we posed and subjected the model to reveal the sort of things that can happen in policy activity in practice, in the 'real world'. Similarly, policy formulations themselves tend to be statements of what and how things ought to be achieved — this is not always reflected in what actually is achieved or how it is achieved. The careful, probing observation of policy activity set in motion by such formulations may reveal that, in practice, different outcomes flow from different policy methods. For instance, the 'normative' policy may be to try to look after the poor by increasing the taxes of the rich. However, 'empirically', the rich may hire expensive tax consultants to avoid paying the extra taxes. Faced with this unexpected consequence, policy-makers or implementers may try an alternative — for example, increased revenue may be raised by means of a general tax (eg, increased sales-tax), which no-one can avoid. The result will of course be that both rich and poor pay more (sales-) tax, which may undo the good of any extra welfare spending on the poor.

It is important to note at this point that Colebatch is not suggesting that mainstream perspectives on policy are simply false. Nor is he suggesting that any particular dimension or set of dimensions of policy activity is necessarily more important or significant than others. He is, however, arguing that mainstream perspectives tend to neglect or downplay the complex, contradictory and ambiguous dimensions of policy. In other words, he is emphasising that policy in 'practice' rarely coincides neatly with policy in 'theory'. Indeed, policy activity generally turns out to be far more 'messy', for example, far more accidental and irrational, than purposive and rational. But the formal, 'normative' dimension of policy activity, as reflected in the statements and propositions that characterise the five stage model of policy activity, does usually more or less correspond with its more practical, 'empirical' dimension. In an important sense, formal policy propositions give rise to or at least codify practical policy activity, however much the latter may deviate from the former. They cannot be understood independently of each other and do not make sense in isolation from one another. Both dimensions 'exist' and have to be recognised, analysed and understood in terms of each other, in order to fully make sense of policy activity.

As mentioned above, Colebatch (1998:72–114) also considers the interplay and tension between what he calls the 'vertical' and 'horizontal' dimensions of policy. These dimensions are related to the usually organisational and inter-organisational contexts within which much policy activity (both in the public and private spheres) occurs. The organisational context of policy refers to its more or less bureaucratic character. This involves more or less structured, pyramid-like lines of information, activity and authority that run both up and down organisations, and sideways within and between organisations. The orthodox view is that policy is determined by an elite in the upper echelons of authority and status in organisations. It is then carried out by those lower down in the hierarchy in terms of their more or less specialised and routinised functions and more or less circumscribed

The policy context of the new liberal-democratic government in South Africa

authority and powers. Or is this in fact the case? Remember how complex the seemingly straightforward questions of who makes policy and where (among other questions) turned out to be? Colebatch points out that policy activity invariably involves all sorts of people — the participation of leaders, aides, followers, executives, maintenance staff, interested parties and knowledge workers. The leaders at the top of the organisation (the government or a large corporation) make policy decisions, often with the help and support of their aides and followers. An aide in this context is a sort of personal assistant to a leader, hired or seconded for his or her expertise and/or other qualities (eg, public relations skills or social and other ‘connections’). The aide is either taken on for general purposes, on a more or less permanent basis, or solely and perhaps only temporarily for the purposes of the policy at issue. Followers are those that support the policy, ranging from powerful figures and organisations wanting to promote and perhaps finance and provide (other) resources for a particular policy that they believe will benefit them in one way or another, to representatives of the electorate seeking to, say, secure, maintain or amend legislation relating to environmental protection or welfare provision.

Executives, in this context, are those lower down in the organisation tasked with implementing policy. This involves putting together all the different parts of a policy, operationalising it, and generally managing its implementation. Executives liaise with and instruct the maintenance staff, who are the policy ‘workers’ who coordinate and/or perform the many different more or less routinised aspects of the policy. One or more of the maintenance staff may, for instance, be tasked with liaising with various interested parties. Interested parties range from individuals to groups to organisations that are not directly involved with the policy activity itself, but have an active interest in the policy area. They may, however, be those most likely to be directly affected by the outcomes of the policy (say, farmers in areas where dams may be built as part of a broad water affairs policy). Maintenance staff may be concerned with managing the indirect involvement of interested parties, say in the form of sounding them out, getting them ‘on board’, and seeking their approval of the policy (or at least attempting to prevent their active rejection of the policy). One or more of the maintenance staff may be responsible for recruiting and managing the input of knowledge workers. Knowledge workers are involved in the policy activity primarily on the basis of their expert knowledge of general and/or very specialised aspects of the policy.

In practice, there is a great deal of overlap of function among the different individuals and groups and organisations involved with policy activity. For instance, not only knowledge workers have expertise about the issues involved. The maintenance staff (who may be knowledgeable to begin with) also gain a great deal of expertise, merely by dealing with the knowledge workers. The expertise maintenance staff have or gain also feeds into the policy activity. Most of the interested parties also usually have a great deal of knowledge about the policy they are interested in, and so do the leaders’ aides. Interested parties may also include the followers mentioned earlier. Knowledge workers and maintenance staff may also be interested parties (perhaps ‘on the side’). And so on.

There is also a great deal of overlap of contribution among all those

STUDY UNIT 6

involved in policy activity. And this can influence the goals, means, implementation, evaluation and modification of policy. For instance, it may be the case that an aide or a follower prompts the leader to authorise policy activity in the first place. Interested parties and/or knowledge workers may present detailed policy proposals to the leader, which include recommendations about means, implementation and evaluation. Such proposals may ultimately become the actual policy enunciated and authorised by the leader. In a nutshell, taking into account the vertical and horizontal dimensions of policy activity reveals that there are many participants involved in policy, and they are involved at all sorts of levels and situated in all sorts of contexts. Colebatch points out that the plurality, complexity and numbers of participants can proliferate at the horizontal level in particular (the individuals and groups required to perform the more or less routinised and specialised tasks of implementation). Importantly, there are many complex interrelationships within and between the vertical and horizontal levels of policy activity, with flows of information and authority back and forth along the horizontal plane, as well as both down and up the organisational hierarchy — to the extent that the leader may have little or no expert knowledge at all about the policy, and may have done little to initiate it, yet may have been persuaded to authorise it (and, presumably, take final responsibility for it).

If we combine what we learned so far about policy, the picture that emerges is complex indeed. The many different participants in policy activity all have their own contextually bound interests in and interpretations of policy activity. They also may have varying reasons for being involved in the policy activity, and have varying levels of commitment to it. For instance, the aide may have a personal stake in the success or failure of the policy. He or she may like the perks and prestige associated with his or her position, and may want to make it more permanent. On the other hand, he or she may want to replace the leader. What sort of support is the aide likely to provide in either of these two scenarios? What are the potential consequences for the policy? Taking this line of thinking further, the executives want to keep their jobs — what sort of feedback are they likely to give the leaders on the progress (or lack of it) and problems associated with carrying out policy? And, as we mentioned earlier, the knowledge worker, or policy consultant makes a living on the basis of his or her expertise. In what ways may this influence the expert's input into the choice of the best means of implementation and evaluation of policy?

And what about the implications of power differentials and influence, and the different interests of the various interested parties and followers? Colebatch makes the point that policy is always subject to competing ideas and interests. When particular authorised policy choices are made, it follows that some interests and alternatives will be excluded. This means that policy always occurs in a context characterised by power differentials. We shall now look at one way of understanding how power and policy are interrelated.

6.5 Policy and authority, expertise and order

Colebatch (1998:72–114) holds that all policy and policy activity involves the relationship between authority, expertise and order. These are also important ‘dimensions’ of policy. By now you should have some understanding of the complex manner in which authority and expertise interrelate in the context of policy activity. Formally (ie, ‘normatively’), authority resides with the incumbents of the highest offices in the relevant government departments (or the cabinet, parliament, etc) or private sector organisations, non-governmental organisations and the like. Formally, the ‘political’ or ‘strategic’ origins of policy, that is, decisions about the nature of policy, the allocation of resources and setting the implementation of policy in motion, are to be found at this level. Expertise is formally located at a lower level of authority, because it involves expert knowledge that is used by those ‘higher up’ to inform and help put into practice an already-existing broad policy orientation or predisposition. Those higher up also draw on experts to give input into new policy. However, expertise can itself function as a form of authority. Perhaps we should pause here and give examples of what we mean by ‘experts’ and ‘expertise’. Experts include people such as a well-known prominent scientist or research institute or a consultant or consultancy. These people and agencies may ‘start the ball rolling’ by initiating or even formulating new policy. Such experts may convey to government (or the corporation) the message that something must be done about the economy or the environment. They may also indicate what must be done and how (and, if only by implication, what should not be done). And their proposals and recommendations may be followed up and implemented as policy, simply because these experts are indeed ‘authoritative’ sources of knowledge. And even if they do not make policy themselves, experts can often exert strong influence on ‘top-level’ decision-makers, even if they are only called upon after a broad policy orientation has been established by those higher up. This may be because the incumbents of high office may not know enough about the technicalities the policy area involves. So expertise itself can be a form of authority at the highest level and can be intertwined with, and strongly influence, authority.

On the other hand, authority figures can confer expert status on particular individuals and/or particular types of knowledge (and perhaps manufacture it), simply on the basis of the authority they possess and the powers they can wield because of their authority. Authority can thus be used to justify and privilege particular types of knowledge — and the policy that is based on this knowledge.

Let us take a more concrete example of what we mean here. Supposing the president of a country or large transnational corporation publicly agrees with the professor/minister/market-analyst about the need, say, to be competitive in conditions of global capitalism. Supposing he or she also publicly agrees that this, in turn, means controlling the unions, increased deregulation, decreased public spending and the like. The very fact that the president publicly agrees with the expert means that the views of this expert will gain far more credibility and legitimacy than would otherwise be possible. A further implication of this is that this now prominent and credible expert’s views and proposals may find their way

STUDY UNIT 6

into policy. The views of these people become, as discussed in the previous paragraph, authoritative expertise.

This brings us to the third variable we referred to earlier, that is, 'order'. In this context, 'order' refers to the more or less shared values, norms, beliefs, perspectives and ideologies that give society, to a greater or lesser extent, consensus and stability. Another way to put this, is to say that order refers to a given, commonsense view of the world that helps people interpret the world in more or less the same way, and which helps to create a degree of (or feelings of) communality. In the rather divided South African context, think about attempts to promote the idea of a 'rainbow-nation', to get us all behind the idea of facilitating an 'African Renaissance', the use of both the old and the new anthems, and attempts to get the whole 'nation' behind our soccer, cricket and rugby teams.

The combination of authority and expertise can reinforce, create, construct and even impose (if pursued with enough vigour and/or subtlety) 'order' on the universe and thus actually cause us to experience the world in a certain way. This is because the combined weight of such authority and expertise can justify or legitimate one particular interpretation of the world rather than another. In the process, other interpretations are excluded or marginalised. In other words, authority and expertise can be used to emphasise (selectively) particular values, beliefs, perspectives and ideologies, and even introduce new ones or new/selective interpretations of those already in existence. This helps maintain and reinforce existing order, and may even introduce a new order.

This order feeds into policy, in the sense that policy can be constructed on the basis of, and defended and justified by appeals to (the new) order. In this respect, appeals to order, to (perhaps selective interpretations of) shared values, interests and perspectives, can also appear authoritative and expert. This is because they appeal to a shared 'commonsense' or 'worldview' — a commonsense or worldview that may well be constructed rather than 'natural'. Particular policies can thus be justified and legitimised in terms of particular interpretations of the world. Another way to put this is that the combination of authority and expertise can enable the reproduction/reinforcement or even construction of hegemony (hegemony, you will remember, refers to one group of people dominating others by securing at least some consent to this domination) and that this hegemony can be transferred to a particular policy or policy orientation (which thus excludes other policy possibilities).

The significance of the relationship between authority, expertise and order in policy activity, will become clear later on in this module, where we apply our understanding of policy to macro-economic policy in contemporary South Africa.

In brief summary of what we have said so far, when we are confronted with a policy, Colebatch (1998:113–114) urges us to ask searching, probing questions. "If there is a policy, who enunciated it? What sort of people take notice of it, and in what contexts? Is it linked to the pattern of resource allocation? What other factors are at work?" Finally, he urges us to take seriously the point that "policy ... is not a scientific absolute, but a socially constructed variable".

ACTIVITY 6.1

Make a 3 to 5 page summary of what you now understand by the concept of 'policy'. In this summary, you must refer to (a) the five-stage model of 'policy activity', (b) the 'normative' and 'empirical', and 'horizontal' and 'vertical' dimensions of policy activity, and (c) the relationship between authority, expertise and order in policy activity. Illustrate your understanding of this model of policy activity, by applying it to an issue of your own choice.

Note that all the information you need to do this activity is in this study unit. Make sure you describe concisely the five policy activity stages of determining goals, choosing courses of action, implementing courses of action, evaluating the results and modifying policy. Make sure you show that policy activity is in fact quite 'messy', that is, complex and contradictory, in terms of its various dimensions, and that you describe each of these dimensions concisely. Show that there is a difference between what policy activity ought to be, and what it really is like and that policy activity does not merely 'flow downwards', from the decisions of the leaders of organisations, to the straight-forward translation of these decisions into policy implementation. Refer to the complex, reciprocal flows of information and authority both up and down the organisational hierarchy, and back and forth along its horizontal plane. You should also refer here to the different interests of the many participants in policy activity, and how these interests may influence policy. Finally, show that you understand how the interrelationships between authority and expertise may influence policy activity. For instance, show how authoritative policy decisions depend on expertise and how expertise can assume the form of authority. And show how authority and expertise in combination can create the order that legitimates particular types of policy activity and excludes others.

As for applying this model to an issue of your choice, use a small issue, such as relatively simple policy that you know of or would like to see put in place, such as a no-smoking or affirmative action or sexual harassment policy at work. If you're working through this module with others, do this initial exercise together. For each stage and/or dimension, write down what you all agree on, but take note of significant differences of opinion for later consideration and discussion. Also, make a note of anyone who dominated the discussion and of anyone who said nothing or very little. What influence did this have on the policy you came up with, eventually? If you're studying alone, just write down what you think is appropriate at each stage and/or dimension. For instance, consider what values (would) underpin your no-smoking policy, what you (would) want to achieve, who else wants it, who will benefit and who not. Think about the means you'll use to implement the policy. A total ban on smoking? Providing a smoking room? Smoke breaks? What kind of sanctions (negative and positive) would you recommend? How will you police and evaluate the policy implemented and, depending on projected outcomes, what will you modify and how? Will some people ignore or flaunt your no-smoking policy? Who is likely to do so, and in what ways? Whose/what expertise will you rely on and in what ways will your policy draw on, contribute to or even create shared values? Who will take ultimate responsibility for the no-smoking/affirmative action/sexual harassment policy?

STUDY UNIT 6

6.6 The state of the economy at the time of South Africa's first democratic election in 1994

Given that one of the main aims and outcomes of this module is to enable you to understand, evaluate and formulate policy, and that this requires knowing about both policy and the social context within which it is made, we have so far done the following things. Firstly, we have discussed theoretical approaches to both policy and its social context, with a focus on the nature of the link between the local and the global (or globalisation). Secondly, we have looked at the history of South Africa, and the nature of its transition to democracy, and how these have shaped the social context within which policy now has to be made. Now we are going to briefly discuss the state of the economy in South Africa in 1994, given that another main emphasis in this module is whether or not the new government's macro-economic policy can help bring about prosperity, equality and justice for all South Africans.

By early 1994, the South African economy reflected the full effects of the socioeconomic, political (and ideological) growth path followed by the capitalist apartheid regime. The country, and the economy in particular, was in 'organic crisis', as elaborated on in previous study units. The capitalist apartheid system had been characterised by the export of primary products (mainly minerals, and gold in particular), the import of capital goods (for manufacturing), inward industrialisation (supported by the growth of state-subsidised white demand), and import substitution — all largely based on and subsidised by the cheap black migrant labour system. This capitalist growth path had been 'successful' (that is, for whites generally and capital as a whole) for a while, had attracted a great deal of foreign investment and had made possible capitalist industrialisation in South Africa. But, as we said earlier on in this module, the capitalist economy in South Africa was characterised by inherent, deeply structured weaknesses, weaknesses that were becoming increasingly manifest, particularly after the 1973 oil crisis.

Until the (limited) reform initiatives that began in the late 1970s, just about all infrastructural development and welfare provision had been for the benefit of whites. Little or nothing had been spent on the black community. Coupled with the extremely low wages blacks were earning, and rapidly rising unemployment, this meant that it was the impoverished black community that suffered most from economic crises. This was a major cause of increasing and overt black resistance from the 1970s onwards, and one of the main conditions that led (ultimately) to the realisation by capitalists and the apartheid state that major social, political and ideological restructuring was needed if capital accumulation was to continue. In brief, the subsidisation of capitalism and of the general welfare of whites in South Africa, that had been made possible by the severe exploitation of the black community, ultimately led to the onset of the process of political transition in the late 1980s.

Marais points out that from the 1973 oil crisis onwards, South Africa began to experience a steadily worsening macro-economic crisis. Economic growth declined. Local investment declined generally, but particularly in research and development. Added to factors such as the

job colour bar and restrictions on the mobility of black workers, this produced a low level of skilled labour, little productivity and decreasing competitiveness. Local savings all but dried up and domestic demand for locally manufactured goods plummeted (the relatively small, mainly white market created by the impoverishment of blacks was becoming increasingly saturated). There had been little investment in labour-intensive industry (the manufacturing/industrial sectors had long been extremely capital-intensive), and unemployment soared. The economy was unable to absorb surplus labour. It was also extremely vulnerable to exchange-rate and commodity-price fluctuations, because of its heavy reliance on the export of primary products. The South African economy was now experiencing severe balance-of-payments problems. Furthermore, the apartheid government needed increasing amounts of finance for its internal 'law and order' efforts (including the reforms discussed previously) and its external 'wars' (in Namibia and Angola).

Increasing international economic sanctions (which now meant an almost complete inability to export or secure any kind of capital or financial relief from abroad), pushed the apartheid government towards a series of macro-economic adjustments, adjustments that actually worsened South African capitalism's 'organic crisis'. The government tightened up monetary policy, increased the interest rate to encourage greater savings and started lifting foreign-exchange controls. It decreased its subsidies on consumption goods (such as bread and milk) and introduced indirect taxes, such as General Sales Tax (GST) and, later, Value-added Tax (VAT) to raise revenues. The result, however, instead of attracting capital and investment, was an ever-increasing outflow of capital. Local capitalists showed little interest in productive domestic investment (eg, in labour-intensive industry), and chose to either 'invest' in speculative activity on the stock-markets or exploit relaxed exchange controls and move their surplus capital elsewhere. This did little to improve international investor confidence in the country. These measures also did little to improve the lot of the black community. Indeed, unemployment continued to rise, and the stringent austerity measures adopted meant that the declining income of fewer black workers had to be stretched even further. This intensified overt black resistance, and thereby intensified the crisis of the capitalist apartheid system.

Marais argues that the severity of the effects of these inherent, structural economic weaknesses indeed increased during the period of the negotiated settlement. From 1989 to 1993, the economy entered its longest ever recession and was characterised by negative economic growth. The manufacturing sector declined, shedding many jobs and adding to the already massive unemployment problem. The mining sector also shed 30 percent of its labour force (approximately 250 000 workers) between 1987 and 1995. This was linked to low commodity prices on the world market, prompting mining capitalists to declare certain mines 'marginal' and 'unprofitable' or not yielding 'acceptable' profit-margins, and to close them.

This raises the interesting question of what is indeed 'acceptable' and for whom? It is apparently quite 'acceptable' for a mine-owner to bale out if 'only' a certain level of profit is attainable — note that this does not necessarily entail that no profit is being made. Note too that the mine

may once have been extremely profitable for mine-owners, and for the state in terms of taxes, and possibly over a long period of time. Note, also, that for the workers that helped make the mine profitable — and the mine-owner rich — this ‘profitable’ mine may have yielded little but very low wages and appalling working conditions. The question that needs to be posed is, is it ever ‘acceptable’ to simply lay-off thousands of workers and deprive them and all their dependents of their livelihood? Particularly in conditions of chronic, structural unemployment? Have they no claim on the massive profits they once helped make for the mine-owner and the revenue they raised for the state?

To return to our main narrative, another significant primary-commodity exporter and earner of foreign-exchange, the agricultural sector, also began to decline and sink further and further into debt. A general lack of productivity, coupled with drought, led to the shedding of 30 percent of agricultural workers by 1988. Since the early 1990s, even more agricultural jobs have been lost, largely due to capitalist farmers’ fear of labour legislation aimed at protecting farm-workers rights and enforcing a minimum wage. Briefly, the emerging political changes during the period of transition did little to change the socioeconomic situation in South Africa. Capital flight continued, and foreign investment obstinately refused to flow into the country, basically, according to Marais, because the economy’s inherent structural problems and weaknesses simply did not promise much in the way of a profitable return on investment.

Finally, Marais makes a rather controversial, but nevertheless thought-provoking point, about the decline of the formal sector of the economy, rising unemployment and increasing black impoverishment. He notes that not much is really known about the informal sector. It is by nature difficult to gain access to, and thus difficult to research, partly because its field of operation often crosses the ‘grey’ boundary between legal and illegal activities. What is known, though, is that it exists and that it must be making it possible for many thousands of South Africans to attain at least a subsistence level of existence. We have to assume that much of the financing of informal sector activity comes from the increasingly stretched incomes of decreasing numbers of wage earners. The economic situation in the country and the shrinking of the formal sector is also related to the huge growth in crime, or the ‘underground’ economy. Mainstream, conventional economic wisdom claims that crime ‘costs’ the country billions of Rands every year. This is, of course, true to a greater or lesser extent. However, Marais argues that this ‘wisdom’ neglects the fact that much of crime’s ‘yield’ is actually ploughed back into the South African economy. Like the income of the shrinking numbers of wage-earners, it is also a source of income that is distributed among the impoverished black community, enabling many to achieve a subsistence level of existence. It is used for basic consumption, in informal sector activities and some even finds its way into formal (ie, in small ‘legitimate’ businesses) productive investment — which is a great deal more than can be said about the profits of many leading capitalists and their large corporations. As already mentioned, many local capitalists prefer to invest abroad or engage in speculation.

Marais observes, further, that criminal activity often takes on an unexpectedly innovative and indeed sophisticated form. For example,

The policy context of the new liberal-democratic government in South Africa

despite the obviously abhorrent aspects of the car-theft and hi-jacking ‘industries’, the latter often fulfil car ‘orders’ more quickly and much further afield than the more conventional, less criminal manufacturers and retailers (new and used car divisions). It can also be added here that the combination of, among other things, rising levels of unemployment, crime, and a fear of crime on the part of the more privileged, has led to a booming private security industry. This industry, despite its generally poor wages and benefits, and difficult working conditions, is quite labour-intensive, and is becoming a not insignificant source of employment, in conditions of high and rising rates of unemployment.

For Marais, the apartheid capitalist growth path and the way in which South Africa had been and still was inserted into the global capitalist system, had produced a situation in which the vast majority of South Africans were impoverished, and in productive terms, its economy was globally weak and uncompetitive (see Study units 1 and 2 for Marais’s placement of South Africa in the global capitalist system).

ACTIVITY 6.2

Make a summary of no more than three pages on the state of the South African economy until just before South Africa’s first democratic election in 1994.

6.7 Emerging macro-economic policy orientations in South Africa

On emerging macro-economic policy orientations in South Africa during the transition period, we have already established one or two points of departure. We know something about the state of the South African economy during this period, and we have some ideas about where South Africa fitted (and fits) into the global capitalist system. We also know that, despite differences between the major parties involved, the ANC, the NP and capital all agreed that the South African economy was in crisis, and that major political and ideological (and economic) change was an essential part of any attempt to solve this crisis. All the parties were no doubt aware that there were new opportunities to address the crisis, such as the benefits of political democracy, a new government, increased international goodwill, and the elimination of sanctions. There is also little doubt that they agreed that any policy aimed at solving the crisis had to take into account its international dimensions, that is, possible international causes of and solutions for the crisis (such as foreign investment). They were also all no doubt increasingly aware of new sets of pressures and constraints too, such as the growing international trend (or, more precisely, the increasingly dominant, neo-liberal, global ideological predisposition), towards global economic ‘liberalisation’. This trend, championed by, among others, the IMF, the World Bank and GATT (now the World Trade Organisation or WTO), includes the global liberalisation of trade, and related free-market injunctions to decrease and eliminate tariffs on trade and eliminate domestic protection generally, as well as all financial controls — to supposedly attract foreign investment.

STUDY UNIT 6

We can thus assume that any ideas about the question of macro-economic policy in South Africa during this period at least partly entailed ideas about the question of how to change the nature and place of the country's position in the global capitalist system — in terms of this increasingly dominant global trend.

At the time (ie, while South Africa was becoming a political democracy), however, a variety of different, more or less worked out and refined macro-economic policy orientations and proposals existed in the country. These ranged from the standard neo-liberal package of free-markets, free trade, financial liberalisation, deregulation, privatisation and minimal state intervention, to neo- and left-Keynesian proposals. The Reconstruction and Development Programme (RDP), for example, contained Keynesian proposals about partnerships between the public and private sectors, directed by and towards the goals of specific developmental, industrial, labour relations and redistributive policies. However, Marais argues that well before they won the first democratic election in South Africa in 1994, the ANC had already shown a clear disposition towards neo-liberal macro-economic policy. Remember his ideas about 'footprints' and 'telling clues' in previous study units? (We shall look at the policy implications of alternatives such as 'neo- and left-Keynesianism' in the next two study units. Briefly, Keynesianism [named after the ideas of the economist John Keynes] involves macro-economic policies that entail state intervention to, *inter alia*, mitigate the harsher consequences of free-market capitalism. For now, look at what we said about Keynesianism in the first few study units, and what Cohen and Kennedy [2000:55–6, 65–6] have to say about the topic.)

Now if we use loosely Colebatch's model of policy activity to uncover emerging macro-economic policy orientations, what can we learn? Regarding the determination of goals, all the parties involved obviously wanted to solve South Africa's economic crisis. All seemed agreed that achieving a high rate of economic growth was the best way to do this. Economic growth, or capital accumulation, is of course exactly what big capitalist corporations are 'in business' for. The NP had long been concerned with (its own peculiar, racist form of) capitalist industrialisation, and the prospect of economic growth resonated nicely with the interests and aspirations of its new, now mainly capitalist, middle class and professional 'social base' (its supporters). And the ANC wanted the kind of economic growth that resonated with the interests of some of its own membership's middle-class aspirations. Also, the ANC believed that economic growth had the potential to generate the revenues needed to overcome the socioeconomic and other injustices and deprivations that the majority had suffered for so long. And all parties, albeit to different degrees and for different reasons, wanted a bit more than growth for its own sake. As already mentioned, the ANC had some redistributive and/or redressive aspirations. And, as we have already said in previous study units, it was also afraid of any instability that might threaten the pending new democratic order. The ANC wanted to use the fruits of economic growth to ameliorate unemployment, reduce political violence and crime, and provide desperately needed services to the broader black community. And there is no doubt that capital and the NP also shared this concern with order and stability in the pending new political dispensation. In sum,

The policy context of the new liberal-democratic government in South Africa

there seemed to be general agreement that the goal, now, was to achieve economic growth.

With regard to choosing courses of action, capital, the NP and the ANC all agreed that the best way to achieve economic growth was by means of massive investment, and preferably, by attracting foreign investment or Foreign Direct Investment (FDI) as it is often called. Capital, the NP and (eventually — more on this in the next study unit) the ANC came to agree that the best way to attract FDI was by liberalising, deregulating and generally creating a free-market capitalist economy in South Africa, with minimal direct state intervention. In short, the transitional ‘government’ up to the 1994 election, which of course included the ANC, chose to adopt and implement a conventional neo-liberal package of measures to create the most favourable conditions to attract FDI in order to make possible and speed up economic growth. The ANC wanted the FDI to flow mainly into the manufacturing/industrial sector, to enhance its productivity and international competitiveness, and thus increase its export potential. The ANC wanted to promote and increase the number of small- to medium-sized firms and improve their effectiveness and efficiency, invest in and raise the level of research and development, encourage the development of human resources, develop new industries (particularly in the bio-technical and information technology sectors), reduce the corporate tax rate and provide tax incentives generally for export-oriented manufacturing. In other words, the idea here was to shift the economy away from its long reliance, for the most part, on the export of primary-products, to the export of manufactured products.

And what clues can we pick up here regarding ideas about the implementation of courses of action that may achieve these goals? Well, if you think about it, what does a government actually ‘do’ to implement a policy couched in terms of a neo-liberal, minimal-state-interventionist policy orientation? However, at this stage (1993), the transitional government, including the ANC, sought help from the IMF to obtain relief for South Africa’s chronic balance of payments problems. Importantly, the transitional government signed a ‘letter of intent’ (which we referred to in the previous study unit) addressed to the IMF, promising to keep both inflation and wages under control (indeed, low), and to liberalise trade, industry and the economy as a whole. The letter also praised the value of market forces over state intervention, and committed government to privatisation, fiscal stringency (reduced public spending), and creating the optimal conditions for the unconstrained operation of market forces (by a predominantly ‘hands-off’ approach to the economy). Some neo-liberal economic ‘liberalising’ measures were then introduced by the transitional government. So, paradoxically, the neo-liberal ‘minimalist state’ actually ‘does’ quite a lot — albeit in a very selective manner according to neo-liberal orthodoxy. And regarding implementing courses of action to achieve goals, the transitional government, including the ANC, had committed itself to implementing the usual orthodox package of neo-liberal injunctions.

And what can we say about evaluating and modifying this emerging macro-economic policy orientation? We can examine these policy ‘proposals’ in the light of a selection from Colebatch’s various ‘dimensions’ of policy, such as the tensions and overlap between the

normative and the empirical, the vertical and horizontal, and the interrelated dimensions of authority, expertise and order.

If we begin with the importance attached to FDI, its association with economic growth and its supposed attraction by neo-liberal means, Marais argues that there continues to be a net outflow of capital from South Africa, as there is from the rest of Africa, and sub-Saharan Africa in particular. Generally, despite committing themselves to (or being 'persuaded' to do so) and implementing World Bank- and IMF-type neo-liberal Structural Adjustment Programmes (SAPs), countries in the region are receiving an ever-decreasing proportion of world investment. SAPs include "various forms of deregulation, liberalisation and privatisation, indeed the dismantling of the public sector". They also involve "the application of stringent monetary policies, designed to reduce inflation through high interest rates". And these measures have "undermined investment and employment" and "the position of the poor and most vulnerable sections of society" (Hoogvelt 1997:168–171). Most of the investment capital that does flow to Africa goes to the-oil producing countries such as Nigeria.

Marais points out that there are four different types of flows of FDI from the first world to the third and fourth worlds (or from the centres to the periphery and 'the rest'). Firstly, to East Asia for financial services and for production for re-export back to the centres. Secondly, to Latin America for production in and for local markets, and thirdly, to the oil-exporting countries. The fourth type of FDI 'flow' is not much more than a trickle — this involves approximately 80 countries, mainly in Africa, which get virtually nothing at all.

Marais also cites empirical evidence that keeping the costs (wages) of labour low is not a particularly good incentive for attracting FDI, even for labour-intensive industry. Even a combination of low wages and skilled workers has not proven sufficient to attract FDI. Additional factors have proven themselves to be necessary to attract FDI, such as labour productivity, the relative costs of materials and transport, favourable prices and exchange-rates, and political stability. Perhaps most important of all is that FDI tends to flow where it can get the most profitable return. For example, where there is a strong local market and/or strong regional demand which requires vibrant regional economies. And on this score, we have already established that South Africa has a saturated, very limited market, and bluntly, none of our neighbours possess vibrant economies.

Furthermore, Marais argues that those who chanted South African capital's (and the NP's) strident and oft-repeated mantra, that is, to 'free the market', ostensibly, to attract FDI, and (thus) encourage growth, were simply engaged in a cynical and hypocritical attempt to divert attention away from their own dubious motives and activities. Firstly, in 1993, and with the participation and consent of the ANC, all they had 'accomplished' was a continuation of the neo-liberal policy that the NP (and capital) had committed themselves to in the 1980s. Then the ANC-led democratic movement had vehemently opposed such a policy, precisely because those in the movement knew that the impoverished majority would suffer the effects of such a policy most. Secondly, South

The policy context of the new liberal-democratic government in South Africa

Africa's own big capitalists invest very little in South Africa. As the economy has been 'liberalised', so South African capitalists have gone on a virtual 'spree' of investments abroad. Locally, the tendency has been to 'invest' mainly in stock-exchange speculation and shopping-mall and similar developments (just look around you).

Thirdly, the 'trickle' of FDI that has found its way into South Africa (despite the neo-liberal adjustments mentioned above), has taken mainly three forms:

- 1 Investors 'setting-up-base' in South Africa, but only to take advantage of the country's relatively developed infrastructure and use it as a springboard to profitable investment in mainly natural resources elsewhere in Africa. And, of course, local capitalists have also hopped onto this bandwagon, and invested in tourism, retailing, and financial-, information technology-, media-, and communication services, for this purpose.
- 2 FDI has also found its speculative way into the stock-exchange in South Africa, with 'investors', say, buying shares of the local market by buying partnerships in local monopolies (which, incidentally, provides further opportunities for local capitalists to send their capital abroad — they can use their foreign partners as channels for this purpose).
- 3 Very little FDI (or local capital for that matter) has found its way into 'targeted', direct productive investment in South Africa, such as in local production and manufacturing for export. (However, as mentioned earlier, this situation has changed somewhat over the last few years, as has increased productivity and competitiveness in some sectors, the diversity of our export destinations, and a shift towards processed and semi-processed primary products for export.)

The final point that Marais makes about the motives of big business and the NP, is that their neo-liberal, free-market 'mantra' reflected their fear of, and determination to undermine (any new) government's ability to exercise control over capital and existing patterns of privilege, and to prevent any new government forcing through socioeconomic concessions for redistribution purposes. He adds that the main idea going into the negotiations was to gain hegemony by appealing to the material interests of the black classes most likely to benefit from neo-liberalism, and to appeal to the political interests of the impoverished majority, that is, those extremely unlikely to benefit at all from neo-liberalism. In other words, hegemony was to be gained, and the status quo maintained, by giving *liberal-democracy* to the previously disenfranchised impoverished majority, and *liberal-democracy* to the previously disenfranchised but soon to be privileged minority black middle class. Redistribution would take place, but selectively, on a small scale, and only gradually. Broader socioeconomic- or social-democracy did not form part of either the NP's or capital's macro-economic policy agenda.

Concerning the ANC's macro-economic policy ideas about promoting and turning the economy towards export-oriented manufacturing, Marais argues, in a nutshell, that this goal, despite some success recently, was all but completely nullified by the ANC's prior, public commitment to neo-liberal minimal state intervention, liberalisation and deregulation. He

argues, firstly, that while the most successful third world (or periphery) economies, such as those of South Korea, Taiwan and southern China, did ‘take-off’ on the basis of manufacturing for export, their successes were also based on ‘developmental states’ and state-led development paths.

Perhaps we should pause here and explain what is meant by a ‘state-led development path’. Cohen and Kennedy (2000:178) claim that the developmental state is a “governmental system pioneered by Japan from the mid-1920s and later emulated by other East Asian economies”. More specifically, it “is an Asian variant of capitalism, bringing together the financial sector, public policy and large companies in a common national effort”. Marais points out that a variety of strategies have been used in such countries, but all have been based on or included strong, selective state intervention. For instance, the developmental state would encourage local capital investment (especially by local capitalists), say, in labour-intensive manufacturing, and guarantee high returns. But this would be on the condition that surpluses be invested in targeted activities, say, research and development. The developmental state also ‘protected’ the development of capitalist industrialisation in a number of different ways — you are already familiar, for example, with ‘protective tariffs’ and ‘import-substitution’.

Secondly, Marais argues that the relative success (in global terms, these countries remain peripheral) of such countries, was also based on a variety of additional conditions and factors that no longer exist, and certainly do not apply to South Africa. For instance, during the ‘cold war’ (see below, and Study unit 2), South Korea and Taiwan received preferential access to markets in the USA, without having to reciprocate. They also received a great deal of material support from the USA. Cohen and Kennedy (2000:54) define the ‘cold war’ as follows:

Led by the Soviet Union and the USA, the world was split into two antagonistic camps over the period 1947–89. This involved an ideological battle between capitalist democracy versus socialist planning, a massive build-up of arms and the twin races to achieve supremacy in nuclear and space-age technology. Despite several flash points ... the superpowers themselves never engaged in head-on aggression. Rather, conflict was deflected into regional or minor wars involving the developing countries — as in the Korean and Vietnam wars.

Both South Korea and Taiwan had authoritarian regimes that suppressed trade union organisation, and both had dynamic, vibrant neighbouring markets. None of these conditions or anything like them exist in South Africa. The country’s own market is being progressively ‘freed-up’, it has no preferential, non-reciprocal access to any market, vibrant or otherwise, and it is a political democracy with a strong trade union movement.

In a sense, Marais is suggesting here that a manufacturing for export route to growth may be inappropriate in existing global conditions, especially without something akin to the selective interventions of a developmental state. The economies of the relatively successful periphery countries grew in particular ways and in particular conditions from the mid-1940s onwards. South Africa missed that particular boat owing to its

The policy context of the new liberal-democratic government in South Africa

peculiar apartheid capitalist development path. Marais questions whether a neo-liberal export-manufacturing route is now even possible for South Africa in the prevailing, increasingly competitive and unequal context of free market economies in a global capitalist system. In fact, he argues to the contrary — neo-liberalism has had absolutely nothing to do with the successes of most periphery countries, given, in particular, the state-led character of their development. And where its advocates do claim success, as in Chile, ‘development’ has brought about extreme social inequalities (as has happened where South Africa has had some success in manufacturing for export).

The relatively successful handful of periphery countries are themselves (with some exceptions, as mentioned earlier) only just keeping pace with the already established centres. South Africa currently has the status of a fourth world country, aspiring to ‘catch-up’ not with the centres, but the periphery. However, the periphery countries themselves are already established, and well-integrated into the global capitalist system. According to Marais, the emerging macro-economic policy orientation, coupling growth through FDI and export-manufacturing with neo-liberalism, was thus doomed to failure. Where does this leave South Africa now (a question we turn to in the next study unit)? These are reasons why Marais believes that South Africa needs a new paradigm or perspective on development.

In summary, we have disclosed and provided some criticisms of the macro-economic policy orientation that was slowly but surely achieving hegemony in South Africa up to the 1994 general election. In terms of Colebatch’s model of policy activity, we have managed to paint in broad strokes emerging goals and methods, and have also been able to say something about implementation and evaluation, by critically referring to macro-economic experiences and evidence elsewhere. In terms of the conclusions we have reached so far, it seems that a new policy orientation is required, rather than a version of the one we have been discussing. And, although we have not looked fully at the implications of the various dimensions of policy activity for this emerging policy orientation, we can say that what we have done is describe its normative dimension, that is, what it is supposed to achieve, namely, neo-liberal economic growth. We have also looked at its empirical dimension, in the sense that we have examined this goal in the light of the experiences of other countries. With reference to the horizontal/vertical dimensions we have looked briefly at the various interests of the main parties involved.

Finally, it is perhaps at the level of the relationship between authority, expertise and order that we have learned the most. We have discovered that the macro-economic policy orientation that emerged was expressed in terms taken from the authority, expertise and order of the ideology, injunctions, interest groups and institutions of neo-liberal capitalism. We have posed probing questions (about who makes policy, where it is made, what it is for), and have come up with serious criticisms of the expertise (so-called) and order surrounding neo-liberalism and its policy implications for South Africa. We have begun to discover that what is at issue here is the authoritative imposition of at best a very selective, if not seriously flawed set of propositions about the nature of the world. The policy that emerges out of this worldview is, obviously, equally selective

STUDY UNIT 6

and flawed. This clearly has implications for the authority that stands behind this policy orientation. As we have indicated, this authority needs to be challenged, and alternative perspectives on development and development policy need to be explored.

ACTIVITY 6.3

What macro-economic policy orientations emerged in South Africa in the transition period up to the 1994 election? Towards what macro-economic policy orientation did the ANC in particular begin to lean during this period?

6.8 Conclusion

In this study unit you have been introduced to the concept of ‘policy’, and have been given and been required to understand, describe and apply a model of policy activity. We have used this model loosely to look at emerging macro-economic policy in South Africa up to 1994. We guided you through and asked you to describe the socioeconomic, political and ideological context, both local and global, within which questions of policy must be addressed by the new liberal-democratic government in South Africa. We hope that, having done all of this, you will be able to apply this policy tool to policy activity in a variety of different contexts.

ACTIVITY 6.4

Possible assignment and examination questions and instructions

- 1 Write a five-page essay on Colebatch’s (1998) version of policy activity. In your essay, you must refer to his five-stage model of policy activity, his linkage of this model to the normative and empirical, and vertical and horizontal dimensions of policy activity, and his discussion of the relationship between authority, expertise and order in policy activity. Choose a policy example of your own to illustrate these stages and concepts.
- 2 Write a five-page essay in which you describe and evaluate the macro-economic policy orientation that emerged in South Africa in the transition period up to the 1994 election.

Study unit

7

From political democracy to neo-liberalism in South Africa

STUDY

Marais (2001: Chapters 5, 6 and 8 — up to and including the section titled “Prospects of an alternative project”).

7.1 *Aims and outcomes of study unit 7*

In this study unit we explore Marais’s (2001) critical account of the South African government’s adoption — in 1996 — of the Growth, Employment and Redistribution (GEAR) macro-economic strategy. He argues that GEAR was chosen from among a number of possible alternative macro-economic policies, and that this choice must be understood in the broader contexts of both the political-economy of the transition from apartheid to political democracy in South Africa and the nature and implications of globalisation.

The first objective of this study unit is to enable you to understand and describe Marais’s account of various alternative macro-economic policies the South African government could possibly have chosen (rather than GEAR). The second objective is to enable you to understand and critically describe GEAR from Marais’s theoretical perspective, that is, his political-economy of South Africa. The third, related objective, is to enable you to understand and describe Marais’s critical account of the nature of the relationship between globalisation and the emergence and ultimate ascendancy of neo-liberalism (in the form, most clearly, of GEAR) in the ANC government’s macro-economic policy.

7.2 Alternative macro-economic policies

Marais argues that, before it was unbanned in 1990, the ANC had largely neglected economic policy. As recently as 1988, all that could be said about ANC economic policy was that it involved a commitment to a mixed economy. This vague commitment is associated with the equally vague (and indeed, rather ambiguous) nature of the quite sweeping socioeconomic propositions contained in the Freedom Charter. The DEP produced the ANC's first serious attempt to formulate an economic policy. The main idea in this attempt was state-led 'growth through redistribution'. This involves the government directing the economy towards domestic industrialisation and export promotion, by expanding social infrastructure and stimulating domestic demand. The DEP's proposals suggested that government must ensure that revenues from taxation, and local and foreign investment, are used to both overcome inequalities and meet basic needs. This would, in turn, create or expand the local market, stimulate demand and thus also stimulate export-oriented production. The idea here is that greater demand will attract investment and thus increase productivity, and also increase employment. The DEP proposals also involved dismantling monopolies, encouraging competition and the growth of the small to medium business sector, and granting trade unions a central role in the management of the economy. In a nutshell, the idea was to create an economic 'virtuous cycle'. This involved first making it possible for the poor to buy local products, which would stimulate local production and employment. This would then stimulate local demand and attract investment for greater and more diversified production, and so on.

This policy was roundly condemned by mainstream economists. The latter held that it was too 'socialist', and it simplistically and unrealistically underestimated the undesirable impact a state-led redistributive 'spending spree' would have on investment. According to mainstream economists, such a 'spending spree' would 'scare off' investment, inflation would rise, the currency would be devalued, the balance of payments would move further into deficit and employment and wages would be forced downwards. In the face of this criticism, the ANC soon abandoned such economic thinking, and its ideas on economic policy rapidly became far more neo-liberal in content (incorporating, for instance, the need for fiscal and monetary stringency, and general economic liberalisation, deregulation and privatisation). However, note that Marais points out that the first serious economic policy commissioned by the ANC itself was manifestly Keynesian. It was based on state intervention in the economy and it focused on meeting the needs of the poor above all other interest groups. Nonetheless, this was soon to change for a number of reasons, one of which was the context of the politics of compromise, reconciliation, inclusion, etc (as discussed in previous study units). This context dominated the political and ideological, as well as the socioeconomic dimensions, of the negotiations towards democracy in South Africa.

From 1990 onwards, big business corporations (eg, Nedcor, Old Mutual, and Sanlam), big business interest group organisations (eg, the South African Chamber of Business — SACOB, and the South African Foundation), the IMF and the World Bank and, of course, the NP, all

From political democracy to neo-liberalism in South Africa

virtually ‘showered’ the political negotiations with macro-economic pronouncements, advice and policy proposals. Needless to say, such pronouncements were directed specifically at the ANC and its economic advisors. There was a proliferation of more or less sophisticated and complete policy documents, countless seminars, conferences, workshops, and meetings, and many trips to various (often luxurious and exotic) places. There were also many visits from carefully selected organisations and individuals. These policy pronouncements were given plenty of space in the corporate-owned and/or controlled mass media.

Despite some differences, the policy proposals espoused by big business did contain common themes, all of which were presented as self-evident truths. These common themes (not surprisingly) revolved around a fairly standard, orthodox package of neo-liberal directives, such as:

- a free-market economy with the state as a facilitator of free-market activity (rather than as a meddling interventionist in the economy)
- fiscal discipline and the reduction of the budget deficit
- controlling state spending and inflation
- monetary control
- privatisation
- general economic stability and the control of labour
- general economic liberalisation and deregulation

Among these proposals were various vague welfare measures for the poor, with the emphasis on those victims of apartheid who had suffered most in the past and who would probably be further impoverished by increasingly free and competitive markets. But, according to Marais, these ‘welfare measures’ were tacked on for largely ‘political’ reasons. For business, they were seen as a ‘necessary evil’ rather than being indicative of a genuinely humanitarian or reconciliatory concern. They certainly did not form an integral part of capital’s new growth path. A final common theme was the criticism and ridicule of any heterodox ideas that could be labelled ‘left-thinking’ and ‘macro-economic populism’, etc, on the part of the ANC. Singled out in particular for ridicule were any ideas suggesting the privileging or prioritising of social welfare or redistribution before growth, or even the idea of equally weighting the two.

The NP’s Normative Economic Model (NEM), released in early 1993, neatly captured and elaborated upon these themes. It reversed the idea of growth through redistribution and focused on the following:

- lower company tax
- increased indirect tax
- higher productivity through wage control (a rather selective approach to increasing productivity — investment in both plant and labour can increase productivity, and higher wages can even serve as an incentive for increased labour productivity)
- lower inflation
- cutting the budget deficit
- greater spending on research, development and training to promote exports

STUDY UNIT 7

The architects of the NEM did envisage a somewhat more than merely 'facilitatory' role for the state. The model also contained proposals that capital outflows be restricted, that the 'social wage' be improved (the 'social wage' usually refers to the expanded provision of social infrastructure and can include social welfare measures such as state unemployment and pension provision) and that trade unions be given a limited role in corporatist collective bargaining between the government, business and labour. According to Marais, however, the NEM was not much more than a 'trickle-down' economic policy. This means that it was free-market and business oriented, but with the expectation that economic growth would bring some relief to the poor, the likely victims of such a policy. This would occur in the form of increased employment opportunities, along with some (limited) state involvement and support (in the form of welfare and public works measures), on the basis of the extra state revenues generated by growth. Put differently, although the NEM policy was neo-liberal and included measures aimed at promoting export-based capitalist growth, it also allowed for some state involvement in this. The NEM also contained the supposition that some of the fruits of growth would trickle-down in the form of various (limited) social-welfare and social-infrastructure spin-offs for workers and the poor generally.

Marais points out that, importantly, despite the ANC's outright rejection of this model at the time, its own macro-economic strategy would soon come to contain several of the NEM's proposals, and even 'exceed' them. As the orthodox macro-economic bombardment launched by capital mounted, so the ANC moved away from 'left' and labour notions of redistributive state spending and state taxation and restrictions on the operation of the free-market and business, towards 'freeing-up' the market (including the labour market) and business and even privatising the state. ANC thinking even began to reflect mainstream economists' and business's (and middle-class elements in the ANC itself) view that trade unions represented a 'labour aristocracy'. By this is meant a relatively small and privileged worker constituency concerned with its own narrow interests, rather than, and even at the expense of, those of the majority (ie, the non-unionised and unemployed). In the meantime COSATU, through the ISP, had actually accepted the ANC's and business's commitment to an export-oriented growth strategy. This was because COSATU also recognised that manufacturing and industry (and employment) had been declining since the 1970s owing to low productivity, non-competitiveness and shrinking (internal) demand. COSATU also recognised that many of South Africa's economic woes were associated with a continued reliance on primary and semi-processed commodity exports, capital goods imports and consequent balance of payments problems.

However, COSATU stressed that competitiveness and productivity could not be achieved simply by lowering wages. It was also imperative to increase the productivity of labour and capital (and, indeed, management too), to generate the level of innovation and productivity required to manufacture the necessary quality and variety of commodities that would be internationally competitive. In brief, in opposition to business's neo-liberal, free-market, export-led growth plans, COSATU proposed a neo-Keynesian, state-supported, general industrial strategy. This involved raising and broadening workers' skills, better wages, an increased social

From political democracy to neo-liberalism in South Africa

wage, job creation and greater workplace democracy, etc. Importantly, COSATU believed that the state should facilitate the provision of supply-side measures (ie, education, training, health, housing and other infrastructure), and provide various incentives and disincentives (eg, targeted tax policies) to keep the overall industrial strategy on track. COSATU also promoted the idea of state involvement in a corporatist social contract with labour and capital, which later bore fruit in the form of the National Economic Development and Labour Council (NEDLAC). But while COSATU saw this sort of structure as a forum for shared decision-making on existing and future economic policy, NEDLAC ultimately became a merely 'consultative' structure.

Finally, COSATU tried to make its support for the ANC in the coming election conditional on the ANC adopting a 'reconstructive' economic policy, which became 'concretised' in the form of the RDP. The ANC indeed adopted the RDP just before the 1994 elections. The RDP was never a truly radical, capitalism-threatening economic programme, mainly because its proposals also reflected the inclusivity of, and thus the ambivalence spawned by, the politics of compromise that characterised the transition. To a degree, its proposals reflected an attempt to be 'all things to all people'. However, according to Marais, the overall nature of the RDP, especially in terms of its original formulation (the so-called 'base' document), was 'people-centred' and aimed at ultimately ensuring every citizen's prosperity, equality, and justice. It was essentially 'left-Keynesian', in that it accorded a key role to the state in transforming South African society. Transformation, according to the proposals of the RDP, entailed a state oriented to servicing the needs of all citizens and promoting full employment, a living wage for all and the ultimate eradication of any and all inequality. This would be achieved by providing for people's basic needs and stimulating economic growth (which would occur, at least in part, on the basis of meeting needs — see the reference to the 'virtuous circle' above). Furthermore, according to COSATU, the nature of this 'growth through redistribution' development path was to be determined democratically by all citizens, and all citizens were expected to help it succeed.

The RDP did include some 'radical' aspects, such as proposals about providing some goods and services (eg, low-income housing) on a non-market, non-capitalist basis. But, according to Marais, the RDP largely reflected the idea that when and where capitalism and the market failed, the state would step in and provide basic rights, services, provisions and protections on the basis of a non-capitalist, non-market logic (eg, on the basis of need rather than profit or 'supply and demand'). In short, it was based on, rather than a threat to, capitalism and the market, but it did advocate the protection of the most vulnerable members of society from the harsher consequences of free-market capitalism.

However, from the early 1990s onwards, the ANC was becoming increasingly removed from its broader labour and 'left' constituencies and moving ever closer to business. (Although it did keep many of the leaders of 'left' constituencies 'on board' — as already pointed out, many SACP and COSATU leaders were also senior members of the ANC, and believed they could influence the ANC and/or better promote their prospects of lucrative political careers from within the ANC.) After the

election, the ‘final version’ of the RDP (in the form of a White Paper presented in late 1994) bore this pro-business mark (it was ‘pruned’ of much of the base document’s Keynesian content), and by 1996 the RDP office had been closed (ostensibly, because the RDP was by then — according to the government — fully integrated into all line functions, all the different parts and levels of government). GEAR was introduced a few months later.

The perhaps most significant macro-economic policy alternative to emerge before the 1994 election was the MERG report. Although the ANC cast this report aside even more rapidly than it had the early versions of the RDP, MERG, like the DEP, was set up by the ANC itself in 1991. According to Marais, the report the group ultimately produced in late 1993 was by far the most coherent and sophisticated ‘left-oriented’ alternative to neo-liberal orthodoxy during this period. (MERG was certainly a vast improvement on the ambiguous and technically weak RDP.) Even some mainstream economists, while critical of its ‘socialist’ orientation, nonetheless admitted that it had a great deal of merit.

Briefly, the MERG report represented a left-Keynesian macro-economic policy. The central proposition in the report was that the economy should be restructured through state-led labour market reform, that is, through targeting training, paying higher wages and setting a national minimum wage. It was premised on interaction between strong private and public sectors, and strong state interventions to help make the business sector more effective, efficient and productive. This involved a strategic mixture of incentives and regulation, (especially regarding output and pricing in the mining sector). It urged the control of housing and building supplies, controlling company mergers and acquisitions and carefully monitoring market monopolies. It also involved setting up supervisory boards for large corporations. Such boards were to consist of representatives from trade unions, banks and other interested parties. And, importantly, rather than simply advocating demand-led economic growth (that is, growth through increased state spending, as indicated in many ‘growth through redistribution’ scenarios), it premised growth on increasing savings and investment. The MERG report held that the state could encourage this in various ways, and that the state should regulate and direct such savings and investment and target spending, say on supply-side measures.

The architects of the MERG report advocated a two-stage economic growth plan:

- (1) Stage one. Half of the growth that would occur during the first stage, a ‘public-investment-led’ phase, would flow from state investment in social and physical infrastructure. This investment would be made possible by the state’s promotion and regulation of increased savings and investment, as mentioned in the previous paragraph.
- (2) Stage two. The report argued that stage one would facilitate and set off a second, ‘sustained growth’ phase throughout the economy. The reasoning here is that encouraging the development of the infrastructural conditions of, and increasing demand for production would set in motion an economic ‘virtuous cycle’. This is also linked to the idea that state spending will create investor confidence and

From political democracy to neo-liberalism in South Africa

thus promote and attract productive FDI and productive investment by local capital.

The MERG report was subjected to severe criticism, however. Capital's representatives and/or mainstream economists slammed both its minimum wage and strong state intervention proposals. Specifically, mainstream economists argued that job losses would result from the imposition of a minimum wage, and that macro-economic policy had to be controlled by the Reserve Bank rather than the government. The MERG replied that a minimum wage would improve productivity by decreasing absenteeism, illness and labour turnover and provide an incentive for firms to put training programmes in place (to make their wage-bills 'pay'). As far as control by the Reserve Bank was concerned, the MERG reply was that the Reserve Bank had traditionally represented only capital's interests, and had long held macro-economic sway. The results of such faith in the Reserve Bank were already clear — economic crisis and massive socioeconomic inequality.

In summary, from the beginnings of the political negotiations for a political democracy in South Africa, until the government's adoption of GEAR in 1996, there were a variety of more or less sophisticated and coherent, and more or less Keynesian macro-economic policy alternatives available to the ANC — including the proposals generated by the ANC's own DEP and MERG. Yet the ANC soon abandoned such alternatives and simply dismissed MERG. When it came to power, the ANC chose a neo-liberal macro-economic policy. In the next section (and also in the next study unit) we explore GEAR critically. Following this, we pose and explore the question of why the ANC chose and persists with this route. In this regard, we take into account globalisation, and the tools of political-economy.

ACTIVITY 7.1

Summarise Marais's account of alternative macro-economic policies that the South African government could have chosen from in 1996 (rather than GEAR). Focus in particular on the policy proposals associated with the ANC's Department of Economic Policy (DEP); the (ANC's) Macro-Economic Research Group (MERG); and COSATU's Industrial Strategy Project (ISP) and Reconstruction and Development Programme (RDP).

7.3 The South African government's adoption of GEAR in 1996

Marais points out that GEAR is the core of South Africa's current growth and development strategy. By this he means that GEAR is the macro-economic policy the ANC-dominated government adopted in 1996. It is this policy that defines and establishes the broad socioeconomic, political and ideological framework from within which and on the basis of which issues such as growth, development, reconstruction, redistribution, prosperity, equality and justice in South Africa are to be addressed. He also points out that the nature,

STUDY UNIT 7

construction and introduction of GEAR had a great deal in common with the ‘Washington Consensus’. We look at the nature of GEAR in more detail below. But on the construction and introduction of GEAR, Marais is pointing to the ‘top-down’, non-participatory, undemocratic, and bluntly, authoritarian manner in which it was drawn up, presented to, and imposed upon the South African public.

GEAR was commissioned by a select group of leading figures in the ANC, and compiled ‘behind the scenes’ by a handful of leading, mainly orthodox economists. Its appearance was a surprise, not only to the general public, but to the rest of the ANC and its historical allies (the SACP and COSATU) too. The ‘Washington Consensus’ (see Hoogvelt 1997:229–230, and Cohen & Kennedy 2000:316) is a reference to the neo-liberal macro-economic policy agenda that was imposed upon all ‘developing’ countries in the 1980s by the IMF and World Bank, with the backing of the USA. Briefly, loans and the possibility of debt-rescheduling for third and fourth world countries were unilaterally made contingent on these countries adopting various neo-liberal reforms (called ‘stabilisation programmes’ or ‘structural adjustment programmes — SAP’s). These reforms, devised by IMF and World Bank policy makers and/or economists, usually involved a ‘cocktail’ of free-market and capitalism-friendly measures, such as reduced government spending, privatisation, decreased taxation, deregulation, reduced local protectionism, and the creation of ‘flexible’ labour markets (see the next section of this study unit). According to Cohen and Kennedy (2000:316)

Such policies led to higher food prices with the abolition of subsidies, increased unemployment and widespread cuts in welfare spending on things such as rural clinics as governments were forced to reduce their spending. Much of this has hit the poorer groups hardest and a large proportion of the most disadvantaged consists of single-parent households headed by women.

It bears reiterating here (as in previous study units), however, that IMF and WB thinking on how to deal with developing countries has shifted somewhat recently, and that in any event, many of the variety of ‘state-centred’ policies that many of these countries’ governments were following, simply were not working — not least because of state corruption, the abuse of donor funding, etc.

Note, however, that the South African government chose GEAR from among a variety of possible alternatives. It was not imposed upon the country by the IMF and/or World Bank. The government simply declared it ‘non-negotiable’, and responded to any criticism of the policy by bluntly stating that anyone who disagreed with it simply did not understand economic matters.

GEAR was compiled by mainstream economists, and based on a Reserve Bank model similar to the one used by the NP to produce its NEM. GEAR’s proposals reverse those of the RDP. GEAR’s proposals premise (base) COSATU’s reconstruction and development goals on economic growth. First economic growth and then, and only then, reconstruction and development. And economic growth was to be achieved by neo-liberal means, such as fiscal and monetary discipline and a ‘hands-off’ (or capital-friendly) approach to the economy. In other words, GEAR entails

From political democracy to neo-liberalism in South Africa

‘redistribution through (or, perhaps more accurately, if and/or when) growth’, rather than ‘growth through redistribution’.

This did not prevent the government, however, from presenting GEAR as if it were entirely compatible with the RDP and/or as if it were a strategy designed specifically to achieve the RDP’s objectives. Indeed, the GEAR policy was presented as an ‘integrated approach’ (ie, as a comprehensive plan or strategy aimed at achieving both growth and social equity). According to the government, GEAR would bring about average annual growth of 4,2 percent (and a 6–8% economic growth rate by 2000), roughly 400 000 jobs annually and 1,35 million new jobs by 2000. It would increase exports by 8,4 percent per year, and, ultimately, improve social services, benefits and infrastructure for all — particularly the historically impoverished majority.

More specifically, the GEAR proposals involve attracting massive amounts of private investment to make possible export-led economic growth, based on an industrial and manufacturing sector that is globally competitive (rather than on the traditional dependence on earnings mainly from primary and partly processed commodity exports. See our qualification of Marais’s views on this matter in earlier study units). This does involve attracting FDI (see below for why), but the main focus is on encouraging private (rather than public or state) domestic savings and investment, with a view to eventually generating sustained flows of both domestic and foreign capital on the basis of local investment and growth.

According to the propositions of GEAR, private (domestic and foreign) investment is to be attracted by the following:

- Controlling and restraining wages.
- Creating an increasingly more flexible labour market (which will also, apparently, create greater employment opportunities).
- Maintaining fiscal discipline and controlling the budget. ‘Fiscal policy’ refers to gathering taxes for the purposes of allocating resources through the national budget. ‘Fiscal discipline’ refers to controlling the levels of taxation and the amount of state spending, balancing the budget and reducing — or at least controlling — budget deficits.
- Putting ‘responsible’, disciplined monetary policy in place (and in particular, controlling inflation), and ensuring an exchange-rate that is stable and competitive in terms of the international context.
- Liberalising trade through reducing and eventually eliminating all tariffs and other protections (decreasing tariff protections on imports is also, apparently, supposed to ‘encourage’ local industry and manufacturing to become more competitive).
- Liberalising all financial controls and eventually eliminating exchange controls altogether, privatising selected state assets (eg, the parastatals such as Telkom) and generally privatising all ‘non-essential’ state enterprises and partially privatising others.
- Generally liberalising, deregulating and ‘freeing-up’ the South African economy, and increasingly exposing it to global free-market forces.

STUDY UNIT 7

Various incentives (eg, corporate tax-breaks) are also on offer, to stimulate investment in competitive and labour-absorbing enterprises. Such incentives are meant to be all the sweeter owing to the security and stability the new government can offer potential investors, given the relatively peaceful (ie, compared with the violence and instability that characterised the country's past, and still characterises many 'developing' countries today) nature of the new political dispensation and the government's overt new neo-liberal 'friendliness' towards business. These measures, and the investment they are supposed to attract, would, according to the architects and advocates of GEAR, improve South Africa's productivity, global industrial competitiveness and (potential) export performance, and thus bring about growth. And, on the basis of this growth, it will be possible to increase public investment, establish a more efficient infrastructural service delivery, and overcome any infrastructural deficiencies and backlogs.

The South African government, and this is captured in GEAR, places a great deal of emphasis on fiscal and monetary discipline, and on fiscal and budgetary reform and debt reduction in particular. There is no disputing the fact that uncontrolled state spending, large state debts and fiscal deficits, high tax rates, balance of payments problems, high inflation, uncompetitive exchange rates, weak currencies, and related fiscal and monetary problems pose major threats to the health and potential of any economy. And, as we have repeatedly emphasised in this module so far, the continuing crises of the South African economy, which became particularly manifest and severe in the middle 1970s, have always been strongly linked to balance of payments problems, inflation and budget deficits. These were caused by structural weaknesses generated by the peculiar nature of the capitalist industrialisation path followed in South Africa, a path with its origins in British colonialism, and which was taken over, consolidated and 'refined' by the apartheid regime from the late 1940s onwards.

When GEAR was introduced, servicing the state debt burden, much of it inherited from the previous apartheid state, consumed nearly 19 percent of the (1995/1996) budget. In other words, roughly one in five Rands paid by the taxpayer was being spent on past debts. Debt servicing obligations amounted to the second highest item of expenditure in this budget. Government thinking has been that debt reduction and inflation control, with a little help from the yield of privatisations, can help to balance the budget, help finance business and growth, and help meet RDP and other election promises — all without digging into state coffers.

In other words, the thinking is as follows: before the predicted GEAR-induced economic growth can 'kick-in', a reduced state debt, lower inflation and privatisation will give the government enough revenue to begin to attract investment and promote business growth, and invest in social infrastructure (eg, housing, health and education). The government can do all this, so the argument goes, without violating neo-liberal orthodoxy. GEAR's architects believed that roughly R6 billion could be released for these purposes from privatisation alone.

Hence the call for a 'smaller' state, reduced state spending, privatisation, and fiscal and monetary discipline. Reducing the fiscal deficit and

From political democracy to neo-liberalism in South Africa

lowering inflation frees revenues up to meet, control and even reduce debt repayment obligations. And, of course, it makes revenues available for more productive types of state spending. Obviously, the smaller the proportion of the national budget allocated for debt repayments, the greater the proportion of the budget that is available for other sorts of revenue allocation (eg, for allocation towards housing, education and social welfare). Furthermore, showing a determination to pay off the national debt endears the government to international and local lending institutions and organisations, and helps ensure that future loans will be obtainable. Lowering debt also signals to private investors that it is not likely that the government will raise tax rates, which would eat into corporate profits, to help service its debt obligations.

Controlling inflation, mainly through manipulating (and usually raising) interest rates (through the Reserve Bank), encourages savings rather than consumption, which contributes towards investment. High rates of inflation and currency devaluation usually entail that more money must be spent to secure fewer goods than before, which also reduces the amount of revenue that can be used for more productive purposes. Monetary discipline can also help ensure a stable currency which can be carefully manipulated to make the exchange rate, and thus the prices of exports, more competitive. This can also discourage unnecessary and expensive imports (although it can also make necessary capital goods more expensive to import, which will then eat into government reserves). A stable currency also encourages investment in the sense that investors will not have to fear that the value of their investment may suddenly plummet, as happens in countries with volatile currencies.

Fiscal and monetary control are indeed hallowed articles, all but articles of faith and reverence, of the neo-liberal orthodoxy that the current South African government has committed itself to. Such veneration is, of course, related to the neo-liberal ideologue's nightmare, that is, state intervention in the affairs of the free market and capital. For the neo-liberal, heaven is a state where taxation only exists to enable government to carry out its proper role of faithfully helping the market and capital to operate freely. (The most the neo-liberal is prepared to concede is policing and/or mollifying those excluded from or harmed by free-market capitalism, but if and only if the latter threaten to 'interfere' with the profitable operations and activities of business and capital.) By 1993, the transitional government, with the consent of the ANC, signed a letter of intent to the IMF, signalling its commitment to this neo-liberal orthodoxy.

Predictably, capital and its representatives (in the form of the various business interest organisations referred to earlier, and in the mainstream media) were extremely satisfied with GEAR, hailing it as business- and investor-friendly. They were satisfied by the fact that GEAR was oriented towards making life easier for the corporate sector. They were also pleased by the fact that GEAR signalled that the government did not plan to interfere in 'the business of business' by implementing measures aimed at achieving social equity or socioeconomic redistribution.

However, Marais points out that while GEAR is certainly business-friendly, its prescriptions are so stringent that they severely constrain state

intervention on behalf of business as well as social equity. In brief, GEAR is committed to, and/or signals clearly that the government is committed to fiscal austerity (eg, reducing the budget deficit), monetary control (eg, controlling inflation) reducing (corporate) taxes, and general economic liberalisation, deregulation and privatisation. These measures are designed to encourage massive private sector investment in order to promote growth. However (because of its commitment to non-interventionism and its emphasis on redistribution through growth), GEAR commits the government to largely using only the expected increased proceeds from the growth it predicts for any form of state spending — whether this state spending is on behalf of business (eg, on various supply-side variables) or ‘social’ investment. ‘Growth through redistribution’ has become ‘redistribution through growth’ or, more precisely, redistribution if/when growth occurs.

What the state can in fact do, for both capital and the general public, thus depends on the answers to three key questions:

- (1) Can GEAR, as its architects and advocates claim, promote and produce — and if so to what extent — growth?
- (2) Can GEAR promote and produce — and if so to what extent — employment?
- (3) Can GEAR promote and produce — and if so to what extent — socioeconomic equality/redistribution?

GEAR and growth

According to Marais, GEAR’s growth projections are based on massive private-sector investments, privatisation, private-public partnerships (eg, in the form of partial privatisation) etc, and non-gold exports. The growth resulting from non-gold exports will lead to more growth-promoting investment in the form of state spending on social infrastructure. As indicated above, the idea is to link economic growth with meeting (political) obligations that involve spending on social infrastructure. And yet this must be done by drawing as little as possible from state coffers to avoid increasing the budget deficit.

Criticisms of GEAR’s ability to promote growth

However, even the National Institute for Economic Policy (NIEP), the now more or less economically orthodox successor to MERG, as well as various other orthodox economists (including some of those that had originally contributed to drawing up GEAR), have serious reservations about GEAR’s logic and projections, and its ability both to create growth and bring about all the ‘good things’ that (expected) growth will make possible. They argue that GEAR’s projections are premised almost entirely on the government’s ability to rapidly obtain what they think are unrealistically massive amounts of investment from the private sector. For one thing, they argue that the fiscal and monetary stringency the government is committed to (involving, for instance, reducing the budget deficit by reducing state spending and keeping interest rates relatively high — see the paragraph below), will in fact inhibit private sector investment, and thus growth, and result in decreased output, employment and income generally.

From political democracy to neo-liberalism in South Africa

According to Marais, despite GEAR being predicated on massive private investment, the government has done nothing to ensure that such investment occurs. The government has merely tried to create an 'optimal climate' for investment, by committing itself to low corporate taxes, keeping inflation down, economic liberalisation, and, in particular, reducing its fiscal deficit. It has not, for instance, started spending money (eg, on infrastructure) to attract other investors and thus 'kick-start' growth (a neo-Keynesian measure, as discussed above). This is because the government has accepted an orthodox, but flawed, one-sided and unsubstantiated argument (initially presented by, among others, the SA Foundation, and now incorporated into GEAR). What is the 'thinking' within this flawed argument?

This involves claims that state spending 'crowds out' investment, and thus prevents growth. This 'crowding out' happens because, when the state borrows money to spend on social investment, and/or has to borrow money to reduce its budget deficit, it is in effect competing with the private sector for investment funds. This, so the argument then goes, pushes up interest and inflation rates, crowds out other potential investors, reduces investor confidence and thus inhibits private investment and growth. On the basis of this reasoning, the GEAR proposals aim at reversing this 'vicious cycle', which means the government must control its spending to keep down and even reduce the fiscal deficit and inflation.

However, keeping inflation low, which GEAR commits the government to doing, requires high interest rates. The Reserve Bank reacts to balance-of-payments deficits and inflation by, quite predictably, raising the interest rate. Indeed, in 1998, following the East Asian crisis, it pushed the interest rate above 20 percent (see Cohen & Kennedy 2000:186–188), and this severely inhibited economic growth. Why? Because high interest rates may control inflation and reduce consumption, but they also tend to make borrowing for productive investment extremely expensive — potential investors may be afraid of not being able to service their investment loans. South Africa's own Reserve Bank is, therefore, a major inhibitor of private investment — and thus growth. (Interest rates have of course fallen since.)

In a nutshell, the government could not and cannot (even if it wanted to) break out of the 'vicious circle' referred to above — largely because it has committed itself to a flawed, contradictory economic orthodoxy. This economic orthodoxy claims that a government's primary task is to reduce the balance-of-payments deficit and inflation. Not even the World Bank is fully committed to this view in all circumstances. Marais points out that even the World Bank accepts a fiscal deficit of as high as 12 percent — if it is an integral part of an economic growth path.

A competing, yet equally orthodox view, is that investor confidence, investment, and growth, are likely to flow from the projected profitability of investment. In this view, the state does not sit idly by, but actively works to create conditions for growth. That is, the role of the state is not limited to merely creating optimal conditions for investment, but must actively promote investor confidence and help to ensure that profitability is likely. The state does this through its own investment activities. In a sense, this is a variant of the argument which claims that the way to

control deficit and inflation is through investment and growth, rather than a belief in creating investment and growth by controlling deficit and inflation (which is the current government's policy). According to this alternative mainstream argument, productive state spending on infrastructure and social services increases a country's general economic wellbeing, growth, and promotes private investment. According to this argument, state spending 'crowds in' private investment by, among other things, providing an infrastructural foundation for further investment and sustainable growth. According to Marais, this approach seems far more appropriate in a country such as South Africa, where major structural change is required to meet international standards of productivity and competitiveness, and where government has publicly committed itself to reducing social inequality.

GEAR's proposals, however, are based on the belief that state spending is the problem, not a solution. According to GEAR, state spending can only occur once growth has produced sufficient fruit. But this growth, also according to GEAR, depends on massive private investment, and the government cannot or will not do anything to secure such massive investment — largely because of its own policy commitments.

In short, the government's GEAR strategy is based on wishful thinking and seriously flawed reasoning. Merely creating (an orthodox interpretation of) the 'right conditions' and then believing that this will somehow, miraculously, bring about investment and growth is, to put it politely, completely unrealistic. As far as its flawed reasoning is concerned, GEAR confuses fiscal and monetary control (which, arguably, are always necessary to a degree), with fiscal and monetary austerity. In other words, the need to control state spending and inflation, and the orthodox injunction that just about no state spending and inflation should occur at all, are being confused. This inhibits investment and growth. And, as mentioned earlier, even the conservative economists of the IMF and World Bank have rethought this orthodoxy.

There are quite obviously serious flaws in neo-liberal reasoning about minimal state intervention in the economy and the gospel of fiscal and monetary discipline, especially when it comes to 'developing' countries, and certainly with reference to development, and prosperity, equality and justice for all in South Africa. We have already looked at a variety of cases, the East Asian Newly Industrialised Country's (NIC's) in particular, whose relatively successful development had little or nothing to do with neo-liberal orthodoxy. Many of the (more or less Keynesian) ideas about alternative growth paths contained in this module derive from the relative successes of various NIC's in regions such as East Asia and parts of Latin America.

In South Africa's case, it was the economy's inherent, structural weaknesses, produced by the political economy of its peculiar, racist capitalist industrialisation path, and its related, historically specific insertion into the global capitalist system that led to its fiscal and monetary problems. It simply does not follow that to now impose stringent fiscal and monetary discipline on the economy will do anything at all to resolve the economy's inherent weaknesses and bring about growth. Such measures can at best only address the symptoms of the

From political democracy to neo-liberalism in South Africa

economy's inherent weaknesses — at worst, they can in fact exacerbate these weaknesses.

On GEAR's consequences for economic growth, study the section titled "Harvest time" in Chapter 6 of Marais (2001). Here you will find evidence that almost all of GEAR's economic growth predictions and projections about types and levels of investment, productivity, output, competitiveness, and exports, have all fallen well short of expectations. Indeed, many of these became even lower than when GEAR was introduced.

GEAR has changed South Africa's economy — but unfortunately, for the worse. A new 'investment' trend rapidly set in with the government's increasing liberalisation, deregulation and privatisation of the South African economy. For instance, by dismantling exchange controls, the government has actually encouraged the flight of capital rather than promote productive private sector investment. Another change, is that short-term, speculative, 'portfolio' investment began to flow into (and as easily and rapidly out of) the country. Moreover, much domestic investment capital that could have been used for productive purposes has found its way into 'off-shore' funds and investments and even further afield, into investments overseas. Investment has flowed into newly (or partially-) privatised state assets (eg, the various parastatals) and into burgeoning numbers of corporate mergers, acquisitions (remember what we said earlier on about FDI that takes the form of buying domestic market shares?) and black economic empowerment consortia.

But none of this sort of 'investment' can by any stretch of the imagination be construed as growth-inducing investment, that is, private investment in local industry that increases productivity and competitiveness for export-purposes. Nor can this sort of investment be expected, given that neither local capital nor the government has led the way by investing locally in order to 'crowd in' further, more sustainable investment and growth.

By adopting GEAR, the government has committed itself to a particularly narrow and indeed severe interpretation of neo-liberal macro-economic orthodoxy on growth. And, despite the availability of equally orthodox, yet arguably far more appropriate alternatives in the light of South African conditions, the government seems to be unable or unwilling to deviate from its chosen path of minimal state intervention (aside from fiscal and monetary control), minimal state spending and maximum economic liberalisation, deregulation and privatisation. All of these measures, both logically and in actual fact, undermine the possibility of growth, and thus the possibility of employment and redistribution in South Africa. At the level of political rhetoric, the government argues that GEAR is aimed at ultimately achieving the relatively progressive goals of the RDP, given growth. Yet the GEAR proposals contain no indication of precisely how the very corner-stone of this policy, growth, is to be secured. Some growth, increased productivity, competitiveness, etc, has occurred in some sectors of the economy, such as in the motor industry. But frequently, this has been of a capital-intensive nature (see the next paragraph on GEAR and employment), with few if any substantial local spin-offs. And importantly, the growth, etc, that has occurred, seems to have done so in spite of GEAR, not because of it.

GEAR and employment

Marais (2001) summarises the effects of GEAR on employment in the section in Chapter 6, which is aptly titled “Not hiring”. He points out that by 1996, it was already quite clear that economic growth did not necessarily reduce unemployment (as mentioned in the previous paragraph). ‘Jobless growth’ was becoming as prevalent in South Africa as it is elsewhere in the global capitalist system. For this reason, the architects of GEAR and the government projected specific types of new job creation. If you remember, the GEAR proposals contain the prediction that by 2000, 1,35 million new jobs were to have been created, of which more than 800 000 were to flow from the strategies of GEAR itself. The economic growth GEAR was supposed to have achieved through its fiscal and monetary measures, its business-friendly pursuit of increased labour market flexibility, etc, and, ultimately, even by the government employing people for infrastructural projects (on the basis of the extra revenues generated by growth).

We have already looked at GEAR’s impact on growth. Given that there is not much to report on this matter, it is hardly likely that we will have much to report on the relationship between GEAR-related employment either. However, we can report that the investment that has occurred in the country (mainly — but not exclusively — in the form of privatisation ventures, mergers, acquisitions, etc) has tended to dramatically decrease existing employment opportunities. This is because the managers of now profit-oriented, privatised or partially privatised parastatals quickly shed as much labour as they can in order to increase profitability. Similarly, as corporate giants merge with one another (and thereby decrease competition in and further monopolise the South African economy), their managers immediately set about the task of ‘streamlining’ and rationalising their operations. This is achieved by, among other things, eliminating any duplication of function, and by defining their ‘core business’ and selling off or out-sourcing, casualising or even shutting down what they have decided is not their ‘core business’. They almost completely disregard the fact that the ‘core business’ of most employees is to remain employed so that they can continue to look after themselves and their dependents.

On the topic of labour market flexibility and job ‘creation’ (see the discussion of globalisation in Study unit 2 and in the next section), more than 500 000 jobs have been lost in South Africa, mainly due to the increased use of labour-saving technology, out-sourcing, and casual and contract labour. This figure must be added to the hundreds of thousands of jobs that are believed to have been lost in the agricultural sector owing to increasing mechanisation and retrenchment (much of this retrenchment is aimed at avoiding the effects of changes in labour legislation to improve the security and conditions of farm-labour). And the government itself continues to shed jobs through its privatisation, out-sourcing and ‘rationalisation’ endeavours. In short, the ‘expanded unemployment rate’, without taking into account the agricultural sector, had risen from 31,5 percent in 1994 to 37,6 percent in 1999. So much for GEAR’s promise of increased employment.

Marais argues that GEAR has done nothing to address the structural weaknesses of the South African economy, and the structural nature of the country's massive unemployment rate. He points out that the economic sectors that were failing so badly under the apartheid regime, those that contributed so fundamentally to and indeed helped precipitate the apartheid state's organic crisis, that is, the manufacturing and industrial sectors, are, with some exceptions, still in decline and indeed now shedding thousands more jobs. From 1989 to 1996, R30 billion was spent on new plant and machinery in the manufacturing sector, and this figure excludes expenditure on the up-keep of old fixed capital. However, output, productivity and competitiveness rose only marginally (although there have been some exceptions recently, albeit only in certain sectors), and importantly, about 145 000 jobs were shed. In other words, the old tendency to substitute machinery for labour continues, as does the newer tendency to out-source, casualise and contract labour. And all this is taking place in the very sectors that the government and GEAR targeted to head-up the new export-led growth, employment and development path — and reduce South Africa's economic vulnerability due to its dependence on primary-product and semi-processed exports. However, today, even the primary-product (and other) sectors of the economy are also in decline and/or shedding workers, and business leaders in just about all sectors are warning that this is a trend that is unlikely to be reversed anytime in the near future. And by their actions, or more accurately, their lack of action in terms of their continued resistance towards productive investment, business in South Africa is ensuring that this gloomy prognosis becomes a reality.

While job-shedding may be 'rational' in terms of immediate business profitability and choices about 'core activities' (and perhaps even short-term survival), the long-term effects of high unemployment on the economy as a whole are extremely serious. High unemployment leads to a vicious cycle of decreasing demand, decreasing production, decreasing growth and, thus, even more unemployment and poverty. Given that black wages are distributed among a wide network of dependents, each new case of unemployment actually exponentially decreases consumer demand. The NIEP has calculated that one job lost in the gold-mining industry can cost the country up to R132 000 a year (at 1998 prices). This 'social burden' is calculated on the basis of the loss of the miner's consumption expenditure (and its effect on the relevant businesses), and the loss of tax revenues to the state. This also affects our neighbours, particularly Lesotho and Mozambique, because many gold-mine and other workers are migrants from these countries, who send on average roughly 60 percent of their income home. Unemployment thus also influences demand and the viability of businesses in our neighbouring countries, which in turn also undermines our own neighbouring markets in terms of exports there. In 1997, 65 000 miners were retrenched. The calculated 'social burden' of this amounted to roughly R5,5 billion. Because the economy could only allow a tiny amount of this labour (estimated at approximately 10%) to be re-employed, the social burden of these retrenchments increased to about R8,8 billion in 1998, taking factors such as an inflation rate of 6 percent into account. Note that this calculation does not take into account the miners who lost their jobs in 1998.

We have referred earlier to the down-scaling and even closing of business enterprises, which are ‘justified’ in terms of ‘insufficient’ profit-margins and the ‘rationality’ of profitability. However, it is clear that we can put forward at least equally strong arguments for retaining and even increasing employment levels in business. Moreover, we can argue this purely on the basis of rational, economic, profitability-based and (long-term) economic-survival considerations — in short, on the basis of calculating the broader ‘social burdens’ that flow from high levels of unemployment. Indeed, we can even argue that the state should intervene directly when it comes to employment, and/or empower labour to determine, along with capital and the state, not only the nature of employment but levels of employment too. It can be argued that the unions had this in mind when they promoted the creation of NEDLAC. As already indicated, however, NEDLAC ultimately became a merely ‘consultative’ forum, giving labour little real power. Such an intervention may well have turned the vicious cycle of unemployment into a virtuous one.

However, this option is regarded as anathema to the ideologues of neo-liberal orthodoxy. Indeed, both government and business have continued to insist that organised labour and industrial council bargaining are a major cause of the lack of growth and employment in South Africa, because labour refuses to accept wage restraint and the ‘need’ for a deregulated and more ‘flexible’ labour market. GEAR’s proposals in fact link job creation to an increasingly flexible labour market, which includes possible changes to South Africa’s relatively progressive and widely-admired labour legislation.

However, given what we now know about employment trends in South Africa, these claims are simply false. Relatively few workers (about 10%) are covered by industrial council bargaining, and back in 1996, when GEAR was first introduced, the International Labour Organisation (ILO) reported that even the largest corporations in the country use ‘informal’, ‘temporary’ and ‘casual’ sorts of labour, sub-contracting and out-sourcing. Indeed, the ILO found that 82 percent of firms used temporary labour and 45 percent used contract labour, that retrenchments are not easily resisted by workers, that notice-periods for many workers are very short, and that many workers have little if any employment protection. The ILO also found that wages varied greatly in different sectors, even decreasing in some sectors despite the activities of unions, and concluded that the economy already had a great deal of wage flexibility, and that decreasing employment levels were not caused by higher wages. The ILO also warned that even if job creation does occur, in contemporary global conditions this does not mean that it will necessarily alleviate poverty. This is because much new job creation is in very low-wage sectors — in the 1980s, employment levels began to increase greatly in the USA — and so, at the same time, did the level of poverty (10% of the population’s real income dropped by 16%). In South Africa, many of the poor are ‘fully employed’ — they are poor because they earn extremely low wages.

From political democracy to neo-liberalism in South Africa

GEAR and socioeconomic prosperity, equality and justice

We have determined that nearly half of the ‘expanded’ employable population in South Africa is in fact unemployed. Obviously, the current government is not alone to blame for this appalling situation. It inherited the structural socioeconomic weaknesses bequeathed it by the apartheid regime. However, when the ANC came to power in 1994, it did so on the basis of the RDP. It promised the electorate that it would modernise and develop the country in a manner that would produce prosperity, equality and justice for all, particularly for those most deprived by apartheid. Only two years later, it chose neo-liberalism and adopted the GEAR macro-economic policy.

We have looked at some of the socioeconomic consequences of GEAR in the previous two sections, namely, GEAR’s impact on growth and employment. What we have not done, however, is look more closely at the consequences of GEAR for the everyday life of ordinary human beings. Nor have we looked at GEAR’s influence on the prospects of prosperity, equality and justice for the historically disadvantaged majority in particular. (Study Marais’s [2001] section in Chapter 6 titled “Contours of inequality”.) If the emphasis in this module — which begins with a critique of the overly political nature of most analyses of South African society and its transition from apartheid to democracy — falls too heavily on the socioeconomic, it is for the reasons that follow.

Marais points out that nearly 70 percent of the unemployed have never actually had a formal job. Given nearly 50 percent unemployment, this means that nearly 35 percent of potentially employable South Africans have never had a formal job. And the vast majority of those that are unemployed, are black South Africans. However, statistics like these, according to Marais, merely ‘hint’ at the suffering that new unemployment brings and that the structurally unemployed endure. He cites studies that indicate that nearly 70 percent of households in some informal settlements have never been able to save any money, and up to 40 percent cannot even feed their members, especially in areas where there is little employment or where employment opportunities have recently been curtailed (such as when plants in the vicinity begin to retrench or even close down altogether). In times of job losses, many more than the recently unemployed bear the costs. This is because black workers’ wages have long been shared among many direct and indirect dependents.

It is in this context that the government asserts that its commitment to neo-liberalism has not influenced its delivery on its redistributive election promises. The government has been quick to point out that while maintaining (and sometimes suggesting that because of) fiscal and monetary discipline, it has delivered on more than 60 percent of its election promises. This is a reference to the fact that significant numbers of South Africans, since 1994, have access for the first time to safe water, electricity and telephones. The government is also referring to its provision of housing and a housing subsidy scheme, a primary school nutrition programme, new classrooms, new medical clinics and free medical care for pregnant women and for children under six years of age. However, while these are real improvements, many of those people recently given access to water, electricity and telephones have had their

STUDY UNIT 7

supplies cut off, because they cannot afford the user and service fees. Many of the houses provided are of inadequate quality, much of the housing subsidy has been pocketed by consultants, and there is still a massive and growing backlog of housing. Many of the water-supply projects have simply fallen apart and are not functioning. Despite additional classrooms, schools in the townships are still heavily overcrowded. Teachers are forced to do more with less as government tries to minimise its salary bill. Matric pass rates, school subsidies and bursaries have dropped consistently since 1994, textbooks are in increasing short supply, fees have risen and tertiary education enrolments have declined. Land reform and land redistribution have been reduced to a market-driven voucher system for budding farming entrepreneurs. Health clinics are understaffed and severely under-equipped, and the number of AID's sufferers is steadily mounting. In short, just about every social indicator testifies to South Africa's extreme levels of poverty. Whatever the government says, the fact is that GEAR has failed to meet the needs of the poor.

According to Marais, the perhaps most damning indictment of government and GEAR is the massive inequality that not only continues to plague South Africa from the apartheid era onwards, but has in fact been increasing since 1994. Citing mainly World Bank figures, and on the basis of the 'Gini coefficient', which measures income inequality in a country, Marais points out that South Africa, in 1996, was the third most unequal society in the world. During the last years of the apartheid regime, from 1975 to 1991, the income of the poorest 60 percent of the population had dropped by 35 percent. By 1996, the poorest 20 percent of the population received only 1,5 percent of total income, while the richest 20 percent received 65 percent of total income, and the richest 10 percent, 48 percent of income. Furthermore, in 1995, the poorest half of households earned merely 11 percent of all household income. In terms of measurements of absolute poverty, more than 3 million households, or more than 18 million citizens, and more so in the rural areas, live below the poverty line. And nearly 60 percent of black South Africans live below the poverty line compared with just over 2 percent of whites. The poorest of this 60 percent, comprise rural, black female-headed households. Unemployment rates and the rural/urban divide reflect similar racial and gender patterns of poverty and inequality, and there are also tremendous inequalities among the provinces of South Africa. For instance, the Western Cape and Gauteng, and the white and Indian population groups generally, have a high 'human development' index, and the Northern and Eastern Provinces have low 'human development' indices.

The government has managed to keep a lid on unrest and protest, by means of, among other things, constant references to what it has indeed managed to deliver (along with a variety of 'explanations' as to why it has not done more). It has also managed to do this by its capacity to selectively satisfy, if only partially, the interests of a variety of different constituencies, classes and interest groups (as it gained and maintained hegemony over the discrete elements of the popular movement during the struggle against apartheid). Women's rights have constitutionally been affirmed, and new labour legislation has benefited workers in various ways. Affirmative action has benefited the black middle classes, and black

From political democracy to neo-liberalism in South Africa

economic empowerment measures have promoted the growth of a black entrepreneurial class.

Even where there have been opportunities for promoting redistribution, albeit in small ways, as in the case of tax reform, within the parameters of the preferred orthodoxy, the government has made choices that effectively undermine these goals, and favour (often already privileged) particular groups. Raising taxes would be one way in which state debt could be reduced and revenues raised for the provision of infrastructure for economic growth and social welfare. However, South African tax levels are already high relative to other countries, and raising taxes, especially on capital, tends to act as a disincentive on private investment. Furthermore, the machinery of tax collection in the country has not been very effective or efficient. Although this is changing, there is still a great deal of tax evasion — not to mention the high levels of tax avoidance practised by the wealthy who can afford expensive tax consultants to ensure they pay as little tax as possible. The more tax evasion and avoidance there is, the more the tax burden falls on those who do pay tax. Higher personal taxes can also lead to labour unrest, particularly if they are combined with wage restraint, and already low wages. As indicated above, many of those that are employed are poor because of the extremely low wages they earn. This will further reduce the real income of workers (and thus the income of their often wide network of direct and indirect dependents).

In previous study units we looked at the effects of the imposition of general taxes such as GST and VAT. Nobody can avoid them, but not everyone experiences them in the same way. An extra ten cents VAT on a loaf of bread is no real hardship to someone earning R10 000 a month. But it may mean that now only half a loaf of bread is affordable to someone earning R2 500 a month. Think of the recent massive petrol price increases (and the proportion of tax that makes up the petrol price). Do you think that only car owners suffer the consequences of rising petrol prices? However, it is possible to exempt certain basic items from general taxation, and it is also possible to introduce a more aggressive progressive tax system (the more you earn the more you pay). It is also possible to tax heavily various 'non-productive' perks enjoyed by capital (one example being luxury car allowances). Following GEAR, the government has chosen to raise personal and general and indirect taxes such as VAT (which discriminates against the poor in particular), rather than corporate tax.

On the contrary, as far as taxation is concerned, the government has consistently and progressively favoured corporate capital, in the form of various incentives and concessions, over all other interests (although a capital gains tax has been mooted by government). Capital's share of total taxation collected by the government fell from 50 percent in 1970 to 13 percent in 1995. Personal taxation has risen from 18 percent in 1970 to 40 percent in 1995. By 1999, companies were contributing less than 13 percent and individuals more than 42 percent to the total tax bill. VAT brought in 25 percent, contributing twice as much as capital. In the name of driving down the budget deficit, the government's neo-liberal fiscal and monetary austerity has in fact simultaneously subsidised capital and

STUDY UNIT 7

driven down the availability of revenues for possible socioeconomic and redistributive spending.

Furthermore, instead of protecting wages, employment and empowering unions, the government wants to further deregulate the labour market and make it and wage levels more 'flexible' than they already are. Marais points to evidence here on the practice of labour market flexibility and wage restraint in East Asia which, however, also included state directed spending on social infrastructure (such as housing and transport) and price controls on basic goods such as food. In other words, where regulated labour market flexibility has been part of a successful growth strategy, it has also included the state subsidising wages.

In the same vein, Marais points out that slowly, unevenly, but nonetheless surely, the government has promoted a deracialisation of inequality, and to a lesser extent, poverty (much of it due to affirmative action and black economic empowerment). Although this process of class rather than race differentiation (reflected in particular among the black population itself, however) first began to emerge clearly with the apartheid state's various attempts at 'buffer-reform' commencing in the 1970s, it has begun to accelerate. By 1996, while white per capita income was nine times that of blacks', in the period from 1991 to 1996 whites' share of total income had nevertheless fallen from nearly 60 percent to just over 50 percent. In the same period, the proportion of white households making up the richest 10 percent of the population fell from 95 percent to 65 percent. The black population's share of total income rose from just under 30 percent to nearly 36 percent and their representation among the richest 10 percent of households increased from 9 percent to 22 percent. And, in terms of the Gini coefficient within the black population, by 1996 inequality among blacks was almost as high as in the country as a whole. In short, by 2000, a small but growing black elite had entered into the deracialising heights of power and privilege in South Africa. This has served to both reinforce structural poverty and inequality in the country, and buttress the ANC's and GEAR's ascendancy.

According to Marais, government has also managed to 'depoliticise' and 'desocialise' the state of the economy and its impact on the impoverished masses — in this, the government has had the help of mainstream economists and the mass media. This is in line with mainstream thinking on economics. It also reflects the ANC's historical neglect of the socioeconomic dimensions of the struggle against and transition from apartheid, and the fact that the ANC 'overpoliticised' and over-emphasised the political and ideological dimensions of the struggle. This is a function of the government's neo-liberalism, and its particular take on the 'exigencies' of globalisation (see the next study unit), which has enabled it to portray economic matters as 'given', as a 'neutral' site of (economic) 'science'. According to this view, the government's role can only be to merely manage this more or less autonomous realm, not do anything substantive about it.

We hope you realise that the issue of 'authority, expertise, and order' is relevant here, as discussed in the previous study unit. The ANC is emphasising a highly selective, neo-liberal interpretation of the world. As a result, the macro-economic measures associated with GEAR are being

From political democracy to neo-liberalism in South Africa

justified — the government is simply claiming that it has little choice but to support GEAR — and that other options just aren't available. The mainstream media help to support this view by limiting and indeed reducing discussion on the economy to 'technical' issues such as small variations in inflation, currency fluctuations, whether 'sound economic fundamentals' are in place, fluctuations of stocks and bonds on the stock exchange and variations in 'investor confidence'. This deflects and diverts our attention away from the normative dimension of economic matters (ie, what economics should be about) and makes it difficult for us to see that different values do exist, and different macro-economic policy measures can be put forward. As it is, the government successfully presents itself as doing the best it can under the (apparently given) circumstances.

Finally, study Marais's (2001) section in Chapter 6 titled "Factory of crime" (he elaborates on what we have already discussed in connection with crime). For Marais, the nature and extent of crime in South Africa is directly related to the nature and extent of poverty and inequality in the country. Note that he links poverty and inequality to some of the only economic sectors that are booming in the country — the insurance corporations, the private security industry, the construction of fortress-like cluster-housing complexes, and the formal and informal traffic in private arms — and to the fact that the police force is unable or unwilling to cope with crime.

In summary, despite GEAR's failure to bring about growth, employment and redistribution, the ANC-dominated government has managed defend its policy and indeed bolster its rule. It has managed on the whole to deflect attention away from close scrutiny of GEAR, and a serious consideration of alternatives, and it has more or less convinced the general public that it is doing what it can under the circumstances. In the process, and by selectively serving the interests of a variety of constituencies, classes and interest groups, it has also managed to cultivate the support of a small but influential and powerful group in South Africa. This group includes corporate capital in particular, and a small but growing black middle class and entrepreneurial and other elites. (Please note that there is more discussion and criticisms of GEAR in the next study unit.)

ACTIVITY 7.2

Write an essay in which you describe Marais's critique of the South African government's adoption of GEAR in 1996. Focus on both his description and criticisms of GEAR.

7.4 Globalisation and the ascendance of neo-liberal macro-economic policy in South Africa

We've already had a lot to say about globalisation in previous study units, especially Study unit 2. But now we shall focus on Marais's analysis and

STUDY UNIT 7

critique of how a particular, neo-liberal interpretation of globalisation has been used by the government and other vested interests, to justify current economic policy in the country.

According to Marais, the Cold War that commenced during the middle to late 1940s after World War II, produced a geo-political and ideological division of the world into capitalist and socialist blocs, led by the 'western' USA and the 'eastern' Soviet Union respectively. The Cold War also produced at least three major models of development and sources of support for development. These were (1) the western, welfarist, free market capitalism of the first world, (2) the eastern, Soviet-type state-planned or commandist socialism (where the economy and society generally are subject to the state's or government's 'commands') of the second world, and (3) a selective mixture of both (1) and (2) in parts of Africa, Asia, and Latin America (the 'third world') — this mixture took the form of what is called 'state-led developmentalism'. The most notable and successful examples of (3) were a handful of East Asian countries. During the Cold War, these countries developed mainly owing to their political and ideological links with the USA, from whom they also gained a great deal of material and other support. Such support included preferential access to markets in the USA, without really having to 'give much back'. This favourable treatment was motivated largely by the USA's determination to prevent the spread of socialism and show us all the benefits that a little bit of capitalism could bring to other third world countries, especially those considering aligning themselves with the socialist bloc.

The end of the Cold War from 1989 onwards, along with the dissolution of the Soviet-led 'eastern' socialist bloc, had a profound impact on the geo-political, ideological and economic nature of the world. It produced the global capitalist system as it is today. It led to the disappearance of what had been called the second world, and undermined the three main developmental alternatives that had held sway until then. The collapse of socialism has thrown the left in particular into disarray and inertia, and all but eliminated the possibility of a socialist path to development. Mixed, state-led development programmes and policies, which had produced impressive growth, higher living standards and reduced inequalities in some third world countries, are also in disarray. Also, such options no longer seem to be plausible paths to development, given the major problems these countries' economies have recently experienced (eg, the East Asian crises of the 1990s), but also for other reasons. And perhaps most importantly, despite the fact that market forces and capitalism have proven to be severely defective, having produced increased inequality and polarisation between rich and poor, increasing unemployment and poverty, and the gradual dismantling of social-welfarism in the western, capitalist first world, the latter did 'win' the cold war. The collapse of socialism has led to the contemporary global hegemony of neo-liberal ideology and free market capitalism.

The contemporary global capitalist system is characterised by rivalry and contest between the major capitalist powers. The USA is still militarily, culturally and diplomatically dominant, but not necessarily economically so, at least not in all spheres of economic activity. The USA, western Europe and Japan, and, to a lesser but increasing extent, China, mainly

From political democracy to neo-liberalism in South Africa

through their TNC's, are now competing with each other for access to and control over markets, natural resources, new technologies and new opportunities for profit-making — and they are doing this on a worldwide scale. The tripolar world system (first, second, and third worlds) that was characteristic of the Cold War era has been replaced by a unipolar, global, capitalist system, dominated by the 'laws' of the free market, the activities and dictates of TNC's, by an increasingly 'footloose' capital (and finance capital in particular), and by the ideology and institutions of neo-liberalism. This new global configuration has let loose forces that seem to have penetrated, dissolved, reshaped and restructured national and geographical boundaries and reincorporated them in the form of 'centres', 'peripheries', and 'the rest', in the contemporary global capitalist system.

In other words, major changes have indeed occurred since the end of the Cold War. But the nature and consequences of these changes are subject to a great deal of debate. All of these changes — and their consequences — are usually lumped together under the controversial concept of 'globalisation' (see the more detailed discussion of the concept of globalisation in Study unit 2). Marais describes what is referred to by the concept of globalisation as the worldwide spread of industrial production, new technologies and commodities, made possible by the increasing mobility of finance capital, the increasingly free nature of trade and the increasing power and authority of TNC's. This trend has been accompanied by an increasingly ascendent mainstream neo-liberal ideology. This ideology — and, remember, it is an ideology, not a given state of affairs — emphasises that the increasingly free market nature of the global capitalist system rationalises and makes economies everywhere more efficient; on this free-market basis, we are told, all societies in this global capitalist system are ultimately moving into an epoch of unprecedented prosperity. The key to achieving this prosperity, so neo-liberal ideologues and institutional representatives contend, is adherence to the set of measures often called macro-economic 'structural adjustments', as more or less defined by the 'Washington Consensus' (turn back to the discussion of the Washington Consensus and 'structural adjustment programmes' to remind yourself what these involve. Note too that among the chief architects and advocates of our 'new world economic order', the IMF and World Bank in particular, ideas have shifted somewhat with regard to what economic development may involve). These measures or adjustments, according to neo-liberalism, will free the new global capitalist system from inefficiencies and irrationalities imposed by interventionist states. This ideology involves the claim that freedom from state interference will enable all societies to be equal partners in a single, integrated global capitalist system. More to the point, all societies will benefit from unfettered global trade and investment.

But, according to Marais, reality is rather different. Structural adjustments have certainly produced some positive effects, in that they have helped countries contain inflation and debts and promote some growth. But, at the same time, levels of inequality, unemployment and poverty are rising everywhere, even in the western, free-market and welfare capitalist first world. The concepts of centres, peripheries and 'the rest' (or fourth world) of the global capitalist system now refer to polarisation within regions and countries and even within the richer

STUDY UNIT 7

regions and countries (eg, western Europe and the UK). In other words, it is incorrect to think that centres, peripheries and ‘the rest’ refer only to the mainly geographical polarisation between ‘north’ and ‘south’ or first world and third world, developed and developing/ underdeveloped regions and countries (ie, to the polarisation between countries in western Europe, in Japan, the USA, etc, and countries in Africa and parts of Asia and Latin America).

Marais cites the UN Development Programme’s 1999 Human Development Report that the income gap between the richest 20 percent of the world’s population and poorest 20 percent increased from 30 to 1 in 1960 to 74 to 1 in 1997. The Report shows similar discrepancies, this time between the 20 percent of the world’s population that comprises the world richest countries, and the 20 percent that live in the poorest countries, regarding respective shares of world production, world export markets, world flows of FDI, the world’s supply of telephone lines and the world’s patents. In 1960, the richest 20 percent in the world earned 30 times more income than the poorest 20 percent. By 1997, the former were earning 78 times more than the latter. And most of the impoverished are women. Within countries, similar trends are discernible. In the USA for example, the richest country in the world, between 1977 and 1989 the wealthiest 1 percent’s incomes rose by 104 percent, and the poorest 5 percent’s dropped by nearly 10 percent. This brought the number of poor Americans from 22 to 32 million. Indeed, each prosperous country has its own ‘third world underclass’.

The rich and powerful are getting richer and more powerful, and their proportion of the world’s population is shrinking relative to the numbers of poor and powerless, who are becoming more impoverished and even more powerless — on the basis of just about any social indicator imaginable, such as homelessness, malnutrition, preventable diseases, unemployment, and the like. Marais cites the Worldwatch Institute which claims that, if present trends continue, half of the human race will be living in absolute poverty soon after the middle of the 21st century. Globalisation is also characterised by unprecedented environmental destruction and depletion, food riots and looting, chronic socioeconomic and political instability (that is often met with heavy state repression). Many millions have sought refuge in ideologies, religion, ethnicity and nationalism, in reaction to the deprivations and uncertainties associated with globalisation.

Marais also points out that new (labour saving) production technologies are constantly emerging, leading to an unprecedented loss of employment, which is growing faster than the fewer and fewer new employment opportunities that these technologies create. This has led to a widespread belief that one of the central tenets of socialism, and even social-democracy, that is, full employment (not to mention the idea of a regular job or a ‘job for life’), is irrevocably a thing of the past (see the earlier references to the left being in disarray and the effects of globalisation on employment). Unemployment is now held to be structural (inherent, as we have already discussed) rather than cyclical (due to the periodic upturns and downturns characteristic of free-market, capitalist economies), because even in prosperous countries, manufacturing jobs, and jobs in other ‘traditional’ economic sectors, are being lost at an

From political democracy to neo-liberalism in South Africa

almost exponential rate. This is largely the result of the introduction of the new technologies of production, that increase productivity and shed jobs. Some people who have recently become unemployed may find alternative employment in the growing service sectors. But such jobs, like more and more jobs in other sectors, including manufacturing, are increasingly poorly-paid, offer few if any benefits (eg, pension or medical aid) or prospects, and are by nature generally temporary, part-time, contracted, sub-contracted, outsourced and casualised. And they are often characterised by very poor working conditions.

The increasing 'flexibilisation' of the labour market we have been referring to here (which is justified by neo-liberal ideologues who claim that it leads to increased efficiency, productivity and global competitiveness) is largely caused by the introduction of new labour-saving production technologies and increasing levels of unemployment. It has, though, a very dark side. It is allowing capital to exercise increasing control over production and labour, thus enabling capital to increasingly exploit labour. Such control is continuously undermining the limited, but still relatively significant countervailing power of worker organisations. Organised labour, which can afford workers some protection, is becoming increasingly vulnerable and is under constant attack. This takes a variety of forms, including repression, vilification and/or cooptation. Workers in the global capitalist system thus do not only earn less wages and receive fewer benefits, they also have fewer and fewer political, social and economic rights. We have already discussed how liberalised capital can seek out and exploit the most vulnerable of workers, including women and children in the poorest parts of the world.

Furthermore, business has often exploited the periodic cyclical crises of free-market capitalism (such as the recent East Asian economic collapse and its widespread ramifications) by using these 'ups and downs' as an excuse to impose more flexibilisation on labour markets and introduce more new labour-saving technologies and/or wage cuts and/or retrenchments. Such actions are nearly always justified by appealing to neo-liberal arguments that the economy must be made more efficient and globally competitive, and must be made more resilient in the face of the uncertainties of world markets. It is often done quite deceitfully too. By this is meant that businesses take such action for their own gain, often purely for short-term profit, yet justify their venality on the basis of declarations that these measures are introduced on behalf of the national economy as a whole. Business also often uses recessions as opportunities to launch a further series of assaults on trade union power. Such attacks frequently carry 'populist' overtones, in the sense that union resistance to these 'necessary' measures is portrayed by business and/or the government as the reaction of a self-interested labour elite (or 'labour aristocracy'). Business claims that this elite is unconcerned about the state of the nation, the economy, and the plight of the unemployed and poor. Such attacks on organised labour are increasing (see Marais's references in this regard to the salience of Reaganism and Thatcherism in the USA and UK, respectively), and beginning to threaten the very existence of the most powerful remaining countervailing social and political force against the state and capital in the contemporary global capitalist system, that is, trade unions.

STUDY UNIT 7

As already discussed in Study unit 2, there is a great deal of debate about what the concept of globalisation entails, about what characteristics it refers to, about what (if anything) is new about globalisation, what its causes are, and what consequences it has had and/or will have. Marais, however, is most concerned with the debate that revolves around the economic characteristics associated with globalisation. The conventional or mainstream view, referred to earlier, is that globalisation is a relatively new, worldwide phenomenon, and that it is breaking down all sorts of traditional and irrational barriers, particularly economic ones.

Globalisation, in this view, is mainly a function of capitalist free-market forces and the development of technology. As such it is held to be all but autonomous and inevitable, and benevolent in the sense that it will ultimately produce a global capitalist system in which all countries and individuals will benefit more or less equally. We have already, however, pointed out some of the harsher and, we could say, malignant, consequences of globalisation, for workers, the poor (and women and children in particular), and for regions and countries around the world.

The more sceptical view is that there is not much that is new about globalisation. It began a long time ago, sceptics argue, and the world economic system of the late 19th and early 20th centuries was just about as open as the global capitalist system of today. Sceptics hold that flows of FDI and capital were relatively greater (given the size of the economies then) than they are today. They also hold that, by the end of the 19th century money, goods and people crossed borders freely, and that the level of international financial speculation was also relatively high, given that stock-exchanges were linked in 'real time' all over the world by submarine cable. Furthermore, state intervention in the economy was then also limited. One such limitation was the gold standard (the fixed price of gold which determined the value of all commodity exchanges, and thus revenues that accrued to the state, and thus how much the state could spend). The sceptical argument is thus that it is more accurate to speak of the current stage of globalisation, or of the global capitalist system — not the new phenomenon of globalisation.

According to this sceptical view, the current globalised nature of the capitalist system represents a difference in degree, rather than in kind, from the system of the past. The amount of trade is now much greater than the amount of production. TNC's are now far more dominant, much bigger, much more powerful, and their reach far greater than ever before. They now engage in far more productive investment than before, all but dominate international markets, and account for about a third of world output and two-thirds of world trade. And about a quarter of world trade occurs within them, in the sense that, for example, Ford may 'export' components across the border to its plants in Mexico for assembly (which are located there, say, to take advantage of cheaper labour), and 'import' the assembled article back into the USA for sale. Marais cites Naom Chomsky that, in this sense, only about 15 percent of USA trade is truly 'free'.

According to Marais, the most significant changes in the global capitalist system of today have occurred in world financial markets. Since 1980, the amount of trade in currencies, stocks, bonds and equities has grown five times more quickly than the amount of production in the industrialised

From political democracy to neo-liberalism in South Africa

economies. The value of exchanges of foreign currencies in particular, often referred to as 'casino capitalism', is more than sixty times greater than the value of world trade and 120 percent greater than all the foreign currency in the world's central banks. Many billions of dollars are gambled daily on an ever-increasing range of complex speculative 'investment instruments'. Marais points out, though, that this exponential increase in productive, and especially speculative investment, is confined mostly to the industrialised economies, and occurs in advanced regional blocs (or in the 'centres' as we have referred to them), rather than globally.

So for Marais, what defines the current stage of globalisation is the growth and dominance of TNC's in global investment, output and trade, and the massive increase in purely financial 'investments' and transactions (or stock-exchange speculation). He argues that, although technological innovations in production systems, transport systems, and information and communications technology have made both of these developments possible, they do not explain them. In other words, they tell us the how of such developments, but not the why. According to Marais, these technological innovations have emerged as a result of activities that seek to deal with structural weaknesses and periodic crises in the global capitalist system. The characteristics ascribed to the current phase of globalisation cannot, in other words, be ascribed to the independent development of new technologies (you might find it useful at this stage to turn back to our discussion of 'regulation theory', and the adjustments that need to be made to the 'regime of accumulation' and the 'mode of regulation' in order to deal with the periodic crises that emerge due to the inherent contradictions characteristic of capitalism).

Marais argues that the history of the global capitalist system has by no means been a smooth and easy road. Instead, it has been characterised by a number of cycles of rapid and relatively stable capitalist economic growth, all of which have ended in socioeconomic, political and ideological crises. These crises involve a phase during which the very circumstances and conditions which made stable growth possible, begin to break down. He argues that global capitalism entered such a phase, which was experienced most profoundly in the advanced capitalist countries, in the early 1970s after a period of rapid and stable growth from the late 1940s. This phase was to a greater or lesser extent 'triggered' by the oil crisis of 1973, but had been building up since the late 1960s. He argues, further, that the neo-liberal adjustments characteristic of the current phase of globalisation in the global capitalist system emerged in reaction to this crisis. In short, Marais is arguing that the current stage of globalisation reflects the latest crisis of the global capitalist system, and many of its characteristics represent attempts to deal with this crisis. Knowing this, in which of the three groups in the debate on globalisation, that is, the hyperglobalists, the sceptics and the transformationalists, would you place Marais?

In the capitalist centres, average growth, investment, labour productivity and wages from 1973 to 1998 have been a third to half of what they were between 1950 and 1973, and the unemployment rate has doubled. Production grew at an average rate of 3,6 percent each year from 1950 to 1973, but at a rate of only 2 percent for the next 15 years. This was caused

STUDY UNIT 7

by massive over-capacity and over-production from the late 1960s. The result was that throughout these 'centre' countries, profits fell dramatically (in short, due to relatively too much fixed capital and output and relatively too few sales). This profit crisis was exacerbated by the fact that the quite inflexible nature of the prevailing Fordist mass production technology, does not easily, quickly or cheaply allow a shift towards alternative types of production and commodities.

Marais points to three related reactions to this crisis. The first was to lower input costs by depressing wages and/or shifting production to low wage areas. This entailed an attack on organised labour, and the use of emerging new production and transport technologies to fragment production and locate its different parts in different countries. This also required removing barriers to the free flow of trade, capital, goods, and finance (investment) between countries. Neo-liberal ideology, and neo-liberal measures, such as those associated with the Washington Consensus, helped support this reaction to the profit crisis.

The second reaction was to withhold productive investment and find new ways of making profit. One way in which this was done was to grant massive loans to the third world and make profit from interest on debt repayments. In this sense, African debt problems helped 'solve' the profit crisis of the centres. In the 1960s, Africa owed US\$3 billion to international banking and lending organisations. By the early 1980s, Africa owed \$142 billion, and by 1996, close to \$321 billion.

The third reaction was to export capital in the form of FDI. Flows of FDI grew by nearly 29 percent each year between 1983 and 1989, faster than world production. By 1996 it totalled \$350 billion a year, and by 1998 it reached \$640 billion annually — 40 percent up from 1996. However, much of this FDI flowed into cross-country mergers and acquisitions that were concentrated in the centres. Some FDI did flow into the periphery countries, especially those with low wages, growing markets and adequate infrastructure. This flow was aimed at making profits in the local economy or using the comparative advantages (eg, low wages, or tax incentives) of the host country to produce profitably for export. But Marais points out that even the relatively small flows of FDI to the periphery were very unevenly distributed — a third of all FDI to Africa, Asia and Latin America went to China. More than half of the FDI that flowed to Latin America went to Brazil, Mexico and Argentina, while Africa's share of FDI to the periphery (or, particularly in Africa's case, to the periphery and 'the rest') steadily dropped — it halved from 11 percent to 5 percent during the period 1986–1996, and in 1996 it fell to 3,8 percent. Africa is effectively being excluded from the already relatively small flows of FDI which are not circulating among the centre countries (although this has picked up recently in some African countries where TNC's are scrambling for natural resources).

Marais also points out that the nature of FDI is changing. It is increasingly being directed towards financial and insurance organisations, the advertising sector and the media, rather than towards manufacturing — which indicates that keeping capital in its 'liquid', financial form is an increasingly important way in which capitalists are avoiding and off-setting the current crisis. Financial markets and

international banking are ballooning in scale and complexity. Capitalists are increasingly seeking profits by keeping their capital liquid, in the form of financial capital, and 'investing' in speculation and market manipulation (involving currencies, stocks, bonds, etc). This is a function of their lack of confidence in manufacturing and extraction, due to declining profits in these sectors. This trend has also been made possible by new information and communications technologies, and the ideology and institutions of neo-liberalism have also paved the way for the free flow of financial capital (eg, in the form of IMF prescriptions about lifting financial and exchange controls). This new trend obviously has very little to do with productive investment, say, in the form of manufacturing for export — FDI increasingly involves paper money chasing paper profits. It does, however, have negative effects on countries trying to industrialise competitively and/or control balance of payments problems. For instance, currency speculation can force the relative value of a country's currency up or down. If the currency is chased up, the prices of exports may become relatively too high. If the currency is chased down, necessary capital or technology imports will become relatively more costly (and thus push the national debt upwards). This increasingly dominant form of FDI involves 'investment', that is nothing other than competitive, unplanned, uncoordinated and self-interested speculation. Individual and corporate investors speculate solely for profit, unconcerned with the effects this might have on production, development plans and the economies of whole countries and regions.

Marais reiterates here that the adjustments that have occurred in the global capitalist system since the 1970s have been made easier and not caused by developments in technology. Nor are these adjustments autonomous or inevitable. These adjustments, that define the current phase of globalisation, arose in the attempt to control contradictions occurring in the centre countries (the USA, Japan and in western Europe). These contradictions are functions of the structural dynamics of, and ensuing cyclical crises in capitalism. It is in this sense that Marais claims that globalisation does not represent a fundamentally new phenomenon. Instead, according to Marais, we should see contemporary globalisation as a package of new measures created by the need to deal with the latest crisis of the global capitalist system. Put slightly differently, the characteristics of the current stage of globalisation represent the death throes of the increasing disjuncture within and between the Fordist regime of accumulation and its mode of regulation.

In brief, neo-liberal ideology and its prescriptions were created and made almost sacred by the need to do nothing more holy than attempt to deal with the latest crisis in the centres of the global capitalist system. To deal with this crisis, new terms of economic interaction within and between countries and regions were created and justified. All of it — capitalist free-market principles, liberalisation, deregulation, the increased control of organised labour, privatisation and minimal state intervention, debt control, fiscal and monetary discipline — are in pursuit of one aim only. And this is profitability in the centres in conditions of crisis. All the measures we have just listed are advocated by the leading international economic institutions such as the WTO, World Bank and the IMF. These institutions are dominated by the leading centre countries, particularly the USA. Neo-liberal ideology and its prescriptions have made possible the

STUDY UNIT 7

free flow of capital (and, especially, finance capital), plant, goods, and so on. They have helped make it possible for capital to reduce wage costs and to undermine organised labour. And they have enabled plants to be rapidly dismantled, and just as rapidly relocated, just about anywhere in the world. These and others are the measures (or 'reactions') the leading centre countries have adopted in pursuit of profitability. This whole endeavour has been aided and abetted by the development of new technologies, the success of which has led to even greater investment in discovering and developing newer, more efficient technologies for this purpose.

That this is indeed the case, according to Marais, is supported by the fact that the very countries that most vigorously espouse neo-liberal doctrines and measures have themselves grown ever more protectionist and ever less 'liberal'. Marais cites WTO and UN research that shows that, since the early seventies, the USA has erected three times more barriers to free-market activities than other industrial country. Centre protectionism and market intervention costs the periphery and 'the rest' about half a trillion USA dollars every year. This reveals how discriminatory and polarising globalisation is. Its benefits are concentrated in the centres, while it marginalises industries and even whole countries it cannot use to make profit. Most countries and economies in the global capitalist system, including the periphery countries, in effect merely service the accumulatory needs of the centres (regardless of whether they are represented by countries or TNCs). Those that do not or cannot, including just about the entire African continent, simply become marginalised and irrelevant.

Marais summarises the neo-liberal response by the centres to the current crisis of the global capitalist system (otherwise known as the key characteristics of globalisation) as follows:

- reducing the social costs attached to accumulation, by dismantling welfare systems and neutralising organised labour
- greatly easing the penetration of other markets by readjusting trade regimes, that is, by liberalising trade between countries
- enabling large corporations to more easily escape constricting terms of production (in their 'home zones' and even further afield)
- unfettering the global circulation of surplus capital

Marais also rejects as myth the neo-liberal association of globalisation, free markets and a weak or non-interventionist state. Central to neo-liberal ideology and adjustments is the view that globalisation brings about and/or entails the triumph of the free market over the economic (and other) distortions and irrationalities imposed by the intervention of the state. However, Marais points out that this view is seriously flawed. He argues that historically the creation of free-market capitalist economies required a great deal of state intervention, and in fact still does require a great deal of state intervention. (See his reference to the 'enclosure laws' and the 'New Poor Laws'. And think about the amount of state revenue that has been spent on infrastructure such as railways, airlines, harbours and the like, and even on going to war, in the most advanced of centre countries. See Study unit 2 too.) To make and keep the market 'free', the state must intervene in many different spheres,

From political democracy to neo-liberalism in South Africa

economically, socially, politically and ideologically, and in many different ways. It has to protect (and even make) investments, pass masses of legislation (such as property, mercantile, company and copyright law), maintain a huge bureaucracy, push out propaganda, make policy, etc. It must monitor, manage, make adjustments to, police and protect the capitalist free market and its beneficiaries from those disadvantaged by it. The disadvantaged include the poor, pesky unionists, environmentalists, animal rights groups and other social movements. The state and free market capitalism have always been and still are intimately interrelated.

The neo-liberal measures associated with globalisation have not reduced or minimalised the role of the state. Instead, they have redefined it. Instead of welfare provision, state resources are now directed towards 'law and order'. Instead of being an employer itself or protecting employment in non-state sectors, the state provides subsidies, infrastructural support and incentives for business. For Marais, neo-liberalism is not about minimising the state or even reducing state spending — it is about whose interests are served by the state and state spending. He argues that it is only seemingly paradoxical that the World Bank and IMF advocate 'good governance'. This is because implementing neo-liberal policies requires a strong, effective and centralised state — to disorganise, discipline and neutralise groups and organisations (such as trade unions, social movements of various types and socialist groupings) that are likely to agitate for interventions and protections against the consequences of the free market and the unfettered activities of the powerful (be they individuals or large corporations). After all, it is precisely such groups that, in the past, successfully campaigned for the construction of a safety-net in the form of welfare systems in capitalist, free market western Europe. According to Marais, the neo-liberal role the state is now playing, and the global context that apparently constrains it, reveals far more about the class character of the state and globalisation than it reveals about the impotence of the state and the 'exigencies', the so-called 'given' requirements, of globalisation.

It can be argued that, by deferring to neo-liberal orthodoxy, to the directives of the World Bank, IMF, WTO and the like, a national government is actually failing in just about all of its duties. It is abandoning any obligation or responsibility it may have (or should have) for its citizens, especially the non-elite majority. And yet these are the people that voted for it, look up to it, look to it for protection, accept its leadership and policies, obey its laws, and pay its top members' rather large salaries. A national government that does this, it can be argued, is deliberately risking the welfare, the livelihoods, indeed, the lives, of its own national citizens (including children, the old and the infirm) by throwing them to the mercy of powerful, blind and ruthless international market forces. Such a government, it can be argued, has abandoned its citizens to the values, interests and activities of other governments and international organisations, and to the solely self-interested and profit-oriented activities of powerful foreign (and local) TNC's. This, it can also be argued, is illegitimate and immoral, especially if the national government has other options, yet chooses nonetheless to defer to neo-liberal orthodoxy. And if the national state really cannot make autonomous decisions and act on them on behalf of its citizens in the face

STUDY UNIT 7

of global forces, then it is redundant. Why should citizens vote for, pay for and subject themselves to an institution (the government) that makes no attempt to protect them? That is indifferent to their vulnerability and suffering under external international forces? What do you think? Go back to our discussion of the emergence of the state in Study unit 2 and the general discussion of the state in Study unit 5, and the references there to aspects like the ‘contract’ between citizens and the state, and the associated rights and obligations that define this contract between them.

Marais argues that the role of the state in conditions of globalisation is neither predetermined nor inevitable. Both the role of the state and globalisation are subject to the interrelationships between socioeconomic, political and ideological variables and struggles, at the sub-national, national, regional and global levels. Neither the state nor globalisation are given. Both are human, social creations, and both are subject to, created and maintained by the interplay between socioeconomic, political and ideological factors. Both the state and globalisation arose out of regional, national, and international crises and struggles. In other words, subjection to neo-liberalism and the needs of the centres is neither predetermined nor inevitable. Marais argues that perhaps only states in the poorest parts of Africa could justifiably claim to have little choice other than to bow to neo-liberal ideology and institutions — simply to secure some sort of aid. However, he points out that even here many national elites in Africa have more or less willingly subjected their countries to IMF structural adjustment programmes (SAP’s), because they have seen ways in which they can derive benefits for themselves by doing so.

In this vein, Marais holds that, of just about all countries in Africa, South Africa has the least number of reasons to opt for neo-liberalism. He argues that the institutions of neo-liberalism have very little real hold over South Africa, given the country’s relatively small amount of indebtedness to these institutions. Furthermore, South Africa’s level of economic and infrastructural development (however skewed and stagnant) allows it many other options, especially compared with most other countries on the continent, and indeed compared with many other sub-peripheral countries.

However, significantly, the largest capitalist conglomerates in South Africa, such as Anglo-American and the various banks and insurance companies, like their counterparts in the centres, have long needed to resolve their own profitability crises. As discussed in previous study units, capital in South Africa is highly monopolistic, had all but exhausted local possibilities for economic growth and profitability under the apartheid regime, and had long been cut off from various lucrative global economic opportunities. This is due to a related combination of mainly political international isolation during the apartheid years on the one hand, and on the other, the continuing effects of the peculiar racist form that economic growth and capitalist industrialisation had assumed in the country. This is still the case today — South Africa continues to rely on primary and partly processed commodity exports and on its largely (albeit with some exceptions) unproductive and uncompetitive industrial and manufacturing-for-export sector. Indeed, as we said earlier on in this module, these are among the very factors that caused the NP and capital

From political democracy to neo-liberalism in South Africa

to consider negotiating for political democracy in South Africa in the first place.

According to Marais, the new government was indeed very open to the needs of capital in South Africa, for a number of reasons. These include the fact that the ANC had paid very little attention to economic policy before the 1990s, and the apparent disappearance, since the end of the cold war, of the socialist and ‘third-world-developmental’ policy options. Indeed, the ANC had always focused primarily on achieving ‘national liberation’ by seizing the state, and then using the state to bring about socioeconomic transformation. However, political transformation had always been far more salient and urgent to the ANC than socioeconomic transformation. Furthermore, the ANC seemed to have neglected the fact that state power does not exist and cannot be exercised in a socioeconomic, political and ideological vacuum. States exist and act in the context of a world of other states and the actions of these states. Indeed, today’s state exists in the context of a global capitalist system characterised by the domination of the centres over the periphery, and the domination of the forces of neo-liberalism and globalisation. If the new government had indeed neglected these truths about the state, it soon became acutely aware of them when it came to power. The new government claimed it had little choice but to adopt a neo-liberal, capitalist-friendly economic policy because of the impact of globalisation and the ideology and organisations of neo-liberalism. This impact, the government claimed, led to a lack of state sovereignty and autonomy and seriously reduced the choices open to the government. In 1996 the government asserted that South Africa had no option but to seek growth by means of its GEAR macro-economic policy. However, according to Marais, this ignores the fact that there have been and are other ways to achieve growth and development, the Chinese and East Asian variants being the most successful. And both the Chinese and East Asian governments chose paths that were very much state interventionist. In short, the ANC soon became committed to a very particular, very orthodox and conservative understanding of the nature of the world, and of globalisation in particular, and eventually enthusiastically adopted a macro-economic policy to match — the neo-liberal, free-market- and capitalism-friendly Growth, Employment and Redistribution macro-economic strategy.

ACTIVITY 7.3

Summarise Marais’s critical account of the relationship between globalisation and the emergence and ultimate ascendancy of neo-liberalism in South Africa’s macro-economic policy.

7.5 Conclusion

In this study unit we explored Marais’s account of the various macro-economic policy alternatives open to the government. We looked at the policy proposals associated with the ANC’s Department of Economic

STUDY UNIT 7

Policy (DEP), the (ANC's) Macro-Economic Research Group (MERG), and COSATU's Industrial Strategy Project (ISP) and Reconstruction and Development Programme (RDP).

We then looked quite critically at GEAR itself, from the theoretical perspective of Marais's political-economy of South Africa. We also examined GEAR in the context of globalisation and neo-liberalism. Finally, we examined Marais's critical account of the relationship between globalisation, neo-liberalism, and the ANC government's macro-economic policy orientation in South Africa from the early 1990s onwards.

ACTIVITY 7.4

Possible assignment and examination questions and instructions

- (1) Write a five page essay in which you compare GEAR with the macro-economic policy proposals generated by the DEP, the MERG and COSATU.
- (2) Write a five page essay in which you critically discuss the nature of the relationship between globalisation and neo-liberalism in the ANC government's macro-economic policy orientation.

Study unit

8

MACRO ECONOMIC NEO-LIBERALISM IN SOUTH AFRICA AND THE POSSIBILITY OF AN ALTERNATIVE

STUDY

the whole of this study guide, and Marais (2001 — excluding Chapter 7, the section titled 'Shuffling the pack' and onward in Chapter 8, and Chapter 9).

READ

Marais (2001:Chapter 7, the section titled 'Shuffling the pack' and onward in Chapter 8, and Chapter 9).

8.1 Aims and outcomes of study unit 8

This study unit has two objectives. The first objective, formulated in the first activity, is to enable you to critically apply the theoretical and policy tools discussed in this module, and your understanding of globalisation, to the South African government's GEAR macro-economic policy. To do this, you will need to have studied the whole of this study guide and about 70 percent of Marais (2001). In other words, it is in this study unit that we try to help you bring together all the aims and outcomes of this module. However, please note that the most directly relevant material can be

STUDY UNIT 8

found in this study unit and Study units 6 and 7. And you have (we hope) studied most of this material already. But if you are going to answer the question asked in this activity in any depth, you will need to draw on the contents of the entire module. This is because, in this module, we want you to be able to critically apply what you have learned about sociological theory, policy, and globalisation, to what is happening in South Africa today. A major premise of this module is that making and evaluating policy requires a thorough understanding of what policy entails, and a thorough understanding of the historical, socioeconomic, political, ideological and global context within which policy is made. Keep in mind, however, that we want you to try to complete this activity in about five type-written pages.

The second objective of this module is to get you to think about and evaluate Marais's (2001) 'Rudiments of an alternative' and his 'Politics of an alternative' as alternative macro-economic policy options to GEAR, using the theoretical and policy tools you have learned about in the module, as well as your grasp of globalisation. Please note, however, that you will only be examined on the first objective of this study unit, as formulated in Activity 8.1, and the single 'Possible assignment and examination question and instruction' in Activity 8.3. This is why we have asked you to study some parts of Marais and only read others. The parts you have been instructed to 'read', are for the purposes of the second objective only, which is not examinable. But we strongly suggest that you do indeed carefully read through these parts of Marais's (2001) book and do Activity 8.2. We think you will find these concluding parts of Marais's book particularly interesting. His arguments will broaden and deepen your understanding of his critique of capitalism, neo-liberalism, globalisation and GEAR in South Africa (which, if you want, you can use to add depth to the first activity, which is examinable). His arguments should also give you ideas about possible alternative macro-economic policies and associated development paths, paths that may indeed bring about prosperity, equality and justice for all in South Africa.

Note that in sections 8.2 and 8.3 of this study unit, you will find a presentation and evaluation of GEAR, written by Derik Gelderblom, 'in its own terms', rather than through the prism of Marais's neo-Marxist political economy. What this means is that it is a slightly more 'technical' analysis of GEAR than you have been given so far. It is, however, quite compatible with Marais's less 'radical', less 'transformative' suggestions about the kinds of macro-economic policy South Africa requires. And you will find it both helps you to better understand GEAR and its implications for South Africa, and yields valuable insights into how GEAR can be changed to meet its stated goals, and its redistributive and developmental goals in particular. Please use this 'extra' material on GEAR to do both the activities set for you in this study unit.

8.2 What does GEAR entail?

By **Derik Gelderblom**¹

In this part of unit 8 (8.2 and 8.3) we try to give you insight into some of the more technical economic issues surrounding the GEAR policy. GEAR was thought up by economists, and this guide would be incomplete if we did not give you a feel for the ways in which economists approach matters, as well as the disputes among economists about the usefulness of GEAR. We hope that this section will sensitise you to some of the constraints the new government faced, and some of the difficult choices it had to make. We also hope to show that there were viable alternatives that were not pursued. You will not be examined on the technical economic issues. We will not ask you questions in the exam about issues such as the inflation/growth trade-off, for example. However, we do expect you to read this section, as it provides essential background knowledge when it comes to evaluating GEAR and considering alternatives. In this section, and in the glossary that follows, we explain many of the terms that you might have come across earlier, such as 'monetary policy'. If you know what these terms mean, you will be in a stronger position when it comes to evaluating GEAR.

8.2.1 GEAR in its own words

In June 1996 a policy document called GEAR, short for the Growth, Employment and Redistribution strategy was announced. Released by the Department of Finance, it was the result of co-operative work by a technical committee of economists recruited from universities and the private sector, as well as Treasury. Among its members counted some of the most prominent economists in the country.

The timing of the document was important. It was issued more than two years after the new ANC-led government was elected. It was the new government's first elaborated statement of its macroeconomic policy. It was an indication of how the government intended to manage macroeconomic variables such as government spending, taxation, interest rates and the value of the Rand.

The document was also issued four months after the start of a speculative attack* on the value of the Rand that led to a fast depreciation in the value of the currency (all terms marked by * appear in a glossary at the end of this section of the study guide). Between February and April 1996, and after the appointment of Trevor Manuel as Minister of Finance, the rand fell from about R3,60 to R4,60 to the US dollar. It continued weakening after this. The document refers to this as a correction resulting from inflation differentials between South Africa and our trading partners in the developed world (meaning that inflation was higher for a number of years in South Africa than in Europe, Japan etc, building up pressure for the Rand to depreciate to compensate for this). However, the speculative attack on the Rand must certainly have focused the minds of

1. I want to thank Prof. Duncan Hodge of the Department of Economics at Unisa for reading through this part of the unit and making sure that I do not commit major errors of exposition. He does not agree with many of my criticisms of GEAR, and can obviously not be held responsible for any errors that remain.

the government on how vulnerable a small economy such as that of South Africa is in our globalised world. It signalled the end of the so-called honeymoon period between the new South Africa and the rest of the world during which short-term foreign capital poured into the country as a result of high expectations of a post-apartheid boom. It made it very clear that in the future we will have to sink or swim on our own in this world, without depending on the goodwill of others.

We shall start our discussion of this document by quoting its main elements at length, and then explain what they mean. Afterwards we shall attempt an evaluation of each point. Don't worry if you do not yet fully understand all the formulations and terms in this extract. They will be clarified as we explain and evaluate the main points in the extract. According to the document (Department of Finance 1996:4) the 'core elements of the integrated package are:

1. An acceleration of the fiscal reform process, including a tighter short term fiscal stance to counter inflation, an appropriate medium-term deficit target to eliminate government dissaving, further revision of the tax structure, and a range of budgetary restructuring initiatives to sharpen the redistributive thrust of expenditure and contain costs;
2. A further step in the gradual relaxation of exchange controls, the maintenance of monetary policies consistent with continued inflation reduction and exchange rate management to stabilise the real effective exchange rate at a competitive level;
3. A consolidation of trade and industrial policy reforms, incorporating a further lowering of tariffs to compensate for the real depreciation, the introduction of tax incentives for a fixed period to stimulate investment, a campaign to boost small and medium firm development, a strengthening of competition policy and the development of industrial cluster support programmes, amongst other initiatives;
4. The implementation of the public sector asset restructuring programme, including guidelines for the governance, regulation and financing of public corporations, and leading off with the sale of non-strategic assets and the creation of public-private partnerships in transport and telecommunications;
5. An expansionary public infrastructure investment programme to provide for more adequate and efficient economic infrastructure services in support of industrial and regional development and to address major backlogs in the provision of municipal and rural services;
6. A structured flexibility within the collective bargaining system to support a competitive and more labour-intensive growth path, including greater sensitivity in wage determination to varying capital intensity, skills, regional circumstances and firm size; reduced minimum wage schedules for young trainees, reducing indirect wage costs; and increasing the incentives for more shifts, job sharing and greater employment flexibility; and
7. a social agreement to facilitate wage and price moderation, underpin accelerated investment and employment and enhance public service delivery.'

8.2.2 Deficit reduction

The most important policy measure contained in the GEAR strategy was the decision to limit government spending in order to reduce the deficit before borrowing*. It proposed a short term reduction in the deficit to 4% of Gross Domestic Product (GDP*) for 1997 from 5,1% in 1996 and then a gradual reduction to 3% over the following years, a level that it regarded as a satisfactory long term target for the deficit (Department of Finance 1996:7–8). This is referred to in point one above as a ‘tighter short term fiscal stance’ and an ‘appropriate medium-term target’.

When the new government came to power, they immediately started reducing the deficit, which reached a maximum of 7,9% under the old NP government in 1992/3, and further reductions from the 1996 level were planned anyway, before the announcement of GEAR. The GEAR strategy did indeed signal a big change in the rhetoric of the ANC government towards a more neo-liberal direction, but in many respects the proposed changes were merely an intensification of existing policy at the time.

One way in which the government could reduce the deficit was to increase taxes. This will, under normal circumstance, increase its revenue (income) and reduce the need to borrow money. However, there are limits to how much the government can do this, because if its tax burden on individuals and companies becomes too heavy, the incentive to cheat on taxes becomes higher. Increasing taxes was anyway not an option the government considered. In fact, the new government lowered taxes. Company taxes were lowered because it was thought that businesses would invest more and thus create more jobs if they paid less tax (their investments would become more profitable, increasing the incentive to invest). Taxes on individuals were reduced because it was felt that they needed to be compensated for previous fiscal drag*.

At the same time that the government was reducing taxes and the deficit, thus limiting its overall spending levels, it was planning to increase public investment (point 5 above). Where did it plan to find the money for this, given that it would have less money overall? Well, by spending proportionately less on salaries for civil servants, as well as other consumption items such as overseas trips for civil servants, renting vehicles, stationary, and so on. The idea was to redirect spending from consumption to investment, and thus attain the aim of boosting investment without spending more in total. There was also a continuation of the RDP’s attempt at ‘budgetary restructuring initiatives to sharpen the redistributive thrust of expenditure’. The RDP office was supposed to re-allocate part of each government department’s budget towards projects with a redistributory intent. The idea was to spend more on the poor without spending more in total. This initiative was regarded as unsuccessful, and the RDP office was closed soon after GEAR was announced. In the light of this, it is not clear how the authors of GEAR thought they would manage to implement their budgetary restructuring initiatives. The authors of GEAR also stated that the GEAR strategy would stimulate economic growth, thus increasing the tax take, which will provide more money to spend.

STUDY UNIT 8

Those parts of economic policy that are concerned with government spending and taxation are known as fiscal policy. It takes its name from the Latin word *fiscus*, which means 'government treasury'. The government can affect fiscal policy by changing the level of the deficit, increasing or reducing its spending levels, and by increasing or reducing taxes. As we shall see later, fiscal policy, in concert with monetary policy, which is the next topic we shall discuss, is one of the main policy levers government has to influence the level of economic growth and inflation in the country.

An important variable in fiscal policy concerns the way in which government finances its debt. There are broadly two ways. In the one, the government creates a tradeable instrument, called a bond. A bond is a promise of the government to repay a certain amount of money at a particular time in the future (for example in twenty years' time). Until that time, or until the time the government has spare cash and wants to redeem the bond, it will pay an annual rate of interest on the debt. In return, investors give the government the agreed upon amount of money. Because the bond is tradeable, it means that investors can buy and sell these bonds before it matures and is repaid. We discuss the implications of this below in the section on monetary policy.

The second method to finance the debt is to borrow money from the Reserve Bank. This is known as 'printing money', although it is not literally a matter of printing money. Since the government has an account with the Bank, it can simply ask (or instruct) the Reserve Bank to lend it the money it needs. This strategy is typically followed by weak governments in financial distress. They may find that they no longer have enough revenues from taxes to pay civil servants, because the economy has collapsed for some or other reason. The end result of this is often hyperinflation (that is, very high rates of inflation, often exceeding 100% annually). Hyperinflation can occur when a large amount of extra money is introduced into the economy as a result of government spending. Because people have much more cash in their hands, they use this to buy more products. If the productive base of the economy has been destroyed (this may be due to wars, natural disasters or bad government policies), however, the economy cannot respond to this extra demand, and shortages develop. As a result, prices are pushed up.

A current example of this is the hyperinflation in Zimbabwe. The government confiscated the land of white farmers in a botched attempt at land redistribution. As a result, agricultural production suffered severely, leading to shortages of basic foodstuffs. This, combined with the repressive policies of the government, which forced large numbers of skilled Zimbabweans into exile, largely destroyed the Zimbabwean economy. As a result the tax revenues that the government received dried up, and it resorted to printing money to pay civil servants, which resulted in hyperinflation.

One of the few things that all economists agree upon is the notion that hyperinflation is very bad for a country. Deficit financing through printing money should therefore be avoided under most circumstances. However, when the problem in the economy is not the destruction of the economic base, but a lack of demand for products (as happened in the

Great Depression of the late 1920s and 1930s, or in Japan in the 1990s), printing money is a good option, because it will stimulate demand.

8.2.3 Monetary policy and the exchange rate

The GEAR strategy also sets out certain objectives for monetary policy*. Because monetary policy is managed by the Reserve Bank, and because the Reserve Bank received as part of the negotiated transition a constitutional guarantee that government will not interfere in its conduct of monetary policy (the government is therefore not allowed to give it instructions to increase or decrease interest rates), the government can only provide the overall objectives of monetary policy.

Monetary policy refers to the way in which the Bank manages the money supply in the country, primarily through its manipulation of interest rates. The Reserve Bank has a number of options for managing interest rates. One is through the repo rate, which is the interest rate at which it is willing to lend money to commercial banks at its so-called 'overnight counter'. This lending takes place when banks settle their accounts in the national settlement system. The money that individuals and companies pay one another every day to settle transactions seldom leaves the control of banks. It is merely transferred from one account to another in the same bank or in another bank. In the latter case, money is transferred from one bank to another. This is quite a complicated undertaking, as you can imagine, since millions of transactions take place every day. Any way, the point is that any particular bank seldom earns the same amount of money from other banks that it has to pay out to them on that day. To cover any shortfall that it may incur, it borrows money from the Reserve Bank at the 'overnight counter'. This is very short term borrowing, because tomorrow it may have a surplus. Nevertheless, through adjustments to the repo rate at which this short term lending is done, the Reserve Bank can influence the interest rates individuals or companies who need to borrow money from the banks are charged. This is because the banks will adjust the interest rate they charge their customers against the cost of borrowing from the Reserve Bank.

Another important mechanism the Reserve Bank can use to manage interest rates is its 'open market operations'. We said above that the government finances the deficit by selling bonds, and that those bonds can be bought and sold by investors. Open market operations involve the Reserve Bank itself buying or selling government bonds. If it buys bonds it injects new money into the economy, and if it sells bonds, it takes money out of circulation.

In this way it can either increase or decrease money supply, at least in theory. In practice, governments have not been very successful in managing the supply of money. This is partly due to the fact that the recent emphasis on monetary policy as a policy instrument has also coincided with the deregulation of the banking sector, which gives banks much more leeway in granting credit, and so increasing the money supply.

It is important to note at this stage that monetary policy has more control over short-term interest rates than long-term rates. In South Africa the

rates that we pay on our housing loans vary over time (unless we have asked for a fixed interest rate option), as do the interest rates we pay on our credit cards or overdraft facilities. These interest rates are in effect short-term rates, because they vary much more over time than other interest rates. In contrast to this, the money that is invested in a fixed deposit earns interest at a rate that is fixed for the whole period of the investment (for example a year or so). Much longer-term still are the rates that the government or a company will pay on a fixed-interest bond of, say, twenty years. These rates are called long-term interest rates.

In general, short-term interest rates have an influence on the amount of consumption spending individuals engage in, with more goods being bought on credit if interest rates are low. Investment decisions, on the other hand, are influenced by both short-term and long-term interest rates. If interest rates are high, it is more expensive to borrow money to invest, which reduces the incentive to invest. Consumption and investment spending together represents the amount of aggregate demand in the economy, that is, how much goods and services people want to buy. Monetary policy therefore has the capacity to influence aggregate demand in the economy. It can also influence the level of inflation in the economy, which is something to which we will now turn.

The major objective proposed in the document for monetary policy is the reduction in the inflation rate: ‘the maintenance of monetary policies consistent with continued inflation reduction’. Low inflation is presented by the authors of GEAR as ‘an important requirement for higher economic growth’ (Department of Finance 1996:10). As we shall point out later, it is not at all clear that the direction of causality indeed runs from low inflation to higher economic growth, and this is another indication of the hegemony of neoliberal thinking in GEAR. To achieve low inflation, positive real* interest rates are usually necessary, among other things. This means that interest rates have to be higher than the inflation rate, so as to provide an incentive to save for the future rather than spend the money now. Higher interest rates will reduce the demand for credit, and thus the money supply, and will, according to the monetarist beliefs of the GEAR technical committee, reduce inflation, because there is now less money chasing a given supply of goods, thus reducing the scarcity of goods and consequently reducing the capacity of sellers to increase the prices of their wares.

The authors of GEAR recognise, however, that high interest rates are an obstacle to investment (Department of Finance 1996:10). It would like interest rates to be reduced from their high levels following the attack on the Rand. The Reserve Bank increased interest rates to make it more expensive for short sellers of the Rand to borrow Rands to sell short — see the Glossary. The technical committee feel that the government has a role to play in providing the conditions under which interest rates can be reduced. If fears of inflation are relaxed, and if the deficit is under control, and if longer term foreign capital is flowing in (reducing the need to attract short term flows through high interest rates to stabilise the currency), it will be easier to reduce interest rates. The technical committee also claim that a reduction in inflation will help to stabilise the currency. This will make it less susceptible to speculative attacks such as the one that was directed at the Rand before GEAR saw the light, which

will reduce short-term shocks to the economy and provide a better climate for investment.

Despite recognising that the sudden depreciation (or appreciation) of the Rand can be disruptive, GEAR commits the government to the further phasing out of exchange controls. Exchange controls were measures put in place by the apartheid government to reduce the outflow of capital from the country due to declining confidence in the future of the country. Exchange controls were also intended to make the Rand less volatile, that is, to reduce rapid upward and downward movements in the value of the Rand. The controls basically meant that people (and companies) could not take large amounts of money out of the country except with Reserve Bank permission. At some stage they also involved the dual Rand system, whereby trade was supposed to be conducted in the commercial Rand and investment in the financial Rand. The differences in the two exchange rates made it more expensive to take money out of the country for overseas investment, while encouraging inward investment.

The technical committee felt that exchange controls prevented the Rand from reaching its 'true underlying value', something that apparently only the market can provide. This was because it placed restrictions on the flows of money into and out of the country, thus impeding 'market forces'. The authors of GEAR claim that, if the GEAR strategy is followed, the exchange rate will be more stable over the long run, although short-term fluctuations may well happen. This stability will by implication flow from the positive signals the adoption of GEAR will send to foreign investors (Department of Finance 1996:10). As we shall see later, this claim rests on a rather naïve understanding of the forces actually driving international capital flows.

The authors of GEAR do, correctly, point to the stimulation that a weaker rand can give to exports. This is what they mean by 'stabilising the exchange rate at a competitive level' in point 2 above. If the rand becomes weaker, imports become more expensive and our exports to other countries become cheaper. This provides a dual stimulus to our local industry: because imports are more expensive, they provide less competition in the local market to locally manufactured goods, and because exports are cheaper, it is easier to sell locally manufactured goods overseas. However, the rise in imported prices increases the danger of inflation. Local producers can now raise their prices to make more profit because they will no longer be undercut by imports if they do so, in other words, they have more 'pricing power'. This is why the authors of GEAR propose lowering tariffs on imported goods. The tariff did the same job as the exchange rate depreciation: it made imported goods more expensive and provided protection to local manufacturers. According to the technical committee, this protection was no longer necessary, and can be phased out. It will also help to contain the inflationary effects of the rand depreciation. A weaker Rand makes imports more expensive (such as, for example, imported fuel) and this will have a knock on effect on other branches of the economy.

STUDY UNIT 8

8.2.4 Industrial policy

As is evident from point 3 above, the government made a commitment to the further development of an industrial policy for South Africa. The introduction of tax incentives for investment and the development of industrial cluster support programmes are components of such a policy. The idea behind industrial clusters is that industries that are, in combination, geared to manufacture a particular product, for example car assembly plants and components factories, benefit from being located close together. Support programmes aim to increase these so-called agglomeration benefits through training programmes, infrastructure investment and so on. The industrial policy objectives, as well as the reference to public investment in point 5 above, are the only parts of the document that do not fall clearly in the neo-liberal policy camp. They are the only places where there is reference to an active role for government, as opposed to the market, in enhancing economic growth. Unfortunately both of these elements were clearly not priorities for government. Until recently, very little public investment actually took place (Streak 2004). In addition, capacity problems within the Department of Trade and Industry ensured that little transpired in terms of the implementation of an effective industrial policy for South Africa (Kaplan 2004). The only area where there was any success was the motor industry, where the Motor Industry Development Programme (MIDP) managed to offer incentives to vehicle and component plants to improve efficiencies, increase production volumes and export more. The industrial cluster projects that were implemented were the result of provincial initiatives, for example the automotive cluster in Rosslyn north of Pretoria that was developed as part of the Gauteng government's Blue IQ initiative.

8.2.5 Privatisation

The document expressed a need for the restructuring of public sector assets (point 4 above). None of the initiatives mentioned here, such as looking for private partners for Telkom and SAA, were really new, and the document merely reiterated past policy. However, the inclusion of these elements strengthened the market-friendly, neo-liberal feel of the document.

8.2.6 Labour market flexibility

The sixth element of the strategy dealt with labour market issues. The authors of GEAR (Department of Finance 1996:17) noted the increasing dualism in the labour market, with the growth in subcontracting and outsourcing arrangements. This was an indication that many employers experienced labour market regulations as onerous, and tried to bypass them in this way. The document consequently commits the government to an approach of 'regulated flexibility'. This seems to imply a dual commitment both to throw the web of labour regulation wider and thus include many of the presently excluded workers on the one hand and to increase the flexibility of labour regulation on the other. The latter commitment implies that more scope is given for variation in labour standards, industrial council agreements and minimum wages between

Macro economic neo-liberalism in South Africa and the possibility of an alternative

regions, industries and job categories. As Natrass (2001) remarks, however, very little came of the commitment to regulated flexibility. It seems that the Labour ministry did not agree with this approach. Industrial council agreements are still routinely extended to smaller, less-capitalised employers in poor areas such as the industrial decentralisation zones of the former homelands. As a result, many jobs have been lost, particularly in the textile and clothing industry, as employers closed up shop in South Africa and moved to places such as Lesotho where wages are much lower.

8.2.7 Social accords

The authors of GEAR (Department of Finance 1996:20) expressed a fear that all the investment and employment growth that will supposedly follow from the GEAR strategy may drive up wages and thus inflation. Consequently the document proposed a social accord with labour to ensure that wage increases do not rise faster than labour productivity. An example of such an accord was the one in the motor industry where labour and management struck a three-year wage agreement that tied wage increases to productivity targets. As Wakeford's (2004) analysis makes clear however, that fear was misplaced. During the 1990s average real wages did increase significantly, but not as fast as labour productivity. As a result, there was a nett transfer of wealth from labour towards capital, a tendency that Wakeford rightly regards as very worrying, given the enormous inequality in the country. The fact that wages rose less than productivity also increases the mystery of why there is so little investment in this country. It is an indication that investment is very profitable, which should provide a strong incentive for employers to invest money in expanding capacity.

8.3 GEAR: an evaluation

By Derik Gelderblom

8.3.1 Deficit reduction

It is indeed true that a deficit that is growing too fast is unsustainable. As government debt increases as a proportion of GDP, the proportion of the budget that is spent on debt servicing increases as well (see Glossary entry for more information). More and more money is spent on interest payments on the debt, and less is available for other kinds of expenditure: the so-called debt trap. A responsible government should therefore make sure that the national debt does not grow faster than the ability to service the debt.

Besides the absolute relationship between the size of the debt and the interest payments, the government also has to worry about the interest rates at which it has to repay its debt. If interest rates rise, it will have to pay more as a proportion of the deficit to service the debt. If interest rates decline, its repayments will decline proportionately. There are many variables that play a role in determining the interest rates that the government pays on the debt. One of these is simply the prejudices of

capital markets. Especially in the first few years after the democratic transition, when the new black government was still an unknown quantity to investors, these would have been important. A typical saying in capital markets is: 'Never lend money to a country with green in its flag.' Many African countries have green in their flags (South Africa being no exception), as do other less developed countries such as Mexico, and these would, in terms of the above prejudice, be viewed as bad credit risks. The worse the perception of your ability to repay, the higher, in theory, is the interest rate that you will have to pay on your debt. Given the widespread fear that South Africa may in future become 'another typical African basket-case', it is perhaps not surprising that the new (black) managers of the economy felt that more was expected of them in terms of financial propriety than of others. The collapse of the Rand after Trevor Manuel was appointed Minister of Finance, and again when Tito Mboweni was appointed Governor of the Reserve Bank are indications of these pressures. This may help to explain the overemphasis on conservative policies on the part of the government.

The government also has to keep ratings agencies such as Fitch and Moody's happy. Although these agencies have not exactly covered themselves in glory in recent years (completely failing to anticipate the Asian financial crisis and the Enron collapse in the United States, among others), they do have some influence over the behaviour of lenders. Their job is to investigate the credit-worthiness of large borrowers (whether these are countries or large companies) and to grade them according to their ability to repay their debt. Countries that are regarded as very credit-worthy and that receive a good credit rating can, just like individuals in the same position, borrow money at lower interest rates. If the interest rate that a country pays on its debts is reduced, less money needs to be spent on debt servicing costs. As a result the government has more money to spend on other priorities, such as education, for example.

The link between perceptions and the interest rate paid on debt is more complicated than this however. Sometimes, if interest rates in the developed world are at historically low levels (as is the case at present), there is a huge international demand for so-called 'emerging market' debt, despite the prejudices of investors about basket cases and so on. The reason for this is that the higher interest rates that developing countries pay on their debt, compared to the rates offered by the American government, makes buying their debt more attractive. We are at present (May 2006) in one of those periods. International investors are clamouring for our debt, and the general understanding is that we have too little debt for their tastes, not too much. This increased demand will reduce the interest rate we pay, even though it is still higher than that paid by developed countries. After a while however, this movement of capital is reversed very quickly. Instead of pleading for more debt from developing countries, there is a stampede of investors out of emerging market debt. The Asian debt crisis of 1998 is a good example of this. In the blink of an eye, Southeast Asian countries changed, according to international investors, from a must-have investment destination filled with pots of gold to a pariah region mired in crony capitalism. This caused a lemming-like rush for the exits, the so-called 'flight to quality'. Suddenly everybody preferred low yielding but supposedly safe American government bonds.

Given these enormous and quite erratic international capital flows, the amount of debt a particular country makes is not always so crucial in determining how attractive its debt is to investors. They are seemingly a very indiscriminating bunch at times, much influenced by prevailing fashion. It is therefore not surprising that the level of the deficit in South Africa and the level of interest rates are not very strongly correlated.

Nevertheless, the fickleness of international investors is a reason of its own for being careful about the levels of debt the government gets itself into. At present there is competition to get hold of our debt among international investors. Given the tendency towards periods of irrational exuberance² followed by absolute panic, this situation may change in a few hours. If we are over-indebted, and too much of our debt is owned by foreigners, we may not be able to repay them at short notice, thus causing a debt-crisis and a possible defaulting by the government on its debt. This is something to be avoided, as it has many negative consequences. South Africa is fortunate in the sense of having well-developed capital markets of its own. At present, only a very small percentage of government debt is owned by international investors (Walker & Natrass 2002). This makes us less vulnerable to sudden swings in international sentiment. The fact that most of the debt is held locally is, incidentally, a strong argument against the idea that the government should refuse to honour 'apartheid debt' (Walker & Natrass 2002). If this was to happen, local financial institutions would in all probability suffer very badly, since they are the holders of most of this debt. Ultimately, their ability to engage in any new lending to their clients, whether these are the government, companies or ordinary consumers, would be taken away.

While granting the dangers of the debt trap, it is not the case that the deficit was too high, even in late apartheid. Like much else in economics, the level of the deficit depends on how it is measured. We use a very conservative, and unrealistic, yardstick that is not commonly followed by other countries in the world (Le Roux 1997, Walker & Natrass 2002). A large part of the government deficit was due to the fact that it borrowed money to make the state pension fund fully funded.

The money that was borrowed was transferred to the Public Investment Commission to buy assets (such as shares and government bonds) to cover the pensions of current civil servants for the day when they eventually decide to retire. The money that was so borrowed was counted as part of future liabilities against the government (it will obviously have to be repaid one day), and was thus added to the deficit. However, this did not take into account that, because the pension fund is closer to being fully funded, a future government will not need to borrow money to pay pensions for current civil servants. This is because the assets in the pension fund already covered these payments. Because the assets accumulated by the pension fund match the future liabilities of the government in paying back the borrowed money, the nett effect of these borrowings on future government liabilities is zero. They should therefore

2. This term was used in the 1990s by the then Chairman of the American Federal Reserve, Alan Greenspan, to describe the overoptimistic attitude of investors during the boom in the prices of high technology shares.

not be added to the deficit, because they do not reflect on the government's ability to repay its debts in future.

If a different accounting system, reflecting this reality, had been in use, the level of the deficit for the period 1989 to 1997 would have been between 2% and 4% lower every year (Walker & Nattrass 2002, Le Roux 1997). This means that the deficit was in actual fact well within the very conservative range that GEAR prescribed, and that no reduction in government spending was necessary. In fact, there was space to increase government spending.

Despite there being space for increased government spending, such an increase is not necessarily warranted. Even though there is an enormous amount of desperate poverty in the country, and huge backlogs in infrastructure and housing, all of which are crying out for greater government spending, there could have been reasons at that time for not trying to increase spending. To understand this, we need to firstly consider the type of spending to which the government should devote its extra, borrowed, money. The argument that is often made is that the government should try to spend the money on investment projects, that is capital spending, rather than on consumption spending. This is because spending that increases future capacity will make it easier to repay the debt that has been taken on to facilitate the spending. Money invested in harbours, railways, electricity generation, telecommunications and so on, attract further investment by the private sector, which leads to accelerating economic growth. This will increase the government's capacity to repay its debt, since income from taxes increase when times are good. Consumption spending on the part of the government will also stimulate economic growth because it stimulates demand, but the effect is not of the same magnitude.

The problem with investment expenditure in the South African context, however, is that the capacity of the state to spend money on capital projects seems to be very limited. Tjonneland (quoted in Le Roux 1997:53) referred to the: 'technical complexities of planning, administering and implementing development programmes; complexities which have been seriously underestimated.' This was especially true in the late 1990s, and it still is a problem today. This is due to limited skills among government officials as well as weak organisational structures. The extent of under spending on capital projects in the RDP programme was an indication of this. Government departments could not spend even the limited amounts of money allocated to RDP projects, and under spending is still rife (Le Roux 1997; Harris & Mitchie 1998). Money was rolled over from year to year, without being spent. Increasing the deficit to spend more money on investment projects would therefore not have had any positive effects, and is therefore a reason why an increased deficit was not necessarily warranted.

While this is true, it is clear that GEAR did not offer any solution to this problem. In fact, it was making the problem worse, rather than better. Due to the single-minded pursuit of lower government spending, it overemphasised the need to cut 'fat' from the personnel budget of government departments. In real terms (that is, after taking account of inflation), government departments found that they had less money to

spend. This imperative, combined with the perceived need to make the civil service more 'representative', led to the policy of offering early retirement packages to (largely white) civil servants. As Le Roux (1997) points out, only the most skilled would have taken these packages, because they were the only ones who had options to pursue a new career in the private sector. Thus, instead of getting rid of 'dead wood', the civil service lost many people with the technical capability to deliver on development projects, in turn reducing the capacity to spend money on development projects. The authors of GEAR seemingly did not realise that spending more money on consumption items (salaries for newly appointed technical experts) is a precondition for increasing spending on capital projects a few years down the line. Their prejudice against consumption expenditure also led to the unfortunate situation of clinics being built without there being money to appoint nursing sisters to staff them, or weighing bridges next to the road standing empty without traffic cops to man them.

The distinction between consumption and investment spending apparent in GEAR is therefore oversimplified. You may recall that it proposed cutting consumption spending in favour of investment (or capital) spending. The technical committee clearly believes that consumption spending is bad and investment spending is good. It is certainly true that money spent on buying Mercedes Benzes or overseas trips for top officials, or otherwise wasted through misdirected consumption spending, is often money down the drain. At least in the case of capital spending we end up with an asset (in other words tangible things such as buildings or highways) that does have a value that should endure for some time. However, well-directed consumption spending can have a very positive effect. Increases in police salaries for example, or that of public prosecutors, would have limited the outflow of skills from these two sectors, thus increasing the effectiveness of the criminal justice system and helping to address the crime problem that is a major barrier to new investment. The same applies to doctors and nurses. It is well known that the public health system has been bled dry as a result of the outflow of skills.

It is at the same time also the case that capital projects can be extremely wasteful under some circumstances. If the decision to build them is based on political pressures (rather than a proper cost-benefit analysis) and if the construction price is loaded due to corruption, they do more harm than good. The old South Africa provides numerous examples of such spending. The international airport of the old Ciskei homeland, Bophuthatswana's electricity generating plant, and the Mossgas fuel plant in Mossel Bay are all examples of uneconomical projects that were extremely wasteful of resources. The same can unfortunately be said of many aspects of the new government's controversial arms deal.

The oversimplified opposition between consumption and investment also neglects the vital role of investment in human capital, which is counted here as seemingly unproductive consumption spending, while in fact it is investment in future capacity. This point is especially relevant given the capacity constraints in the civil service that we discussed above and that act as a barrier to delivery on capital spending. Literacy programmes for police officers, or training in project management skills for officials in the

STUDY UNIT 8

parastatal sector, are examples of spending programmes that would have helped to increase the capacity of the civil service. The same applies to spending on education. There was, therefore, a case for increasing spending on some consumption items.

There is another justification for reducing the deficit that we have not discussed up to now. This is the so-called crowding-out argument. In short, it states that long-term interest rates will go up if the government offers too many bonds on the capital market for the purpose of financing the deficit. The appetite of investors for buying additional bonds will be reduced, and this will 'crowd out' the private sector, which will no longer be in a position to go the capital markets to raise money. Government financing of its debt will therefore reduce the ability and inclination of the private sector to invest in expanding capacity, which will reduce growth. This argument assumes, however, that there is a close correlation between the deficit and interest rates. As we saw above, the level of interest rates is determined by many other factors, and the influence of the deficit is often not very discernible as one of them. A further criticism of the 'crowding out' argument is that its opposite is as, if not more, likely. As was pointed out in unit 7, well-directed government spending can 'crowd in' greater investment from the private sector, by increasing the returns on such investment. If education spending makes workers more productive, or if spending on the criminal justice system reduces crime rates, or if spending on the rail infrastructure makes transport cheaper and more efficient, private sector investment becomes more attractive.

8.3.2 The effect of monetary and fiscal policy on aggregate demand and inflation

We said previously that fiscal and monetary policy can influence aggregate demand. Any form of spending, whether that flows from the private or the public sector, will increase the demand for goods and services in the economy, thus stimulating production. In the case of the government, it is largely deficit spending that can have such an effect. Increasing government spending but increasing taxes to pay for that, to a large extent only transfers spending from the private to the public sector, and has only a small effect on total demand.³ Decreasing taxes, while reducing government spending to compensate for the lower revenue take, will merely transfer spending from the public to the private sector on the other hand. What matters is the total amount of spending in the economy, and not who spends the money. Fiscal policy can affect aggregate demand through the manipulation of tax rates, government spending levels and the level of the deficit. Monetary policy can affect aggregate demand through the level of interest rates in the economy, as we pointed out previously.

In general if demand is high, the economy will grow at a higher rate, which is a good thing. On the other hand, aggregate demand in excess of the supply capacity of the economy will create demand side pressures

3. Because some of the money paid in taxes by the private sector would have been saved, government spending will increase total demand somewhat, even if it is fully funded by taxes.

towards inflation, which is a bad thing. If people want more goods and services than the economy can produce, that is, if there is a shortage of goods and services, sellers would be able to increase prices on the understanding that, if you do not want to buy their expensive stuff, somebody else will. This leads to inflation. Monetary and fiscal policy therefore potentially has an impact on both economic growth and inflation. This means that there may be a trade-off between growth and inflation. That is, more growth may produce more inflation, which may necessitate a choice between growth and inflation on the side of policymakers.

The idea that there may be such a trade-off became known in the economics literature as the Philips curve. Philips was an economist who wrote an article in the late 1950s claiming that periods of high unemployment in the United Kingdom were historically correlated with low (wage) inflation, and that periods with low unemployment typically had higher (wage) inflation. Philips's concern with increases or decreases in wages and unemployment was quickly generalised into a debate about the relationship between inflation in general (that is all prices in the economy, not just the price of labour) and growth, rather than just simply unemployment. This generalisation is justified if we consider that wage inflation is an important component of inflation in general, and that unemployment levels are generally closely correlated to growth rates (the latter is true except when we get jobless growth, where the economy expands without adding new jobs).

The existence or not of the Philips curve, as well as its behaviour over time, is one of the most controversial issues in macroeconomics. The grandfather of macroeconomics, John Maynard Keynes, did not believe that there was such a trade-off. Writing during the time of the Great Depression of the 1930s he argued that a capitalist economy tends to go through phases of boom and bust. During the latter periods the economy contracts and unemployment rises. Such a period is known as a recession, or a depression if it is very severe. According to Keynes, a state of recession is generally the result of a lack of aggregate demand in the economy. Businesses will reduce their production of goods and services if they expect the demand for those goods and services to be slack. The job of the government during a phase of contraction is to boost demand through fiscal and monetary policy so that a state of full employment is reached, and then maintained. Boosting the economy like this will not produce inflation until a state of full employment has been reached. If demand is boosted however while the economy is already at full employment, inflation will be the result.

Keynes's argument is intuitively plausible, although oversimplified. If there is excess capacity in the economy, that is, if there are resources that are idle, as in the case of unemployment, putting more money in the pockets of people is not a problem from the point of view of inflation because the economy can satisfy the increased demand with increased production. Once there are no longer such unused resources however, in other words when the economy has reached a stage where it is impossible to produce more, additional money in people's pockets will necessarily result in increased prices. During times like those, the government should make sure that the economy does not 'overheat' and produce inflation.

STUDY UNIT 8

Then the job of the government is to take money out of people's pockets by increasing taxes, reducing government spending, and increasing interest rates. The task of the government is therefore to act in a countercyclical* way so as to keep the economy in a balanced state of low inflation and low unemployment.

Keynes's analysis was incomplete however. The picture we described above does not take imports or exports into account, for one. It is also an oversimplification to assume that during a recession all resources are unused to the same extent. In South Africa for example, as in many other developing countries, the economy has a shortage of skilled people even during recessions. This is due to our history of Bantu Education, among other things. Besides skilled people there can also be other supply bottlenecks, such as a shortage of transport operators to deliver products to their destination. Boosting the economy through increased demand will therefore result in shortages of some resources long before a state of full employment had been reached. This will result in increases in the price levels of those scarce resources in the hope of inducing an increased supply. Businesses will hope for example that salary increases for people with scarce skills might cause some of those people to come out of retirement, or that perhaps some housewives with those skills will be persuaded to join the labour force. As a result, prices may start to increase long before a state of full employment had been reached due to supply bottlenecks.

As can be seen from our discussion here, it is not so difficult to reconcile Keynes's theory with the Philips curve once we fill in some of the gaps in his theory. Boosting demand and increasing employment may result in inflation before a state of full employment has been reached. Likewise, it should be possible to reduce inflation by reducing demand even if the economy has not yet reached full employment levels. Keynesian economists therefore soon took the Philips curve on board as part of their conceptual armoury and there was a remarkable amount of consensus on this among economists, at least until the late 1960s.

Things started to change after that however. During the 1970s the relationship between inflation and unemployment seemed to fall apart, as high inflation was accompanied with high unemployment (this state of affairs came to be known as 'stagflation'). Keynesian theory could not explain this. It, as well as the notion of the Philips-curve, was consequently heavily criticized, first by monetarist economists such as Milton Friedman and later by rational expectations economists such as Robert Lucas.

The crux of the criticisms was that inflationary expectations on the part of individuals and companies will frustrate any attempt on the part of the government to 'finetune' the economy through a manipulation of aggregate demand. Attempts by the government to act in a countercyclical way through fiscal and monetary policy will therefore produce no positive results at all. Increasing aggregate demand will not just increase inflation on a once-off basis, but will lead to ever accelerating inflation. At the same time, it will be ineffective in producing economic growth and reducing unemployment. In fact, because these attempts are so disruptive to the economy, they will produce less, and not

more, growth. The best that could be hoped for was a state that was termed the 'non-inflation accelerating rate of unemployment' (or the 'natural' rate of unemployment). This unemployment rate was a reflection of all the obstacles to the workings of the free market, such as minimum wage legislation, government controlled prices, powerful unions, government subsidies, taxes and tariffs. If the government could remove these and thus increase the efficiency of the economy, and if the government could stop its disruptive attempts to manipulate the money supply, the natural rate of unemployment will be lowered.

Monetarist economists view inflation in a very negative light. They do not believe that there is a trade-off between inflation and growth and consequently do not think that more growth can be 'bought' at the expense of more inflation. In fact, low inflation is regarded as a precondition for higher growth (see Hodge 2005 for a monetarist viewpoint on inflation and growth, at least as it applies to South Africa).⁴ The disinflationary bias of GEAR is therefore seen in a positive light, as it is believed that it would (and have had over the last ten years) lay the basis for higher growth later. The current (May 2006) higher growth rate attained by the South African economy is therefore seen as our reward for the temporary pain caused by GEAR in the late 1990s.

The monetarist economists did not have the field all to themselves. Especially since the 1990s various versions of post-Keynesian economics, represented by Akerlof, Davidson and Stiglitz, among others, have made a comeback. A typical argument that they make is that prices are 'sticky' and do not easily adjust to changes in the economy. On this basis they build theories that provide justification for government intervention to manipulate macroeconomic variables. They tend to argue that monetarists overstate the dangers of inflation, and that moderate inflation is often associated with more growth. They would agree with monetarists that hyperinflation is bad for growth, but believe that an inflation rate generally lower than 15% can be associated with increased growth, especially in developing countries. Views differ on exactly what that level of inflation is, with estimates ranging from 40% to between 11 and 12% (see Hodge 2006). Keynesian economists thus tend to defend some version of the Philips curve and the idea that there is a trade-off between inflation and growth.

In the South African context Keynesians tend to argue that, due to the reduction in aggregate demand that followed upon the shrinking deficit and high real interest rates, GEAR unnecessarily sacrificed growth in the South African economy (Weeks 1999). At the same time, the threat of higher inflation was more apparent than real, both because there was less inflationary pressure in the economy than the technical committee thought, and because moderate inflation poses less of a threat to our economic well-being than the authors of GEAR thought.

The Keynesian argument is strengthened by what followed upon the introduction of GEAR. It is well known by now that the high growth

4. Economists generally do not like the label of 'monetarist' because they believe that the term has been used so loosely in the past that it may have lost its meaning.

STUDY UNIT 8

rates predicted to flow from the adoption of GEAR did not remotely take place. In fact, growth rates slowed down in the immediate post-GEAR period. They reached a low in 1998 and picked up slightly thereafter. Growth has only reached levels of more than 4 percent over the last few years. These rates, while lower than the rates predicted by GEAR, are at least high enough to start making a dent in our high unemployment rates. It can be argued that the recent higher growth rates are not due to GEAR, but are rather the result of the Reserve Bank's decision to lower interest rates faster than the monetarist GEAR strictures would have allowed.

The most likely reason for the disappointing post-GEAR growth rates is that the contraction in government spending and the declining deficit reduced aggregate demand. Contrary to the central thrust of GEAR, private investment rates slowed down, and even turned negative in the late 1990s (Nattrass 2001, Davies & van Seventer 2004). The reason for this is probably that investors respond, most of all, to a growing economy (Nattrass 2001). This is because they know that there will be a market for their products, guaranteeing some degree of profitability. As we saw above, the economy did not grow, thus inhibiting investment.

Inflation rates, on the other hand, were much lower than the predictions of the document (to be fair, though, this was probably partly due to the fact that the anticipated boom in investment never took place). It was, it turned out, unnecessary to take such stringent action to reduce inflation because the inflationary pressures in the economy were low. In fact, the document focused far too much on reducing inflation and not enough on stimulating economic growth as such. This is also the problem of the legal framework surrounding the Reserve Bank. Unlike the American Federal Reserve, which is tasked to maintain both high levels of growth and low inflation, the South African Reserve Bank is expected to focus exclusively on maintaining an inflation target of between 3 and 6% per annum. It is highly doubtful that this is an appropriate set of affairs for a developing country with such an enormous unemployment rate.

8.3.3 Balance of payments constraints in the South African economy

It is thus probably true that the country unnecessarily sacrificed significant economic growth as a result of GEAR, due to the contraction it brought about in aggregate demand. Nevertheless this should not be understood as implying that lack of demand is the only, or even the major, problem we face in creating enough jobs in the country so that unemployment can be eradicated. In fact, the high unemployment rate is to a large extent the result of structural problems that go deeper than lack of demand. The first of these is balance of payment constraints.

In previous units we remarked on the fact that South Africa was for most of its modern history an exporter of primary products such as wool and gold and an importer of manufactured products. We have also historically been a very open economy. This means that our exports and imports are a large proportion of our GDP. Unlike large economies such as the United States and Japan who are more self-reliant in the sense that they consume most of their products locally and only export a relatively small proportion of what they produce, we cannot do the same. In

combination these two factors have usually meant in the past that periods of fast growth in the economy had to come to an end because our imports started to expand faster than our exports.

It usually went like this: a boom in the world economy leads to rising commodity prices (prices for things such as gold and coal). This stimulates the local economy, because these were the products that we tended to export. Industrialists make higher profits and employ more people, and this stimulates additional production as the newly employed people have more money to spend. Things go well for a time, but soon problems start to appear on the horizon. Industrialists start to invest more money in increased capacity by buying additional machinery. Because we did not manufacture these kinds of machines ourselves, they had to be imported from the developed countries. In addition, imports of luxury goods increase because people had more money to spend on luxuries (rather than basic necessities). This created a shortage on the current account of the balance of payments (that is, we imported more than we exported). This can continue for some time, as long as the shortage on the current account is outweighed by a surplus on the capital account. What this means is that foreigners invest more money in the local economy than South Africans invest overseas. As long as this happens, we have enough foreign money to continue buying more overseas than we are selling there. Sooner or later however, sentiment towards investment in risky markets such as South Africa would turn. This is usually the result of a decline in commodity prices. If that happens, foreign money flows out very quickly, and the surplus on the capital account turns into a deficit overnight. Now the shortage on the current account is no longer sustainable, with the result that pressure starts to build on the Rand to depreciate. A depreciating Rand makes imports more expensive, leading to fears that inflation will rise. This, as well as the need to maintain the value of the Rand, necessitate that demand be choked off through austerity policies, and the boom period of high growth rates comes to an end.

Over the years the picture has changed somewhat. One of the changes was that the country's exports have become more diversified. Processed primary products such as steel and stainless steel, paper and pulp and chemical products have become more important, while primary products as such have reduced in importance. Since the 1990s we have also become an exporter of motor vehicles and components. South Africa is regarded as a less risky investment destination than before, and can now, for the first time since the 1960s, attract longer-term investment (this is known as foreign direct investment). Despite these changes, we have not yet managed to overcome the balance of payments constraint to our growth. Except for motor vehicles (and income from tourism), most of our exports are still influenced by rising or falling trends in commodity prices. We are also unable to produce capital goods (things such as computers and machine tools that are needed to produce other products). As a result, the current account still tends to go into deficit after a period of extended growth (as has been happening at the time of writing — May 2006). This increases the risk of a sudden depreciation in the value of the Rand in the near future, which may bring the current cycle of growth to an end.

STUDY UNIT 8

In order to help release the balance of payments constraint on sustained growth it is important that the country develops the capacity to export products for which the demand is less influenced by cyclical factors. Demand for commodities (and thus their price) in the world economy tends to go through cycles. We tend to get periods during which commodities fetch high prices, followed by (longer) periods during which prices collapse. More sophisticated manufactured products are less influenced by such cycles, and, over the long run, their prices increase relative to that of commodities. This is called the declining terms of trade. It is therefore important for our exports to be diversified away from commodities and towards more sophisticated manufactured products. For this to happen, it is important, among other things, for the government to have an effective industrial policy.

8.3.4 Bottlenecks in production

Besides the balance of payment constraint there is another reason why the stimulation of aggregate demand cannot on its own solve our unemployment problem. Growth is choked off eventually not only because we import more than we export, but also because bottlenecks, particularly skills bottlenecks, develop. As we saw above, bottlenecks in production can increase the inflation rate if demand increases because the scarce resources fetch higher prices when demand picks up. Besides increasing inflation, capacity constraints will eventually also make it impossible for the economy to continue growing. The following will happen in the case of skills shortages. If most of the unemployed people are unskilled, and if skilled people are in short supply, increased hiring of the unemployed will come to an end long before all of the unemployed have found jobs. To give an example: if enough architects, engineers and quantity surveyors are not available to plan and manage big construction projects, and if there is a shortage of skilled crafts people, it is unrealistic to expect that the construction industry will be able to offer increasing employment to the unskilled.

This skills mismatch is indeed evident in South Africa. Skills shortages coexist with a surplus of low skilled labour. In recent years, large numbers of lower-skilled jobs have been lost in the formal sector, while the number of higher-skilled jobs has been growing rapidly, especially in the service sector, but also in sectors such as mining and manufacturing (Burger 2004:56). The end-result is that the jobs that are actually created cannot always be filled because there are not enough skilled people to fill them, while the jobs that are destroyed are the kinds of jobs for which there are already many potential incumbents, and which are desperately needed. In order to solve this problem, a huge push towards education and training will be necessary. As we saw above, the authors of GEAR are aware of the skills mismatch problem, and do emphasise the importance of skills training. Unfortunately not much has come of government efforts to address this problem up to now. Besides a shortage of money (due to budget constraints imposed by GEAR), weak leadership from the side of the government, particularly the Department of Labour, is probably to blame. Most of the SETA's (Sector Education and Training Authorities) set up to address this problem, have been relatively unproductive.

The Department of Education has also failed to make much of an inroad into the quality problems plaguing especially township and rural schools. More resources, as well as better management of resources are needed to address problems in education. It is indeed true that, compared to other developing countries, a considerable part of government spending in South Africa is dedicated to education. Currently we spend about 6% of GDP on education, which places us in the bigger spending group among our peers. It is also the case that we do not get results commensurate to this level of spending: in international tests of maths and science skills South Africa pupils often do worse, on average, than pupils from much poorer African countries. This is a scandal, and certainly points to major problems in the classroom, ranging from badly motivated and under-qualified teachers, to bad management and weak discipline.

Having said this, it is not always meaningful to express education spending as a percentage of GDP like we have done above. Even though two countries spend the same proportion of GDP on education, it is still quite possible for the one to spend 10 times more per child than the other, simply because the one is so much wealthier than the other and because it may have fewer children of school-going age due to lower fertility. This is the picture one gets when one compares our education spending to developed countries such as Southern Korea or France. Even if we increase our education spending to, let's say, 8% of GDP, we will therefore still be spending much less money on the education of each child than developed countries. One can also make an argument that it is necessary to spend more money on education to repair some of the devastation caused by Bantu Education. A final indication of the importance of education spending is the observation that the fast developing countries of South East Asia all spent disproportionate parts of their budgets on education. Most observers agree that this formed a large part of their recipe for success.

8.3.5 Managing the exchange rate

GEAR commits the government to further dismantling exchange controls. In evaluating this move, one has to first take into account that exchange controls had only limited effectiveness in keeping capital inside the country during the apartheid years. The wealthy managed to smuggle large amounts of cash out of the country and invest overseas as insurance against a possible economic collapse following upon the ending of apartheid. Big companies such as Anglo-American that had overseas affiliates could also circumvent exchange controls if they wanted to simply by manipulating their bookkeeping. We also know that the financial Rand system lent itself to a phenomenon called 'roundtripping', which was a fraudulent scheme in which money was taken out of the country in commercial Rands and immediately returned in financial Rands. The difference between the two exchange rates of the Rand made such shenanigans hugely profitable for those who engaged in such fraudulent activity. It seems that fraudsters who had good political connections to members of the old regime engaged in such activity, without being punished.

STUDY UNIT 8

Even though exchange controls were not always effective, it seems that one of the problems they were designed to combat, which is Rand volatility due to speculation by currency traders, persists and needs to be controlled in some way or another. As we have pointed out in numerous places in this guide, there are times when the value of the Rand falls rapidly against other currencies due to a speculative attack. Such a period is then typically followed by another in which the value of the Rand recovers again over time. Speculation, this time against other currencies (such as the US dollar) and in favour of the Rand, is typically as much a factor in the recovery of the Rand as it is in the case of the fall of the Rand. Rand volatility is very bad for the economy, as it makes it very difficult for investors to make informed decisions about their investments. When the Rand is worth less in terms of foreign currencies, exports are more profitable. However, when the Rand strengthens, such exports may become unprofitable. If I am a textile manufacturer, for example, and I know that I can make a good profit at one value of the Rand but a loss at another, I may be discouraged altogether from investing due to uncertainty about the future movements of the currency.

As we saw above, the technical committee realised that Rand volatility is bad for the economy. They believed however that a stable macroeconomic outlook, with low government deficits and a low inflation rate, would discourage speculation against, or for the Rand. They therefore thought that GEAR would deliver the currency stability that was needed for sustainable growth. As it turns out, they were wrong. There were at least two currency collapses in the post-GEAR phase, and we may now (May 2006) be in the beginnings of another. The technical committee, because they were neoliberal economists who believed in the wisdom of markets, seems to have completely overestimated the rationality of financial markets. Financial markets are moved by collective emotions such as optimism and fear as much as rational calculation, and this leads to overreactions. Markets move far higher than is justified by purely rational calculation of the future benefit current trends will bring, and then they fall far lower than is once again justified purely on economic fundamentals. At the same time, the technical committee was seemingly not aware of the stupendous amounts of money that nowadays flow through the global economy every day. The vast majority of this is purely speculative flows. In other words the money that flows through the global economy from one currency to another is mostly not the result of normal trade or (long-term) investment decisions, but rather the result of traders taking a bet on the future movement of currencies. In addition, the money used in such speculation is mostly not their own, but borrowed in some way or another. This increases the risk attached to those movements tremendously.

Because these money flows are so huge, and because they are only partially based upon rational decision making, the technical committee's solutions to market volatility are unlikely to be very effective. Even the recent increase in the country's foreign currency reserves, which is in theory supposed to help protect the currency from quick moves, is unlikely to help much in the event of an attack on the Rand. This is because the reserves, large as they may sound, are very small compared to

the actual daily flows of money in the global economy. It is therefore necessary to consider implementing safeguards against currency speculation. One such possibility is the suggestion of a highly respected economist and erstwhile winner of the Nobel prize in economics, James Tobin, that all currency transactions should attract a small tax. This tax, besides bringing in large revenues to governments due to the huge amount of money exchanged every day, will help reduce volatility in the market. Most speculative moves are due to small currency misalignments, and will not take place if there is even a small penalty attached to the transaction. Because the tax will be such a small part of the total transaction costs it will not discourage transactions that are motivated by real, long term benefits, however.

8.3.6 Tariff reduction

The technical committee also believed that the government should continue reducing tariffs on imported products. These tariffs help to protect the jobs of local workers, because they make imported products more expensive and thus protect local producers from international competition. However, the technical committee felt that the costs of retaining these tariffs outweighed their advantages, because it reduced pressure on local producers to become more efficient and internationally competitive. It was also believed that the tariff reductions would reduce inflationary pressures in the economy. As we saw above they believed that inflation was enemy number one to be combated through a macroeconomic policy. This is, as we also pointed out above, a doubtful proposition.

It is indeed true that the government had no option but to reduce some tariffs as a result of us joining the World Trade Organisation (WTO). This was part of our international commitments. However, the government went beyond what we promised, and reduced tariffs more than were necessary. It is difficult to understand the logic involved here, because this made no sense. It seems that they were wildly overoptimistic, and somewhat naïve, regarding the efficiencies that will flow from such a move. Many jobs were needlessly lost as a result of local producers being expected to cope with sudden international competition without a proper industrial policy being in place to help them become competitive. They furthermore did not take the hypocrisy of the leaders of the developed countries into account (Stiglitz 2002). These leaders preached the virtues of free trade to developing countries, and forced and cajoled the developing countries into opening their markets to developed country exports. However the developed world did not reciprocate by making it easier for the developing countries to export to them. There is a good theoretical case to be made for the advantages that will flow to everybody from the adoption of free trade. However, this will only happen if the playing fields are level. At present this is not the case, and there is little advantage to be gained from the reduction of import tariffs below what is absolutely necessary.

STUDY UNIT 8

8.3.7 The recent introduction of the accelerated and shared growth initiative for South Africa (AsgiSA)

We have remarked above that the GEAR strategy followed the dictates of the so-called Washington consensus very closely. The Washington consensus was a set of policy prescriptions that were supposed to apply to all developing countries and promised increased growth and prosperity to these countries. Perhaps the greatest weakness of these proposals was that they did not consider that different countries might have different reasons for underperforming, and might need different solutions (Rodrik 2006). This was why it was called a ‘one size fits all’ policy. It was therefore gratifying to see the South African government introduce a new policy framework called AsgiSA. Although the policy is said not to supplant GEAR but to complement it, it will, if implemented properly, remove some of the weaknesses of the latter.

AsgiSA commits the government to reducing some of constraints to growth in South Africa. It mentions the following constraints (South Africa 2006:2–3):

- The volatility and level of the currency. We discussed this problem in point 8.3.5 above.
- The cost, efficiency and capacity of the national logistic system. The ‘national logistic system’ refers to transport issues more generally, and the fact that many of our exports are produced far inland (for example Gauteng), which makes it vital that transport to the harbours is cheap and efficient.
- Shortage of suitably skilled labour. We have discussed this, as well as the previous, constraint in our section on bottlenecks in production.
- Barriers to entry, limits to competition and limited investment opportunities. Much of our manufacturing capacity is in capital intensive goods such as steel, cement, paper and chemicals. Because of the limited local market, and because of the existence of monopoly producers such as Telkom and Mittal -SA (the old ISCOR), prices of these products are relatively high (compared to international prices). This limits the opportunities for downstream production (for example the possibilities of using locally manufactured steel in manufacturing motor vehicles).
- Regulatory environment and the burden on small and medium businesses. The government thinks that small businesses may find it difficult to adhere to all the regulations that apply to them. This is because they do not have the specialised people (legal advisors, industrial relationship specialists) to fulfil these functions for them. As a result, our small businesses tend to be weak or non-existent, which is a problem, as they are internationally held to be important in job creation.
- Deficiencies in state organisation, capacity and leadership. If the government is to play an important role in boosting economic growth, it is essential that its technical capability in planning and implementing projects is high. This is an obvious constraint to growth in South Africa and is an issue that has been discussed above in point 8.3.2.

It is still too early to say much about AsgiSA. If the government could come up with practical plans to address these constraints to growth, and if it has the political will to implement them, it will address some of the shortcomings of GEAR and boost growth rates. As is often said, however, the devil is in the details, and we will have to wait and see what fruits this initiative will bear.

8.4 Putting it all together

To recap, Colebatch's (1998) five stage model of policy activity involves (1) determining the goals of policy; (2) choosing means to achieve the goals of policy; (3) implementing policy; (4) evaluating policy; and (5) modifying policy. It also involves looking at policy in terms of its normative and empirical, and horizontal and vertical dimensions, and at the relationship between policy, authority, expertise and order. Posing searching questions in terms of these dimensions of policy reveals how 'messy', how complex and contradictory policy can be. For instance, the 'official', formal policy formulation represents its normative dimension. If we then subject the formal version to analysis and critique in terms of what happens in 'the real world', we are looking at policy's empirical dimension. If we look at policy from the perspective of the different ideas, interests, motivations and powers of the collection of people, located in a variety of more or less bureaucratic contexts, who are involved with policy in one way or another, we are looking at its complex and contradictory vertical and horizontal dimensions. And if we look at policy in terms of the relationship between authority, expertise and order, we are exploring policy from the perspective that it invariably involves different interests and ideas, differentials in resources and power, conflict and competition, the more or less selective construction of the nature of reality, the direct or indirect imposition or retention of a particular worldview, and the promotion and justification of a particular set of social arrangements. Now we are going to look at a way in which all these different elements can be brought together, and 'filled-in', to help illuminate GEAR. Note that this is not a 'model answer' to Activity 8.3. It is only a way of helping you yourself put the aims and outcomes of this module together. Nor is the information and interpretation that follows complete or necessarily 'correct'. You must choose your own way of doing this activity, perhaps using what follows as a basic 'template', and you must choose what you think is the most relevant and 'accurate' information to use.

8.4.1 Determining policy goals

GEAR is the government's official macro-economic 'strategy'. Its construction (mainly by a team of orthodox, mainstream economists) was commissioned by the government and the government declared it 'non-negotiable' soon after it was presented to the South African public. So the question of who determined the goals of GEAR seems relatively clear. In so far as the actual goals of GEAR are concerned, these are growth, employment and redistribution, as the title of the policy clearly implies. But GEAR's main goal is growth. It is prioritised in the policy in the sense that it is on the basis of economic growth that increased employment and

STUDY UNIT 8

redistribution are to occur. You will find all you need to know about the goals of GEAR in Study units 6, 7, and 8.2. Don't neglect the specific growth, employment and redistribution targets (the more 'concrete' goals of GEAR) set by the government.

8.4.2 Choosing policy means

Again, all the information you need to 'fill-in' this stage of policy activity can be found in Study units 6, 7, and 8.2. In brief, GEAR prioritises the goal of economic growth. So choosing the means of achieving GEAR's main aim means that the government has to find answers to one overall question: "What is the best way of achieving growth in South Africa?" GEAR's proposals indicate that growth is meant to occur mainly on the basis of manufacturing for export. In other words, the government believes that the best way to achieve growth is through the export of manufactured goods. This, as we have already determined in previous study units, is related to the government's desire to turn the country's economy away from its dependence on the export of primary and semi-processed commodities (and it has had some, albeit selective, success in this regard over the last few years). The GEAR proposals also indicate that growth will be achieved by securing massive amounts of private investment. Given that growth is to be based on manufacturing for export, GEAR requires that local industry must be made more productive and indeed globally competitive. And given that growth is to be based on flows of private investment, it follows that investment must flow into the manufacturing sectors in order to increase productivity and global competitiveness for purposes of export.

And how is this investment to be secured? Investment is to be secured by creating the best climate and conditions for attracting investment. The 'instruments' chosen to create the optimal climate for attracting investment include the following: fiscal and monetary discipline, wage constraint and the creation of a flexible labour market, tax incentives for business, privatisation and the general liberalisation and deregulation of the economy. Briefly, the idea is that fiscal and monetary discipline (which involves controlling state spending and the national deficit, the interest rate, inflation, the value of the currency, etc) will create the necessary macro-economic order and stability needed to inspire investor confidence. Investment is not likely to occur if, for example, inflation and interest rates are high and the value of the currency is volatile and fluctuating. Lower wages and a flexible labour market will reduce costs, promise fewer labour problems and will thus attract investors, as will paying less tax to the government. Privatisation will provide opportunities for profitable investment and deregulation will allow the free flow of capital, plant, technology and goods, etc, into and out of the country. For example, exchange controls on money leaving the country inhibits investment in local industry, particularly by foreigners who may want to move their capital (or profits) out of the country at any given moment. Thus relaxing, or even lifting exchange controls altogether, will attract investment.

GEAR's secondary goals, that is, those that are based on economic growth, namely, increased employment and redistribution, are projected

to follow from the investment, fiscal and monetary discipline, and growth we have just referred to. With investment flowing into the manufacturing sector, more jobs will be created, and given that relatively more people will be earning an income, this also means that redistribution will be taking place. Furthermore, by implementing fiscal and monetary discipline, the government may be able to increase the pool of revenues available for creating employment and redistribution, through, say, public works and various infrastructural projects — and the government hopes it can do this without putting pressure on the balance of payments or scaring off investors.

8.4.3 Implementing policy

This stage involves implementing the means chosen to achieve the goals of policy and then monitoring and managing them. In other words, seeing that the means chosen are actually implemented properly. This stage of policy activity involves the input of a number of individuals, groups, organisations and institutions. Given that GEAR is a macro-economic policy, this group of people and institutions involves mainly the Reserve Bank and various relevant government departments (such as Finance, Trade and Industry, etc) and the representatives of big business and labour.

Given the principal means chosen to bring about the goals of GEAR (that is, monetary control, fiscal discipline, deregulation, etc), managing and monitoring this stage of policy activity involves constantly monitoring inflation, the interest rate, state spending and the national debt, etc, and making adjustments where possible as circumstances dictate. It also involves monitoring and controlling the unions and wage demands and preventing the disruption of production through strikes and other protest action. It also involves examining, and altering where possible, any legislation, or any infrastructural short-comings that may undermine the investment climate and conditions and/or interfere with the free flow of capital, plant and machinery, technology, information, goods, etc.

8.4.4 Evaluating policy

This is the stage of policy where various techniques are deployed to determine whether or not the goals of policy have been achieved or not, to what extent and why. In other words, it is the stage of policy activity where we attempt to answer the question of whether the policy is actually doing what it is supposed to do. In our case, the question is whether GEAR is achieving what it is supposed to achieve. In Study unit 7, we discovered that the growth, employment and redistributive goals of GEAR have clearly not been achieved, and it does not look as if they will be achieved in the near future either. Some growth has occurred, but nowhere near the amount projected by GEAR, and certainly not of the type that is compatible with the policy's secondary goals (increasing employment and redistribution). Little productive investment (with some exceptions) has found its way into the manufacturing-for-export sectors, and what little there has been has tended to be labour-saving rather than labour-absorbing. A great deal of capital has, in fact, flowed out of the country, because local capital has taken advantage of the relaxation of

financial controls and chosen to invest elsewhere rather than in the manufacturing sector in South Africa (so much for the idea of a ‘patriotic bourgeoisie’). Furthermore, the nature of the investment that has occurred in the country has changed. Investment tends to be ‘liquid’ investment, for the purposes of speculation and quick profit on the stock-exchange, acquisitions (say, of shares of an already existing market or of public assets that have been privatised), corporate mergers and the like. This type of investment has resulted in the increased concentration and monopolisation of the economy and even greater unemployment and impoverishment. This is because of the rationalisation measures (that is, out-sourcing, retrenchments and lay-offs, etc) that invariably follow corporate mergers. It also causes even greater general economic instability, when the effects of sporadic short-term speculation for profit begin to set in. This instability is exacerbated by the effects on the local economy of economic turbulence elsewhere, a result of the government’s increasing exposure of the local economy to global free market forces.

As already hinted at in the previous paragraph, GEAR’s employment projections have proven to be way off the mark. Indeed, hundreds of thousands of jobs have been lost since GEAR was introduced, and very few new ones have been created. The tendency towards ‘jobless growth’ (and not that much ‘growth’ either) continues and unemployment is soaring as firms introduce labour saving production technologies, and/or out-source, sell off or simply close down anything they have decided is no longer their ‘core business’. And this is where many of the few ‘new’ jobs have been created — effectively, retrenched workers ‘buy-back’ their jobs or do their old jobs in new circumstances, on the basis of (sub-) contracted, temporary, part-time or casualised employment, with usually far less remuneration and generally none of the previous benefits, protections and security (such as pensions, medical aid schemes, etc), they may once have enjoyed. The state too has rationalised and shed many thousands of jobs. And when it sells off state assets in privatisation ventures, these too soon become rationalised and down-sized (or ‘right-sized’) and the new owners set about making as much use of flexibilised labour as they can. (Shedding labour to reduce the wage bill is nowadays one of the easiest and most attractive ways in which employers cut costs and thus increase profits. The implications for service delivery, and employment levels, seem quite clear.)

In so far as redistribution is concerned, despite the government’s proclaimed satisfaction with its estimated delivery on roughly 60 percent of its election promises, this is in fact far short of its own projections, and does not even keep pace with growing need. Indeed, backlogs (in terms of health, housing, classrooms and the like) continue to mount at an alarming rate. Furthermore, many of the much-touted infrastructural projects that have been put in place have fallen into disrepair and disuse because of poor design and quality (often the result of the incompetence and corruption of consultants and contractors the government itself has chosen), lack of follow-through (installations are simply not maintained or repaired), and the inability of the impoverished, increasingly under- and unemployed majority to pay for services such as electricity, water and telephones.

8.4.5 Modifying policy

Despite the glaringly obvious failure of GEAR and neo-liberal orthodoxy generally in South Africa, the government simply refuses to abandon or even meaningfully modify its chosen macro-economic path.

Government's statements on its GEAR policy have been quite varied. On the one hand, government has given a determined, almost mechanical defence of and positive 'spin' on its commitment to GEAR. The government has used every tiny economic triumph, and there have not been many, to trumpet its virtues. And the government has attempted to explain away each of its many glaring deficiencies and failures with what are becoming increasingly flimsy and transparent excuses. On the other hand, the government has frequently predicted imminent growth and employment recovery, on the basis that all the economic 'essentials' (ie, the neo-liberal, macro-economic tenets of GEAR) are in place, and that set-backs are only temporary, all the while blaming anyone, anything and everything for South Africa's economic woes. The government is also increasingly resorting to the 'race card' in this respect. And it has also continued to assert that GEAR is fundamentally compatible with, and/or a refinement of, and/or a strategy for achieving the goals of the RDP.

Furthermore, and rather desperately, the government has sought salvation and vindication for GEAR (based on the 'sound foundations' laid by GEAR of course) in the 'vibrant' small business sector, and, even more pathetically, the informal sector. Study Marais's account of what work and life are like for people having to resort to these sectors for their livelihoods. The informal sector lacks even the most basic of rights, protections, opportunities and infrastructure. Note too his sobering conclusions about the increasing blurring of formal and informal sector activities and conditions in the face of developments associated with globalisation (such as out-sourcing), and about the prospects for prosperity, equality and justice, of a 'growth path' based on these sectors. Why would the government emphasise the positive prospects of these sectors in the face of overwhelming counter-evidence? Does the government know something that most studies of these sectors have not revealed? Is this a merely desperate defence of its choice of GEAR? Or is it simply opportunism and cynicism? The government has even startlingly declared (in 2000) that governments everywhere are unable to create jobs, so none of us should be blaming them for this sad state of affairs. This is simply false. Governments everywhere can create and have created jobs (in a, say, 'quasi-Keynesian' manner). Indeed, governments have created self-sustaining and even income-generating jobs, in various social welfare, public works and other social infrastructure projects and programmes. And the government's declaration that it cannot create jobs is, in fact, an admission that GEAR is not doing what that same government said it would — lead to employment and to redistributive projects, some to be undertaken by the government itself, through revenues generated by growth.

Marais holds that the government was in fact caught between 'a rock and a hard place'. By the late 1990s it was clear that the expected growth and employment were just not happening. The government was facing increasing criticism from both COSATU and the SACP, and, just before

the ‘job summit’ of 1998, it was even forced to concede that the ‘Washington Consensus’ set of measures it had more or less voluntarily committed the country to was perhaps not the only possible macro-economic paradigm for a country like South Africa. For example, South Africa’s largely inherited foreign debt burden in the middle 1990s was relatively small by international standards, which did not provide the World Bank and IMF a great deal of leverage over South African economic policy. Thus there was not much to prevent the South African government from presenting good, moral and economic arguments for say, debt-restructuring, rather than fiscal and monetary stringency. But the government believed that it had already gone so far down this road that changing course would have disastrous effects for the economy. And any state intervention in the economy, such as direct involvement in job creation, would entail contradicting not only the neo-liberal ideology and proposals of GEAR, but also the general stance the government has taken, and declared ‘non-negotiable’, since the middle 1990s.

The government has thus chosen to shield GEAR from discussion and criticism, rather than revise it. Despite criticism from its historical allies, and its concession that new macro-economic thinking was required (preceding the job summit), the job summit itself merely yielded a few palliative measures from the government that were simply tacked onto the framework of GEAR. COSATU consequently launched a series of protests against job losses, and the government and business continued to insist that organised labour (and the progressive labour legislation introduced in 1995) was becoming an increasing impediment to growth and employment, owing to its resistance to wage restraint and labour market deregulation and flexibility.

But to insist that organised labour is the reason for poor growth and unemployment is at best false and at worst deceitful. Only roughly 10 percent of the South African work force was covered by collective, industrial-council bargaining structures in 1999. And the labour market is already extremely ‘flexible’ (see the references to labour market flexibility in South Africa earlier). Marais suggests that what is in fact happening is that the government (with business) is whittling away at the power of the left generally, and organised labour in particular, and attempting to slowly but surely shift the balance of forces towards the state and capital. This is because, in spite of their strategic historical alliance against apartheid, there always were major socioeconomic, political and ideological differences between the ANC, the SACP and organised labour. The ANC’s ideological ambiguity (and thus flexibility), and its hegemonic adroitness had always enabled it to ‘lead’ and ‘glue-together’ the alliance, and paper over any differences for the sake of the ‘greater struggle’ (defined in largely political and ideological terms). What has now begun to happen is that the parties to the alliance are beginning to see each other as separate entities with different identities and interests — they no longer see each other in terms of shared organisation, values and visions. Indeed, if anything, they are rivals, although not yet ‘openly’. They are now beginning to realise that their conceptions of ‘the greater struggle’ are quite different from the ANC’s.

Given that COSATU (and the SACP, but mainly through its links to COSATU) is still too powerful for a direct attack (and that it can still

influence a considerable proportion of the electorate), a combination of coercion and consent is being used to manage this shift in the balance of power. Consent takes the form of concessions to labour and the left (say, in the form of a commitment of government funds towards a public works project) in return for COSATU backing down on particular issues (for instance, not discussing GEAR at the abovementioned job summit or not embarking on protest action following government proposals about the deregulation of wages and conditions in certain sectors). Coercion takes the form mainly of sneering at the ideological beliefs of the unions and the left. The latter are being accused of being 'guilty' of 'anachronistic-' or 'infantile leftism'. 'Narrow trade unionism', in particular, is a favourite phrase the government loves to parrot. According to this view, organised strikes and other forms of protest will be the destruction of us all, because they are sabotaging economic progress (because it scares off investors). We are told that such strikes and organised protest are the actions of a small 'labour aristocracy' who care for nothing but themselves. This 'aristocracy' is working against the interests of the country as a whole (as defined by the government and business, that is), especially the unemployed and the poor. This often successful 'spin-doctoring' on the part of the government forces organised labour (and the left generally) to carefully consider opting for far less on both specific substantive issues and wider socio-political ones, rather than engage in protracted and possibly debilitating protest action.

8.4.6 The normative and empirical, and horizontal and vertical dimensions of GEAR and the relationship between GEAR and authority, expertise and order

You have probably realised that we have already begun to raise and address questions and issues that involve the various 'dimensions' of policy activity. We have already looked at the distinction between the normative and the empirical dimensions of policy, especially in the section on 'evaluating policy'. Generally, we noted that 'in real life', the growth, employment and redistributive goals of GEAR have simply not been achieved. We can add here, as discussed in the previous study unit, that in terms of almost every relevant socio-economic indicator, the levels of inequality and poverty in the country in 2000 were barely any better than they were even under the apartheid regime, let alone since the ANC came to power in 1994. Inequality and poverty have merely become increasingly deracialised. Put somewhat crudely, more blacks are proportionately part of the elite and more whites are proportionately part of the increasingly impoverished majority. Inequality and poverty, and the economy generally (and government's role in the form of GEAR) have also been cunningly depoliticised. By this we mean that socioeconomic matters are portrayed as functions of an autonomous, 'given' economic realm, that ordinary mortals can do little about and which is best left to business, and business 'science' to 'manage'. And of course since 1994, all South African citizens have equal political rights. But refer to our discussion in Study unit 5 of the distinction between 'formal' and 'substantive' rights (or 'entitlements'), and of civil, political and social rights.

As for the horizontal and vertical dimensions of GEAR, the perhaps most pertinent issue to raise is who decided on GEAR and its goals, and who was not consulted. It is clear that relatively few people were directly involved with GEAR's construction and its introduction to the South African public. Indeed, GEAR even took many people in the ANC by surprise, never mind its historical allies, the SACP and COSATU. GEAR is a decidedly 'top-down' macro-economic policy, and has been imposed on South Africa in much the same way the Washington Consensus was imposed on 'developing countries' in the 1980s. Given the fact that it was immediately declared non-negotiable and that the government has been extremely reluctant to even discuss it, and has not been very receptive to criticism of and even debate about its propositions, GEAR can be described as almost authoritarian. It is clear that GEAR bears the stamp of the big business community in South Africa, and indeed, its propositions resonate quite nicely with those of the broader ideology and institutions of global neo-liberalism. Which brings us to the relationship between authority, expertise and order, and GEAR.

This dimension of policy activity involves questions such as why GEAR was chosen, what values it reflects, what values it excludes, whose interests are being looked after, and whose are being neglected. It also involves questions about how this neglect is being justified. Put differently, what sort of expertise is being used and how is it being used? What sort of knowledge is being ignored? What conception of the social order underlies GEAR and is being promoted by GEAR, and what perspectives on the nature of reality are being suppressed? In short, what kind of relationship exists between authority, expertise, order and GEAR?

To begin to answer this question, let us look at the question of whose interests are being furthered and whose neglected, and how this is being justified. Marais argues that the ANC could gain hegemony (consent to its leadership) over the popular resistance movement against apartheid largely due to its great strength, its economic, political and ideological flexibility. In a sense, the ANC presented itself as 'all things to all people', and united the movement under common themes such as African nationalism, armed struggle and seizing the apartheid state. However, its strength was also a weakness, in that in order to be able to paper over differences, it also had to be quite vague and even ambiguous (as in the propositions of the Freedom Charter) on a number of important questions. Indeed, the ANC, as we saw, ultimately neglected many issues. We have already referred to the ANC's neglect of forms of struggle other than armed insurrection to seize the state, and, importantly, its neglect of economic policy. The broad idea was to seize the state and use it as the means to right all the wrongs of apartheid — including its economic wrongs. This enabled the ANC to, for example, keep both the SACP and labour under its sway, with reference to the 'strategic plan' of first achieving national liberation, and then (and only then) proceeding with social-democratic transformation led by the new democratic state.

It was this very same flexibility and openness that made it easy for the ANC to be receptive to the established, well-organised, self-assured and plausible agenda of capital from the early 1990s onwards. Also, the ANC was generally unprepared for the negotiated transition to democracy, and

was beset with weaknesses and fears during the process. And, no doubt, many of its own leading members' middle class aspirations had to be taken into consideration. In short, the ANC rapidly took on board (and, no doubt, to heart) the economics, politics and ideology of global capitalism, that is, free market capitalism, minimal state interventionism, and the mainstream neo-liberal interpretation of the nature and exigencies of globalisation. Put differently, the ANC has come to view reality through the prism of neo-liberalism, is privileging this particular worldview over all others, and looking after predominantly capitalist interests rather than any others. But we should not be surprised by this. This is a trend that has never been incompatible with the historically fluid, flexible and ambiguous economic, political and ideological orientation of the ANC. If anything, the ANC's orientations in this regard are probably more or less consistent for the first time. And this new-found consistency is neatly encapsulated in its commitment to the proposals of GEAR.

However, the ANC is obviously still aware of its historical allies and its historical, albeit ambiguous, commitment to prosperity, equality and justice for all in South Africa. It therefore realises that it needs to justify its adoption of a neo-liberal 'development path' that completely contradicts this historical commitment. It is, after all, a political party wanting to hold on to power. Aside from other ways (mentioned above) by means of which it has attempted to defend GEAR, consider why the government insists on referring to GEAR as its macro-economic 'strategy'. This is not an accident. GEAR is in fact quite unambiguously a 'policy', if you take seriously Colebatch's (1998) conception of what counts as policy — revise Study unit 6 here. It can be argued that the government calls GEAR a 'strategy' because it still wants to convey the impression that it is ultimately committed to the goals of the RDP (and thus to the interests of COSATU, the SACP, and the historically impoverished majority), and that GEAR is 'merely' a (temporary, pragmatic) strategy designed to achieve these goals in particular circumstances.

However, we have already determined that GEAR is a very different 'animal' altogether from the RDP. Whereas the latter entails 'growth through redistribution', with a leading role given to the state, GEAR entails the precise opposite — redistribution through growth. GEAR also entails various neo-liberal provisions, such as minimal state intervention and spending (on behalf of welfare, that is), and tight fiscal and monetary discipline. Such provisions, so Marais argues, effectively undermine or at the very least severely limit the possibility of meaningful redistribution. Besides, the government's dogged determination to defend and retain GEAR in the face of both its obvious failings and even in the face of increasing opposition from its historical allies, suggests that the government is, put plainly, lying when it claims that GEAR is a temporary, necessary compromise in terms of the 'realities' of neo-liberalism and globalisation. In his concluding Chapter 9, in the section titled "Radical as reality", Marais (2001) quotes James Galbraith, writing in 1999, as follows:

Where are the continuing success stories of liberalisation, privatisation, deregulation, sound money and balanced budgets? Where are the emerging markets that have emerged, the developing countries

that have developed, the transition economies that have truly completed a successful and happy transition? Look closely. Look hard. They do not exist.

ACTIVITY 8.1

In an essay of five pages, critically discuss the South African government's adoption of, and continuing commitment to, the GEAR macro-economic policy. Do this by using Colebatch's five stage model of policy activity, Marais's political-economy of South Africa from apartheid to democracy, and what you have learned about the relationship between globalisation and neo-liberalism in contemporary South Africa.

8.5 Possible alternatives to GEAR

We have already done much of the groundwork, in terms of providing the necessary background information and an overarching framework, to enable you to tackle this final activity relatively easily and adequately. We hope you enjoy doing it, and in the process, gain more insights into the relationship between globalisation and social change in South Africa. Briefly, in his "Rudiments of an alternative", Marais (2001: Chapter 7) offers an alternative policy scenario that more or less takes as given the prevailing neo-liberal orthodoxy and its rather conservative interpretation of the exigencies 'imposed' on all countries by globalisation.

However, this alternative is couched in terms of state-led Keynesian interventions, and draws heavily on the broad logic, if not the letter, of the relative success stories of periphery countries such as those in East Asia. Put differently, Marais proposes an alternative form of a growth, employment and redistribution macro-economic policy. He believes that this alternative is far more likely to bring about a greater degree of prosperity, equality and justice for all in South Africa than GEAR has been able to, or is ever likely to. You will find that this alternative to GEAR also draws on his earlier theoretical and empirical criticisms of GEAR, and the goals and methods of the RDP and MERG's rather more sophisticated elaboration and refinement of these. Note that he sees this option as only part of a workable alternative to GEAR, or as an intermediate, temporary set of policy proposals, largely because this alternative is still based in large part on more or less orthodox, neo-Keynesianism, rather than more transformative thinking.

In his "Politics of an alternative", Marais (2001:Chapter 8) sketches an outline of what he believes is necessary if more far-reaching, broadly socialist, transformative social change is to take place in South Africa. Briefly, he returns to the theme of 'civil society', that is, the sphere of social life distinct from, but intimately interrelated with, the state and the government. By 'civil society' he is referring to the more or less stable, more or less organised and more or less spontaneous social groups, associations and movements that emerge during the course of human life. Examples are trade unions, business associations, political groupings, AIDS activists, human or animal rights activists, or even the local neighbourhood watch. His focus, and the basis of his idea here, is located

in his analysis of the historical, socioeconomic, political and ideological relationships within and between the ANC, the SACP and COSATU. He argues that a new, broadly democratic and transformative ‘hegemonic project’ needs to be, and can be created on the basis of mobilising and organising such groupings. Of particular importance here are organised labour, the organisations of the left, and (some parts and members of) the ANC. (Of course, nobody is pretending that creating such a new ‘hegemonic project’ will be easy. There are those with vested interests in maintaining the current situation and there are also the legacies of the past.) Marais also points out that such a project may need, and will indeed be strengthened by, its mobilisation at the international, global level. This is because it will need to debunk the global domination, ideology and institutions of neo-liberalism and the iniquitous nature of globalisation or, perhaps more accurately, the particular path globalisation has taken, and the very selective interpretations of its ‘exigencies’ that have achieved global hegemony. It is perhaps not too far-fetched to suggest that powerful groups in the centres of the global capital system have vested interests in maintaining and/or contributing to this path — a path that leads to the enrichment of an elite minority, but which marginalises and impoverishes the vast majority of human beings.

ACTIVITY 8.2

Think about, describe, and evaluate Marais’s (2001) Chapter 7 on the “Rudiments of an alternative” and his Chapter 8 on the “Politics of an alternative”, as his proposals for alternative macro-economic policy options to GEAR. You will also find his conclusions in Chapter 9 quite useful. Use what you have learned in this module to describe, analyse and evaluate the implications of globalisation, free market capitalism, neo-liberalism and the government’s GEAR macro-economic policy, for Marais’s ideas on the prospects of far-reaching social transformation in South Africa.

Please note again that this activity is not examinable for the purposes of this module.

8.6 Conclusion

In the introduction to this module we told you that we had seven main objectives. We told you that we wanted to enable you to understand and describe, firstly, the history of South Africa from the apartheid era to the present, and secondly, the nature of and changes in contemporary South African society. We told you that our third objective was to enable you to understand, describe and evaluate the contemporary South African government’s macro-economic policy, with particular reference to its implications for prosperity, justice and equality for all people in the country. We told you that our fourth objective was to enable you to understand and describe the concept of ‘globalisation’, and any consequences globalisation has for social change in South Africa. We pointed out in this regard that the nature and consequences of globalisation are associated with the historical emergence of a global capitalist system, that has influenced the nature of South African society from the apartheid era to the present, and is continuing to do so. Our fifth objective was to introduce you to and enable you to understand and

STUDY UNIT 8

describe the particular sociological theoretical approach, which we referred to as 'political-economy', and the approach to policy activity that we have used in this module. Our sixth objective was to enable you to apply these approaches to understanding and describing the nature of and changes in South Africa, and policy issues in the country. Our final objective was to enable you to apply your theoretical and policy skills to making an input into policy proposals about the achievement of prosperity, justice and equality for all in South Africa in particular, and also to be able to apply these skills more generally in a variety of different contexts. We hope we have helped you achieve all these objectives, and that in the process, you have enjoyed working through this sociology module on globalisation and social change in South Africa.

ACTIVITY 8.3

Possible assignment and examination question and instruction.

In an essay of five pages, critically discuss the South African government's adoption of and continuing commitment to the GEAR macro-economic policy. Do this on the basis of Colebatch's five stage model of policy activity, and Marais's political-economy of the transition from apartheid to democracy in South Africa and of the relationship between globalisation and neo-liberalism in contemporary South Africa.

GLOSSARY

By **Derik Gelderblom**

Austerity policies: Policies associated with the period of high real interest rates and declining government spending in the early 1980s.

‘Austerity’ comes from the word ‘austere’, which is a characteristic of people who do not spend money on luxuries, and who live a very frugal lifestyle. ‘Austerity’ in the economic sense implies a reduction in aggregate demand as a result of contractionary fiscal and monetary policy. In practice, of course, it was the lifestyles of the poor who become more austere during the 1980s. The wealthy, on the other hand, became richer than ever as a result of tax cuts and so on. ‘Austerity’ is therefore not a completely accurate description of these policies.

Countercyclical: It literally means ‘against the cycle’. It refers to government attempts to smooth out the business cycle, that is to reduce the extreme ups and downs of a capitalist economy.

Deficit before borrowing: It is an indication of how much more the government is spending than it earns in taxes, interest on its investments, and so on. It is therefore how much money the government has to borrow in order to balance the books, and is expressed as a percentage of GDP. This is why it is called the deficit **before** borrowing: it is the shortfall that is made up by borrowing. If the government is in deficit year after year, the debt accumulates to an ever-growing percentage of GDP, depending of course on how fast the economy grows. If the economy grows more quickly in real terms than the annual deficit, the total debt burden on the economy will be reduced. The deficit is expressed as a percentage of GDP because GDP is seen as an indication of the government’s ability to repay the debt, in the same way that an individual’s capacity to repay debt is measured by comparing total debt to total income. The higher the accumulated debt relative to income, of both an individual and the government, the more risky additional loans appear to be.

Fiscal drag: In a progressive tax system, that is, one in which you pay an increasing proportion of your income on tax the higher your income is, inflation can increase your tax rate even though you are not earning more money in real terms. Let us say your salary is R100 000 a year, and you are in the 30% tax bracket. Then you will have to pay R30 000 tax. If inflation is 20% a year, you need a 20% salary increase just to maintain your standard of living. Let us say that you were fortunate to get this increase, but you are now pushed into a higher tax bracket as a result. Now you have to pay 35% tax. This means that you have to pay 5% more of your income on tax, even though you are not at all better off. This is called fiscal drag.

Gross domestic product (GDP): The sum total of the money earned inside the country. It excludes imports and exports. If the balance of the

latter is included, we refer to the total income as the Gross National Product (GNP). Most of the time these two totals are close to each other; however, in exceptional cases, the two can diverge widely. Lesotho is an example of this. Until recently, and still to a lesser extent today, most of the income in Lesotho was earned by exporting migrant workers to South Africa who sent part of their wages home as remittances to their families, and very little was generated inside the country. As a result Lesotho's GNP was much greater than its GDP.

Monetary policy: All policy measures affecting the money supply. Money supply is an indication of how much money is in circulation in the economy. It is typically affected by changes in interest rates. If interest rates increase, it becomes more expensive to borrow money from the bank, thus reducing the amount of borrowing by individuals and companies. Borrowing is a form of money creation, and increases the money supply. An increase in interest rates therefore reduces the rate at which the money supply increases. Interest rates are set by the Reserve Bank, therefore monetary policy is the prerogative of the Reserve Bank.

Real interest rates: The real interest rate is the difference between the interest rate and the inflation rate.⁵ It is, in actuality, the effective rate being paid on a loan. Let's say that the interest I pay on my loan is 12%, but inflation is 15%, and I only pay interest, and no capital is being repaid. In this case the real interest rate is negative ($12\% - 15\% = \text{minus } 3\%$). That means that after a year, the money I owe the bank is worth 15% less (it can buy 15% less goods and services), but I have only paid the bank 12%. That means the bank loses and I gain 3% of the value of the sum that I borrowed. As you can imagine however, that doesn't happen very often. The banks typically build in a big cushion in order to protect themselves from this eventuality and to make money for themselves by charging us interest rates that are well above the repo rate (the rate at which they borrow money from the Reserve Bank).

Speculative attack: In a speculative attack, traders in financial institutions such as hedge funds sell large amounts of a commodity, such as a currency, in order to drive its value lower. They use a strategy called short selling. If they think a currency is vulnerable (for example the country has a large current account deficit) they borrow large amounts of Rands (or gold, or whatever thing they want to reduce in value) and sell these on the currency markets for Dollars or Euros. When the price of the Rand starts to fall because more people are suddenly selling than buying, this leads to additional selling by others because they want to avoid holding a depreciating currency. When this stampede is in full progress, and the currency has lost a lot of value, the speculators will start buying up the Rands again to give back to the people they lent them from. But now they will have made a handsome profit. Let us say they have sold the borrowed Rands at R6 to the Dollar, and they sold six billion Rands. That means they received one billion dollars. And let us say they buy them back again at R12 to the Dollar. At this exchange rate they only

⁵ It is technically the difference between the interest rate and the *expected* inflation rate, but we will not concern ourselves with this fine distinction here.

need 500 million dollars to buy the Rands back. This means the traders put 500 million dollars, minus the interest paid on the borrowed rands and minus the trading costs, into their pockets. This hugely profitable exercise is of course very risky, because there is no guarantee that the currency will indeed move in the direction that they anticipate it would. If their bet goes wrong, they can end up losing a lot of money. There is also the risk of a 'bear squeeze'. Other speculators, who may notice that a colleague is continuously selling large amounts of Rands, would realise that s/he needs to buy them back again eventually to repay the lenders. They may then decide to withhold Rands from the market, leaving that trader stranded, having to buy the Rands back at a higher, not a lower price. Then the others make money, and the short seller loses out.

If speculators feel that the value of a currency will increase, they can, instead of 'selling short', 'go long'. In terms of this strategy they buy large amounts of a currency or a commodity, for example the Rand, or gold, on margin, that is with borrowed money, and sell it later at a profit after it has increased in value. Because speculators use borrowed money in their dealings, the actual sums of money traded exceeds their own funds many times over. In the process they can amplify or 'leverage' their own money committed to these trades. This is the key to the enormous amounts of money traded every day in exchanges, whether these are currency exchanges, the futures market or commodity exchanges. As a result, the underlying market trend is amplified many times over, leading to the tendency of markets to 'overshoot' or 'undershoot'. Speculative activity therefore increases the volatility of markets tremendously.

LIST OF SOURCES

- Ahmad, I. 1998. The *Communist manifesto* and the problem of universality. *Monthly Review*. 50(2):12–24.
- Albrow, M. 1996. *The global age: state and society beyond modernity*. Oxford, Polity Press.
- Amin, A. 1997. Placing globalisation. *Theory, Culture & Society*. 14(2):123–137.
- Amin, S. 2001. Foreword. In Marais, H. *South Africa, limits to change: the political economy of transition*. Cape Town, UCT Press.
- Barber, B. 1996. *Jihad vs McWorld: how globalism and tribalism are reshaping the world*. New York, Ballantine Books.
- Bell, D. 1976. *The coming of post-industrial society: a venture in social forecasting*. New York, Basic Books.
- Bozzoli, B. 1981. Challenging local orthodoxies. *Social Dynamics*. 6(2):53–58.
- Bromley, S. 1999. Marxism and globalisation. In Gamble, A., Marsh, D. & Tant, T. (eds). *Marxism and social science*. London, Macmillan.
- Burawoy, M. 1981. State and social revolution in South Africa: reflections on the comparative perspectives of Greenberg and Skocpol. *Kapitalistate*. 9:93–122.
- Burbach, R., Nunez, O. & Kagarlitsky, B. 1997. *Globalisation and its discontents: the rise of postmodern socialisms*. London, Pluto Press.
- Burger, R. 2004. Changing dynamics of employment: what drives the post-apartheid labour market? In Brown, S. & Fölscher, A. (eds) *Taking power in the economy. Gains and directions*. Cape Town: Institute for Justice and Reconciliation.
- Cohen, R. & Kennedy, P. 2000. *Global sociology*. London, Macmillan.
- Colebatch, H. 1998. *Policy*. Buckingham, Open University Press.
- Crow, G. 1997. *Comparative sociology and social theory: beyond the three worlds*. New York, St Martin's Press.
- Davies, R. & van Seventer, D. 2004. A three-gap and macrodecomposition analysis for South Africa, 1993–2002. *Development Southern Africa*, 21(1):133–153.
- Department of Finance. 1996. *Growth, employment and redistribution. A macroeconomic strategy*. Pretoria: Government Printer.
- Drucker, P. 1992. *Managing for the future: the 1990's and beyond*. Hemel Hempstead, Butterworth Heineman.
- Du Boff, R., Herman, E., Tabb, W., & Wood, E. 1997. Exchange. *Monthly Review*. 49(6):27–43.
- Elger, T. & Smith, C. (eds). 1994. *Global japanisation? The transnational transformation of the labour process*. Routledge: London.
- Fisher, F., Schlemmer, L., & Webster, E. 1978. Economic growth and its relationship to social and political change. In Schlemmer, L., & Webster, E. (eds) *Change, reform and economic growth in South Africa*. Ravan Press, Johannesburg:9–27.
- Frank, A. 1989. The development of underdevelopment. *Monthly Review*. June:37–50.

- Frank, A. 1993. *The World System: five hundred years or five thousand?* London, Routledge.
- Foster, J. 1999. Contradictions in the universalisation of capitalism. *Monthly Review*. 50(11):29–39.
- Frank, T. 2001. *One market under god: extreme capitalism, market populism, and the end of economic democracy*. London, Secker and Warburg.
- Fukuyama, F. 1989. The end of history? *The National Interest*. 16:3–18.
- Giddens, A. 2001. *Sociology*. Oxford, Polity.
- Glaser, D. 2001. *Politics and society in South Africa*. Sage, London.
- Goldberg, M. 1981. Capital, state and white labour in South Africa. *Social Dynamics*. 6(2):67–73.
- Harris, L. & Mitchie, J. 1998. The effects of globalization on policy formation in South Africa. In Baker, D., Epstein, G. & Pollin, R. (eds) *Globalization and progressive economic policy*. Cambridge: Cambridge University Press.
- Held, D., McGrew, A., Goldblatt, D., & Perraton, J. 1999. *Global transformations; politics, economics and culture*. Oxford, Polity Press.
- Hertz, N. 2001. *The silent takeover: global capitalism and the death of democracy*. London: Heinemann.
- Hirst, P., & Thompson, G. 1996. *Globalisation in question: the international economy and the possibilities of governance*. Cambridge, Polity Press.
- Hirst, P., & Thompson, G. 1996b. Globalisation: ten frequently asked questions and some surprising answers. *Soundings*. 4:47–66.
- Hoogvelt, A. 1997. *Globalisation and the post-colonial world*. London, Macmillan.
- Huntington, S. 1996. *The clash of civilisations and the remaking of world order*. New York, Simon and Schuster.
- Kaplan, D. 2004. Manufacturing in South Africa over the last decade: a review of industrial performance and policy. *Development Southern Africa*, 21(4):623–644.
- Kiely, R. 1995. *Sociology and development: the impasse and beyond*. London, UCL Press.
- Kleinknecht, A., & ter Wengel, J. 1998. The myth of economic globalisation. *Cambridge Journal of Economics*. 22:637–647.
- Koechlin, T. 1997. The limits of globalisation: an assessment of the extent and consequences of the mobility of productive capital. In Gupta, S. (ed). *The political economy of globalisation*. Boston, Kluwer Academic Publishers: 9–79.
- Le Roux, P. 1997. The Growth, Employment and Redistribution Strategy (GEAR): a critical discussion. *Africanus*, 27(2):45–66.
- Leys, C. & Panitch, L. 1998. The political legacy of the Manifesto. In Panitch, L. & Leys, C. (eds). *The Socialist Register. The Communist manifesto now*. New York: Monthly Review Press: 18–48.
- Lowy, M. & Mage, S. 1998. Globalisation and internationalism: how up-to-date is the *Communist manifesto*? *Monthly Review*. 50(6):6–28.
- Magdoff, H. 1998. A note on the *Communist manifesto*. *Monthly Review*. 50(1):11–12.
- Marais, H. 2001. *South Africa, limits to change: the political economy of transition*. Cape Town, UCT Press.
- Marx, K. & Engels, F. 2000. *Manifesto of the communist party*. Marxists Internet Archive. At <http://www.marxists.org>.

- Meiksins Wood, E. 1996. Modernity, postmodernity or capitalism? *Monthly Review*. 48(3):21–39.
- Monbiot, G. 2000. *Captive state: the corporate takeover of Britain*. London, Macmillan.
- Nattrass, N. 2001. High productivity now: a critical review of South Africa's growth strategy. *Transformation* 45:1–24.
- O'Meara, D. *Forty lost years: the apartheid state and the politics of the National Party, 1948–1994*. Ravan Press, Johannesburg.
- Rifkin, J. 1995. *The end of work: the decline of the global labour force and the dawn of the post-market era*. New York, Putnam.
- Robinson, W. 1996. Globalisation: nine theses on our epoch. *Race and Class*. 38(2):13–31.
- Rodrik, D. 2006. *Goodbye Washington consensus, hello Washington confusion?* Paper prepared for the Journal of Economic Literature. <http://ksghome.harvard.edu/~drodrik>. Accessed on 12 May 2006.
- Rosenberg, J. 2000. *The follies of globalisation theory*. London, Verso.
- Saul, J. 1991. South Africa; between 'barbarism' and 'structural reform'. *New Left Review*. 188:3–44.
- Scott, A. 1997. Globalisation: social process or political rhetoric. In Scott, A. (ed). *The limits to globalisation*. London, Routledge:1–22.
- Sklair, L. 1995. *The sociology of the global system*. London, Prentice Hall.
- So, A. 1990. Social change and development: modernisation, dependency and world-system theories. Newbury Park, California, Sage.
- South Africa 2006. *Background document. A catalyst for Accelerated and Shared Growth — South Africa (ASGISA). A summary*. Media briefing by Deputy President Phumzile Mlambo-Ngcuka. 6 February 2006.
- Stiglitz, J. 2002. *Globalisation and its discontents*. New York: WW Norton.
- Streak, J. 2004. The GEAR legacy: did GEAR fail or move South Africa forward in development? *Development Southern Africa*, 21(4):2
- Sweezy, P. 1997. More (or less) on globalisation. *Monthly Review*. 49(3):1–5.
- Tabb, W. 1997. Globalisation is an issue, the power of capital is the issue. *Monthly Review*. 49(2):20–31.
- Tabb, W. 1999. Progressive globalism: challenging the audacity of capital. *Monthly Review*. 50(9):1–10.
- Toffler, A. 1980. *The third wave*. London, Pan Books.
- Wakeford, 2004. The productivity-wage relationship in South Africa: an empirical investigation. *Development Southern Africa*, 21(4):104–288.
- Walker, R. & Nattrass, N. 2002. "Don't owe, won't pay!": a critical analysis of the Jubilee South Africa position on South African government debt. *Development Southern Africa*, 19(4):467–481.
- Wallerstein, I. 1979. *The capitalist world-economy*. Cambridge, CU Press.
- Wallis, V. 1998. The *Communist manifesto* and capitalist hegemony after 150 years. *Socialism & Democracy*. 12(1/2):7–13.
- Waters, M. 1995. *Globalisation*. London, Routledge.
- Weiss, L. 1997. Globalisation and the myth of the powerless state. *New Left Review*. 225:3–28.
- Williams, K., Cutler, T., Williams, J. & Haslom, C. 1987. The end of mass

- production? (Review essay on Piore, M. & Sabel, C. 1984. *The second industrial divide*. New York: Basic Books). *Economy & Society*. 16(3):405–439.
- Womack, J., Jones, D. and Roos, D. 1990. *The machine that changed the world*. New York, Rawson Associates.
- Wolpe, H. 1988. *Race, class and the apartheid state*. James Currey, London.
- Yudelman, D. 1981. Capital, capitalists and power in South Africa: some zero-sum fallacies. *Social Dynamics*. 6(2):58–67.