POPULISM WITHOUT ROBIN HOOD?:

FORMS OF OWNERSHIP AND CONTROL IN A POST-APARTHEID SOUTH AFRICA

SUMMARY AND SOME PROPOSALS

1. The "mixed economy" is in some respects not a well-defined policy framework since it is compatible, for example, both with an extension of public ownership and, alternatively, with a programme of privatisation; with a socialist or with a capitalist orientation. A privatisation option has severe disadvantages in

a). Precluding the objectives of the Freedom Charter and the democratic options open to a post-apartheid South Africa.

b). Leaving open to the concentrated interests of a minority, the exercise and redefinition of ownership rights.

c). Narrowing strategic policymaking by dependence upon the undemocratic and limited powers of regulatory agencies.

d). Undermining support for a popular, non-racial state, democratically pursuing fundamental shifts in economic power and wealth.

2. Public ownership as such is no guarantee either of efficiency or of more egalitarian and progressive policies. Consequently, the first consideration should be a sector-by-sector strategy for the economy. This should be guided by a number of strategic considerations, over and above commercial criteria, to include; the meeting of basic needs, infrastructural development, regional and urban policy, Southern African regional cooperation and coordination, technology development, macroeconomic objectives, support to smaller scale enterprise. Particular attention needs to be paid to equal opportunities, democratic participation and monitoring, institutional restructuring and development, and education, skills and training.

3. Such policies might best be carried out by formally taking into, or maintaining in, public ownership many major productive assets but opening their operation in some cases to contract along the lines of the formulated strategy. Former owners, managers and others could be invited to tender a corporate plan in pursuit of the democratically determined strategy and objectives.

4. Currently, the South African economy has at its core a mineral-energy complex (MEC) that incorporates close coordination between private capital and state enterprise and policy. Policies for the MEC in a post-apartheid economy might include:

a). Extension of public ownership.

b). Amalgamation of taxes and leases to create a coordinated and efficient extraction policy for gold.

c). Extension of coal and electricity distribution to meet basic energy needs.

d). Use of the MEC to extend and reorientate basic infrastructure.

e). Use of the capital-goods sector around mining to develop and strengthen the capital-goods sector serving other and new sectors of the economy.

5. Projects such as SASOL, Koeberg and Mossgas must be reassessed. The setting up now of an "international brigade" of experts and professionals might be considered to anticipate filling the temporary shortages of skilled personnel.

6. Employee Share Ownership Plans have a long history. They have been shown to offer no improvement in economic performance in the absence of worker participation in management and they make no impact on redistributing economic power and wealth.

7. A post-apartheid wage policy might include a social fund for enterprise and community development and a bonus scheme divided between these two areas as well as money wages and taxation, with certain strategic objectives attracting subsidy from local or national government.

8. The opposition between plan and market is a false one. Planning and the market grow together, within the enterprise and through state intervention and provision of services. Whilst there will be no reason for rolling back the state in a post-apartheid economy, especially in and around the MEC, the market will need to be positively promoted in those areas where it has been previously absent or underdeveloped.

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This paper considers some issues around ownership, control and organisation of a post-apartheid economy. It suffers many absences, especially concerning the relations with, and control of, multinationals and the role to be played by taxation of income and wealth.

The Mixed Economy and Privatisation

The "mixed economy" is the framework within which economic policy is to be formulated for a post-apartheid South Africa. It is important, however, to recognise that the notion and practice of what constitutes the mixed economy is far from fixed. The great variety of policies available and the extent to which they may be employed have been laid out in Laurence Harris' earlier paper. But this is not merely a theoretical question. For the British Labour Government following the second world war, commitment to the mixed economy signified a policy of extending public ownership, and it also served as a compromise between those in the labour movement who supported Clause 4 of the Labour Party Constitution (public ownership of the commanding heights of production and distribution) and those who did not. Equally, the mixed economy was associated with a commitment to full employment and an extension of welfare provision in pursuit of a more egalitarian society.

Today, however, in Britain, commitment to the mixed economy has come to mean something else in the labour movement. Following a decade of the Thatcher Government, in which privatisation and welfare cuts have been prominent, support for the mixed economy has taken on almost the opposite meaning from before. It represents a low priority towards renationalising, let alone extending public ownership beyond its previous levels, and a tempering of the levels of welfare expenditure to the needs of the economy as a concession to pragmatism. In short, whereas previously mixed economy implied a confrontation with the power of private capital, it now has become a reconciliation with the primacy of its role.

This example of how mixed economy has been turned into its political mirror image reveals that its meaning and interpretation will be a central terrain of conflict. At the outset, it must be recognised that the mixed economy will be a capitalist economy - with the continuing existence of substantial private capital, functioning primarily to make a profit. On the other hand, in order to meet the aspirations of previously oppressed South Africans, commitment to a mixed economy as such will not suffice; it must always be coupled to the objectives summarised within the Freedom Charter, and the best and quickest ways of achieving them.

Some will argue that this can only be done by policies which are moving the mixed economy in a socialist direction. There is a very powerful logic behind this, since the fundamental shifts involved in economic and political power, rights and benefits almost inevitably require state intervention to command resources with an egalitarian orientation. The apparently unacceptable alternative has already been laid out many times by Government and business leadership. It is fundamentally based, not only on the preservation of private capital as it is now, but on its extension through a programme of privatisation of state corporations.

In this, there may be a genuine desire to improve the rights and welfare of non-whites. But the context in which this is to be done is a future society in which apartheid has been abolished in order to create a more stable and more efficiently functioning capitalist economy - through greater labour mobility and easing of skill shortages, for example. Whilst political emancipation may be included, fundamental shifts in economic power are necessarily extremely limited at every level. Ownership, and especially effective control, of the economy will remain concentrated in the hands of a tiny white minority, and the racially structured hierarchy of skills, management and living standards will at best only be eroded partially and slowly.

In considering proposals for a post-apartheid South Africa, it is a worthwhile exercise to assess their impact in redressing racial inequality in other societies, such as the UK and the USA, where racial discrimination and disadvantage remain endemic despite the absence of a history of apartheid. Here, the role of large-scale private capital has not been to erode racial inequality, and nor has this been achieved through policies favouring black businesses, however much these have prospered, despite what is arguably, in advanced western countries, a more conducive economic climate than is liable to be found even in a liberated South Africa with an extended private sector.

There has, of course, been in the 1980s a significant drive towards privatisation as a solution to economic problems. For the developed countries, this has involved a mix of motives. For developing countries, however, two motives in particular have stood out, and these reflect the role played by international development agencies such as the World Bank, which had previously encouraged state enterprise in the 1960s and 1970s. The first is to deal with balance of payments and budget deficits by raising finance through the sale of productive assets. The second is to impose conditions of profitability upon productive capital even where this implies plant closures and losses of employment, output and exports. In other words. privatisation is being used as one strategy for forcing developing countries into line with the worsened trade and financial circumstances of the 80s.

Whilst South Africa has an extremely advanced public sector, current motives for privatisation are similar to those that have been imposed on developing countries. In particular, there is the need to raise finance to cover the increasing costs and crisis of the apartheid regime. Significantly, preparation for privatisation has also been accompanied by job loss; for ISCOR, the workforce was reduced from 79,000 to 58,000 between 1985 and 1989, and ESKOM has reduced employment by 10% to 60,000. Moreover, in the ISCOR privatisation, whilst black workers were offered shares, some of them free and some of them at a discount, this cannot lead to a major impact on structured inequality. For black workers are not liable to be able to afford discounted shares to the same extent as white workers; nor are they liable to hold onto them - for the revenue from their sale may be required to supplement lower levels of wages. In general, employee participation in shareownership after privatisation has negligible impact upon economic control, and may serve to reinforce economic inequalities within the workforce.

The issues concerning privatisation in South Africa at the moment have been discussed at some length in a separate EROSA paper (as have the issues concerning ESOPs, employee shareownership plans). There it is concluded that such privatisations should be opposed as they are disposing of state-owned assets in order to sustain the apartheid regime, and this will worsen the conditions in which post-apartheid South Africa will be reconstructed. Here another factor can be added. Current privatisations have the intended effect of pre-determining the nature of the mixed economy - so that it has as strong a component and direction of capitalist orientation as possible. To whatever extent this is able to undermine, rather than to consolidate, racial inequality, it serves fundamentally to limit the democratic choices open to a post-apartheid South Africa. As it were, a pre-emptive shift of productive assets to the private sector consolidates its power and tends to preclude on pragmatic grounds the adoption of a socialist orientation for the mixed economy (and, to that extent, the aims of the Freedom Charter). Ironically, the political unbanning of the ANC and SACP has been accompanied by economic policies that seek to obstruct their aims for a post-apartheid South Africa.

The Advantages of Public Ownership

Questioning the desirability of privatisation does not in itself offer alternative policies. Debate over public ownership and privatisation in this context has tended to reflect an ideological divide or compromise over commitment towards (socialist) planning as opposed to (capitalist) market forces. Such debate has tended to neglect three important issues around the role of regulation, ownership and the state.

First, very few, even of the most ardent, supporters of privatisation argue that (previously nationalised) industries should be unregulated. In the context of large-scale corporations providing essential services and with limited competition, monopoly pricing is to be avoided, for example, by the regulation of prices. There is now a vast theoretical and empirical literature on the role of regulation. Essentially, it deals directly or indirectly with what should be the appropriate pricing formula for public utilities. It reveals many problems to be confronted by regulation. For example, if utilities are guaranteed a profit mark-up on their capital outlays, they will tend to use too highly capital-intensive methods - what is termed gold-plated technology. On the other hand, if they are offered prices corresponding to their short term costs, they are discouraged from investing to guard against unwittingly being caught with excess capacity and fixed costs that they cannot cover.

These conundrums arise out of the attempt to steer the economy through the offices of the pseudo-market provided by the regulator. Pricing policy is important but there are other characteristics of this way of organising economic affairs that usually go unremarked. Of necessity, it is as if the regulator is making industrial policy on behalf of government within the powers laid down. These are almost certain to be extremely limited relative to the scope of what might be expected of industrial policy. In particular, strategic considerations concerning the introduction of new technology, the linkages with the rest of the economy, the provision and deployment of a skilled workforce, merger and acquisition policy, etc are all liable to be affected by, but not incorporated within, regulation. This is all the more important in the context of a post-apartheid economy in which the restructuring of economic power and privilege is concerned. Whilst this might be favoured by regulation, through targets for provision of services such as electricity, and at discounted prices, the internal running of enterprise and its wider external impact are liable to lie outside the scope of what can be regulated.

A different but related point is the extent to which the regulator falls outside democratic control. Whilst guidelines for the targets and the powers of the regulator will be laid down by the state, the implication is that these will then be left undisturbed for a period of time. Otherwise, if the state is frequently revising the regulator's guidelines, this role is essentially reduced to a surplus layer of bureaucracy. Effectively, whilst interest groups such as consumers and trade unionists may make representations to the regulator, there is a basic commitment to a stable environment and a set of rules within which private profitability takes first priority. For major sectors of the economy, in the early phases of a post-apartheid society involving significant shifts in economic and political power, this raises serious questions of the extent and continuity of democratic accountability. Again, even within the more stable and conducive environment of the United States, electricity regulation, for example, has been subject to what has been termed "regulatory capture", in which, far from subordinating public utilities to reasonable levels of profitability and wider objectives, the regulator has come to serve as a mouthpiece for private capital - colluding in the setting and justifying of price and profit levels.

A second issue concerns ownership. Increasingly, the debate over privatisation versus public ownership has argued that ownership as such does not matter. What is more important, it is said, are the conditions surrounding competition and regulation. This is very much a management-oriented approach. For it argues that businesses are most affected by what they are required to do and the environment in which they are required to do it. It is accepted that managers may have different objectives as between publicly and privately owned industry, and that interest groups may have an influence on the policies of the state in running public industry at the expense of strict commercial criteria.

But this is to miss a fundamental point about ownership. It does confer powers within a particular economic and legal environment. These are, however, far from fixed in every respect. Legal ownership is in any case different as between the public and the private sector, with varying obligations and differences in the powers of different groups to influence and to resolve conflicts. In the process of restructuring a post-apartheid South Africa, it will not simply be a matter of redistributing well-defined property rights, although this will be the consequence of egalitarian policies, it will also be a question of defining and redefining property rights. This is most apparent in the case of land, where the very nature of ownership and the rights associated with it will be transformed in the transition (as has equally been the case during the historical course of apartheid in creating a particular form of white privilege and exploitation). And what applies to land applies equally, if possibly less dramatically to the ownership of capital in general.

In short, certainly in the early phases of a post-apartheid economy, there will be a period in which there will be considerable dispute over the nature of property rights, especially over those residual rights which are undefined and whose previous resolution, by law or by custom and practice, will remain stamped with the historical heritage of apartheid. Moreover, even if this heritage were wished away, private capital would otherwise pursue the criterion of profitability as its main objective in resolving the undefined areas of what is or is not the power bestowed by private property. This suggests that the pursuit of other objectives in this context, as posed by the Freedom Charter, points to the desirability of state ownership - so that primary consideration in (re)defining property rights are not those dictated by the wishes of the rich and powerful.

This is perhaps an unduly abstract discussion. But consider, for example, a public utility under obligation to supply and to connect to all customers at a pre-determined price. There is liable to be excess demand in the short run. How that is resolved depends upon the administration of the utility - which might well, if privately owned, give priority to the wealthiest customers first, as this may generate greater demand and profits, quite apart from these being white customers. Each customer has a right to be connected but some are more equal than others! Such considerations are clearly going to apply across the range of basic services that have been denied to the majority of non-whites, from housing to water supply, from skilled jobs to health and safety. Wherever there is private capital, there will be a prior commitment to profitability and to cut corners in meeting those obligations that are well-specified, whilst evading those that are not. As previously remarked, this will surely be reinforced by the encrusted privileges created by the apartheid system and any continuing racist practices.

A third issue in the debate over public ownership and privatisation is, in many ways, a more general incorporation of the previous points. It concerns the very nature of the post-apartheid state itself. The current state is and has been the most brutal instrument of exploitation and oppression of the majority by the minority. In its place, there is to be created a popular, unifying state committed to implement and represent the goal of a non-racial South Africa. Clearly, non-white South Africans have every reason to mistrust the state and its institutions and policies. These will have to be dramatically transformed to achieve the aims of the Freedom Charter.

Now it might be argued that privatisation is one way of achieving this as it is associated with withdrawal of state economic intervention - as it were, diminution of the weight of the apartheid state. This is not, however, acceptable. Previously, under apartheid, it is not state intervention *per se* that has proved undesirable, only its acting on behalf of a minority - in a sense, with an effectivity that has to be admired. That same effectivity has now to be put to other purposes. How ironic that those who have benefitted from the apartheid state call for the state to become less effective and to hand over its property through privatisation just at the point when apartheid is to be abolished.

Further, in general, where privatisation policies are being mooted and pursued, they are linked very strongly with an ideology of anti-statism. This is most clear in the case of Britain where, indeed, in addition, the policies of the Thatcher government in which the ideology of privatisation and anti-statism have played a major role, there has been an increasing divide between the haves and the have-nots, and a diminishing commitment to the welfare of the latter. Significantly, such policies have never commanded the support of a majority of the electorate and, quite apart from the current unpopularity of the Thatcher government (with opinion polls showing the Tories commanding only 30% support), a large majority has remained committed to the principle of the welfare state and especially to the provision of healthcare as a public service free from commercial considerations.

Thus, whatever the economic arguments, policies of privatisation tend to be both divisive and to press for an ideology of anti-statism. This will threaten the stability, popularity and unity of a post-apartheid state in its pursuit of a non-racial South Africa and, paradoxically, may even worsen the political and social environment in which a larger private capital would operate, thereby generating lower overall levels of profitability than could be achieved with a larger public sector. Significantly, there are two cases in which privatisation has not been associated with anti-statism. For France, much public ownership arose historically and uncontroversially out of the appropriation of private capital after the war from collaborators with the Nazis. Subsequently, many of the corporations were run on a commercial basis and were easy to privatise without recourse to anti-statism. In the case of Malaysia, privatisation has been linked to national unity around the concept of Malaysia Incorporated, so that the state is falsely posing the interests of private capital as the general interest.

These arguments concerning regulation, ownership and the state point to the advantages of public ownership in achieving the aims of the Freedom Charter and the corresponding obstacles that would be posed by a limited state sector and a drive towards privatisation. To lean in favour of public ownership and enterprise, however, is to pose more questions than are answered. Three issues stand out. First, what policies are to be adopted by the state-owned industries? Second, how are they to be run? Third, what is to be there relations with the private sector?

How to Run Industry?

State ownership as such is no guarantee of efficiency nor equity in the formulation of policies. As the World Bank and the like are now quick to point out, the relative absence of the profit motive in state industry means that other criteria and objectives can be adopted, and this opens the way to bribery, corruption and the serving of particualr interest groups. It is far from clear that private industry sweeps this aside any more effectively, as the example of Malysia cited above illustrates. However, state industry can be run just like private capital - and-may even rely upon political power and prestige to worsen as much as to enhance wages and conditions of its workers - and it can be abused to serve narrowly defined interests, as in the case of the Phillipines under Ferdinand Marcos - apolicy which came to be known as cronyism.

So ownership as such is more an instrument of policy than an end in itself. The purposes to which this instrument is to be used, especially in the early years of a post-apartheid South Africa, are so closely linked to the ways it is to be used, that the two are run together in the following proposals.

Sector Strategy

For each major sector of the economy, there must be a fully worked out strategy, together with the means of achieving it. In part, this will address the issue of whether public ownership is necessary and to what extent. Included in each strategy will be target levels of output, exports, investment and employment. There will be the need for an accompanying view of the ro. of technology, industrial structure, financing, marketing and distribution. So diverse are the separate sectors of the economy, construction as opposed to goldmining, for example, and so different are they in their position in the economy and how they are to serve a post-apartheid society, that each will require a unique type of strategy. It will also be important to confront the problems of the costs and likely effects of different outcomes within the strategy, possibly by reference to scenario planning.

Strategic Planning

Each sector will have a major role to play in achieving wider strategic objectives. These must be incorporated into sector strategy but also provide an important part of the framework and the ethos within which business operates, and this is relevant in guiding economic and social activity beyond the narrow bounds of strict commercial criteria. These will include:

1). The aim of meeting basic needs for the whole population as a first priority - in food, housing, welfare, employment, etc.

2). Developing and transforming infrastructure to redress the imbalances created by the extremely modern levels of public services provided to whites as consumers and to serve the distorted apartheid economy. Here is involved public utilities such as electricity and transport..

3). Related to this is the need to attack the imbalance in the spatial distribution and concentration of economic activity. Major problems will be to resist the tendency towards urban bias, so that adequate funds and support will have to be provided for self-sufficiency in agriculture and rural development and in meeting heavy pressures on urbanisation and town planning.

4). Major consideration must be given to the Southern African dimension in policymaking, transforming South African imperialism through pursuit of coordinated and cooperative development.

5). Meeting macroeconomic objectives, such as balance of payments and public expenditure targets.

6). The cnoice of technology and research and development is part of sector and strategic planning. In public procurement across sectors, for example, there are advantages of standardisation of equipment both in allowing labour mobility across sectors (without loss of familiarity with production processes) and in allowing for long and cheaper production runs.

7). Many sectors of the economy will continue to be dominated by smaller scale enterprise and these will flourish in conditions more conducive to non-white businesses. There is liable to be the development of cooperatives as well as small family firms. There needs to be an agency to support and direct such developments.

Education, raining and Skills

This is so important that it has been set apart from other strategic factors. It is essential that each sector has its own targets for training and skills and this needs to be considered more generally in relation to the education system. This should all not be seen simply as a technical issue. For the denial under apartheid of access to the higher levels of employment, associated with skills and management, will be a major obstacle to implementing post-apartheid policies. There must be a dual process of recognising and of enhancing the skills of non-whites.

Equal Opportunities

Apartheid has not only created a distorted racial division of labour, it has also had a specific impact on the gender division of labour and on the relative economic and social position of men and women. Movement to equality between the sexes must be addressed both by sector and strategic planning.

Participation and Monitoring

It is essential that there be democratic participation in the formulation and implementation of economic activity, and this is all the more essential in view of the commitment to shifting economic and political power and creating a non-racial South Africa. Provision must be made for at least three forms of participation in management and control - by workers, by consumers and by government agencies. Monitoring of performance will be crucial - not only in seeking efficiency and in preventing abuse and sabotage, but also in pressing for achievement of non-commercial objectives.

Institutional Restructuring

Post-apartheid society will not be able to rely upon the institutional structure that was built up under apartheid. Apart from the repressive role of the state, the existing structures will be heavily oriented towards meeting the needs of the white population and its control of heavily concentrated industry and farming. As well as serving the strategic considerations laid out above, institutions will have to be created with a far more democratic and decentralised system of control and flexibility.

This discussion of the strategy for policymaking has so far avoided the problem of the relationship between private capital and state ownership and control. For reasons already given, there are powerful reasons in principle in favour of public ownership. But these must be tempered by pragmatism in light of what will be a continued dependence upon the resources of private capital - for finance, and skills in technology and the various aspects of management.

The State and Private Capital

Accordingly, it might be appropriate for many major productive assets to be taken formally into public ownership - as a piece-meal process of nationalisation would be an extremely lengthy and politically demanding process. Subsequently, in view of skill shortages and management inexperience, current owners/managers would be invited, along with others to submit their own corporate plan for the enterprise in view of a more detailed specification of the strategic objectives briefly laid out above. In a sense, previous owners would be able to tender for a contract to run productive assets. Such tenders would then be subject to negotiation, including conditions concerning profitability, compensation and ultimate ownership. The corporation's previous owners would also face the penalty of losing its "franchise" if unable to meet the negotiated contract. Such arrangements would not rule out the prior or subsequent decision to take the sector, company or plant into public ownership for strategic reasons, with or without paying compensation.

The Mineral-Energy Complex

In previous EROSA papers, it has been argued that at the core of the South African economy lies what may be termed a mineral-energy complex, MEC. As the MEC will be crucial to post-apartheid prospects, its central features currently will be assessed, before discussing some apsects of policy around it for a post-apartheid society. It has the following elements.

First, there is dependence on the sector in the narrow economic sense. Coal, for example, is responsible for 80% of the country's primary energy needs. It also provides for 20% of exports (one third of non-gold). But very little coal is used for direct energy needs. The vast majority is either converted into electricity (over 50%) or into oil (over 30%). The South African economy is uniquely dependent on electricity and is uniquely electricity intensive with levels of consumption per capita comparable to those of the UK, despite limited domestic consumption by the majority of the population. This is primarily due to its use in mining and mineral processing, this accounting for 40% of consumption. Even though manufacturing accounts for a slightly greater proportion, the industries concerned are closely related to, indeed form part of, the mineral-energy complex with heavy use in a small number of plants in engineering, iron and steel and base metals and chemicals. Thus, coal is produced to generate electricity which acts as a major direct and indirect input to the production of gold. In this light, it is not surprising that one estimate puts gold as generating 40% of GDP through its direct and indirect effects.

Second, there is the ownership structure of the complex. Coal is primarily produced by the six private corporations, mining houses, known as the group producers. The major exceptions are the previously state-owned steel company, ISCOR, and the predominantly state-owned coal-to-oil conversion plant, SASOL, which primarily serve their own coal needs. Sales for inland consumption are almost exclusively to the state electricity utility, ESKOM, from mines tied to particular power stations with a guaranteed profit. Coal exports are licensed by the state through a quota system and depend crucially on the newly built railway line to the newly built Richards Bay Harbour, each run by the state-owned transport company, SATS. The users of electricity within mining are the group producers who own and operate the gold and other mines.

Third, as is already apparent from the ownership structure, there is close integration between the state and the private, group producers and this is entrenched institutionally. The interests of the group producers are coordinated through the century old Chamber of Mines. Government policy towards the complex is formulated through the Department of Mineral and Energy Affairs (DMEA). This was initially created in 1980 by bringing together previously separated Departments covering energy and minerals. In addition, the state depends heavily on tax revenue derived from the mineral sector, this reaching as much as 26.4% from gold alone in 1981 when the gold price was at its peak.

Fourth, the mining houses are at the centre of a much wider set of activities than of mineral production alone. There is an extensive pattern of interpenetrating directorships and ownership of shares as between them and a highly concentrated ownership of other companies within the economy as a whole and abroad. Anglo-American, for example, is reputed to own over 70% of the shares on the Johannesburg Stock Exchange and to be the single largest foreign investor in the United States. On the other hand, the state sector has been the major source of investment over the period from 1974 to 1989, accounting for almost two-thirds of the total.

Fifth, the mineral sector has been particularly dependent upon the apartheid system because of its reliance on migrant and compound labour. This again has forged a close relationship between the state and private capital at the political as well as at the economic level.

To sum up, the limited empirical evidence presented here suggests the existence of a mineral-energy complex, with profits from minerals and energy at its core but encompassing patterns of ownership and policymaking that involve a close link between private capital and the state.

Now, in terms of the previously outlined p··icymaking framework, it is suggested that the vast majority of the MEC be ·· tained or be taken into public ownership, although there will need to be a tendering/contracting for management and technical serivces. The state and private capital have been extremely effective in exploiting the apartheid system to create a remarkable economic structure for the generation of profits and state revenues to the advantage of the white minority. Whilst these structures will have to be transformed, and previous objectives of the system rejected, the coordinating and supporting role of the state in a post-apartheid economy will need to be retained and even strengthened. The Chamber of Mines might best be absorbed into a re-constituted Department of Mineral and Energy Aff·

For go·d, the South African industry is suffering from low and declining grades of ore and a declining output and share of world markets. A strategy must be developed to diversify out of gold in the long term - and to develop more socially useful products and more acceptable production processes and working conditions - whilst relying upon gold to generate a surplus and foreign exchange in the shorter term. The current taxation and lease system is a byzantine consequence of ad hoc revenue raising, investment allowances, depletion policy and cartelisation. This obstructs the most efficient extraction of the highest grade ore first and leads to unsatisfactory responses to short term changes in the highly volatile price of gold. The DMEA should prepare a rational plan for the future of the industry, which is not dependent upon the current structure of ownership and in which an extraction schedule coordinates production across mines and through time, to meet economic and social objectives most efficiently.

Associated with (gold)mining, the South African economy has developed a highly sophisticated capital goods sector. This contrasts with the general weakness in the production of capital goods for the rest of the economy.

Consequently, import for gold production only make up 5% of costs, whereas any expansion of manufacturing sucks in imports of machinery with the result that there is pressure on the balance of payments which cannot be covered by loans in the current situation of sanctions and credit squeezes. The technical abilities, research and development facilities and the production capacity that has been so successfully developed for mining must be reoriented or converted to serving the more general needs of post-apartheid economy, and especially small and medium scale manufacture and construction, as opposed to serving large scale mining development, extraction and refining.

In the case of coal and electricity, highly intensive use in industry and in serving white consumers goes hand-in-hand with fuel/energy deprivation for the vast majority of the population. There must be an immediate strategy for extending the sale of coal for domestic use through the creation of distribution and marketing networks. Electrification must proceed as part of a strategy for construction and town planning. Current schemes for electrifying townships are based on too cheap and too quick returns in an otherwise untransformed economy and society.

Both coal and electricity already employ the most advanced technology but this technological expertise, with large-scale and heavy duty capacity and coresponding linkages to other sectors, is not necessarily most appropriate for encouraging the smaller scale, decentralised and more spatially dispersed economic activity that is liable to flourish in a post-apartheid economy. In addition, current retrenchment of mines and power stations as excess capacity in view of the growth crisis of the apartheid economy need to be reconsidered in relation to the basic needs of the majority.

Projects such as SASOL, Mossgas and Koeberg pose rather different problems since they would not have come about but for the strategic considerations of the apartheid regime (to pre-empt oil sanctions in the first two cases and to strengthen nuclear capability in the last). They are possibly not even cost-effective even if the fixed costs of capital expenditure are written off. Assuming oil is freely available at world prices for the post-apartheid economy, the SASOL equipment must be re-assessed for its capability for diversifying into other chemical and pharmaceutical production with which it is already associated. Depending upon a cost-benefit analysis, it may be sensible to abandon the Mossgas project. For Koeberg, there is the problem of finding the technical staff to run(down) the facility in what has previously been an exclusively white workforce. It might be considered setting up now an "international brigade" of technicians and professionals who would be prepared to serve a post-apartheid economy in overcoming temporary shortages of skills.

The MEC has a major role to play in developing infrastructure far beyond the narrow confines of its role under apartheid. In meeting basic needs, the use and development of production facilities must be linked to housing programmes, education, welfare provision and the stabilisation of employment and habitation for the workforce - which equally implies the creation of other jobs, especially for women, within the existing range of economic activities and in extension to new ones.

Some of the strategic factors raised earlier have now been briefly considered in the context of the MEC. There is, however, the Southern

African dimension to confront There is scope for cooperation and coordination in energy and other markets. Much more delicate is the position of migrant workers and their and their families' dependence upon remitted earnings (which make up, for example, 40% of Lesotho's and 21% of Transkei's income, there being 3.8 milion dependansts on miners' wages in Southern Africa). It must be recognised that migrant workers have played a full part in the creation of South Africa's wealth and it would be the cruellest of ironies if they were deprived of their livelihood by a post-apartheid South Africa pursuing too rapid a commitment to an established and resident workforce.

In mining, in particular, there has been a denial of access to skills and to skilled jobs previously reserved for whites. This cannot be easily or quickly remedied and there may be experienced the strongest resistance to, and sabotage of, change from those whites whose status has been protected in the past and who have been responsible for the most immediate acts of oppression at work. This emphasises the need for an extensive training programme, not only to meet skill shortages, but also to pre-empt detailed resistance to the democratically determined policies of a post-apartheid society.

Employee Share Ownership Plans

In a separate EROSA paper, an analysis has been made of the role of employee share ownership plans, ESOPs, and other schemes such as profit-related pay, PRP. Briefly, the conclusions are that such schemes are essentially a form of making wage payments - they aim at pre-empting or weakening trade union organisation and militancy, they offer no shift of management control to the workforce, they are often introduced to pass the costs onto employees of rescuing or restructuring the company or plant, and there seems to be no systematic relation between such schemes and economic performance unless worker participation in management is incorporated. In South Africa, ESOPs etc seem to be a minimalist economic response by management to the crisis of apartheid, are often imposed without the consultation or approval of organised labour, and they have been asociated with the restructuring of ownership following upon privatisation or disinvestment.

The purpose here is to reinforce these conclusions, although no further empirical evidence is offered from South Africa, by selective reference to some of the most recent literature. This has paradoxically been quite extensive despite its almost universal conclusion that these schemes are of quite limited importance to economic performance. Significantly for South Africa, one of the few studies to find a positive impact on performance through employee ownership is by Nejad (1987). He looked at the management buy-out, following upon the privatisation of the National Freight Company in the UK and concludes that this may be a way of meeting the objective of denationalisation with limited conflict in industrial relations and motivational enhancement. But management buy-out in a South African context is to preserve the privilege of the white minority.

More generally, first, it is worth reiterating that profit-sharing, etc has been around for a long time, going back 150 years or more in the UK, so that its apparent recent discovery and promotion as a form of people's capitalism, able to solve economic problems, has been tried, tested and has failed many times in the past. Matthews (1989) reviews the British evidence and concludes, p. 461:

> To sum up then, although some historians have viewed profit-sharing as the work of philanthropic employers, the historical experience suggests that it was usually a management strategy of labour discipline by profit-maximizing companies. It is evident that interest in profit-sharing has fluctuated with the problems in labour relations; in the long run the bonus was set by management as a relatively fixed proportion of wages, not profits, while even the most outwardly altruistic employers refused to cede significant control of their companies.

More cynically, like many others, he suggests that the frequent re-appearance of the idea through history is probably a consequence of the sporadic, altruistic impluses of the occasional employer (or the egalitarian champion of the free market and capitalism) and of the difficulty of exactly isolating its (insignificant) effects from other more important factors in explaining economic performance so, "the fact that the effects of profit-sharing are so difficult to quantify may have been a factor in preserving its credibility for so long", p. 462. In modern times, the sponsors of such schemes are more to be found in the general crocodile-like philanthropy of governments who shed tax relief tears in order to convince employees are of their commitment to people's capitalism. But as Blanchflower and Oswald (1988) also report, the impact of these measures is unproven. This is confirmed by Duncan (1988). Wadhwani and Wall (1990, p. 16) conclude after looking at micro-data:

> Nevertheless, if our results were correct, they would suggest that much of the recent debate on profit-sharing has been "much ado about nothing"!

Trade unions have generally been hostile to these initiatives. As the British TUC observed in 1974, quoted in Baddon et al (1989, p. 43):

> First, such schemes do not in reality provide for any real control over the managerial decisions ... Second, there is no advantage to workpeople tying up their savings in the firm since this doubles the insecurity ... (third) they do little or nothing to reduce the inequality of wealth.

And, the TUC observed, such schemes exclude those in the private sector or, at least, those who do not create commodities, thereby leaving out the majority of those who work in the public sector and also, in practice if not in principle, those in smaller scale and casualised or disadvantaged employment. In Britain, for example, one way in which equal pay legislation has been avoided is through tying bonus payments predominantly to those jobs occupied by male employees, and much the same applies to the greater use of profit-sharing and discounted share offers to those who are placed higher up in the job hierarchy. And it must be remembered that workers can rarely afford to keep any shares they receive, rather than sell them for cash when allowed to do so to create income to supplement wages to buy essentials, Matthews (1989, p. 461) points to:

> unpopularity of shares as opposed to cash. Until recently, most workers were not sufficiently well off to afford to save, especially in the form of shares. Indeed, holding shares of one company,

> particularly one's own employer, is simply unwise speculation. Therefore, for good reason, given the choice, workers would take a cash bonus, but given shares these would usually be sold immediately. If this were forbidden the shares were looked upon as "dead money" ... 80 per cent of employees free to choose between shares or cash took the money.

In the United States, ESOPs flourished in the 1920s, there having been 300 at the beginning of the century. But 90% of ESOPs were wiped out by the crash of 1929 and the Great Depression. In the 1950s, Louis Kelso, a US lawyer wrote a book entitled, The Capitalist Manifesto: How to Turn Eighty Million Workers into Capitalists on Borrowed Money. He claims in 1956 to have invented ESOPs in a preface to a publication from the right-wing laissez-faire Adam Smith Institute, Taylor (1988). His history is as poor as his logic for he claims to be able to, "broaden the ownership of capital without invading the private property of anyone". This reflects the desire to avoid any fundamental shift in economic power or the redistribution of wealth; this being freely admitted in the form of seeking a "populism without Robin Hood".

Aitken and Wood (1989, p. 166) conclude that:

> There is limited evidence that such plans will produce improvements in the employee motivational states and organizational performance.

And Brooks et al (1982) find that over a ten year period, ESOP companies of over 1000 employees have actually been less profitable than those without.

More recently in the United States, there has been a dramatic increase in ESOPs, especially in the late 1980s. Scholes and Wolfson (1989, p. 25) find that there were 4,028 plans in 1978; this had risen to 8,046 in 1986 and 9,500 in 1988. Corresponding numbers of employees covered were 2.8, 7.8 and 9.5 million, respectively, the latter making up more than 10% of the workforce. The answer to why this has happened is to be found in the company legislation for the state of Delaware! 179,000 companies are incorporated there, including 56% of the Fortune top 500 companies and 45% of those quoted on the New York Stock Exchange. According to Delaware state law, it has now been found that ESOPs expand the number of shareholders, to include employees, who have to be taken into account in voting for approval to change control (a wait of three years for a takeover unless 85% of shareholders vote in favour). So Polaroid, for example, in early 1989 took out a 14% stock for an ESOP in order to obstruct a merger. So Scholes and Wolfson view, p. 26:

> the creation of impediments to changes in corporate control as the prime motivation for ESOPs.

Nor is this all. In the first six months of 1989, US corporations acquired over $19 billion of their own stock for ESOPs compared with $5.6 billion for the whole of 1988 and less than $1.5 billion per annum from 1974 to 1987. This is partly for favourable tax reasons but equally it is used to raise capital through leveraged loans out of the implied future earnings on the employee-owned stock, $9 billion being borrowed in this way in 1989 upto May 10th. As it were, the company is borrowing against the future dividends of its employees - similar to the use of pension funds for speculative purposes. This all serves to confirm the point that ESOPs, far from shifting control to workers, may even act as a way of consolidating and redistributing corporate control amongst and between the managerial elite.

Wages and Welfare

ESOPs and PRP should not, in a sense, be rejected altogether but rather be seen as being unable to bring about a fundamental shift in economic power and wealth in a post-apartheid South Africa. In conjunction with other, more basic policies, however, different types of wage payments can play a role in enhancing incentives and performance and in meeting strategic goals. One scheme might be organised as follows over and above basic levels of money wages.

There will be a social wage fund divided into two fixed, possibly equal, proportions. One part will provide for social facilities at the place of employment, one part for development of wider community facilities. In addition, there will be a bonus wages scheme whose size will depend upon levels of productivity or commercial performance. This will be divided into four fixed proportions. One part will be paid as money wages, possibly on a teamwork basis, one will be taken as national and local taxation, and the other two parts may be used as before in the social wage fund, except that certain specified facilities will, in addition, attract some level of matching funding from local or national government. This will be for those projects which are considered to fill strategic functions whether in serving basic needs or in improving infrastructure. Thus, housing health, transport, training and education in and around the workplace might attract extra funding, but the provision of sports facilities might not be given such a high priority.

This scheme attempts to link wages and incentives to each other in a way that provides for a collective ethos, with substantial decentralisation of control in determining the use of the wages fund, and which also places priorities on strategic considerations determined nationally and locally.

Plan versus Market

The debate between public and private ownership is often displaced onto a different terrain concerning the relative merits of planning and the market, these equally being identified with some sort of commitment to socialism as opposed to capitalism. It should be apparent that any such simple correspondences are invalid. Heavy state ownership and planning, as for the MEC within the South African economy, let alone for South Korea or Japan, suggest that capitalism, state economic intervention, planning, public ownerhip and the market are all mutually compatible and may even strengthen each other rahter than be at each others' expense. In other words, posing these couplets is often to create false dichotomies; ones which place a veil over fundamental issues concerning shifts in economic power and which obstruct strategic and detailed discussion of policymaking.

This is not to say that such issues can be ignored. But they do have to be placed in a proper context. Consider, for example, recent developments in the advanced capitalist countries. Here, economic relations have increasingly been excluded from the market place as large-scale, usually transnational, corporations have appropriated economic activity to themselves with corporate planning displacing the market mechanism. As an indicator of this, for example, as much as fifty percent of international "trade" in and out of Britain takes place between affiliates of the same company. Such multinationals coordinate and plan their production between their globally dispersed affiliates. If both companies and corporations are ranked together by size of annual product, 18 corporations appeared in the top 60 in 1980, so that as economic entities they are as important by size as many countries and yet are run as corporations without the necessary intervention of the market in their internal operations. By the same token, state provision of goods and services also represents a displacement of the market form of provision whether it be in health, education, housing or even through access to income itself as in welfare payments. Thus, whether in production or consumption, capitalist economies have both developed and displaced the market and planning, correspondingly has both grown within companies and around them.

Such changes have, however, occurred extremely unevenly. In South Africa, particularly within the MEC and large-scale corporations more generally, coordination through planning has played an especially important role, as has state provision across a range of activities, including the welfare state, particularly in serving the needs of the white population. On the other hand, it is the underdevelopment of state provision, planning <u>and</u> the market that characterises much of the lives of non-whites, most pressingly in rural areas. All of these froms of provision and activity must be expanded in a post-apartheid society. The way in which this can be best encouraged is through state-supported infrastructural development, so that production and employment can expand and be integrated into the rest of the economy through trade.

There is then no case to be made for rolling back either public ownership nor state provision in the already advanced sectors of the economy in order to release market forces. Indeed, as already suggested, this would tend to consolidate economic power and planning within continuing large scale corporations at the expense of the market, within their own internal operations and in the development of economic opportunities and equity for non-whites.

Some Reference to the Literature

An extensive discussion of the debate around denationalisation in advanced countries is to be found in Fine (1990, Part IV). Cook and Kirkpatrick (1988) is the best reference on privatisation in the developing world, an area which otherwise tends to be dominated by right-wing ideologues. A typical example is provided by Pirie and Young (1987, p. 168):

> The major problem in the Third World is the lack of adequate capital markets. But experience shows that giving money alone to the governments of less-developed countries is questionable. Financial aid to developing countries should to a greater extent be made conditional on their economic policies, particularly on their progress towards privatisation. When aid is given for development projects, private sector involvement should be urges, and where possible made a condition of aid. For example, aid to construct and operate irrigation networks, roads, or electricity generation facilities should be given on the condit'on that these be privately built and operated.

For a slightly more balanced view, see also the special issue of World Development, vol 17, no 5, May, 1989. Prosser (1988) considers the relationship between privatisation and anti-statism. For argument that the case for the benefits of privatisation in the [illegible]eloping countries are entirely unproved, see the essays in Cook and [illegible]rkpatrick (as well as case studies, including Malaysia, on which, for an apologetics, see Ghani et al (1984)). Graham and Prosser (1987) discusses how commercial secrecy in going through the privatisation process can be economically costly and Cockerill (1989) shows how it can be used to subsidise the private sector.

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