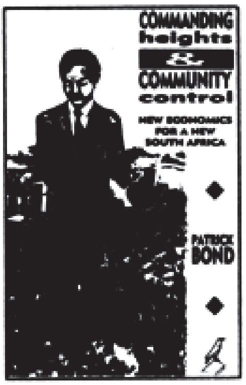
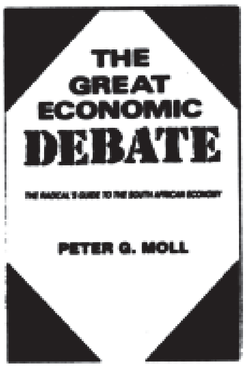
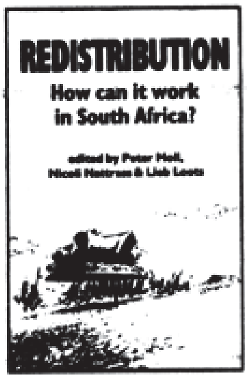
REVIEWS







PATRICK BOND, Commanding Heights and Community Control (Ravan Press, 1991)

KEITH COLEMAN, Nationalisation: Beyond the Slogans (Ravan Press, 1991)

PETER MOLL, The Great Economic Debate: The Radical's Guide to the South African Economy (Skotaville, 1991)

PETER MOLL, NICOLI NATTRASS & LIEB LOOTS, EDS (in association with the Economic Policy Research Project, University of the W Cape), Redistribution: How Can It Work in South Africa? (David Philip, 1991)

*Reviewed by BILL FREUND**

Since February 1990, and especially since the genuine prospect of a new political dispensation has been in our sights, something called the great economic debate has filled many pages of our newspapers and magazines. Several authors have also produced short books as interventions in this debate - occasioned by the possibility of major changes in economic direction and structure in South Africa. In practise, the thrust of much of what is under review here has been to emphasise instead the *limits* on change and the constraints that channel the range of choice.

Even those readers who are not very happy with the thrust of these books can learn a lot from them and will appreciate that a number of researchers are trying hard to explain difficult ideas and to explore complex challenges in comprehensible English.

All of these books are enriched by the consideration of many examples of economic policy from other parts of the world, while Patrick Bond devotes much of his short book to considerations on South African economic history.

We need far more debate on these issues: both in the sense of economic refinement by the experts, and in the sense of involvement by an ever-larger informed public. All of the books considered here are useful tools in the development of such a process, and their authors deserve considerable credit.

* *Professor of Economic History, University of Natal Durban and member of the Economic Trends Research Group*

I 'Revolutionary change is not on the cards in post-1990 SA'

The first is that South Africa does not actually contain revolutionary possibilities at present - an assumption of all but one of the authors here reviewed. Revolution is not on the cards in terms of post-1990 politics in South Africa.

Without revolutionary prospects, the range of possibilities alters dramatically. It is not possible to reduce all economic issues to rational choice. Some of them ultimately revolve around political power, around class struggle and look fundamentally different to different sectors of society. Reference to the model of Russia 1917, of China 1950, of Cuba 1959, of Mozambique/ Angola 1975, would only make sense were the old power in South Africa genuinely on the point of collapse or disappearance, and there is little to suggest that this is the case.

Furthermore - as some of these readings make very clear - even were local forces shaping up in such a direction, the context of revolutionary change in today's world is highly unfavourable. Socialism as an international movement and as a total system has, for the time being, been discredited. Powerful regimes willing to combat international capitalist forces have collapsed (and on the demands of their own populations). A South African revolution could, therefore, only be accompanied by local devastation, with massive emigration of skilled people and capital flight, as well as in the teeth of international hostility. It would at best be a harsh, militantly policed 'barracks socialism'. Such a militarised socialism could organise a society with a high degree of equality but at a low level of consumption and with few prospects for accumulation and development.

The alternative, however unwelcome to advocates of class struggle, involves conciliating much of the bourgeoisie and giving the South African middle-class of all colours a way forward.

> There are three basic truths which these works contain as fundamental shaping points around which this review will be structured.
>
> I
> 'Revolutionary change is not on the cards in post-1990 SA'
>
> II
> 'There is not enough wealth for an affluent life for all'
>
> III
> 'Nationalisation does not have a good chance of helping the poor'

Contradictions of capitalism?

Patrick Bond is the only writer here reviewed who does not assume the situation as sketched out above, and who considers a drastic break with present structures. Bond can be described as a catastrophist. He thinks* that capitalism is being torn apart by its own contradictions and will in time implode. Bond relies heavily on a concept of *crisis* linked to *overaccumulation*, whereby capital becomes overburdened with more and more expensive and sophisticated technology which cannot repay the capitalists who have installed it.

This concept is also linked to the idea of a crisis in credit which will eventually seize up and ruin the creditor. Bond is particularly concerned with the question of concentration of power in South African business and the need to destroy that power which for him is inextricably linked to the overaccumulation process. Bond is certainly faithful to Marx himself in believing that the logic of capitalism itself applied to "production, distribution exchange and consumption" can only lead to insoluble crisis.

* *in common for instance with the New York-based MDRV/Monthly Review school*

Is there evidence of an impending crisis of capitalism in South Africa?

- **Concentration of economic power?** There has clearly been a massive investment in technology, especially in capitalist agriculture, that can only be sustained by a bottomless pit of money, dependent on state support. Certainly the concentration of economic power in South Africa is undeniable, but does all this add up to a fatal crisis? It is questionable whether South Africa is "a financial Titanic" on which other writers are just rather pathetically trying to rearrange the deck chairs, according to Bond (p 89).
- **SA's debt crisis?** We are suffering seriously from lack of investments, and tight credit and high interest rates are partly to blame. However, South Africa has been unusual amongst the countries of the world in substantially reducing the international debts it built up before 1985. It is far from being, in absolute or relative terms, one of the world's top debtors any more. Exports have increased substantially - despite the declining profitability of the gold mines - putting South Africa in positive balance of payments with other countries in recent years.
- **Property values declining?** These have risen after 1990, following the abolition of the Group Areas Act, at first quite dramatically although there has been a sag lately. The Johannesburg Stock Exchange offered amongst the few profitable overall investment opportunities compared to other world stock exchanges in 1991, again despite Bond's prediction. South African business profits are certainly not negligible (especially as measured in Rands) and, in the present severe world recession, South Africa is far from the worst performer in the world.

'Preventing' or 'hastening' collapse of capitalism

Even though the prosperity of affluent South Africans may be structured in a way that excludes the poor - something that creates an ever-growing *social* crisis - this is not to say that capitalism, here or internationally, is about to implode or to collapse under the weight of its contradictions. There are good reasons why, as Bond correctly states, the ANC and even the SACP, are very anxious to prevent South African capitalism from falling into a deep crisis and why they feel obliged to respect its strengths, especially within the present world conjuncture.

Bond's cry of "community control" and "self-reliance" in isolation from that conjuncture is the least satisfying part of his book. It is only sketchily developed. He is absolutely right to emphasise that "what the majority of black South Africans call for is an economic programme aimed at basic needs" (p 83). However, he is not convincing in suggesting that the collapse of South African capitalism is imminent and that such a programme would best be served by hastening such a collapse. Nor does he present a worked-out coherent concept of *community*. If (as I suspect) he cannot do so, he will have to deal with tough questions - of priorities, organisation and choice in the context of limited resources - a much more challenging format with which to deal.

II 'Not enough wealth for an affluent life for all'

Although South Africa shows drastic differentiation between rich and poor*this does not mean that there is enough wealth to make an affluent life for all. As Peter Moll incisively reminds us: if everyone were made to live on a completely equal standard, the average living standard - the GNP per capita - would give us all a little below the average for coloured South Africans. The good life most whites experience depends on their being a relatively small minority of the population. South Africa has far too many very poor people and too few very rich people for this to be otherwise.

* *differentiation that has, however, become somewhat less extreme and is no longer the worst in the world as a result of changes over the past twenty years*

Therefore, for the reformers in the volume edited by Moll, Nattrass and Loots, and for Peter Moll in his own work, the starting point is *how to combine redistribution in a way that will not hamper, but in fact encourage, long-term economic growth.* Far from living in isolation from the world - as Bond thinks is largely possible - they see South Africa as needing to export effectively and produce efficiently in tune with competitive world markets.

Businessmen often favour rhetoric that simply advocates going for growth with a few vague platitudes about redistribution. Peter Moll writes much that effectively shows up the silliness in the shrill free market lobby in our financial press. He points out that business insistence on targeting growth before all else is convincing only because business spokespersons propose improbably high growth rates (10% pa and higher); rates so high that - were they to occur - even the poor would do very well.

In fact, realistic growth rate projections, based on the best in our past experience, or the study of any serious international comparisons, are going to be far lower (say 4% pa) and would have to be sustained for a long period to have a real effect. So, policies aimed at redistribution for the poor are going to be necessary from the start. The limited benefit the poor got during the years of the long boom in South Africa around the 1960s (as the interview Coleman includes by Joe Slovo points out) was hardly an advertisement for trusting to growth and redistribution under present management.

Relation between growth and redistribution

Reformist capitalism used to have a powerful and effective model in Keynesian economics whereby deficit spending by government, beyond its official budget, could be turned on and off in response to problems such as lack of private investment and unemployment. This approach has been ever less effective in recent years throughout the world. In consequence, the relation between growth and redistribution in capitalist economies has become less and less sure.

Moll on his own, and in company with his colleagues in the edited collection, is grappling with this problem. Many of them could be described as *post-Keynesians.* A number of essays raise the typical Keynesian policy issues with regard to a large variety of policy tools: for instance Lieb Loots on tax systems and Andre Roux on employment creation. All are trying to find means that will benefit the poor and increase the sums available to the state for welfare expenditure, while not loading the state with unacceptable debts or simply leading to capitalists subverting well-meant plans: for instance by evading tax payments, or refusing to invest in South Africa.

None is completely convincing as to the realisation of these goals. Roux, for example, is honest enough to say that "none of the alternative growth path strategies that were under consideration by the major actors in the economic policy debates in the 1990s was clearly superior in terms of its employment creation prospects" (p 118).

Targeting the beneficiaries of redistribution

In this context, targeting the beneficiaries of redistribution itself becomes problematic as choices must be made. Peter Moll, for instance, and in company with most of the writers in the collection, defines redistribution in a particular way, from the perspective of the poorest 40% of the population. Thus his problematic is the removal of the worst kinds of misery and deprivation as suffered particularly by rural people, households headed by women and those without steady jobs. Realistically this means he offers little to organised workers, including black workers, who do not fall into that category - beyond the general advances that will gradually accrue as the economy expands.

The point about 'very poor people' deserves some further comment. Behind the frequent sensible calls for coherence, practicality and optimum planning, lies a worrying kind of confusion, reflected and perhaps even caused by the vagueness of the class analysis in use. On the one hand, there is a tendency to want to do something for the very poor (primary health care, primary education, aid for the informal sector) as a chief policy. Much sympathy is expended on the extremely deprived. However, it is not clear whether this will represent a legitimate drain on the budget or a set of policies that could feed into economic development.

Sometimes there seems to be a recognition that - developmentally - the more effective recipients of state support are the somewhat more prosperous. Thus Terence Moll thinks it is the "new and important strata" - such as the potential rich peasant elements - who quite properly will benefit from land reform (p 21). However, he is not happy to favour equivalent individuals from the working class, or processes that might favour them: for example, the creation of large-scale, modest but acceptable quality public housing that would benefit mainly the steadily employed working class family in the city (and the more capital-intensive end of the building industry). He specifically condemns nationalisation of industry as a strategy because it would be apt to benefit what he calls the "middle classes", meaning in large part those with secure industrial jobs (in Moll, Nattrass & Loots p 7).

Effect of unionised workers

Peter Moll (p 48) points to two key factors that make for greater equality: unionisation of the work force (with regard to the more low-paid workers) and educational development. However, the further he proceeds the more problems these present.

It is not made clear how in South Africa we can very effectively create jobs for the unemployed and unionise those who work outside the industrial or commercial sectors. The impact of mass unionisation on flexibility in the workplace that bosses want - and which may be a requirement imposed by the adoption of new internationally competitive technology (and vice versa) - is not considered.

In fact, in the co-edited collection, contributors stress that in South Africa unionisation has only had a limited impact on wage rates, and they seem not entirely in agreement with Peter Moll on the subject.

Moll counsels unions to emphasise industrial co-operation and innovation, in taking the Japanese labour force as a model (p 152). He doesn't discuss the history of the taming and re-orientation of that labour force away from politics and radical aspirations.

None of these issues is really discussed in the systematic way that is essential. It is possible to envisage a high level of unionisation, wages and reasonable labour relations only in the *context of an articulated state-brokered social compact*. This crucial element, without which the argument contains too many contradictions, is not taken up by Peter Moll. If one looks through the arguments of his colleagues in the collection, the issue gets even more diffuse and confusing.

Delivering education and health services

However, one of the positive features of Moll and his colleagues, is their attempt to make a qualitative assessment of delivery in areas such as education. There is widespread agreement on the need to build skills and improve the state of education. Yet, as a number of the authors point out, South Africa already has a big educational budget. It is not clear that increasing that budget will improve the schools. Instead, the real problem in education is *qualitative*.

It is essential to have an education system that emphasises individual initiative, not rote learning and certification, and that promotes and rewards excellence.It must at the same time provide growing familiarity with the contemporary tool-chest of ideas and technology at hand (see Moll, p. 135).

Moll insists, I think unconvincingly, that primary education needs all-out emphasis at the expense of other sectors. But, surely, the quality of primary education cannot improve except in conjunction with corresponding and related improvements elsewhere? Only highly-trained and motivated teachers can make the difference.

The point about quality, as opposed simply to budget allocation, is made in an essay by Nattrass and Roux in the edited collection with regard to the present health system: "...there seems to be no rational basis for allocating spending. Rather than expenditure being a function of need, it appears to be dominated by the demands of existing bureaucracies and a preference on the part of medical personnel for a more capital-intensive curative approach" (p 93). This is the fundamental problem and it is neither unique to apartheid nor to capitalism. Simply throwing money at existing structures will be an inefficient way of improving matters.

Role of an 'effective' state

Beyond this question of changing the orientation, as opposed to the size, of the budget in key areas of state expenditure related to redistribution, Peter Moll himself provides a variety of valuable suggestions in many areas, most of them requiring state initiatives:

- introduction of an effective inheritance tax;
- land reform (aimed however at a potentially effective agricultural producer population);
- firm-based upgrading of worker skills.

In short, he produces a set of relatively modest proposals that are what he considers to be "realistic redistribution".

"What matters most" he argues, "is not the level of government spending but its quality and direction"(p 120). The state must be made more honest and more accountable.

The edited collection of articles on redistribution resumes the theme on the need for an effective state that supervises a process of *balancing redistribution with growth inside a basically capitalist economic structure*. The common enemy, they argue, the dragon to be slain, is "macro-economic populism". In other words, a new government must be wary of spending its way to popularity, of minting money and creating jobs regardless of their relationship to productive activity. According to Terence Moll, "one extreme to be avoided is sudden, drastic rises in worker living standards: rarely do they have corresponding political pay-offs. They create expectations for more such rises, which are rarely possible. They lead to reduced support when (as often happens) they must later be partly reversed, and they do little for very poor people" (p 38).

On the one hand, the point about state effectiveness and re-orientation seems absolutely crucial to me. On the other, some of the authors such as Terence Moll seem so obsessed with efficiency that one wonders if the redistributive initiative would not be lost were his advice to be taken up. The collection, as well as Peter Moll's book, lacks sufficient prioritisation and structure beyond constant insistence on good housekeeping.

III 'Nationalisation does not have a good chance of helping the poor'

One strategy for which all the reformers have little time is nationalisation. It no longer seems to be seen as a major instrument for solving South African economic or social problems - even though all the authors reject the cruder privatisation strategies that often appeal to politicians and businessmen.

The conclusion to the Moll *et al* collection states that "it would be naive to assume that nationalisation has a good chance of helping the poor" (p 132). Even Bond, it must be said, puts little emphasis on nationalisation.

Keith Coleman, by contrast, makes the nationalisation issue the heart of his contribution. His book is an excellent guide to the history of nationalisation. He does not focus on it as part of a revolutionary expropriation of the property of a defeated class. Rather, he looks at it within the broader context of capitalist economies where it has often been a useful tool of state policy - although certainly no cure-all for social problems. As Peter Moll writes, the large role of the state in Brazilian industry certainly offers little to the worker compared to the small role of the Swedish state in owning industry.

Coleman explains how and why a nationalisation programme would have to be very carefully strategised and targeted.

- An effective state industry cannot keep workers on the payroll in an inefficient manner. It has to be innovative and competitive.
- The nationalised firm could not afford to dispense with highly-skilled manpower or to remunerate such manpower poorly.
- Nor could such firms avoid the application of internationally competitive

state-of-the-art technology.

- The state would not be able to seize private property without significant compensation, unless it would be prepared to take severe international consequences.
- Nor should the state take advantage of monopoly status to fatten up at public expense.

SACP alternatives to nationalisation

The touchstone for Coleman is a long interview with Joe Slovo of the South African Communist Party. At the start of the interview, Slovo forthrightly says that "the SACP has rejected the prescription of nationalisation as part of the programme of the party" (p 146). In effect, he overturns the Freedom Charter clause which can be seen as something of a millstone around the neck of the ANC and SACP.

However, Slovo does see the case for state intervention in flexible and varied forms within industry and other capitalist enterprises. He defends the broader case for state intervention largely for two reasons:

- **The need to overcome worker alienation and to bring workers into the decision-making process of firms:**
  For this to have any meaning, however, one has to underscore a point that Coleman and our other authors make in a variety of ways: the need for skilled and committed state servants to act as effective *regulators* of industrial behaviour, rather than party loyalists presiding over a gravy train *in the name of 'the workers'*.
  Whether South African technocrats aiming at a national purpose higher than an employer's desire for profits *can* moderate the economy effectively is questionable. This is crucial in terms of whether nationalisation (or indeed any form of state regulation) can work as a strategy. Also needed would be rules that would enable worker participation in decision-making to be meaningful and satisfying.
- **Power, defined in terms of the overweening influence of the giants of the South African economy:**
  Slovo is, in my view, quite right to wonder whether the present big corporate players are not avoiding the sort of long-term and imaginative investment strategies that could lead to expansion of skills and markets in South Africa.
  Slovo's kind of strategy, however, would lead towards anti-trust legislation, breaking up the big companies into smaller ones, rather than towards nationalisation.

Problems about state interventions

But the state can also be inefficient and arrogant. It can be argued that further nationalisation of industry and other sectors of the economy depends for its logic almost entirely on whether a well-tuned development state could solve development blockages in our situation. The question of the relative efficiency of the conglomerates and the potential of state intervention in re-directing investments is the critical one here.

Also important would be the price tag around full or partial nationalisation. Certainly there is no reason, on the basis of any of the contributions under review, to imagine that nationalisation by itself will open any doors to a better life for the mass of people. And there is good reason to think that it can backfire easily as a strategy. The worst case surely would be lumbering the state with massive debts to repay on nationalisations, while the management gets to use the excuse of state ownership to act in an incompetent or dishonest or oppressive manner. Unfortunately, and notably in Africa, there are very many examples of exactly such a scenario.

It is a curious lapse in the great debate that there is little or no discussion of nationalisation from the point of view of imperialism, dependency and its avoidance. Most nationalisations in Africa, Asia and Latin America have been *nationalist:* aiming to promote national interests. Even in Europe, nationalisation has been linked to the need for the state to serve as economic ringkeeper, innovator or honest provider of services that cannot really operate competitively on a market basis (railways, electricity, telecommunications).

The whole question of South African

dependence on foreign investment, markets and technology is very largely avoided in these readings. It is an issue that will have to be opened up, as well as that of the impact of South African capitalism on the much weaker countries of the region, as we consider the future direction of the economy.

Consideration about whether a nationalised firm would have a positive effect on the way workers interact or are treated is pretty conjectural in these works; and it would have to be - nationalisation has rarely been about such issues.

Are there other approaches to economic policy possible?

Peter Moll is not correct in asserting that the strategy usually labelled as "growth through redistribution" is simply the indigenous variation of "macro-economic populism" - that is uncontrolled spending - although it is true that it could degenerate into that (Moll, Nattrass and Loots p 130). A key difference between Moll etc. and the Economic Trends (ET) group, which has become associated with this slogan, is that ET accepts the notion of crisis in South Africa, if not in the cataclysmic form that Bond articulates. ET also insists on indicative planning that will *reshape the orientation of the economy*, perhaps through breaking up the stranglehold of the conglomerates on investment funds. Moll is wrong to see only its emphasis on so-called inward industrialisation. Growth of this kind will clearly have to involve improving skills and learning to export in an integrated growth path.

Peter Moll is sceptical about the possibility of mass housing as a kick-start or engine of growth that could link up to the needs of the masses and stimulate basic skills and employment, something which has often been posited as central to a Growth through Redistribution strategy. The prospects are in fact still uncertain and relatively unexplored. The kind of housing involved, the relevant technology, etc. would be key determinants.

However, there are the broader questions of

- creating a much larger skilled market for labour;
- setting up an affordable if very basic system for social benefits that combats the horrific kinds of anti-social behaviour to which the poor or desperate turn;
- including millions more in a less barren consumer society which can stimulate goods production;
- developing an appropriate research and development component in industry.

These are challenges economists dare not avoid even though *they must be linked to a strategy for economic growth.*

Conclusions

The real limitation of Moll and his colleagues - through their modest and uncertain views on state intervention - is to take production and growth too much on business' terms. They are too ready - valuable as most of their qualifications are - to confine themselves to fiddling about with what slack space may remain from improving tax policies or saving on military expenditure after making business happy.

Unwillingness to consider structural change, reluctance to paint with a broad brush with regard to goals, uncertainty and confusion as to prioritisation (beyond the negative prescription to avoid unproductive spending): those are the real limitations in the books by Moll, and by Moll, Nattrass and Loots, although it should not take away from their many important insights.

Coleman gives an excellent introduction to the subject of nationalisation but he shies away from ever telling the reader why and what form nationalisation should take in South Africa. Given the way one hopes his book could be used, it is strangely neutral and lacking in focus beyond applying the rules of good housekeeping.

Bond provides some excellent critical insights, but his alternative is only too comprehensive and lacks a solid basis for planning any sort of reconstructed growth path.

None of these books has the answer but all are helpful in raising the right questions and moving readers forward in a debate that is hopefully only at a fledgling stage. ✩