

Global economic crisis

Implementing industrial and social policy

In the last two editions of the *Labour Bulletin* **Ben Fine** explored concepts to better understand the global economic crisis and posited some alternative economic models. In this final article he gives pointers to the implementation of industrial and social policy in order to achieve decent jobs and a decent standard of living for all.

In the light of the global economic crisis *Labour Bulletin* has carried two earlier articles by me firstly to understand the complexities of why the crisis happened and, secondly, to explore some alternatives. This is the third and last article in the series which looks at industrial and social policy and some pitfalls and guidelines for developing such policies.

INDUSTRIAL POLICY

Under neo-liberalism industrial policy has been dominated by a view reinforced by the Washington Consensus that the state should take a back seat and leave things to the market. This has resulted in the reduction in tariffs, privatisation, deregulation, and an opening up of domestic markets to foreign capital.

Despite this view there has been an enormous and diverse amount of industrial policy over the past 30 years.

Industrial policy goes through fashions such as those ideas represented by the pre- and post-Washington Consensus (see *SALB* 33.4). Such fads have at different times focused on free trade, skills and entrepreneurship, the promotion of SMEs (small and medium enterprises), finance for industry, regional policy, joint ventures with

foreign capital and so on.

So how to define industrial policy? Not surprisingly, this keeps shifting according to fashion and focus. It is like trying to define the weather which constantly changes. However, in different industrial policies there are common elements and influences. Probably the most useful approach is one that is both comparative and focuses on specificities. We need to go to industry and define industrial policy with reference to particular sectors and realities as well as placing it in a broader context.

So how to do this?

Firstly, we need a sector-specific approach. Secondly, we need to examine the internal workings of a sector and how different elements are integrally related to one another.

The scale and scope of the sector needs to be considered but also such things as the number of companies, investments, where inputs come from, markets, foreign capital and other finance, what institutions exist, product mix, markets, imports and exports, competitiveness, ownership structure and the role of government - all need to be considered.

Also broader goals must be taken into account when developing a sector. How will it meet basic needs and how will it generate

employment? How does it fit into the goals for the economy as a whole? What constitutes an industrial strategy?

The Congress of South African Trade Unions (Cosatu) and other unions need to give the following the highest priority in the formulation of industrial policy. It should be driven by:

- how to meet basic needs, and here we are talking about domestic markets for domestic goods;
- its ability to generate decent employment;
- education and training determined by what skills are needed;
- what structural needs there are and their provision, such as housing and transport;
- the reform of the financial system to secure finance for industry and to counter cronyism, and other self-serving practices;
- monitoring and control of foreign investment flows, particularly outward investments by South African conglomerates;
- minimum labour standards and the narrowing of wage differentials;
- regional integration within South Africa and across the southern African region;

- the reform of the institutions for making industrial policy so that the allocation and coordination of responsibilities across government departments is rationalised and coherent;
- a consideration of issues of race, gender and the environment. These issues often get dumped as they are seen as non-competitive.

Some of these are already high on the South African government's agenda but others are not. Even where they are prioritised, this is not always with sufficient detailed attention to their impact on industrial policy, as is the case for macroeconomic strategy, for example.

In general, industrial policies that have been adopted place far too much emphasis on:

- a false business confidence, which constrains more effective policymaking, and gives priority to a minority of opinion makers and business interests, which do not ensure positive return;
- small business which although important should not be at the expense of important policymaking for large-scale business on whose fortunes small business depends more than anything else;
- privatisation, especially as a source of revenue, which is a problem since this merely transfers ownership, at a cost, without formulating constructive policy and at the expense of control and scope for strategy;
- competition policy in the absence of a broader strategy for industrial and corporate restructuring, since this limits big business without addressing the role of economies of scale and scope;
- mega-projects at the expense of ensuring their overall economic and commercial success. They may generate foreign exchange but the projects must still meet other broader goals of the industrial policy.

SOCIAL POLICY

What is social policy?

Social policy can be narrowly defined as a set of social or welfare programmes such as pensions and medical benefits, or more broadly as policies that influence the well-being of society. A better definition of social policy is to talk about what is the nature of a society that serves the well-being of its people, for example one of the most important factors in social policy is the level and quality of employment. We need to see social policy in terms of the workings of an economic system rather than taking this as given.

Before the onset of neo-liberalism, social policy was attached to the goal of development and the process of becoming a modern economy, and involved such policies as the building of a welfare state, unemployment insurance and the provision of health, education and welfare.

Here there is a debate over whether the consequence of such development was a victory of the working class over capitalism or whether it was a means of reproducing a healthy compliant workforce whilst ditching class conflict for more moderate aims.

The middle classes played an important role in gaining the acceptance of social policy and in general the more affluent were the main beneficiaries. So the question arises of whether the welfare state is genuinely progressive and this largely depends on levels of taxation, what benefits are dispensed and how much goes towards the universal provision of health, education and welfare.

Under neo-liberalism a new orthodoxy emerged towards social policy which detached itself from systemic and developmental considerations. It was now seen in terms of poverty alleviation programmes in response to vulnerability and economic crises. Thus social policy had limited goals.

The first phase of neo-liberalism was mainly associated with privatisation and public/private partnerships, where even pensions were raided.

In the second phase there was a reaction against this as, for example, people witnessed the collapse of pension funds, and the state began to play a more interventionist role. In essence the World Bank persuaded states to put money into a privatised system where various elements of social needs were targeted. But this was a long way from systemic change or the welfare state as a goal.

The following ideas raise different perspectives and possibilities on social policy.

As a strategic goal, social policy could adopt the achievement of a developmental welfare state. Following from this the public sector needs to develop systems of provision in order to deliver housing or transport as part of an interlinked industrial and social policy.

In this respect systems of delivery would need to be analysed to find out precisely what the public sector needs to engage in doing. The goal here would be to provide decent jobs and a decent living standard.

Finally, there are questions of how to achieve the above, and organisation and struggle are critical to this. At present struggle is often fragmented. Both political and economic pressures have to be sustained to ensure that public sector systems and provisions are put in place. It is important to stick to what you want and not let up in demanding it. LB

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