

# 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)**

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### COSATU Organisers Training Pilot– Overview Module 3: Political economy and Organising

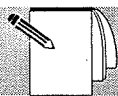
Time	Day 1	Day 2	Day 3	Day 4	Day 5
09h00	<p>Activity 1: Introductions, Learning Opportunities and Expectations of the Course (60 min)</p> <p>Activity 2: Some political economy concepts: A Quiz (140 mins)</p>	Activity 3 cont	Activity 9: Moving towards socialism: A working Class Political economy 80 mins	Activity 16: Alternative trends globally 160 mins	<p>Activity 20: Bargaining in a neoliberal climate part two...(60 mins)</p> <p>Activity 21 The Public Sector Strike: Lessons for organising under neo-liberal Capitalism (80 mins)</p>
10h30	Tea				
11h00	<p>Activity 2: cont...</p> <p>Activity 3: Political Economy and why Marxist political economy is important to us as trade unionists and activists.</p>	Activity 5: Applying the tools of Marxist political economy	Activity 10: Researching the structure of the Economy (180 mins)	<p>Activity 16 cont</p> <p>Activity 17: Labour power, Labour Process: Linking political economy to the workplace (110 mins)</p>	<p>Activity 21 cont..</p> <p>Activity 22 :Role play speaking to workers about political economy</p>
13h00	Lunch				
14h00	Activity 3 cont..	Activity 6: Overview of modern South African Political Economy	Activity 10: Researching the structure of the Economy	<p>Activity 17 cont...</p> <p>Activity 19: Bargaining in a neoliberal climate (80 mins)</p>	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)
<b>16h30 Take home activities</b>	<b>Reading Assignment Historical Analysis of South African Political economy</b>	<b>Take home assignment: Capitalism and racist forms of domination</b>	<b>Take home complete readings activity 12</b>		



### **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.

- **Neo-Liberal Globalisation in a Nut Shell**

The special UN General Assembly concluded that poverty, inequality and insecurity have increased in the world since globalism was launched. The number of people living in absolute poverty has increased from a billion five years ago to 1.2 billion today. For more than 30 of the poorest national economies, real per capita incomes have been falling for the past 35 years. Asia is the only region in which poverty rates decreased during the past five years. Economic progress in Latin America was vitiated by the increase in inequality - a global phenomenon. People in the industrial countries now are 74 times richer than those in the poorest. The wealth of the three richest men in the world is greater than the combined GNP of all of the least developed countries - 600 million people.

The experience of the last few years has not been the result of objective forces arising from the nature of the economy itself, or of irresistible technological forces. It has resulted from deliberate policy choices made by the governments of the advanced economies - chiefly, the U.S. government - acting in what they considered their national interests and the particular interests of influential political constituencies in their financial and corporate communities.

### **Note 5: The Role of the State**

Four major positions on the state, role in poverty are identified:

- **New right**, which argues that government should play a minimal role.
- **Welfare state**, which sees the state playing a role in securing a minimum standard of living through a social security system.
- **Marxist approaches**, which traditionally saw states as an extension of capitalist class. Today many Marxists see the state having a fairly autonomous role to play.
- **Developmental state**, which argues that states must play a range of roles, including promoting economic development.

(Source: Naledi)

### **Note 6: Political differences on the role of the State and of trade unions: neoliberal, social democratic and socialist views**

Each of these different approaches has very concrete implications for how you understand the role of trade unions and the role of the State. (Note: by State I refer to the complex of organisations that has the monopoly of armed force in, and rules, a given territory: it includes the civil service, army, police, parliament etc.).

#### **The neoliberal position**

The neoliberals are, in general, hostile to **trade unions** insofar as the unions interfere with the operations of the free market. The ideal situation is one in which unions do not exist – in practice, neoliberal governments have sometimes tried to break trade unions; in other

cases, they have tried to co-opt trade unions to the neoliberal agenda. Social dialogue is fine if it achieves this – otherwise it is a problem.

Regarding the State, neoliberals hold that the State must not directly interfere in the economy by setting prices, restricting imports or exports, interfering with the job market etc. Nor should the State enter the market by becoming a producer of goods and services through SOEs in competition with private companies.

The role of the State is to act as an **umpire**. It has two main roles

- To enforce the “rules of the game”: the basic law and order that prevents fraud, theft etc. and which allows the market to operate
- Provide vital services that no single seller or customer can produce through the market either because of cost (for example, dams, national highways) or because these facilities cannot be operated on a competitive and profit-making basis (for example, streetlights, pavements etc.).

The neoliberals see the State as an organisation that is open to influence by almost anybody – and they see this as the *main problem* with the State! There is a huge temptation for politicians to use the State to interfere in the market to win votes by benefiting particular groups – for example, Whites under apartheid.

This must be prevented – as far as possible the State must be denuded of any powers to intervene directly in the economy. This can be done in a range of ways such as removing the State bank (Reserve bank) from the control of parliament; setting up a constitution to prohibit interference with private property; joining multilateral bodies like the IMF that put pressure on members to adopt neoliberal policies; centralising political parties to prevent “special interests groups” warping policies etc.

Because they believe in a limited role for the State, and because they do not want to the State to be “captured” by “special interest” groups, they want privatisation, commercialisation and corporatisation of SOEs and other State utilities. Neoliberals also favour free trade, removing barriers to the movement of money and goods between countries, cuts in government spending on welfare, labour laws that restrict the power of unions, flexible labour markets and stress global competitiveness as the key to national greatness.

### **The socialist view(s)**

There is not one single socialist view on either the question of trade unions or of the State. We can divide the socialists into two main groups.

The first is the **Marxist** tradition. This tradition sees trade unions as very important weapons in workers’ struggle, and as absolutely vital organisations of class struggle. There is no problem if unions hamper the operations of the market, because the market is seen an obstacle to working class interests in any event.

The **Marxists** regard the State as the instrument of the dominant class in society. In a society ruled by capitalists, the capitalist class use the State to maintain and extend its rule over the working class. The main job of the State is to keep the capitalist system going, and to prevent workers from revolting against capitalism.

This capitalist control exists even if a parliamentary government elected by universal franchise is in place. This means that - for example - even the ANC government would be regarded as a regime controlled by the capitalists. Lenin argued that parliament is the "best possible political shell" for the capitalist class, because it hides the rule of the capitalist class behind the fiction of democracy.

The Marxists want capitalism to be replaced by a socialist order. In their view, trade unions are not up to this task. Trade unions are mainly concerned with the day-to-day economic struggles of the working class, and find it very hard to take a long-term view. Nor is the capitalist State - it cannot be an instrument for destroying the very capitalist class that it serves. Social dialogue as well is likely just to serve capitalist interests, for how can the capitalist class truly meet on equal terms with workers?

The Marxist solution is to form a revolutionary political Party that will establish and control a revolutionary and socialist State that will crush capitalism. This State is often referred to as the "dictatorship of the proletariat." Trade unions will help form this Party and put it into power, but the real engine of revolution is the Party. The means of production would be nationalised and controlled by this State and operated under a central plan.

The second socialist view is associated with Bakunin, and is sometimes called "syndicalism," sometimes "anarchism," sometimes "libertarian socialism." It will be referred to here as the **Bakuninist** view.

Like the Marxists, Bakuninists argue that trade unions are necessary to defend workers against capitalism; like the Marxists they argue that the **State** serves the interests of the ruling class. However, they see the **ruling class** broader than simply the capitalists - it also includes top government officials, generals and politicians.

In the Bakuninist view, the **trade unions** have the *potential* to lead a working class revolution against capitalism. Democratic and militant unions can aggressively push the capitalists back and launch a factory occupation movement that will end up with workers directly controlling the means of production through the trade unions. The trade unions should also ally with other sections of the working class. Because of this tress on trade unions, Bakuninists oppose social dialogue, seeing it as a way in which trade unions get co-opted by capitalists.

The existing **State** should not be replaced by a new State in this view. This would simply create a new elite - a new ruling class- of leaders and officials. Instead, the working class must run society directly through a decentralised "Workers Republic" or "Cooperative Commonwealth."

#### **Social democratic view: "Keynesian" solutions**

The social democrats regard capitalism as a system that can be reshaped in the interests of the working class. Ideally, a win-win situation can be created in which both workers *and* capitalists benefit.

The key is to promote policies that benefit both sides. There should be laws to protect workers and working class people. But such laws are not necessarily a threat for employers. For example, policies that train workers benefit the workers *but also* the employers, who have a more skilled and productive workforce. Similarly, laws that restrict retrenchments create a climate in which employers are willing to invest more in their workers, whilst workers – no longer in mortal fear of losing their jobs – are more productive and more committed to the firm.

From the social democratic perspective, **trade unions** play an important role in defending workers, in pushing for policies that benefit workers (and employers) and in defending these laws and policies. The key issue is *class compromise* – the two classes must negotiate with each other to create win-win situations – rather than class war that benefits nobody. Social dialogue is vital because it is a democratic space in which the two classes can make deals.

Like the neoliberals, the social democrats regard the **State** as an organisation that is open to influence by a whole range of social forces. Unlike the neoliberals, they see this a good thing – it is the responsibility of the working class and of forward-minded progressive employers to use the State to promote win-win solutions.

The big solution that most social democrats propose for problems in capitalism is called “**Keynesianism**” (named after the economist John Keynes). The basic idea is that improving the incomes of the working class will increase demand. If workers can buy more of the products that they make – if every worker can buy a TV, a car, a lounge suite – then the economy will expand. The companies will be able to produce more and more and more – without markets getting saturated. As the companies produce more and more, more jobs will be created.

How can working class incomes be improved? First, government can provide **services** that reduce pressure on wages – for example, cheap transport, good public hospitals – that will free up more money to buy goods and services.

Second, government can take steps to prevent speculation. For example, policies can be put in place forcing companies to invest a set amount of profits in a given industry, thus creating jobs and directing money into important economic sectors. These are called **prescribed assets**. Special taxes can also be levied on profits from speculation: this makes speculation less profitable and can be used to raise money for welfare. Also, laws can be put in place limiting the amount of money that can flow within and between countries in a given day.

Thirdly, government can take steps to increase demand among the unemployed. It can provide the unemployed with unemployment benefits. But the ideal solution is to hire the unemployed to build roads, houses and schools. These are called **public works** programmes. This will create demand for building materials, boosting job creation; it will also put money in the pockets of the unemployed, leading to expanded demand and thus to more jobs as the companies supplying this demand expand; it also provides the unemployed with skills. The idea is that public works programmes will stimulate demand and create more jobs. Everyone wins: the unemployed, the workers, and the employers.