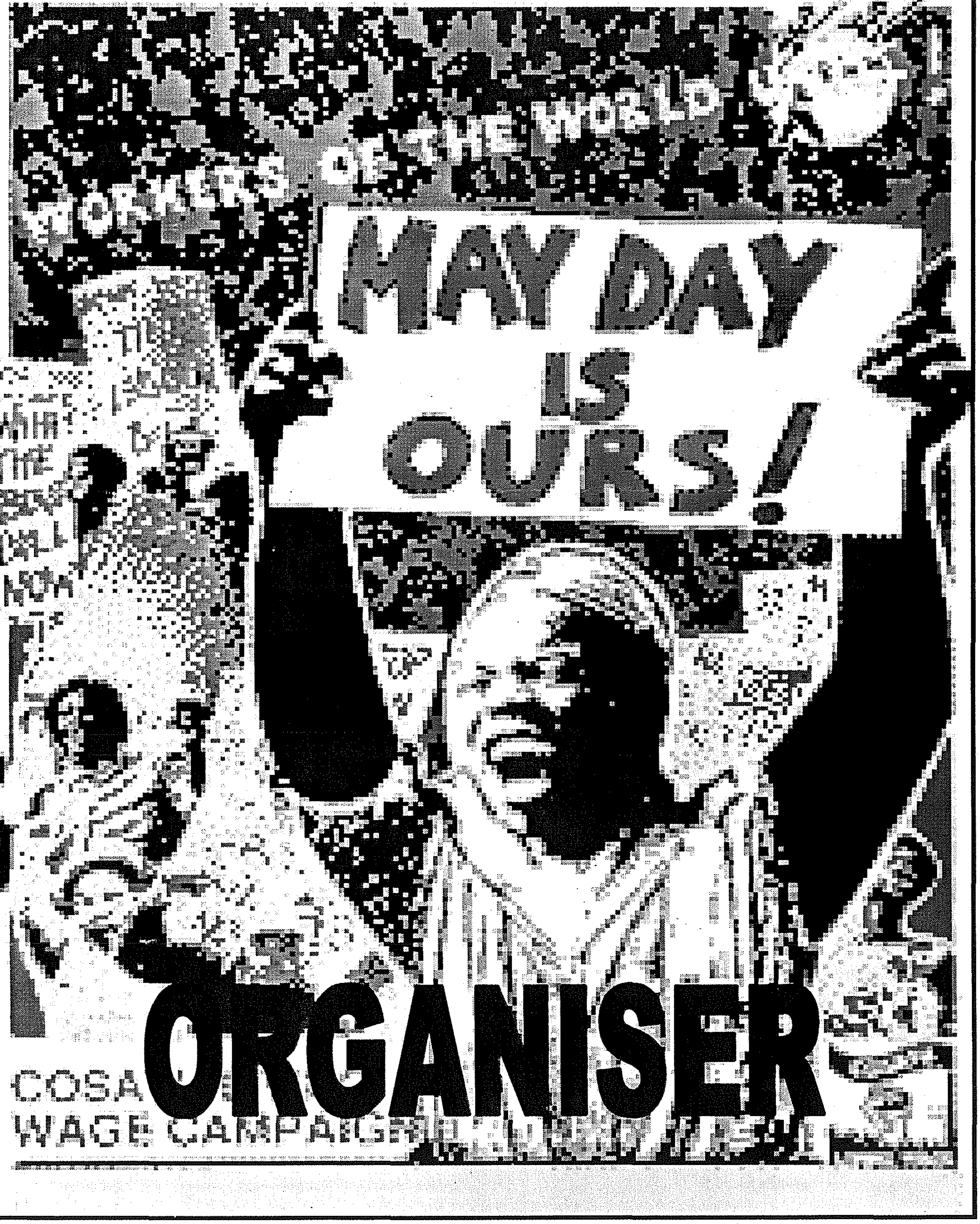


ORGANISER

MODULES

23rd - 25th April 2008

Module Three

Module 3: Political Economy and Alternative Organising under Neo-liberal Capitalism in South Africa
(Final Draft for Pilot)

Index

Page

COSATU

COSATU Organisers Training Pilot– Overview Module 3:Political economy and Organising					
Time	**Day 1**	**Day 2**	**Day 3**	**Day 4**	**Day 5**
09h00	Acivity1: Introductions, Learning Opportunities and Expectations of the Course (60 min) Activity 2: Some political economy concepts: A Quiz (140 mins)	Activity 3 cont	Activity 9: Moving towards socialism: A working Class Political economy 80 mins	Activity 16: Alternative trends globally 160 mins	Activity 20: Bargaining in a neoliberal climate part two...(60 mins) Activity 21 The Public Sector Strike: Lessons for organising under neo-liberal Capitalism (80 mins)
10h30	**Tea**				
11h00	Activity 2: cont... Activity 3: Political Economy and why Marxist political economy is important to us as trade unionists and activists.	Activity 5: Applying the tools of Marxist political economy	Activity 10: Researching the structure of the Economy (180 mins)	Activity 16 cont Activity 17: Labour power, Labour Process: Linking political economy to the workplace (110 mmins)	Activity 21 cont.. Activity 22 :Role play speaking to workers about political economy
13h00	**Lunch**				
14h00	Activity 3 cont..	Activity 6: Overview of modern South African Political Economy	Activity 10: Researching the structure of the Economy	Activity 17 cont... Activity 19: Bargaining in a neoliberal climate (80 mins)	Activity 22 cont
15h00	**Tea**				

15h30	Activity 3 cont	Activity 6 cont Introduction to take home assignment activity 8 and handout 3	Activity 12: Contemporary Political Economy: Accelerated and Shared Growth Initiative and National Industrial Policy framework (75 mins)	Activity 19 cont..	Assesment)
16h30 Take home activities	**Reading Assignment Historical Analysis of South African Political economy**	**Take home assignment: Capitalism and racist forms of domination**	**Take home complete readings activity 12**		

Module 3: Political Economy and Alternative Organising under Neo-liberal Capitalism in South Africa (Final Draft for Pilot)

In this module we focus on theory and understanding of political economy in and class based theories of understanding. It is an attempt to unpack theoretical concepts in a way that they have relevance to day to day shopfloor struggles whilst also giving an insight into broader social forces shaping our society and workplace. This is not done purely for the purpose of understanding but rather also for the purpose of motivation and alignment of class identity and ideals and also to provide the intellectual basis for organisers to engage shop stewards and workers on these issues in the hope of creating a class based approach to organising.

Activity 1: Introductions, Learning Opportunities and Expectations of the Course

Purpose:

- To begin to introduce participants to each other
- To develop a common understanding of what participants expect to gain from the course
- To locate the course content and objectives within concrete organisational experiences
- To integrate course content with learning objectives

Time: Activity: 40 mins Report back: 20 mins

Materials: Cards, pens and Prestic

Procedure:

Step 1: Split into groups of 5 and respond to the following:

- What is the name of your organisation?
- What does the term Capitalism mean to you?
- How does capitalism affect how you go about organising or representing these people and how has this changed?
- Why does your organisation exist?

In your groups discuss your expectations, each participant will be given one card on which to write their most important expectation. It will be important to discuss in your group which expectations are the same and try not to have more than one expectation that is the same.

Step 2: Report back to plenary with your answers and read out and stick the expectation cards on the wall when you report back.

Note 3: Historical Analysis of South African Political economy

South African Political Economy And The Global Crisis

Structure

1. Cycles of capitalist boom and crisis

[See Table 1]

Everyone who has analysed capitalism has noted that the system has a tendency to grow in waves. Sometimes the economy is booming, jobs are created, trade increases: this is a period of high *economic growth*, in which the output of the economy grows at a high rate. Sometimes the economy is in crisis, with low rates of growth and high unemployment: this is a period of low *economic growth*, in which the output of the economy grows at a low rate and sometimes even shrinks.

The different perspectives that we have examined – neoliberalism, socialism and social democracy – each have different explanations for the crisis, and each prescribes a different cure.

- The neoliberals usually blame State intervention (and trade unions) for causing the crisis: their solution is maximum deregulation of the economy, including labour market flexibility, privatisation and free trade and free movement of money (the removal of exchange and currency controls). They also favour reduced State spending on government welfare schemes, and cuts in government employment (this minimal spending is called "fiscal discipline").
- The socialists tend to crises as evidence of capitalism's inability to sustain itself. Lack of demand is the basic problem, and this is caused by the inequalities of the class system. Some socialists even believe that capitalist crises will eventually become so severe that capitalism will totally collapse. In general, socialists see socialism as the solution crisis: a radical cure that gets at the root of the problem (capitalism) rather than treat the symptoms (crisis).
- The social democrats see crisis as a perpetual danger in capitalism. It can be cured with Keynesian solutions; it can be prevented with a dose of demand management; without crisis, capitalism is actually quite a fair system.

The neoliberal explanation for crisis is not very useful. It is clear that capitalism can thrive under conditions of extensive State intervention. So State intervention can always be the culprit. At the same time, crises have begun in conditions where there was very little regulation – the economic crises of the 1880s and the 1930s began in such conditions.

There have been **three main crises** in capitalism over the last 100 years. These have affected every country involved in the capitalist world system, and have generally started in most advanced capitalist countries – those of the West (USA, Japan, West Europe, Australasia).

The crisis of the 1870s and 1880s

The main solution was a general deregulation of the international economic system on a far larger scale than is the case today, and the expansion of capitalism into the so-called "Third World." It is not coincidental that the colonisation of most of Africa took place from the 1880s onwards. Colonies provided one – only one – outlet for surplus capital.

The crisis of the 1930s and 1940s

This was an extremely severe crisis. At first, many countries tried to adopt the solutions proposed by neoliberals: that is, deregulation. However, unemployment grew until nearly 30% of the USA was unemployed and there was a huge amount of social unrest. For many socialists, it seemed like capitalism was on its deathbed. The main solution was provided by Keynesian policies, applied in the United States from the mid-1930s (called the "New Deal") and in West Europe after 1945. This was coupled to extensive social welfare reforms.

The huge boom in the West that followed was the largest in capitalist history. The so-called "Third World" also benefited because the boom meant a huge increase in demand for – and prices for – raw materials, this enabled a number of these countries to become "Newly Industrialised Countries." The best examples are countries in East Asia: South Korea, a former Japanese colony dedicated to rice growing had an economy larger than that of many European countries by the 1970s. South Africa is also an example – a less successful example – of a "Newly Industrialised Country."

The crisis of the 1970s and 1980s

From 1973 onwards the whole world entered into a severe economic crisis. The immediate trigger was sharp rise in oil prices in 1973 as Arab countries used a cartel called "OPEC" which set oil prices. But the crisis was already brewing in the late 1960s, and reflected the usual problem of market saturation. Not a single region on the planet was spared.

Economic growth in the West:
1950s: averaging 4,5%
1970s: averaging 2, 1%
1980s: averaging 1%

- In the early 1970s the crisis swept across the West and the so-called "Third World."
- By the 1980s, the crisis had emerged in those Marxist countries that had close ties to the West through trade
- By the 1990s, the crisis had emerged in the East Asian zone, affecting Japan and the Asian "Newly Industrialised Countries."

In each case, attempts were made to resolve the crisis. It is important to note that the capitalist class - just like the working class – does not always know what to do, and does not always agree on what to do. There were huge debates about the way forward. The initial solution, as applied in the USA and Britain, was actually to intensify Keynesian demand management techniques. This was called *"reflation"* and did not work. While governments ran up debt trying to stimulate demand, unemployment actually increased.

By the late 1970s, more and more governments had come to adopt neoliberal policies. The trendsetters were Britain – under Margaret **Thatcher's** Conservative Party from 1979 – and the United States – under Ronald Reagan's Republican Party from 1981. By Britain by 1988 the Thatcher government had sold £30 billion worth of SOEs (nearly R4000 billion) and transferred 600,000 jobs to the private sector. By the late 1980s most other Western companies had followed this model. This model also came to influence the IMF, World Bank and World Trade Organisation.

Within the so-called "Third World," many countries had developed a huge debt problem due to the crisis. Countries like **Zambia** sold copper overseas and used the money to pay for local SOEs and services. With the crisis, the price of copper fell through the floor- by nearly 80% - and the Zambian government began to borrow money from overseas. But because the price of copper stayed low, the government was not able to repay its debts – instead it borrowed more and more money.

This situation was quite common, although the "Newly Industrialising Countries" were not really affected. By the late 1970s, most countries with severe debts turned to the **IMF** and **World Bank** for help: the IMF is a body of governments that provides short-term loans to other governments; the World Bank is a body of governments that provides long-term loans for large-scale projects.

From 1980 onwards, the IMF and World Bank began to insist that loans came with strings attached: to get a loan, a government had to agree to adopt a "Structural Adjustment Programme." These **SAPs** were basically a package of neoliberal reforms: privatisation; cuts in State spending; and deregulation of the economy. In 1992, there were 32 SAPs in place in Africa.

The IMF and World Bank were originally set up to facilitate State-led development. From the 1970s, the institutions became powerful supporters of neoliberal ideology. Western countries dominate both – more specifically, by Western elites. Their neoliberal policies include privatisation and fiscal discipline; their stress on economic deregulation opens the doors to free trade and speculation. The **World Trade Organisation/ WTO** lays a similar role – it is an international body in which governments coordinate the phasing out of controls over trade, and specifically, the removal of tariffs.

In the 1980s, most of Marxist countries also began to try and restructure their economies. In 1976 **east European** countries were $18 billion in debt: by 1978 they were $58 billion in debt (Frank).[2] Attempts were made at internal restructuring but most of these regimes collapsed in 1989-1991. The governments that followed were often ardent neoliberals, who invited the IMF and World Bank in to implement accelerated SAPs, called "shock therapy." Today most former East bloc countries 0- including Russia itself - are under SAPs.

[2] A full bibliography is available from Lucien van der Walt on request

In the 1990s, the neoliberal model began to spread to **East Asia**. A key development was the crisis-within-the-crisis of 1997: stock market speculators created huge problems in these countries, leading to a wave of business closures, mass retrenchments. In Indonesia about 2,5 million workers were fired within 6 weeks as a direct result of the crisis on the stock markets. Although many people blamed deregulation of stock markets for the situation in East Asia, most of the East Asian countries subsequently adopted SAPs as a solution to the crisis-within-the-crisis.

Why is neoliberalism a common solution?
The simple answer is that neoliberalism seems to offer an easy solution for big companies – especially the gigantic multinational corporations:

- The neoliberal arguments against unions and against government spending allow a drive to **reduce labour costs**. First, there is restructuring through the spread of flexible labour markets, taking the form of casualisation and outsourcing and exemptions form labour laws. Secondly, there is a push to introduce labour saving machinery. Finally, less welfare means less tax and fewer alternatives to low wage jobs for the working class.
- The neoliberal policies also suit the need to **find new markets and new outsets** for excess money. By removing regulations on the movement of money, neoliberal policies allow companies to go global and chase all over the planet in search of new opportunities. In particular, it allows companies to invest wherever labour is cheapest.
- Deregulation also allows companies to put an increasing part of their profits into **speculation on stock markets**. In the mid-1970s 20% of all cross border flows of capital went into speculation, while 80% were for productive investment. By the mid-1990s some estimates were that only 2% of cross border flows went into direct – or productive - investment, the rest-98% or $10 trillion a day went into speculation (ILRIG 1998). Money used in speculation is often called **hot money.**
- The rise of speculation is part of a broader **rise of the financial sector during a crisis.** In a "normal" capitalist situation, the main role of the financial sector is to *help production* by providing loans, insurance, and a place to store excess money. In a crisis, the financial sector often becomes *more important* than production as a source of profit that production. Huge amounts of money are mobilised in this sector - from company reserves and from the general public – and used to make profits through speculation, through loans and through speculation in property (example: building shopping malls).
- Finally, policies of **privatisation and commercialisation** open whole new fields of safe and profitable investment: electricity, water, hospitals, toll roads. These have a guaranteed market in most cases as people have no choice. but to use these services.
- **Labour movements have found it difficult to propose alternatives** to the neoliberal agenda. Most socialists supported the Soviet Union: when it collapsed, arguments for socialism were widely discredited. The fact that the crisis of the 1970s took place despite – some even said because of – the Keynesian policies also meant that social democratic solutions were also widely questioned.

2. Changes in the South African economy

[See Table 2]

Before the 1880s, there was no such thing as South Africa or as a "South African" economy. The country was divided into a number of small states and communities, and only parts of Natal and the Cape Colony had any significant links to the world capitalist economy.

To understand the changes in the SA economy that took place later, it is important o distinguish three "sectors" in any economy:

- A **"primary sector"** based on raw materials production- basically, mines and farms
- A **"manufacturing"** sector based on processing the raw materials - this includes factories, workshops and so on
- A **"tertiary" or "service"** sector that distributes goods and provides services to the other sectors – this includes transport, communications, shops, the "financial sector" of banks and insurance, and social services like education

1887-1924: the alliance of gold and maize

In 1887, huge gold deposits were found on the Witwatersrand. Because most of the gold was deep underground, was expensive to process and had to be mine din huge quantities to be profitable, only big companies could do the job. A huge amount of money poured in Britain, France and Germany, and by 1914 the whole gold mining sector was in the hands of 5 main companies, all largely owned from outside the country. Besides the mines, there were a number of large capitalist farms.

NB: **the mining money poured in as a result of the crisis – looking for new outlets.**

There was, however, almost no economic development outside of these mines and farms (the primary sector). There were a few local manufacturing industries – mainly bricks, cables and clothes – but no significant local metal industry, chemical industry, etc. Most items, ranging from knives to bicycles to cars to mining equipment – were imported from overseas. This situation suited the mines fine, because the imports were cheap and did not create pressure for more wages.

The whole economy was basically centred on the primary sector, and the most valuable goods from the primary sector – gold and coal – were exported overseas.

1924-1973: "racial developmentalism"

In 1924, the White electorate elected the PACT government- an alliance of the National Party (NP) and the South African Labour Party. The two parties agreed that South Africa needed a strong manufacturing industry to break the hold of the mines, to create jobs (especially for poor Whites) and to develop local capitalism. These aspirations were supported by the small local capitalist class- such as SANLAM in the Cape, the emerging Anglo-American in the Transvaal, and White farmers, who wanted bigger markets and more State support.

The aim of these policies was to create a local manufacturing sector through the direct aid and support and protection of the state.

The PACT put in place a set of policies that lasted until the 1970s. These policies can be called "**developmentalism,**" "protectionism" or "**import substitution industrialisation.**" They were similar to policies adopted in many other so-called "Third World" countries – including, for example, South Korea and Zambia- *except* that they were racially discriminatory: first and foremost they were about protecting White business and White workers.

Policies included:

Founding state-owned industries: the model was ISCOR in 1928 (providing cheap local steel, using local coal and iron; 100% owned by State). Many more would follow, including SASOL (1950), ARMSCOR (1967) etc. By 1995, 40% of the whole SA economy was held by the State through these SOEs. There were 300 SOEs. Four giant SOEs – ESKOM, TELKOM, DENEL (ARMSCOR), TRANSNET – were dominant, accounting for 94% of income from SOEs and 77% of SOE employment (Radebe, 2000).

Economic protectionism/ restrictions on trade: a Board of Trade and Industry was set up in 1924, and a Tariff Act was passed in 1925. These allowed the government to restrict imports by slapping taxes (tariffs, customs duties) onto imports, which made them very expensive, the idea was that this would give local manufacturers of substitutes a chance – they could not compete with cheap imports, but they could produce goods for the local market if these imports were no longer so cheap. By 1928, more than 400 items had tariffs.

This was matched by **local content** regulations, which set targets for how much of a product had to be made locally. For example, there was forty year plan (never completed) to build a local car industry by first putting tariffs first on mirrors and handles, then on carburettors an internal fittings, then on tyres etc. The idea was that cars would be 100% locally produce din the end.

Financial controls and support: in 1940, the **Industrial Development Corporation** was established to provide technical, managerial and financial help to local companies. In 1961, Verwoed put **capital and exchange controls** in place that made it almost impossible to move money out of the country in excess of R500, 000 without special permission from the SA Reserve Bank (this made it impossible for local companies to "jump ship" and move elsewhere). There were also **prescribed assets** policies that directed profits into those economic sectors that the State considered import. Finally, the **Banking Act** and other laws placed many restrictions on how the financial sector operated, and helped prevent speculation.

SA: a "Newly Industrialised Country" by the 1960s

By 1945, mining was no longer the largest contributor to SA economy: manufacturing overtook it. By 1995, mining was only 10% of overall economic activity with agriculture at around 4, 5%; manufacturing was now nearly 40% of the whole economy. The remainder was made up of services, including communications and banks.

The South African economy had grown so much that SA alone produced 44% of the total economic output of the whole African continent. It was also responsible for 52% of all manufacturing in Africa.

South Africa was a "Newly Industrialised Country" by the 1960s. The SA economy had shifted decisively from the classic "Third World" pattern. Which is an economy based on the export of primary products (from mining and farming) to the West, to a country in which **local manufacturing** played the main role.

Of course, manufacturing growth did not benefit everyone equally. In a capitalist system, any growth benefits capitalists first and foremost, as they accumulate wealth through the increased output of surplus value. It also benefits the top figure sin the State, because there is more money for upper level salaries, for state projects and for the military. Workers also benefit as there is a lower level of unemployment and sometimes, rising wages.

In SA this unequal distribution was given a racial character by apartheid policies. White wages rose in the 1960s, whilst African wages stagnated. It was only with the rise of the unions in the 1970s that African wages began to increase noticeably. The accumulation of capital was mainly confined to White (and to a smaller extent Indian) capitalists as the laws of the time prevented the emergence of a significant African capitalist class.

3. The 1970s crisis and the rise of neoliberalism

Before 1973, there was sustained economic growth in the country. SA was not really affected by the Great 1930s crisis, and by the 1960s SA growth rates topped 8%: this was faster than any Western country except Japan. Manufacturing grew massively in the 1960s, leading to huge industrial complexes in Gauteng, in the Port Elizabeth area, in Durban and around Cape Town.

However, in the early 1970s, growth rates dipped to around 3%, fell to 0% in 1976, and subsequently limped on at between 1 and 2%, a pattern that continues today. This reflected the broader international economic crisis that affected countries around the world. There was

- **Declining gold prices.** For a number of reasons, gold prices began to fall quite sharply from the early 1970s, and went into decline in the long-term. Although the SA economy was heavily based on manufacturing by this time, gold remained crucially important, because sales of gold helped raised the money for the import of machinery needed by the manufacturing sector.
- **Declining direct local and foreign investment**. Foreign investors played an important part in the local manufacturing sector, and this investment was encouraged so long as it did not undermine local industries. As foreign investment declined, there was less money to invest in local industries, and it was harder to get the machinery that these foreign companies often provided. At the same time, local companies invested less in machinery than before.
- Both of these problems were quite serious because the SA economy was increasingly centred on the use of **machinery.** A manufacturing sector can be *labour–intensive* (employing a large number of people, and a limited amount of machinery), or capital-intensive (employing a small number of people, and a large amount of machinery). SA was increasingly capital-intensive, and it had to import

machinery for this reason. Why imports? Basically because the previous was had never been good at promoting **technological innovation.**

- A further dimension of the crisis was that **the small local consumer market.** Producing more than the market can absorb is the main cause of capitalist crisis.
- But in SA this was especially severe because the increasing use of *capital-intensive production* meant only a limited number of jobs were created, that the unskilled were often replaced by machinery, and that the new jobs required skilled and semi-skilled workers.
- **Apartheid policies** made this worse. High wage gaps between black and white meant that the local market for the products of highly mechanised production – such as TVs, cars and fridges – was very small, and mainly White. Education policies and job reservation meant that skilled jobs were largely confined to whites, that there were not enough skilled workers, and that Africans could not access skilled work.

Finally, the crisis meant that SA was more open to the foreign **neoliberal** influence than it would have been if everything was working smoothly

At the same time, the crisis was combined with a huge upsurge in black working class struggle. African workers, now concentrated in huge factories, and increasingly semi-skilled and urban, rather than migrant and unskilled, formed a **new trade union movement** which would overshadow all other unions in South African – and African – history. There was also increasing township mobilisation (1976 revolt, Vaal Revolt 1983-4, consumer boycotts etc. in the 1980s).

Apartheid meets neoliberalism

These economic and labour pressures led to debates in ruling circles. The initial response was actually to continue the "developmentalist" policies. For most of the 1970s, there was actually an enormous expansion in SOEs: from 1970 to 1977, state spending on transport, storage and communications increased by 65% each year as compared to the 1960s (Bond).

From 1979 a pro-neoliberal faction around PW Botha, who became Prime Minister that year, took over in the NP. It favoured

- Cuts in state spending
- An open import/ export policy
- Privatisation
- The deregulation of currency values and of capital movement in and out the country
- The deregulation of the labour market, including te removal of job reservation

These ideas were championed in government commissions, in policy documents by big business fronts like the "Urban Foundation," and elsewhere. An example was the influential book by A.D. Wassenaar, head of SANLAM – the second biggest SA company after Anglo-American – called *The Assault on Free Enterprise: the freeway to communism* Saul and Gelb).

The **neoliberal reforms of the 1980s** included the introduction of **GST** in 1984 (predecessor of VAT), introduction of school fees in white schools, deregulation of bread and mealie meal **prices**, the **privatisation** of SASOL in 1979-1982, and the privatisation of ISCOR in 1989.

Also, there was large-scale deregulation of the **financial sector** that led to huge profits but introduced **speculation** into the SA economy – this contributed directly to a growing unemployment crisis. Investments were increasingly focussed on stock market activity, and on shopping malls and office blocks- and less and less on job-creating industrial investment. The manufacturing sector began to decline as a section of the overall economy.

However, this early neoliberal period was not consolidated, because it was combined with a whole range of unsuccessful attempts to **reform apartheid** that led to a huge political crisis. Neoliberalism became widely discredited in the opposition movements – including the ANC and COSATU- and every neoliberal initiative by the State was fiercely contested.

The international sanctions against SA had mixed effects. On the one hand, they meant that SA could not easily access foreign loans, and so never ran up a large foreign debt; it also **could not access IMF and World Bank** funds from 1983 onwards, and so never had a SAP. On the other, sanctions prevented SA from accessing foreign markets, which could have led to more investment in industry, as opposed to speculation.

All of this contributed directly to negotiations with the mass democratic movement (which began in the mid-1980s, not the 1990s), and ultimately the creation of a non-racial parliamentary state. However, the ANC elected in 1994 also came to adopt many aspects of neo-liberalism – notably in its 1996 GEAR become evident:

- Failure to reverse 1980s neo-liberalism
- Land reform policy based on World Bank proposals
- 1994 adoption of a housing policy based on "site-and-service"
- Privatisation of 30% of TELKOM in early 1996 (before the GEAR policy)

This restructuring had effects throughout the working class. Unemployment rose. It was around 15% in the 1960s, over 25% in the 1980s, and reached 35% in the late 1990s. This unemployment was first centred on manufacturing but expanded to include mining and farming.

A significant section of the White working class came under pressure as jobs n the State sector began to dry up, as welfare policies began to get cut back and as job reservation was phased out as part of the political reforms of the 1980s. Gains made by African trade unions were also undermined by the growth of unemployment: in 1990 the newspaper *New Nation* estimated that only 1 out 10 school-leavers would get a job – a situation that was most serious in African and Coloured communities, where it created huge problems.

4. The GEAR policy and current responses to crisis

In 1996, the ANC adopted the Growth Employment and Redistribution macro-economic policy (**GEAR**). This replace the earlier **RDP** (Reconstruction and Development Programme) initiated by COSATU (the RDP was strongly influenced by Keynesian ideas of public works programmes).

The GEAR argues that South Africa needs a competitive and rapidly growing economy that will

- Create jobs for all work seekers
- Redistribute incomes and opportunities
- Provide social services to all

According to GEAR, this requires that

- The economy grows at 6% a year
- 400,000 jobs are created a year

This requires the creation of an internationally competitive economy:

- There must be more exports
- There must be more investment- private and public
- Investment and production must be linked to job creation
- There must be infrastructure development and service provision by the State

How does GEAR propose that these aims are reached?

> According to GEAR, success requires "government expenditure should be cut back, private and public sector wage increases kept in check, tariff reform accelerated ... and domestic savings performance improved". These measures will "counteract the inflationary impact of the exchange rate adjustment, permit fiscal deficit targets to be reached, establish a climate for continued investor confidence and facilitate the financing of both private sector investment and accelerated development expenditure" (p. 5).

The general policies of GEAR include

- **Limited but efficient government spending**: taxes must be cut as this undermines investment; overall government spending must be decreased, including on welfare items (e.g. university subsidies); the public sector must be more "cost-effective" through "salary adjustment" and "right-sizing"; there must be "strict containment of spending on other goods and services and current transfers" and a "restructuring" of the welfare system (pp. 8-9).
- **Low inflation:** basically this means promoting low interest rates, free trade, and wage pacts with workers that prevent "excessive" wage demands.
- **Trade and financial liberalisation:":** the tariff regime must be phased out; the value of the rand relative to other currencies must be set by the market; capital and exchange

controls over international money movements must be gradually phased out; the aim is to export cheap goods without government support.

- **Tax incentives:** taxes will be restructured to promote a competitive economy; taxes will shift from profits and high incomes to "sin" taxes; tax holidays will be considered for big investments; taxes will be waived when technology is imported.
- **"Restructuring of state assets":** this basically means privatisation and commercialisation of the SOEs, and the withdrawal of the State from operations that can be undertaken by the private sector. So, "leading off with the sale of non-strategic assets and the creation of public-private partnerships in transport and telecommunications," government will move to full and partial privatisation in telecommunications, minerals and energy, agriculture, forestry, leisure and transport.
- **Construction of infrastructure to "address service deficiencies and backlogs":** the Sate will assume responsibility for basic infrastructure and services within a strict budget).
- **"Flexibility in the collective bargaining system" and labour market:** There must be a "regulation of the labour market in a manner that allows for flexible collective bargaining structures, variable application of employment standards, and voice-regulation" – this means a move to a flexible labour market. Examples include lower wage rates for "young trainees"; variation in wages according to skill level, type of firm, regions, and firm size; "flexibility" in employment, shifts and job sharing. So, "variations on norms set in collective bargaining must be an integral part of the system of a system of regulated flexibility which " which does not undermine existing workers rights." There must also be "productivity enhancement," "wage moderation," and a "social pact" to freeze wages and prices, and improve delivery and investment.

Overall, there is no doubt that the GEAR is a largely neoliberal policy. It is quite clear in its commitment to privatisation;

> "restructuring ... may involve total sale of the asset, a partial sale to strategic equity partners, or the sale of the asset with government retaining a strategic interest"
>
> "government is committed to the applications of public/ private partnerships based on cost recovery pricing where this can practically and fairly be effected"

Gear, in conclusion, is a South African version of the international trend of trying to resolve the global economic crisis through free market policies.

5. The RDP: a labour response to the crisis

The RDP (Reconstruction and Development Programme) was initiated by the trade unions, and was the basis of the ANC's 1994 election manifesto. Despite continual references to the RDP by government and the ANC, the policy was never actually implemented, and was dropped in favour of GEAR.

The main influence on the RDP was the **Keynesian** idea that government must create jobs through public works to boost local demand and the economy. The RDP envisaged a situation that linked basic needs to growth through a massive **infrastructure** expansion by **public works** programme. This basically meant that government should hire the unemployed to build infrastructure that would improve township conditions: schools, roads and so on.

This would improve living conditions. The jobs created would put money in the pockets of the unemployed, thereby boosting local manufacturing. The actual construction would also boost local industries such as bricks and iron. Finally, the public works programme would provide an opportunity for on-the-job training for the unemployed. Better services would also improve efficiency – for example, workers would spend less time getting to work.

Another example of the RDP's stress on "win-win" was its policy on the workplace. Workers should be given secure jobs, more training and a bigger say in the running of the workplace. This would lead to better productivity, the unleashing of workers' talents and energy, and make SA internationally competitive - so that "South Africa emerges as a significant exporter of manufactured goods" - nd *at the same time* empower workers.

The overall RDP approach argued for State intervention, as opposed to free market regulation. It stated that

> "the democratic government must play a leading and enabling role in the guiding the market and the economy toward reconstruction and development"

and that the State institutions are

> "some of the most important delivery and empowerment mechanisms of the RDP "

For example, the RDP argued that private transport services – like the taxis – should be heavily regulated and that State provided transport should be promoted instead of privatised transport systems.

These general perspectives have been abandoned by government but remain the basic orientation of COSATU and of NALEDI, COSATU's think tank.

6. Currents trends in the South African economy: overview

As discussed earlier, the South African economy was very closed for the 50 years from1924 to 1973. This began to change in the 1980s with the first wave of neoliberalism in South Africa, under PW Botha. Since 1994, the trend to deregulate the economy has accelerated. This shift has a huge effect on workers and on trade unions.

Privatisation and commercialisation
Privatisation is the stated policy of the SA government, and current attention is focussed on the "Big Four" SOEs. Basically, *privatisation refers to the transfer of functions and/ or assets from the State to the private sector.*

Privatisation can be undertaken in a wide range of ways: closing a State service (forces people to turn to the private sector); contracting out management, delivery and production; leasing out State facilities on long and short-term contracts; and outright sales of State assets. 30% of TELKOM was privatised in 1996 and a further 20% was listed in 2003.

Many SOEs are being **commercialised** in the meantime: *commercialisation refers to the restructuring of State services and assets in order top operate on a profit-making and competitive basis.* This means that they provide goods and services at prices that ensure a profit, and that they provide these goods and services in competition with other companies. It also usually means that they must raise their own operating costs, without subsidies from the State.

A commercialised SOE is usually entirely *owned* by the State, but operates in a manner that is indistinguishable from an ordinary, private, company. ESKOM and the SA Post Office are good examples. The postal sector has been deregulated, and the SA Post Office competes against groups like Post Net and DHL.

The Post Office now charges commercial rates, competes for customers – in areas such as speed couriering, letters etc. - and is expected to produce a profit every year. This means that non-profitable operations – like letter delivery and low volume post offices – are being phased out. There are no plans to privatise the SA Post Office, but its daily operations and prices would probably not change very much as a result of being sold.

Privatisation and service delivery

Privatisation has been one of the biggest challenges facing the trade unions. When SOEs are privatised, workers are often directly affected. Preparing the company for sale often involves large-scale retrenchments, plus a significant amount of workplace restructuring for the remaining workers (in the form of casualisation, sub-contracting of functions, and intensified workloads as more work gets done with fewer staff).

Privatisation and commercialisation also affects consumers. The Human Sciences Research Council household surveys, a reported by McDonald, showed that in the 1990s 10 million of SA's 42 million people have suffered water cut-offs (for debts and failing to pay for the service), and that 5 million were evicted from their homes. In most cases this seems to have been because the households were unable to pay for the services. This has an obvious class dimension- it is the poorer sections of the working class – especially the unemployed, squatters and casual workers – that face cut-offs.

These cut-offs are concentrated in African townships, but have also been applied against other working class communities: for example, the Indian/ African township of Chatsworth near Durban, and the White/ Coloured neighbourhoods of Jan Hofmeyer and Montclare in Johannesburg.

The point of such cut-offs is to enforce **cost-recovery**: the full costs of operating the service must be paid back. In this perspective, a resident is a *customer* who must pay for a service rather than a *citizen* that has a right to receive the service. The amount of money that can actually be recovered from the poor is very limited – what is important is the *example*.

Cost-recovery can also create divisions within working-class neighbourhoods. In 200-2001, ESKOM implemented cut-offs of entire blocks in Pimville, Soweto– preventing illegal reconnections by removing the cables. This affected workers and spaza operators who *did* pay their bills, creating antagonism against those who had reconnected illegally.

Trade liberalisation

In August 1994, the Department of Trade and Industry (DTI) announced new tariff reduction targets for clothing, textiles and automobile components. These targets exceeded those to which South Africa had agreed in the 1994 Uruguay Round of the General Agreement on Tariffs and Trade (GATT) – the GATT later became the WTO. In 1997, government announced that it would reduce tariff protection on telecommunications to zero. GATT only required a reduction to 20% (Marais).

This deregulation has had mixed but often negative effects on sectors of the local economy. It ahs affected weaker capitalists, as well as many workers.

The **automobile** sector has been able to respond fairly well, and is now an exporter of car parts and partially assembled vehicles. It is an extremely mechanised sector, and well funded, with connections to a whole range of giant Western companies. Jobs have been lost but the industry as a whole is doing quite well.

On the other hand, sectors like **textiles** have been devastated. The textile industry in SA – shoes, clothes, bags etc. – has grown up protected by high tariffs. It is very labour-intensive and based on fairly small companies.

As tariffs were removed, cheaper clothes flooded in from China and other East Asian countries, where workers are extremely poorly paid. Tariffs fell from 41,2% n 1995 to 28,9% in 1999. A substantial number of companies closed, and the remainder shed jobs and restructured work. Jobs fell from 26,332 in 1990 to 14,984 in 1998; many of the remaining jobs are outsourced to "home workers" under appalling conditions (see Mosoetsa).

7. In Current trends: trade blocs and expansion

Investment and capital controls

GEAR is meant to attract *foreign direct investment* i.e. investment in production and other facilities, rather than in speculation. This is one of the key reasons for promoting low taxes on companies and a flexible labour market. The idea is that large amounts of foreign direct investment will create jobs and introduce new technologies, thereby boosting the SA economy.

The problem, though, is that – with the phasing out of exchange and capital controls from 1995 onwards - even more money is being **exported** from within SA than is **imported** into the country. In 1998, for example, there was R 91, 6 billion in direct foreign investment attracted *into* SA, but SA companies sent R170 billion *out* of SA into their own foreign direct investment. So, overall, SA actually *lost* net direct investment in this period (*Fast Facts* 1999).

In other words, the actual amount of money directly invested in the local economy is actually *declining* – not growing. This does not mean that the money is lost forever: *profits* from these investments generally come back to SA. However, these profits made abroad generally benefit those who made the investments in the first place i.e. the private companies and commercialised SOEs.

There is no obvious benefit to the SA working class of the export of SA capital. It does not create jobs locally. In some cases, in fact, this export of capital has a directly *negative* effect: companies have the option to *move* production to lower wage areas such as Botswana and Swaziland. This has taken place in textiles, which have been relocated to Malawi and Swaziland (Horton 1999a.), and in white goods (fridges, stoves etc.), which has been moved – with less success – to Botswana, Swaziland etc. (Bezuidenhout).

The phasing out of exchange and capital controls from 1997 onwards has allowed Anglo-American, SAB and Old Mutual (three of the largest SA companies) to relocate their *head offices* abroad. While they retain their *existing* investments in SA, new investments are increasingly focussed abroad.

Anglo-American was already operating internationally in the 1930s and 1940s – for example, it owned most of the copper mines in Zambia before they were nationalised in 1969. In the 1970s and 1980s its international operations continued (through a special front company, MINORCO), and by the mid-1980s, Anglo had more property in the USA than huge companies like BP (Innes).

In the 1990s, Anglo's international role has expanded enormously. It has acquired mines in Ghana, in Peru, in Australia and elsewhere. It also briefly took over the Zambian mines again, but has since given them up because they were not profitable enough. While Anglo expands overseas, it downscales its local mining operations. For Anglo, SA is not as important as it once was: SA is now just one of many countries in which profits can be made; in a deregulated international capitalist system, there is simply no reason why Anglo

Another example is SAB. Previously part of Anglo, it has been split off and has merged with US conglomerate Miller to form SABMiller, possibly the largest beer company in the world, with numerous other investments. In Africa alone, SABMiller has 13 beer breweries in ten countries, and 35 sorghum beer breweries in 5 countries (Daniels *et al*). Many other SA companies are expanded overseas, including Shoprite, Steers, Old Mutual, MTN, Vodacom, M-Net/ Multichoice, Massmart (Dion, Makro, Game etc.), Nampak, SAPPI, ABSA (Daniels *et al*).

These private companies have been joined a whole range of commercialised SOEs. ESKOM is the forerunner, with its ESKOM Enterprises playing the key role. It manages electricity facilities in 3 countries in Africa, jointly operates another, and has energy contracts of one sort or another in 28 countries. Its operations go beyond this: it is also starting to set up a cell-phone company to compete with MTN and Vodacom (who dominate the cellphone market in southern Africa). Other SOEs and State utilities that operate in other countries include Rand Water, TRANSNET, and the Industrial Development Corporation.

Speculation and production

There is still a trend to speculation – rather than productive investment. *Although mechanisation is increasing, actual use of the machinery is decreasing.* From the 1970s onwards, SA companies have placed less and less of their monies in actual equipment and more and more into financial activities (Bond).

Also, a survey of manufacturers by Adelzadeh showed that since 1995, "capacity utilisation" has declined from 81% to 78, 6% of potential. The main reason that the manufacturers give is that there is not enough local demand fro their products. Newspaper reports indicate that in SA in 2000/2001 the poorest 60% of households only have 14% of all spending power in SA, whilst richest 20% have 69%. Because local markets are small, it does not make sense (in capitalist terms) to expand output. Where does the money go?

There is a search for other areas of profit, often found *outside* of production: in corporate mergers, takeovers and "empowerment deals," in speculation and in financial services. No exact figures exist for the amount of SA money invested in speculation, but it is clear that the Johannesburg Securities Exchange (JSE) is one of the top ten stock markets in the world and one of the most active in the world.

The expansion of the JSE really began in the 1980s, when the NP government began to deregulate the sector. Bond estimates that the value of shares went up 7 times in the 1980s as a result of speculation. This meant huge profits **but** this profit was created through financial manipulation- not production. The shift to financial speculation by **local** companies is matched by an increase in speculation inside SA by **foreign** companies: it is estimated that most foreign investment in SA is investment in existing stocks, which often means speculation.

From the 1970s onwards, the financial sector – part of the service sector - has come to play an increasingly important economic role:

Agriculture

1980	7%
1994	5%

Mines plus manufacturing

1980	50%
1994	31%

Services

1980	43%
1994	65%

Source: Roux, 1997

Most, but not all, of the growth in the service sector can be accounted for by the expansion in the financial sector. According to Barchiesi, by 1999 the financial sector accounted for roughly 20% of the entire SA economy and was expected to rise to 30% by 2010.

Looking at this figure and at the table above, this means that while the share of mines and manufacturing in the economy has fallen by nearly half in the last 20 years, the financial sector has grown enormously and will overtake mining and manufacturing in the next five years.

(This does not mean that half of the mines and factories have *closed* – rather it means that they have expanded very much more slowly than the financial sector, which has become nearly as important to the economy as a whole).

7. Current trends: trade blocs and expansion

"Trade blocs" and SA capitalist/ State expansion into African markets
SA companies have invested quite a lot of money in the rest of Africa. A companies and SOEs are the single biggest direct investors in the southern African region (Daniels *et al*).

SA participates in an emerging trade bloc in southern Africa called the Southern African Development Community. A trade bloc is a group of countries that co-operate by setting up a common internal market in which goods and services can move freely over borders.

SADC is one of many trade blocs in the world today, which are one step in the larger process of liberalisation. The most important trade blocs are the European Union (EU); the North American Free Trade Area, which includes the US, Canada and Mexico; and the Asia-Pacific Economic Cooperation (APEC) which links countries bordering the Pacific Ocean – the most important members are China, Russia, the United States, Japan and

Australia. These three blocs centre on the three main economic powers in the world today: the US, the European Union and Japan, called the "Triad."

SADC was, in fact, originally set up to break the reliance of SA's neighbours on the apartheid government. SA was not a member. SADC was not, as originally conceived, a trade bloc but a joint government project to promote local industries. After the end of apartheid, SA joined. Today SADC is strongly influenced by neo-liberal ideas. Its 1996 "Maseru Protocol" called for trade liberalisation and the setting up of a trade bloc; Its 1997 "Windhoek Declaration" argued that "the private sector [is] the locomotive of economic development," and that "business requires ... a climate in which it can develop safely, freely and profitably" (*Workers Solidarity*).

SA dominates SADC in all ways. It exports roughly seven times more goods to its SADC neighbours than it imports, and SA goods often undercut local industries. So, while SA is suffering from unemployment at home, it also promotes unemployment in neighbouring countries by exporting cheap goods. SA trade in the southern African region grew 6 times in period after 1992 (Daniels *et al*), and SA accounts for about 92% of all economic activity in SADC.

However, it is important to note that SADC - and Africa in general – is not the main site of foreign direct investment by South African companies and SOEs. In 1998, Africa received 5% of SA foreign direct investment (*Fast Facts* 1999). However, a massive 87% of direct investment from SA went into Britain, the European Union and the United States. Britain remains SA's main economic partner: it got 32% of SA direct investment abroad, as compared to the rest of Europe combined, which got 35%, and the US, which got 20%.

South African capital makes a huge splash in the southern African region, but only a small drop of SA money goes into the region. Profits can be made in the southern African region, especially in privatised sectors – but much more can be made in other areas of the world. The same pattern applies to SA exports – these make a big splash in southern Africa but are mainly focussed on other regions.

8. Current trends: economic sectors and labour markets

Labour market flexibility and unemployment

The SA labour market has – despite claims that it is over-regulated – always been quite flexible. This has increased n the 1990s. In 2001, NALEDI estimated that 40% of the SA workforce is in casual or insecure or flexible employment (Naidoo 2001). A 1999 survey by Andrew Levy and Associates showed that 68.3 percent of companies surveyed had outsourced during the period 1994-1998, and that 90.6 percent of workers affected were "blue-collar" employees.

In other words, the SA labour market has become increasingly flexible. Furthermore, as NALEDI points out, there are no national minimum wages and around 37% of employed people earn below the poverty line. In terms of the LRA, small firms can apply for exemption from collective bargaining agreements, with an 80% chance of success.

Casualisation and outsourcing have been associated with a growing divide *within* the workforce between permanent and flexible staff – creating serious problems for unions. As seen yesterday, divisions in the working class have a very important impact on trade union structures and strategies. Today, the casual/ permanent divide is one of the greatest challenges facing trade unions. It has proved extremely difficult to recapture ground lost this way.

For example, almost all universities in SA have outsourced support staff functions from 1994 to 2001. This has cost the unions – especially NEHAWU – more than 5000 members. However, at the time of the survey (2001), only 1 out of about 20 NEHAWU branches had managed to win a recognition agreement with at least 1 of the outsourcing companies operating on the university campuses (van der Walt *et al*).

However, this flexibility has not generated the jobs that neoliberal theory predicts will emerge when labour costs are reduced. The labour market has become increasingly flexible *at the exact same time* that unemployment has grown. Figures vary, but up to 1 million jobs have been lost since 1994, and up to 35% of the economically active population are unemployed.

It is not quite fair to blame this on the post-1994 regime, or only on GEAR. The destruction of jobs in SA dates back to the 1970s. Before the 1970s, SA was always quite short of labour; from the labour market has had an *oversupply* of workers.

Jobless growth and unemployment

There are several reasons why economic growth has been **jobless growth.**

The first is that main sectors that employed unskilled and semi-skilled labour – the mines and the farms – have been shedding tens of thousands of jobs. Figures are not entirely clear for the farms, but may have been as high as 500,000 for the 1990s as a whole. In 2000, COSATU estimated that 150 000 jobs had been lost between 1997 and 1999 alone. Job losses on the farms were partly motivated by the pressures of deregulation in the sector: from the 1930s onwards, the SA government had provided generous subsidies to the farms but these are now being phased out in order to deregulate the sector. In the case of the mines, global competition, and declining prices for minerals such as gold, underlies the retrenchments.

In the manufacturing sector, however, One is that companies tend to use machines that replace workers, that is, the trend towards capital-intensive production has continued. Sometimes this is done specifically to avoid unions. Sometimes it has been done to avoid land claims (figures vary, but up to 500,000 jobs were lost on farms in the early to mid-1990s for this reason).

But mechanisation is driven mainly by the need to be competitive. Trade liberalisation means that SA companies compete *directly* with other companies worldwide.

To survive, there is a constant need for technological innovation – this is where mechanisation comes in. Where companies collapse in the face of competition, workers lose jobs; where they survive, workers *also* lose jobs. Large direct foreign investments in

SA are driven by the same logic – the BMW plant recently announced for the Eastern Cape in 2003 will bring over R1 billion into SA, but create roughly 1000 (permanent) jobs. This means, in effect, that each job costs nearly R10 million to create.

Mechanisation has another effect: it often requires *skilled* workers, meaning that *unskilled* workers are often the main victims of retrenchments. The great majority of the unemployed are those who lack specific skills. Skilled professionals make up less than 1% of the unemployed (Crankshaw). Given that Africans made up 87 percent of unskilled manual laborers and 79 percent of menial service workers in 1990, this also means that unemployment is highest in African communities (see Crankshaw), and Africans make the great majority of the unemployed.

Finally, while increasing amounts of money go into speculation, the financial sector employs only a very tiny fraction of the economically active population.

Employment in selected sectors

	1980	**1999**
Mining	769 000	402 759
"Manufacturing"	1 460 000	1 334 436
Construction	370 698	248 813
Wholesale/retail/ accommodation	764 443	853 341
Transport/storage/communications	430 109	245 787
Financial institutions	123 776	210 881

Source: Horton 1999b

From the above, it is clear that employment is going down in mining, "manufacturing," and construction, up a little bit in wholesale/retail/accommodation, and up quite a bit in finances.

But even so, financial sector employment is tiny – given that the economically active population in SA is over 10 million people. Using figures given earlier, the following is clear: the financial sector makes up nearly 20 % of the whole economy but employs roughly 1% of the workforce. Despite employing such a small number, however, the financial sector is incredibly powerful. It facilitates the shift of SA capital outside the country, and it fosters speculation.

Speculation not only undermines job creation, but also creates serious economic instability. The East Asian crisis in 1997 was directly caused by speculation, and SA has suffered a range of mini-crises due to speculation, going back to the 1980s (Bond). An example was in 1996 when the value of the rand fell dramatically, a process repeated in 2003-3.

Now, to train the millions of unskilled is an enormous undertaking, but GEAR does not provide many solutions. GEAR stresses the need to limit State spending, which tends to rule out large-scale programmes, such as setting up colleges or expanding access to bursaries. GEAR also stresses that training should take place at the workplace – but this does little to help workers who are not working in the first place.

Also, many companies are reluctant to engage in training in case the trainees are "stolen" by rival companies. This happens because the pool of skilled labour is so small. The only way to prevent

There is some debate about the actual figures, but research for COSATU and FEDUSA does seem to show that overall government spending on education as a whole – as well as one hospitals and other services – is shrinking every year. From 1996 to 2003 there is not much doubt that spending on education, health and welfare items went down (Natrass and Seekings 2000; van der Walt). The education system in SA needs a massive expansion in spending simply to improve facilities at schools, but overall spending has shrunk and teachers have been retrenched (van der Walt), and specific spending increases have focuses don upping teachers' salaries, not on improving teacher: student rations or general school conditions (see Natrass and Seekings 2001)

Labour intensive growth versus neoliberalism

Now, it *is* be possible to create jobs through **labour-intensive** manufacturing, but this has many difficulties. Labour-intensive production is only viable in a capitalist market if the wage costs are low enough to be *competitive* with other labour-intensive producers.

However, wages for less skilled labour in SA *are* actually fairly high compared to other countries: for example, roughly 8 times higher than in China. This is exactly why the textile industry has had such great problems in SA. Locally made textile goods are significantly more expensive than imported goods.

There are only three ways to **defend labour-intensive manufacturing**: first, cut wages; second, use tariffs to exclude cheap foreign imports; third, provide the labour –intensive producers with a guaranteed market through government contracts. SA simply cannot compete in low skilled manufacturing with countries like India and China (Natrass and Seekings 2001).

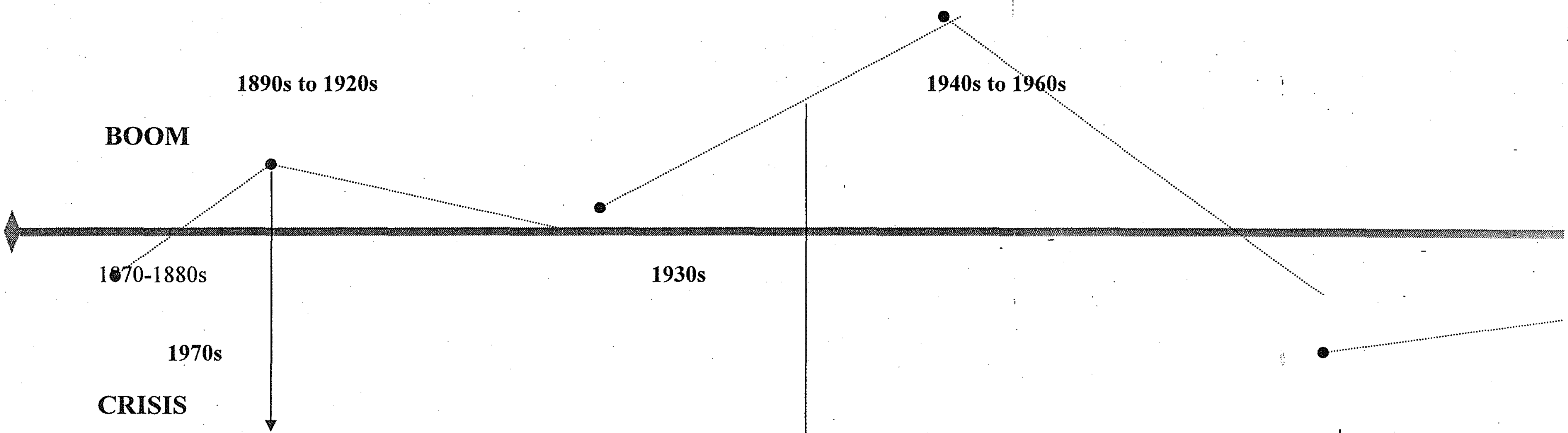
However, this is NOT current government policy. The main focus of current policy is export-led growth, in which SA competes on a world scale through the sale of manufactured goods. This means competing with established and efficient manufacturers in Europe, the US and East Asia. This creates enormous pressure for the use of technological innovation- that is, for a capital-intensive growth path. Even if SA does succeed – and this is not certain – the problem of creating jobs for millions of people will remain. It will only create a high technology, capital-intensive manufacturing sector.

Inequality in the new South Africa
The key economic problems of the 1980s continue to exist today in SA. Unemployment is rising, and the number of people in low wage employment has not changed significantly, and may even have increased. Finally, the *overall* inequality n incomes and wealth has not changed. However, there has been deepening class divisions *within* the races and the rapid growth of an African capitalist class, which is no more "friendly" to labour than its White counterparts.

By 1991, it was already clear that class divisions within races were increasing: the lower 40% of Whites saw their incomes fall by nearly half since the 1970s, whilst the number of Africans in the top 20% of income earners had doubled (Whiteford). Since 1994, there has been a rapid increase in the number of African capitalists. The number of poor Whites doubled in the 1990s, although this is still a minority of whites overall (*Fast Facts* 2000). Black-owned companies' control of shares on the JSE grew from less than 1 percent in 1994 to 7 percent 4 years later, with a further 11%, including SAB, under "black influence," meaning a significant black shareholding (Natrass and Seekings 2001). This represented a total of nearly **R60 billion**. At the same time, roughly 47% of all African households are poor (Naidoo 1999), meaning that they have difficulty meeting the most basic needs

Questions

Is privatisation desirable from the point of view of the working class? What causes unemployment? Give examples. What are some of the problems with speculation? Does social dialogue have the potential to make GEAR work for the working class?



Solution to 1880s crisis:
- Global deregulation
- Colonial expansion (new markets)

Solution to 1930s crisis:
- Fascism
- Keynesian policies
- Welfare states
- Economic protectionism in "Third World"

Solution to 1970s crisis
Main solution:

BUT growth has not been

NEOLIBERALISM

TABLE 1: BOOM AND CRISIS IN CAPITALISM

restored

Notes:

These crises take place internationally. They are reflected in sharp declines in economic growth coupled with rising unemployment, and increased numbers of business failures.

The 1880s crisis is one of the main reasons why money was available to invest in the gold mines in SA: the mines were one of many "outlets" for "extra" capital in Europe. In 1914, all of the major mining companies in SA were foreign owned.

The 1930s and 1970s crises affected SA directly. The 1930s crisis affected SA in mixed way: on the one hand, there was less investment in local industry; on the other hand, the gold price went up. The 1970s crisis meant less investment and – unlike the 1930s – the gold price went down.

SA was also influenced in the 1930s and the 1970s by popular international solutions. SA had already began to move to closely regulate the economy in order to promote local industry in the 1920s and this was reinforced by the general drive to close and regulate economies from the 1930s onwards. In the 1970s, SA was influenced by neoliberal idea from Britain and the US.

Phases of capitalist development in South Africa

1880s
Mineral discoveries
Mines and farms dominate
Very little manufacturing industry
Mines = foreign owned

1920s
NP introduces trade controls
First State companies
(ESKOM, ISCOR)
Emergence of manufacturing
Mines = local capital

1940s
NP extends these policies
Massive manufacturing growth
Mines and farms overtaken

1970s
Overaccumulation crisis
Rise of neoliberalism

Phases of neoliberal restructuring in South Africa

1970s
Emergence of economic crisis
announced
NP internally divided
Initially expands intervention
1979: PW Botha faction embraces neoliberalism

1980s
SASOL privatised quietly 1979-82

1987-1989: ISCOR privatised
1983+ attempts to cut spending
Neoliberal project fails = political situation

1990s
1994-5 – privatisation

1996 – National Framework A.
1996- ANC adopts GEAR
2000 – iGoli 2002 plan
2003 – Listing of TELKOM

Notes on periods of capitalist development in SA

The period from the 1880s to the 1920s was one in which the SA economy was dominated by the mines, which were controlled by capitalist in London, Paris and Berlin. Local capitalist farmers also began to emerge. The pattern of the SAQ economy was typical of a colony: producing raw materials for export to the West (notably gold, coal and diamonds); importing manufactured goods.

The 1920s saw an important shift. The PACT government (NP and Labour Party) started series of measures from 1924 to promote local manufacturing and local ownership. Cheap imports were discouraged; local manufacturers were to replace these imports; state companies were set up to support local companies with cheap inputs (e.g. ISCOR provided below cost steel). In this period, mines were taken over by local companies- notably Anglo-America- owned by local Oppenheimer dynasty. By 1940s, manufacturing was larger part of the economy than mining and farming. By 1960s, SA was a "newly industrialised country." The general model was "developmentalism" or "import substitution industrialisation."

Like rest of world, SA entered crisis in 1970s. This was worsened by local problems linked to apartheid– in particular, lack of local market amongst African, and lack of skills. Various solutions were tried – the 1970s saw intensification of developmentalism; 1980s- attempts at neoliberalism undercut by political problems; 1990s, a consolidation of neoliberalism.

Apartheid: mixed effects. Provided cheap labour which benefited mines, farms and large section of manufacturing BUT also limited local market to Whites and led to shortage of skilled labour which create problems for most advanced sections of manufacturing. Also, a *political* problem: led to internal unrest throughout 1970s and 1980s, and to international pressures, including sanctions.

Trade unions: industrial unions could obviously only emerge as manufacturing expanded. Before 1920s, typical union was a skilled craft union for Whites only; from 1920s onwards unions in manufacturing become more important, and are sometimes non-racial; uni0osn have never really succeeded in organising the farms.