

# An Economic Policy Framework

## Introduction

Our organisations have adopted policies which express the aspirations of our membership. We have organised and mobilised around these policies. In the case of COSATU and the SACP these policies are anchored in the belief in a socialist society in South Africa. Despite a massive propaganda campaign against socialism there is no doubt that there is still great popular support for socialism.

However, in the present environment there are a number of very powerful reasons that call for a more detailed programme that would spell out clearly what the socialist project is in South Africa, what its structural features, will be and how it can be attained.

The events in the Soviet Union and Eastern Europe are placing a great deal of pressure on socialists to defend their position. The capitalist media not unexpectedly are seizing their chance with both hands in attempts to destroy socialism ideologically. In the socialist bloc countries the cathartic explosion of views very often lends weight to this anti-socialist propaganda as in their enthusiasm to escape their particular political and economic situation many spokespersons embrace capitalist forms without any regard to the manifest shortcomings of capitalism. In many countries eg. Poland, the new programmes seem to be an incoherent package of capitalist type institutional changes.

We must not be stampeded into hasty positions by these events. Our programme must be based on an analysis of apartheid capitalism as it exists in South Africa today and our goal must be the solution to the glaring and tragic social, political and economic problems that exist in our society. We believe that socialism as a conception of society offers the most rational and humane programmatic framework for solving these problems.

In spelling out our Programme we must learn from the experiences of the socialist countries not in order to defend or recant but to effectively build our own Programme. We have to understand the problems, what reforms are being proposed (where these are systematically conceived) and why. However, it is critical to understand the context in which reforms are being proposed. The structure of the socialist

economies differs from ours in many significant and decisive ways. So in effect we are looking at their past experience, proposed reforms and the difficulty of implementing them in order to avoid pitfalls as we formulate a programme.

But we must not only look at socialist countries. Important changes are taking place in Europe and the Pacific rim countries that in their differing ways are substantially modifying capitalist society. It is just as important to understand these changes.

We need a coherent answer to South Africa's present problems - this is the most effective counter to the ideological rave that is now going on. But we need this answer soon because it is a mistake to think that somehow the commitment to socialism is impervious to capitalist propaganda. We must be particularly conscious of the effect of this propaganda on certain key strata in our society - the intelligentsia; professional, technical and middle-management; the classical petty bourgeoisie, small business, the unemployed and the rural poor. These strata do not enjoy the organisation and coherence of the industrial working class and they are therefore more susceptible to perceptions created in the media. There is no doubt that a socialist programme will benefit them but they have to believe this now. It is no good saying that they will realise the benefits of socialism when it happens - these strata are powerful allies if they see themselves as part of a socialist project and critical obstacles if they fall outside that project. For these strata confident political leadership has to be supported by the coherence and workability of the political and economic programme offered. For ease of reference at a few later points these groups will be referred to as key strata.

A coherent programme will also strengthen our hands in negotiation. In aligning the forces that enter the negotiations, more elements will accept the leadership of the ANC/SACP alliance if they feel it is based on a well thought out programme. In effect they will back the alliance if they think that it is ready to govern.

This last point is also the last powerful reason why we now need detailed programmes. We must prepare to govern and rebuild our country. This time is not very far off and events may well overtake us as the people themselves move decisively.

In short, the better prepared we are to govern South Africa

wisely and well. the sooner that day will dawn.

As a final point in this introduction the status of this paper needs to be clarified. The broad framework draws on the economic research done within the Economic Trends project and discussed within COSATU structures and most of its affiliates. More detailed propositions on nationalisation, planning and the structure of the State emerge from discussion within COSATU leadership, the Economic Trends group and three detailed workshops at a national level of the authors own affiliate. These propositions are put forward in the spirit of debate and I hope that I have given a fair and comprehensive account of this rich resource pool of ideas. Much recent discussion has been very strongly influenced by Cde Joe Slovo's paper "Has Socialism Failed?" - a more timely and valuable intervention could not have been wished for. Finally, the author tried to arrange all this at very short notice and under considerable pressure of work. I have also inserted certain smaller points of detail of my own - again in the spirit of debate. Obviously, this is not a comprehensive coverage of all views - it reflects in the main currently-held internal views within COSATU leadership. Hopefully, a comprehensive view will emerge in the very near future.

Policy Framework - An Overview

No commonly agreed term exists for encapsulating the embryonic policy package being discussed in COSATU. The package is clearly not certain things - it is not a free market capitalist economy, it is not a planned command economy of the pre-1985 Soviet variety and it is not a social democratic economy of the Scandinavian type. The term used here is that envisages a democratically planned socialist economy (DPSE). Further discussion and debate may wish to redefine the policy package and the terminology attached to it, but for convenience and in order to locate the debate we shall work with four prototypes of a mixed economy being:

- \* Free Market Capitalist (FMC) - the Thatcher / Reagan view of capitalism common in South Africa at present.
- \* Social Democratic (or Welfare State) (SD) - the Scandinavian economies being the best prototype and advocated by DP left.
- \* Socialist Command Economy (SCE) - the pre-1985 Soviet economy being a prototype
- \* Democratically Planned Socialist Economy (DPSE) - the type of socialist economy we are trying to define for South Africa.

As the debate on economic policy becomes more public and detailed the spokespersons will increasingly face a dilemma already being faced. Do we publicly present a maximal programme as seen by the left or a minimal programme in order not to antagonise capital. Such a dichotomy is going to present us with very real problems and is politically disruptive since it smacks of duplicity and political manoeuvring if we adopt the latter approach. COSATU has tried to chart a different path. We have tried to focus on the structural problems that exist and deal with the solutions to these. In this way we should set out our actual programme acknowledging that this may be modified by the political process.

We are not seeking consensus with capital - this is most unlikely. However, we are seeking to minimise conflict by reaching agreement where such an agreement does not negate our principle objectives.

We also need to be very aware of the key strata looked at earlier. Experience has shown that by winning the support of those strata more can be achieved. In this respect to move slowly at first may be the best way of making haste faster

at a later stage.

Consideration of these factors will influence the mode of presentation of our programme without us having to abandon either Marxist analysis or a socialist project. We have to assertively establish a new public language. If we phrase our programme in the terminology associated with the Soviet Union and socialist countries prior to the current events, we will allow capital and its media to scare the key strata and even many workers into belief in capital's programmes. If we expunge any mention of socialism or nationalisation or worker control from our public language we'll gain the support of the key strata but we'll demobilise and discourage two even more important political forces - organised workers and radical youth.

The COSATU starting point in 1986 was to examine the existing economic crisis. Initially this was as a means of understanding the impact of possible sanctions. However, the Economic Trends project provided material for wider policy considerations. The research in this project was partially informed by regulation theory since for many of the researchers this seemed to relate to a perception that we were dealing with long term institutional and structural changes in the economy. However not all researchers were familiar with, or used the theory. The first report of the ET group is not therefore a coherent theoretical work. However, this slightly eclectic body of research seemed to point to certain clear conclusions in regard to the structure of the economy and there was virtual consensus on this.

#### The Present Crisis

The present economic downturn is part of a longer term accumulation crisis. This accumulation crisis is not to be equated with a profitability crisis for the large corporations but the former is increasingly impacting negatively on the latter. Capital and the State are aware of the long term nature of the crisis and are attempting widespread changes to revive the growth rate around a general rise in profitability. Most measures are, therefore essentially cost cutting and/or designed to reduce the State's fiscal burden. These changes are in general having an adverse effect on workers, the jobless and landless poor. Capital and the State are conscious of this but look to a complex and conscious process of stratification and geographic relocation of poverty to prevent this

immiserisation from being translated into concerted political and economic opposition to their policies.

The nub of the accumulation crisis lies in the manufacturing sector. The apartheid state in particular - although earlier governments laid the groundwork - intervened in the economy in particular ways. They were concerned to maintain white privilege through supporting capitalist expansion based on low wage policies, import substitution policies and massive infrastructural support for capitalist production.

The result of this is a relatively high cost manufacturing sector based on a high income market (in the main white consumers). The sector cannot expand into the export market because it cannot compete on international manufactured goods markets and it cannot expand into a mass market because the mass of the population is caught in a low income trap of unemployment and inflation. The productive capacity of manufacturing is relatively high - although possibly declining - but it is a stagnant sector with cyclical movements induced by the income fluctuation of those with higher incomes and the monetary or fiscal policies of government.

The latter policies are one of a number of exacerbating factors in the crisis in that they are dictated by balance of payments considerations where capital movements persistently neutralise any current account surplus. The debt crisis - whilst not in itself decisive - exacerbates the capital account problem since interest repayments reduce the current account surplus.

Generally the domestic capital market is problematic because large profits held by the corporate giants are not being invested in production and seek other avenues in financial speculation or more and more sophisticated capital exports.

Agriculture faces a long term debt crisis that requires a realignment of agricultural prices. This is having inflationary effects and is altering land holding patterns in both white and black agricultural areas. Mining offers some respite but the low exchange rate raises the costs of manufactured imports and leads to excessive exploitation of minerals with little or no multiplier effect in the economy.

This stagnation causes critical deterioration in the education, health, welfare, vocational training and housing delivery systems as the State's fiscal constraints bite

deeper. As a result no coherent strategies exist in these areas and the impact on the standard of living is increasingly serious with epidemic disease outbreaks a continued threat.

Another factor that has not really been adequately addressed is South Africa's long term location in the world economy. The creation of a European market that may expand beyond the existing 12 countries to incorporate Eastern European countries will have a very significant effect on world trade and financial flows. If the Soviet economy also gravitates towards this enlarged Europe then we face a profound realignment in world trade patterns. If the perestroika reforms succeed then one of their major goals is to reduce the proportion of mineral resources used in domestic production. This may well increase Soviet mineral exports to the new Europe. Being a major competitor with South Africa in a wide range of minerals we must be cognisant of these possibilities in one or two decades.

In any event a larger Europe restructured around advanced technology and a Pacific rim bloc similarly organised will make it exceedingly difficult for smaller economies to compete in the world markets for manufactured goods. Only a carefully planned intervention in these markets - along the lines of the Korean and Taiwanese interventions in the 1970's - is likely to succeed.

Returning to the domestic economy we face a structural situation that can loosely be characterised as a high cost low wage - low employment economy. More needs to be said on the low wage dimension. Money wages have risen but real standards of living for the whole workforce have at best stagnated but more likely deteriorated. Particular strata are advancing their positions in the complex stratification referred to earlier. However, labour costs facing capital are relatively high because productivity is stagnant as a result of a stagnant investment pattern and the high cost of imported equipment.

Present policy responses to this configuration by the State and capital are to respond to profitability problems and the State's fiscal constraints. Privatisation has the dual purpose of transferring profit to the private sector and relieving the State of fiscal obligations. Deregulation is primarily aimed at reducing costs in the small to medium size business sector in the hope of expanding employment in this sector.

The overall framework of economic policy is a Thatcherist type of package stressing free enterprise and a withdrawal of the State from economic activity. However, it is very hard to see how market forces will regenerate growth. Whilst the national savings ratio is low it would appear that there are substantial funds available for investment but no large scale profitable outlets for such investable funds. Areas such as housing illustrate this. Despite a considerable effort to lower construction costs and restructure mortgage financing within the private sector, housing is still only being supplied to the upper 20 - 30% of income earners in the workforce.

This is insufficient to generate a new round of investment in the construction industry that will have wider multiplier effects. Existing capacity can largely meet the supply requirements of this investment growth in housing. More seriously it does not even begin to address the critical housing shortage.

Similar situations exist in other potential growth areas. Much hope is held out by the state and capital for small business development. However, small business also faces the structural obstacle of high costs and low incomes. The situation is highly competitive since small business is not growing into rising incomes but having to compete within stagnant real incomes and compete against conglomerate wholesalers and retailers. Not only does this require business skills but it must inevitably mean that competitiveness is based on cost reduction. This leads to exploitative and dangerous work practices and a propensity to organised criminal practices. A vibrant small business sector depends on a vibrant economy. At present there are minimal prospects for the small business sector being a source of growth in the economy. As a source of employment creation it is also problematic because of the generally exploitative conditions of that employment. In any event at present we have very little idea what its employment effect is.

These are brief illustrations of the basic dilemma faced by market led growth of escaping the present high cost - low wage - low employment configuration and transforming into a low cost - high wage - high employment situation. For market forces alone to achieve this it would have to lead to rising investment, rising productivity, rising wages and a lowering of relative product prices (relative to income levels and



international price levels). It is very difficult to see how the market could achieve such a comprehensive restructuring. One line of hope is an inflow of foreign capital after a political change. The prospects of this would have to be assessed carefully. In the present structure such private capital flows would confront the same situation as domestic capital. There is one important distinction and that is that foreign capital may be linked to technology and expertise that makes them highly competitive. If this competitiveness is at the expense of domestic production then the overall effect on the employment and poverty situation is on balance static or negative. If the competitiveness allows for opening up mass markets then we face a different situation. However, either way the advisability in the long term of large scale unfettered foreign control of our assets needs to be considered carefully. Certainly Korea and Taiwan did not allow such unfettered access by multinationals.

Doubts about the efficacy of free market type policy packages exist not only in the left but in business and government. Those with a broader perspective socially and economically and with a greater understanding of the present economic problems are generally skeptical about unfettered free market policies and accept a degree of State intervention. Within government it would seem that some favour privatisation and deregulation as a means of achieving an inward industrialisation policy based on expanding employment and resulting multiplier effects. There is clearly room to talk here since once the ideological taboos around planning and socialism are removed we are really talking about the efficacy of various developmental policy packages.

This has been a very brief survey of the present position. The major concern of the paper is to explore a framework for solutions.

#### What type of Mixed Economy

The present policies of the State and capital are highly detrimental to the working class as a whole and to the wider society. There appears to be a realisation by many within both business and the State that the present policy packages will at best lead to 50/50 (or 30/70) type societies - 50% in reasonable wage employment and 50% not. That many go so far as stating this as a 30/70 divide is disturbing. As indicated the complex processes of stratification occurring and being engineered are seen as stabilising the society

politically.

No truly democratic government could tolerate such a persistence of inequality - an inequality that will retain racial dimensions. More dangerous is the likelihood that democracy could not survive such inequality.

An economic programme that reverses the free market approach is, therefore, essential and will have to be fought for on the ideological terrain. Staying on this ideological terrain it also seems abundantly clear that any economic policy package that resembled the pre-1985 Soviet economy based on centrally administered command type planning would be on the weakest of weak ground in an ideological contestation. Those that see merit in such a package would also have to accept that it would have to be implemented by political power and that it would have minimal international support.

In any event as will emerge at many points in what follows the lessons of the command economies can be well applied in our situation. Command planning based on administrative measures is inappropriate to the level of development of the South African economy - particularly its capital goods sector. However, as indicated in the introduction and to be stressed again the South African economy is not the Soviet economy - we are moving from a complete absence of coherent long term planning to a need for such coherence, the Soviets are moving from an excess of administrative planning to planning by economic incentive.

What emerges from these types of assessment - discursive and brief as they are - is that our policy framework is that of a mixed economy. This is the position taken by the ANC. The point being made may seem somewhat obvious but it is not. The mixed economy position is being adopted not as some expedient to hoodwink capital, or as a minimalist position to unify forces in the first stage as a stepping stone to the second. This is not often fully recognised by the left nor are its wider implications. A future socialist economy in South Africa should be a mixed economy.

However, the value of the ET research done for COSATU and the policy discussions within its leadership is that they have accepted this position but taken it one critical step further

Proponents of the mixed economy position would broadly agree that the economy is mixed precisely because the State owns

means of production to carry out certain policy objectives. The essence of these policy objectives is to redress wealth disparities, to ensure a basic standard of living for all, to ensure the basic welfare of all in society and in particular cases - such as South Africa - to carry out affirmative action programmes to redress the results of institutionalised discrimination.

There is wide agreement on the basic social and economic problems of South Africa and it is relatively easy to identify the beneficiaries of such policy objectives. The question is how will such policy objectives be carried out. Underlying the mixed economy conception in the minds of many of its proponents is in effect the social democracies of Europe - in particular the most successful Scandinavian ones.

#### The Lessons of Social Democracy

We need to understand these economies very much more carefully. However, in brief they are characterised by highly developed private sectors that are very productive and capable of retaining high levels of employment because they are very effective competitors on world markets. Income levels are high as a result of high productivity, high employment levels, pervasive and effective unionisation and high rural incomes because of stable land allocation patterns.

The degree of organisation in civil society - unions, consumers, civic society, students etc - is high and stable. This makes the political parties and government highly responsive to the needs of citizens. Government is able to respond by using a progressive taxation system based on high incomes - both private and corporate - to finance well conceived and stable education health and welfare systems. These social institutions reinforce the positive situation in production (clearly dominated by the private sector but with key and efficient State corporations). Since production is successful it creates a large tax base allowing the State to tax and reinforcing a positive interdependency between the public and private sector. As a result the planning needed is that in the public sector as to how to best use State resources in education, health and welfare. The private sector is left to its own devices but as indicated its success is a crucial part of the success of the public sector.

This is not to suggest that the Scandinavian social democracies are heaven on earth - they have their problems and have benefited from imperialism. However, these economies have been stable and effective for many decades now and it is mere ideological dogmatism to deny this. However, the COSATU argument is that they cannot be a model for South Africa because critical components of their success do not exist here. It could be argued that whilst this is true we have to start somewhere as they did. A cursory examination of their history of industrialisation shows once again that there are critical differences.

To attempt a social democratic path in South Africa - where we understand by this a Scandinavian type model - is fraught with very serious obstacles. To attempt to deal with our problems by taxing corporations and personal income is a non-starter. Our tax base is too small for the reasons examined when looking at the present crisis. This will only further negatively impact on production and on the political support base of a government attempting this. An education policy without employment prospects is meaningless; health will remain limited and expensive and welfare will remain limited by scarce fiscal resources. Affirmative action programmes will also be negated by lack of employment opportunities and a shortage of fiscal resources.

A new government experiencing such problems in the face of the expectations that will follow our long liberation struggle will rapidly experience serious political difficulties. Into these difficulties will step our old protagonists knowing that disillusionment with ANC rule will protect their interests for much longer than if they had attempted to retain power against the ANC.

#### The Need for Planning

The position now emerging in COSATU discussions is based on the research that focussed on the nature of accumulation under apartheid and the crisis in accumulation that this has left us with. The way out of this crisis is to restructure production rather than look to the fiscal resources of the State. This is possible in South Africa because it has a relatively well developed productive base. This is very important because it means that initial policy is aimed at reviving a growth path that has particular characteristics. This is a very different situation to that facing the So Union in 1917 or many of our African neighbours in the 1990's where the essential first task was and is to devel

a productive base. South Africa's rich mineral base and its scientific and technological community are both capable of major contributions if well directed. Of further critical importance is the presence of organised workers in the form of COSATU and NACTU. Our task is to develop a programme that gives leadership in welding together these factors into a restructured economy and society.

Such a restructuring of production will require coherent planning that covers both the public and private sectors. Its purpose will be to lower costs of production relative to personal incomes so that consumer products and items of social consumption (especially housing) will come onto the market place at affordable prices. This will allow the market to take care of a large part of the needs in these critical areas. However, this does not mean the State plays no role. The difference is that the State will not be looked to to close the whole housing shortage. It will only have to deal with seriously disadvantaged groups and in doing this it will have the advantage of a larger tax base as employment and incomes grow. Rising incomes and lowering of relative product prices has another very important effect which is to allow for a movement toward full cost accounting in nationalised enterprises - the full significance of this will be explored later.

This stress on planning to restructure production also has implications for the form of a future State if we are to escape the pitfalls of commandism. Planning will have to be democratically decided upon and implemented with full participation by those producing in and benefiting from production. Planning will also have to rely on economic incentives rather than administrative so that its nature is more strategic than day-to-day. Planning will define the parameters of all production whether it be in the public or private sectors.

As indicated in the introduction the term used for such a conception of the economy is that it is a Democratically Planned Socialist Economy (DPSE) as distinct from a Social Democratic (SD) economy.

What now has to be elaborated are the various areas that have to be addressed. Here it needs to be stressed that we are looking at a possible framework and not at a set of final answers.

### Planning Mechanisms

The COSATU focus is on restructuring production and this requires coherent planning. What is the nature of this planning? The Soviet planning model started on the basis of material balances. This required a massive administrative intervention in the economic process and State ownership of assets was essential if such administrative plans were to be carried out. This also created a tension between the central State attempting to implement a plan based on physical quantities and worker control in the enterprises. The latter could cut across the efficacy of the plan if workers choose at an enterprise level to take a different direction.

These factors led over time to rule by a bureaucracy and limited worker control. Enterprises worked within the framework of the plan and had no-incentive to incorporate new technology and production methods into their enterprises, even when these were available. By the 1960's and 1970's in the USSR the planning process was extending productive capacity to a point where there were more jobs than workers. However, the standard of living remained static and variety and quality of output also remained static.

One cannot underestimate the magnitude of the structural transformations of the Soviet economy achieved by this form of administrative command planning and we must not lose sight of this. However, as the State attempted to generate an intensification of production through rising productivity and more effective use of the technology available in the Soviet Union its attempt to do this through administrative measures proved to be the very obstacle to achieving this. Previous reform moves in the 1960's and 1970's had looked to market forces to improve the distribution and allocation of the product.

What the perestroika reforms accepted was that if planning moved from an administrative process to one based on economic incentives then this had to be accompanied by a democratisation of the political process. If enterprises - particularly worker controlled enterprises - are to be given more discretionary power in economic activity then they will not follow planning guidelines unless they have been involved in formulating these guidelines.

These lessons are important for a number of reasons in the South African case. Firstly, if the economy has developed

productive base as in South Africa then it is the effective use of that base rather than its creation that is important and this points to economic incentives rather than administrative control. The latter is particularly problematic if there is a skills shortage in the economy. Those skills available must be used wisely and not overextended in an attempt by the organs of State to administer everything.

Secondly, market forces are as useful to society as the basic structural features of that society allow them to be. If large inequalities exist the market will continue to reflect those inequalities. If enterprises are still effectively controlled by administrative measures then the market forces will reflect that (usually by the generation of a black market).

Thirdly, if enterprises are allowed to do what they want within a market they will do what is most immediately possible - be they capitalist enterprises or worker controlled enterprises. So if reforms are not coherently and well conceived then market forces will probably exacerbate the problems rather than reduce them. So for example in attempting to move to full cost accounting for enterprises in the Soviet Union, the relationship between wholesale and retail prices will govern enterprise behaviour in the market places. Within a planned context the historical relationship between these two sets of prices will now cause major problems in the market place if left to itself without a range of other supportive measures also being introduced.

The challenge to a planning process in South Africa is, therefore, to restructure the parameters within which market forces will operate: It is an attempt to alter relative prices and incomes not by administrative fiat alone but by the State acting as a powerful agent within the economy.

In the sections that follow we will not directly address the ownership issue. That will be left to a point where the broad tasks are identified and to where we need to address the State form needed for such a planning process.

#### Investment / Employment Strategy

The most critical problem facing us is the combination of high unemployment, low wages and resultant poverty. This stems from distorted and inadequate investment patterns in the economy at present. As indicated earlier State attempts

to expand employment by State expenditure are unlikely to succeed by themselves. Such efforts will have to be a component of larger efforts to restructure production.

A second important factor is that in the Soviet Union command planning focussed on the development of the capital goods sector. It was precisely when the emphasis had to shift to consumer goods - both private and social - that problems arose with command planning. Using the capital goods sector to expand employment is a path largely closed to us in South Africa.

The capital goods sector is relatively well developed. Attempts to open new areas of capital goods production would be very costly to the society and an inappropriate use of valuable resources - Moss gas is a current example. There are areas that could be explored as will emerge below that are related to small scale enterprises, rural development and an increased use of machine tools. These could be areas for capital goods expansion.

However, the thrust of the point being made remains and that is that the growth of the manufacturing sector will have to be based on the expanded production of basic consumer goods, consumer durables and social consumption areas such as housing, recreation, public transportation, electricity etc. and not on enlarging the capital goods sector.

The issue is how to break the existing obstacles to such growth which are the relatively high costs of production in relation to the income levels. This has to be approached from a number of directions at once but with the overall goal of allowing income levels to rise faster than costs of production. In saying this we must hold clearly in mind that rising income levels can be due to rising wages or rising employment or better still a combination of the two.

The first direction must be seen as a trigger mechanism for expanding employment by the judicious use of development capital by the State. Some areas that should be examined carefully are housing, rural development and small scale enterprises including the encouragement of cooperatives in both urban and rural areas. This process should be seen as a trigger not the complete answer to employment creation since if the latter view is taken then we run into the fiscal constraints explored under the SD economic mode.

Another key component of this developmental approach would



be the planned extension of infrastructure - water, electricity and transport networks into present black areas. This will be a great deal easier in a unitary State freed of the bureaucratic nightmare of the apartheid State. It will be easier still if we develop strong mass organisations within civil society - a matter to be addressed later. This infrastructural expansion will form the basis for development in these areas.

Such a developmental approach immediately raises the question of sources of development capital. The case for a State Development Bank (effectively an expansion of the present one) is very strong. Immediate sources of finance should be available in the form of savings incurred in rationalising government into a unitary State, in reducing security expenditure and in a limited amount of foreign aid that should be negotiable.

However there is little doubt that our overall capital market is in drastic need of rationalising. It is badly distorted toward the development of a very wide range of financial instruments designed to absorb funds that are not going into productive investment but are seeking out avenues of financial speculation. It is this kind of pressure that led to the abandonment of prescribed asset requirements. Our financial markets are highly sophisticated - the Stock Exchange in particular - but their main purpose is no longer to make available investable funds but to facilitate financial speculation.

A rationalisation of the financial markets, to return them to being a source of investable funds is necessary - where what we mean by investable funds are funds invested in production. We have to be conscious of the range and sophistication of the banking and financial institutions that now exist in South Africa. As just indicated this is linked to a particular structure of the capital and financial markets. Nationalisation of all these institutions is a complicated and gigantic administrative task that would be an act of bureaucratic suicide for a future government. Yet it will also be political and economic suicide to leave the capital market and its banking and financial institutions in their present form.

We have to examine a decisive intervention based on the type of interventionist Reserve Bank that characterised the 1960's and early 1970's and was successful in financing the rapid growth of that period. Here a range of legislation

around housing finance, prescribed assets and State stock and treasury bills etc. should be examined. Central to the reconstruction of the capital market would be the strengthening of the existing Development Bank (in large part funded and linked to prescribed assets) which would not only concern itself with development finance but compete with other banking institutions in the private sector.

Such interventions could be decisive without incurring the burden of administering all institutions in the financial sector nor of leaving them as is.

The second direction for raising incomes which would have to be addressed is in the area of collective bargaining within industry. This would require improvements in existing labour relations legislation to facilitate centralised bargaining, establishing a greater equality of power between capital and labour and to establish bargaining on the basis of information and long term planning.

However, for such bargaining to be successful in assisting a realignment of relative prices it has to take place in a situation of both rising productivity and rising employment. This requires an industry wide focus and the State would have to accept that work is a right and not a privilege. In practice this means a careful examination of all major industries involving employers and unions to work out the strategic development of that industry toward the goals of expanding into a mass market, attaining international competitiveness and attaining full employment at a living wage. It is these processes of restructuring that are the key to long term growth.

What role should the State play in this process? In the next sections we examine key areas where the State will have to play a role.

### Technology strategies

Rising productivity is closely linked to but not solely dependent upon incorporating new technology into production. The conventional view is that enterprises operating within the market will use and even develop new technology in responding to competitive and demand forces. This is undoubtedly true but it is also the case that in using technology capitalist enterprises have little regard for certain external effects of that technology as long as it is cost effective in their enterprise. So the effects on

employment, social relations in production, the environment and on macro variables such as the balance of payments are not taken into account unless the State legislates for such externalities.

In a growing full employment economy such externalities are hidden by buoyant economic activity. However, in a stagnant economy the externalities have to be dealt with as obstacles to growth. The same applies in using technology as a means to restructure production. A coherent approach to technology should be established. This does not mean that we need to adopt one approach such as labour intensive technology or small is beautiful type programmes.

What is necessary is to combine an understanding of existing production with the most appropriate technology to meet the goals of lowering relative product prices, establishing international competitiveness and reaching full employment.

South Africa has a number of advantages in embarking upon such a programme. We have universities that have a well developed scientific capacity and we have a balance of payments current account position that if well managed will allow us to import technology.

The role of the State is to more effectively coordinate and support a scientific and technological programme. A post apartheid State will also enjoy the advantages of reestablishing links with the international community and it should make every endeavour to encourage the return of a highly capable exile and expatriate community.

Serious thought needs to be given to, and comparative studies made on the establishment of State technology institutes that not only undertake research but develop products and enter the production process in key areas of housing, transport etc.

We should explore a mix of high technology and low technology. This is particularly appropriate in areas where certain skills are in short supply. It can also enhance the employment creating effects of high technology. To illustrate the possibilities two examples could be useful.

The first is a possible strategy on tourism - a potential growth industry and foreign exchange earner. The present momentum of this industry is toward greater and greater concentration within large hotel-chains and multinational

tour companies. The effect of this is to bring South Africa into the international culture of the hotel chain. Where South African culture is displayed it is very seldom a living, indigenous example but rather a commercially recreated stereotype more or less gross depending on the expert advisers or lack thereof in designing the display.

An alternative approach is to restrict the hotel chains to designated metropolitan entry points but thereafter to encourage small scale - often cooperative - enterprises to absorb tourists outside of these hotel entry points. A network could be established nation wide along the lines of the Natal Parks Board except that local communities would be assisted to establish facilities. This network would be based on an advanced computer based telecommunications system that would provide information, contact and a financial accounting system.

In this way our tourist network would be compatible with the world tourist network and the entry points would offer the familiarity of that network but thereafter mark a break into South Africa - a South Africa based on its own people's vital and cultural existence rather than commercially replicated stereotypes of culture based around large hotel chains.

An education system - particularly in rural areas - based on such a high tech - low tech combination has been mooted recently in South Africa and deserves serious attention. This would be a second example of an area opening up space for technological developments and a multiplier effect arising out of this.

This combination of high tech and low tech also offers an important area for our scientific community to modify and develop technology to suit our needs. This is not to suggest that all scientific and technological effort should be directed inwardly. To pursue such a path will lose us our best brains as they seek wider international challenges. The State should support and encourage centres of excellence that link into the international scientific endeavour in areas where we can make a real contribution.

#### The Balance of Payments

At present the balance of payments is a critical constraint on domestic economic policy. The exchange rate position affects internal interest rates and is inflationary through

import prices. Capital movements, exacerbated by debt repayments are largely responsible for this. In attempting to implement the above policies it would therefore be necessary to break out of this position.

Government and business thinking on this issue is that a lifting of sanctions will begin to redress the capital account problem. They seem to expect this to benefit the current account position but the evidence of this occurring seems slim. Probably more important is the hope that the lifting of sanctions will also reopen international financial markets both to government and capital. This opens the way to the State to spend its way out of some tight political corners using borrowed money. Capital - particularly medium and small companies - will have their critical debt positions eased by lower interest rates and lower import prices that would follow from a rising exchange rate.

Whether such a capital inflow will in fact occur in a post apartheid South Africa is an open question and its size may prove to be disappointingly small. Developments in Europe and the Pacific rim will alter investment patterns, aid is in increasingly short supply - particularly for a country of South Africa's level of development - and a probable return to managed flexibility in the international monetary system all point to tighter capital movements for countries outside the new economic blocs.

Our long term balance of payments strategy should not focus on the capital account and the expectation of a large-scale capital inflow. Apart from the likelihood of this happening it should also be a matter of policy choice since such an inflow would alter ownership patterns and retain the balance of payments as a long term problem as we repay interest and profit is repatriated. There is one important qualification to this and that is we should seek out on, a planned basis, capital inflows associated with new technology or joint marketing ventures on the world market.

However, our major focus should be on the current account. Here our goal is to maintain a high level of exports in order to purchase technology and those capital goods that we choose not to produce but that are vital for our growth process.

We need to make a careful assessment of our long term export prospects bearing in mind the changes in the world economy.

Will new markets open up for us elsewhere in the world? However, aside from this we need to attempt two broad structural alterations to our export composition. Firstly, we need to increase the degree of beneficiation of minerals before exportation as a contribution to employment growth and to assist in advancing our technological capacities. Secondly we need to expand manufactured goods exports. The purpose of this is both to counter a possible decline in mineral exports but again to assist the restructuring process of domestic production. Here we can learn from the strategies of the Pacific rim countries.

The exact role of the State in trade needs to be explored. Does it influence trade through its impact on the domestic economy? Does it influence it through export financing, trade agreements or by setting up a State trading corporation designed to lead changes in trade patterns?

#### Manpower strategies

A manpower policy or strategy can be loosely defined as a conscious attempt to match manpower - both quantitative and qualitative - demand and manpower supply. Given the lead time required to train people such a policy must involve attempts to plan now to meet future demands. This is particularly true if the structure of the labour market is being changed.

At present no such manpower policy of any substance or efficacy exists. In fact the situation is deteriorating as the State abdicates responsibility in this area and hands over to capital. Capital is preoccupied with the short-term goals of lowering their immediate costs in their enterprise. Work done by the NUMSA Training Research and Development Group has highlighted a number of problems in the key industries of metal, engineering and auto assembly. Training is concentrating into a few large companies whilst technical training facilities are inadequate and remain bedevilled by apartheid irrationality. Capital's major attempt to solve this is through modular training schemes. Whilst this is useful for operator upgrading it limits the skill level of artisans trained by these methods.

This may benefit large factories but within the whole economy it is reducing the artisanal cadres. This will be and is a serious obstacle to the expansion of small scale and decentralised production where one artisan is needed rather than a number of upgraded operators.

If training is left to the market and industrialists it will focus on their needs and not those of the wider society. In an economy racked by the legacy of racism this is a particularly serious problem. We also face other distortions where millions of rand are spent on training white engineering cadres only to have a high proportion move into management rather than work as engineers.

We have to prepare now to provide training for high technology and even more important to develop a retraining infrastructure to handle production changes expected in the planned reconstruction of the economy that could result in the need for reemployment.

The responsibility for manpower policy must revert to the State. Where training takes place is a more open question. A combination of technical training facilities and State support for training in the large enterprises can be explored. Neither is it necessary that the State take the responsibility for the detailed training requirements. Management and unions can make a very substantial contribution in this regard provided they work within parameters set down by the State.

### The Educational System

A great deal has been written on the distortions within our educational system that have been wrought by apartheid. The areas of concern and the possible remedies have been explored.

In this section it is the links between education and the wider planning and reconstruction process that will be briefly dealt with.

Our education system has to balance two purposes of that system. The first is the belief that education in the form of literacy, numeracy and a knowledge of one's own society should be a right. The second is that one's education prepares one for a working life. It is not a training for that working life but it is a preparation for that training which is provided for in a manpower strategy.

A policy of compulsory education would further the first purpose of an education system. However, the State's ability to provide for this depends on its resources and the resources depend on the tax base generated by production in

the economy. Furthermore, if those educated cannot be absorbed into employment this will reduce the amount of resources going into education and generate social and political pressures arising out of those frustrated by not being employed.

This point is made because in certain areas there is a belief that more and better education will in itself solve problems of employment and production. This will not be the case if no manpower policy exists and if no investment is taking place. The education system cannot be divorced from manpower and investment policies. A situation where the education system concentrated on the liberal arts and social sciences but manpower policies were trying to train more artisans, technicians and engineers would require expensive adult education programmes to retrain people after they had left formal schooling.

If we are going to move toward more effective usage of technology then we need a greater emphasis on science and numeracy. In the immediate future this will have to include a greatly expanded adult education programme to compensate for the inadequacies of Bantu Education.

### Land

Any post-apartheid government will have to address the land question. Apartheid's most visible form was its brutal segregation of land usage. This greatly exacerbated the legacy of colonial land dispossession by white settlers.

It is clearly not enough to merely open all areas to ownership by all races. This will have a marginal impact on existing land allocation patterns which will prolong the racial divisions.

Work in COSATU has focussed on the position in white capitalist agriculture (an ET paper) and on housing in urban areas (NUMSA Research and Development Group). It is clear that the position in the former is one of a critical debt crisis for many white farmers. This is exacerbated by the State altering its decades old policy of subsidising agricultural borrowing and supporting agricultural prices. By the State now shifting the full costs of production onto white agriculture the effect has been to bring about a debt crisis for overborrowed farmers and to increase agricultural prices.



The position in regard to housing is well known and very critical. By effectively privatising housing but without making sufficient land or infrastructure available the State has placed the developers in the key position. This has had the effect of keeping housing costs high and reducing the number of low cost housing schemes.

However, neither of these problems can be dealt with unless there is clarity on the role of the State in land reforms and an overall conception of how land will be used. Another factor that must dictate land reform and usage approaches is the fact that agricultural prices will have a critical impact on wages and costs in industry. Attempts to generate a low cost - high wage - high employment economy will be negated by rapidly rising agricultural prices resulting from a fall in output. We will have to avoid strengthening one or other of the classic scissor blades in the relationship between agriculture and industry.

Here broad propositions are made. The first step must be a detailed land usage map - both present actual use and potential use. Such a project would have to steer its way through existing vested interests which will attempt to define the most appropriate use for land.

Such a detailed study would allow various categorisations eg. highly productive and in use, potentially productive and not in use for various reasons, potentially usable if supporting infrastructure is provided, ecologically important wet lands, conservation areas etc. The purpose of such categorisations is to provide an overall framework of land use that takes into account broader national goals of production, a fair land allocation, ecological imperatives, conservation and a tourism and recreation strategy. These broader issues can be balanced with local requirements by encouraging local community organisations and allowing them powers of allocation within the broad parameters set by the State.

A second major purpose of such a land use survey would be to plan a development programme both in rural and urban areas. Having identified land usage the appropriate infrastructure can be developed by the State so as to facilitate development in these areas.

What needs to be examined more carefully is a means of the State being able to form large land trusts that will be used to assist develop black, small scale and cooperative

agriculture linked to agri-industry and markets. Such land trusts are also essential in making land available for low cost housing in communities in the urban areas.

In both such developments the State's resources are probably best used in creating training and resource centres that can be used by local communities in their own attempts to develop themselves. In this way the State not only intervenes to effect a fairer land allocation but supports this with infrastructural planning and developmental resource centres.

If the land were constitutionally held by the State but not automatically repossessed from existing users such land strategies would be easier to implement. Consideration could also be given to incorporating the overall land usage framework into a charter governing land use. This would clarify overall policy and allow a broad participation in drawing up the charter.

#### The ownership question

The ownership issue has been left to a late point in this framework because it can only be fruitfully located within the broader social and economic objectives of a programme.

The present attempt - and a not unsuccessful attempt at that - by capital and the media to narrow the whole economic debate to one issue - that of nationalisation - could have been expected. The existing owners of large corporations want to protect their power and income. By mounting an attack on nationalisation and focussing on State ownership they will persuade owners of small scale business and personal non-productive property, both of which are seldom if ever threatened by nationalisation, to defend the political position of big capital. This campaign is now at its most virulent in order to prescribe the parameters of future policy. Cde Mandela's stand on nationalisation was a correct one - we must not retreat from the principle of nationalisation.

However, it is equally the case that we should not allow ourselves to be trapped into the nationalisation, non-nationalisation debate. There are two powerful reasons for avoiding such a trap.

Firstly, it is the overall economic and social programme that is our vital concern if we are to restructure our

society away from poverty and repression. Secondly, there is now a rich body of experience in both capitalist and socialist countries on questions of nationalisation and worker control. Lessons from this experience have to be absorbed. We just cannot afford to remain with the great revolutionary stands taken in 1917 nor with the mobilising stand taken in the Freedom Charter based on experience in 1955.

Let us start with basic propositions that explain why some degree of nationalisation is inevitable in a modern industrial economy.

There are a number of economic activities where private sector corporations will not invest. There can be a number of reasons for this - the costs of collecting revenue can be too high, the initial capital investment required can be too high, or the recovery of the initial outlay can take too long. Over time these configurations have changed as private sector corporations grow in size and technology allows for the possibility of pricing certain products and recovering that price at a relatively low cost.

These factors often mean that the level of investment in certain activities would be too low if left to the market and this will negate certain policy objectives of the State. A post-apartheid South Africa will be a very clear example of this.

If we are to overcome the structural inequalities created by apartheid as a matter of State policy then a number of key areas will have to be nationalised. One of the cornerstones of apartheid was the systematic misallocation of infrastructure away from black people and the areas into which black people were restricted. Electricity, water, transportation networks, telecommunications, health care, welfare facilities, educational facilities and recreation facilities are all woefully absent in black areas. Developing these black areas is imperative if they are not to remain de facto black but are to become part of a more evenly spread and equitable allocation of such infrastructure. As dealt with before such an infrastructural base is also crucial for developmental efforts in those communities.

The market will not carry out such a reallocation because it will be directed at areas of low income. The market will continue to seek out more profitable avenues because it is

incapable of incorporating social and longer term economic benefits into the profit calculus. The State will have to take responsibility for those areas of deprivation if we are to bring about change.

It is in this context that the very damaging nature of present privatisation policies becomes painfully apparent. At present privatisation is being effected where the public sector activity is most potentially profitable to the private sector. This leaves the State with those areas where there is a high element of subsidy and, therefore, a greater burden on the State's fiscal resources. It could be argued that by the State taxing a more efficient private corporation it can still benefit from privatisation and fund the less profitable areas. The argument is dubious for a number of reasons. Much more likely is that the State's long run fiscal burden is being increased or alternatively that the poor will have to look after themselves because no one can do anything about it.

The resource base of a future State is being undercut by present policies. In order to carry out policies to redress inequality in future the State should have control over these key areas - both where they are potentially profitable and where they are not. When we examine the lessons of efficiency of State corporations and issues of full-cost accounting then further arguments favouring this position will emerge.

What emerges from the foregoing are a number of areas where nationalisation should be considered:

- \* as a means of undertaking activities that the private sector will not undertake - education, training, scientific research
- \* as a means of raising the level of investment and directing the allocation of that investment into infrastructural and social consumption products.
- \* as a means of conserving, husbanding and reallocating land and natural resources.

These are all in a sense the classical areas of nationalisation. They are also key areas in implementing a programme within a DPSE.

However, the capitalist and socialist experience referred to earlier must cause us to evaluate conventionally understood notions of nationalisation. Here some initial observations are put forward in each of the three areas identified above.

In the first area in activities such as education, health, welfare, training and scientific development the conventional conception is that these are the responsibility of a government department. This line of thought tends toward a large centrally controlled administrative structure. It is this that should be evaluated. In a country of our size and with the shortage of administrative skills that exists creating such a structure in the short term leads to a low caliber bureaucracy that is rapidly at odds with the country's citizenry.

Serious consideration should be given to the structure of the education system. There is a need to balance two factors. The first is need for a national and unitary system. The second is to reduce the size of the State bureaucracy and make that bureaucracy efficient and responsive to the needs of those providing and receiving education.

The State should concentrate its resources on training educators and providing educational facilities and resources. The administrative running and control of education should be placed more in the hands of PTSA type structures. So a national and unitary system could be achieved by the skill mix educators are trained for and the type of resources provided (either directly or by various differential subsidy formulas) whilst by decentralising administration and control, responsiveness to needs will be allowed for.

To illustrate this line of thought in another area let us take the development of a health system as a possible example. Should a future State establish a national health system administered centrally or explore other alternatives? If the State were to conserve its resources it could develop and upgrade a network of large efficient state hospitals. These will act as training and research and development centres and to deal with those cases that cannot be dealt with by clinics and smaller hospitals.

Around such central hospitals the State could facilitate a network of clinics and smaller day hospitals that would be administered and directed by the local community within certain parameters established by the State. The State would assist this network in many ways including financial. However, such a division of responsibilities has a number of advantages in reducing the administrative responsibilities

of the central State and making local facilities more responsive to local needs. It also allows the State to marginal resources into a highly effective facilitating role rather than spread scarce resources through a widespread and under resourced bureaucratic structure. As will be explored more fully in a later section it is necessary to release the energies and innovative capacities of ordinary citizens through the establishment of decentralised democratic structures. This allows the State to out-compete the private sector and impose a certain pattern of health care rather than attempt to achieve this through a large bureaucracy.

In the second area, namely infrastructure and social consumption, the State will have to play a more direct role and the resources required are considerable. To make best use of available resources the development of infrastructure must take place within the framework of a coherent set of strategies on land use and related to the investment / employment strategy discussed earlier. In addition to the rationality of such an approach there is another very important reason for it. This is a set of factors around the management and control of public sector activities and corporations which are well illustrated by Soviet reforms around full cost accounting. This will be dealt with more fully below.

In the third area, conserving resources, a number of considerations and possibilities emerge. In earlier sections of investment / employment, the balance of payments and land it was apparent that coherent policies need to apply to land and natural resources. If both of these are left entirely in private ownership and are located only within market forces then such policies will be very difficult to achieve. In attempting to achieve these policies a large body of regulatory legislation will have to be developed and policed by a sufficiently large bureaucracy.

An alternative approach needs to be explored. As indicated earlier the most effective means of the State gaining control over land and natural resource usage would be for the State to constitutionally own such assets. This would open the way to more complex ownership structures since such a constitutional step need not be followed by the State exercising its right of ownership immediately.

It could do this in certain areas by forming land trusts. In other areas such as mineral exploitation it could effect its policy objectives through lease back arrangements (which

could embody compensation) to existing owners. Both measures must occur within the framework of clearly stated objectives and parameters. This latter is essential since it allows a different form of policing of policy to take place and that is by the organised participants in production and land usage. Again the thrust is toward decentralising central State responsibilities. The possible means of formulating such objectives and parameters will be explored in the final section.

Before dealing with other parts of the public sector we need to deal with the full cost accounting problematic because it is of considerable significance to our conceptions of public or State ownership.

This problematic emerged most clearly in the Soviet administratively planned economy. However, it has parallels even here in South Africa. The cost structure of the Soviet enterprise was determined by an increasingly convoluted combination of administrative and economic forces. The enterprise was required to cover operating costs as defined by this process but usage of surplus and investment decisions were dealt with administratively. The effect was that the enterprise did not look to its own activities to cover operating costs and capital expenditure because it was not in control of surplus generated nor of its sourcing policies. This in turn had the effect of making the enterprise less responsive to consumer demand and technologically induced supply changes because it had no real economic incentive to do so. Wholesale prices, sourcing policy, wage levels, investment policy and the long term existence of the enterprise were all controlled by an external administrative agency in the form of the central State.

Whilst this mechanism facilitated the administratively induced expansion of the productive base it proved far too cumbersome as a means of increasing productivity, improving product quality, making use of available technology, and raising the standard of living.

Full cost accounting is, therefore, seen as a means of introducing economic incentives to correct these problems. However this does not mean a reversion to market forces as the sole source of economic incentive through the profit motive. The State by a planned and pervasive intervention in the economy will set the parameters within which economic incentives will emerge. Such State intervention also sets

the parameters within which the market forces will operate. However, the State intervention will attempt to minimise - not eliminate - its administrative intervention and maximise its economic interventions.

The Soviet experience (and that in other socialist countries) elucidates new possibilities in public ownership. A similar problematic has been experienced in South Africa. Our parastatals were developed for particular policy purposes. Up until relatively recently their budgets were handled as part of the central State budget. This in effect meant that investment policy and the economic security of the enterprise was dealt with administratively by the State. This in turn has the adverse affects on efficiency, responsiveness and managerial style outlined above.

When Iscor, the Post Office, Escom and now SATS changed the basis of their operations then they became attractive and feasible possibilities for the State's short-sighted privatisation policy.

The lesson is clear and that is that State ownership does not have to be inefficient. Examples in the capitalist world of effective State corporations abound. Full cost accounting provides economic incentives that generate a responsiveness and efficiency in a corporation that is healthy. Public ownership combined with this form of accountability can best achieve broader social objectives. So in cases such as electricity supply, transportation networks, health etc the cost benefit calculation will embrace a wider range of benefits than that based on a market determined profit calculus. However, such a cost benefit calculation is only feasible if clear objectives are set within a coherent framework.

This approach to State corporations opens other possibilities that have to be explored more fully in restructuring the economy. These are corporations that need not fall into the three conventional areas of nationalisation outlined above. In earlier sections possibilities of State corporations involved in research, development and marketing of new technology and its products were canvassed. Such corporations would be based on certain advantages that a State corporation could have based on its access to funds, its attitude to its rate of return and possibly most important its special political links to organised institutions in civil society. By using such advantages to forge new low cost, high-tech - low-tech



combination products such State corporations can shape the product mix and pricing structures of the private sector corporations by competing with them on the open market.

The concept is not totally alien to South Africa - the IDC (and other development corporations) Sasol, Sentrachem, Escom, ADE are all variants of such possibilities. Areas for possible consideration are housing developments, consumer durables, transportation equipment, agricultural equipment, educational equipment and small scale capital equipment associated with particular means of providing infrastructure. Such ventures need not only be State corporations but also partnerships between State and capital again a variant well understood in South Africa.

The range of interventions by the State in the economy is not confined to nationalisation and legislation only. Neither does public ownership have to be synonymous with bureaucracy and inefficiency as a great deal of experience shows.

#### Worker Control

By narrowing the debate to nationalisation and constricting this to the question of State ownership we are not exploring many other very important possibilities. Furthermore by narrowing the debate in this way we are obscuring another equally important debate on the questions of worker control, collective ownership and worker rights.

It is the stated policy objective of COSATU and its affiliates that they seek worker control of the economy. What does this mean - particularly in the context of the discussion so far? One starting point is to say that worker control needs nationalisation to be effected. This in turn was based on the argument that the State was a worker State. The Stalinist formulation of this was the Communist Party represented the working class, the Communist Party controlled the State, the State owned the means of production, therefore the workers controlled the means of production. Such a formulation also removed any tension between the centrally administered plan and the notion of worker control at the point of production. As Cde Slovo has recently pointed out it was the conflation of the party and the State and the party and the working class that led to a situation which had insufficient worker participation let alone control and no vital democratic processes.

It is now reasonably clear from this experience that it is important to draw conceptual distinctions between working class domination of the State - the dictatorship of the proletariat - worker control of production enterprises and workers rights in production.

The first involves the nature of the State and the structure of the democratic process. We shall return to this in a later section.

The second area is more complex than at first sight. Workers as a collective may own a particular enterprise and in this sense they will be in control of those means of production. However, if that enterprise then operates within market forces that are dominant in that economy worker control in a particular enterprise may have no link at all with the wider interests of the working class. Yugoslavia probably provides a case in point of this kind of democracy. Equally as indicated on a few occasions previously an administrative planning process that prevents full cost accounting also restricts worker control within an enterprise to control over certain functions in that enterprise. Again this means that there is no automatic link between worker control at enterprise level and the interests of the wider working class.

Workers rights are often seen in one of two contexts - firstly in capitalist economies where they are rights in relation to capitalist owners or in socialist economies where the State has been the main vehicle for protecting workers rights. However, we need to conceive of workers rights in a wider context. Workers as producers have rights to protect their interests to avoid being exploited by employers, managerial practice, the State and other sectors of society.

To take an example - a workers controlled enterprise could be compelled by the State to supply at very low prices, whilst being squeezed by agricultural suppliers with higher prices (one of the forms taken by the scissors crises in the USSR in the early 1920's) Do workers have rights to take action to redress such pressure?

The answer to the working class being dominant in a society must lie in a particular configuration of these three concepts. A political process within a democratic State that allows the representatives of the working class to dominate government but not only government also other institutions.

of civil society. Worker control of production enterprises within the parameters set by a social plan rather than by market forces alone and workers rights to represent their interests as workers.

Workers control is, therefore, a complex issue that requires us to address the nature of the State, the economic system and worker rights. The SACP workers charter draft does attempt to link these issues and it is clear that COSATU's own campaign is moving in that direction.

However, having located worker control in this wider context it is clear that collective ownership of one or other sort is an essential requirement although not a guarantee of worker control. There must therefore be a position taken towards collective ownership.

There are a number of reasons why our thinking has to go beyond State ownership (nationalisation) into concepts of collective ownership. Many of these reasons have been canvassed already.

If a reconstruction programme is to be based on a coherent planning framework then this plan will be implemented largely by economic incentives which will be more effective if there has been worker participation in formulating the objectives and then in implementing the plan. This opens the way for collective ownership both as a means of planning and as a component of democracy.

In small scale enterprises, the service sector and agriculture there are also compelling reasons to favour collective ownership in the form of cooperatives or in the form of work collectives of various forms. Such collective ownership will tend to favour employment creation and it will mediate the excessively exploitative relationships that generally develop in small individually owned enterprises as they compete for a share of the market.

At present in South Africa no accessible and effective legal form exists for collective ownership outside of partnership agreements and agricultural marketing coops. For the reasons dealt with the State should support a move to collective ownership. In any event organised workers and the rural poor are increasingly pushing for a greater degree of collective endeavour and ownership. For the reasons we have examined the path to collective ownership cannot be achieved by a governmental decree declaring enterprises to be

collectively owned.

However, for the State to legislate to enable collective ownership and to provide a supportive infrastructure for this in both urban and rural areas is another matter and should be a policy direction. Such moves toward collective ownership located within the parameters of a plan and in the context of worker rights being well protected then places worker control in the hands of the working class which is where it should be.

#### Ownership forms

In summary then it is clear that a discussion on whether the State should or should not own productive enterprises is misplaced and so simplistic as to be virtually useless. A more serious examination of the issue leads to a more complex picture emerging. In broad terms the position that will emerge is not dissimilar to that outlined in the Constitutional Guidelines and neither is it the negation of all existing institutions but it is a restructuring of the present situation that is substantial and decisive. A range of ownership forms would emerge - some of these would be new to the South African situation. The key mechanisms for the State to bring about such a restructuring of ownership would be the constitutionally established ownership of all natural resources by the State and the introduction of legislation to create and facilitate new ownership forms, in particular collective ownership forms.

Three broad ownership sectors would emerge - public, cooperative and private - where the general distinguishing differences would be based on the form of ownership and the obligations that owners have to the State. The position could be summarised as follows:

The public sector:- possibly the more important criteria here is the obligation to the State that would go beyond payment of tax and compliance with legislation. These obligations would essentially be in regard to the implementation of policy objectives and could include production obligations, expenditure obligations and limitations on resource usage and the sale of assets. In addition ownership in the public sector would be collective in a number of ways. The following is an illustrative rather than an exhaustive breakdown.

\* State facilities where the State is the juridical owner eg administration, health, education, welfare etc.

- \* State corporations where the assets are owned by the State but they operate on full cost accounting procedures eg electricity, water telecommunications, transportation, development bank, housing corporations etc and compete with the private sector.
- \* Enterprises that are required to meet specified State obligations eg
  - State lease-back of natural resources in terms of specified agreements
  - State-enterprise agreements in the area of multinational investment
  - State-enterprise agreements in strategic industries.
 In effect ownership here is prescribed by an agreement with the State that requires the enterprise to meet certain obligations. This agreement could be with a capitalist enterprise or a worker owned enterprise. Given the policy objectives such arrangements are trying to achieve, it would be in the State's interests to facilitate worker controlled enterprises as they are less likely to see the obligations as being an interference with ownership rights to the extent that a capitalist enterprise would.

The co-operative sector:- this sector would be characterised by collective ownership but its obligations to the State would be in the form of tax and to abide by legislation. Again it would be in the State's interest to facilitate such a sector because of its employment effects and its mediating effect on exploitative employment practices.

The private sector:- this would be a sector characterised by capitalist ownership forms and where the obligations to the State would be in the form of tax and abiding by legislation.

Finally under this section there is a distinction between ownership and managerial and work practices. These latter two areas would be more participatory and democratic through a combination of rights contained in a Workers Charter and through the strength of worker organisation.

### The State

It is not the purpose of this paper to enter into detailed discussions on the constitutional and institutional structure of a future South Africa. However, in order to effect a programme for a DPSE the State will have to have certain political and institutional features.

In reflecting on the planned reconstruction of a post-apartheid economy in South Africa that has been explored above it is clear that the success of this endeavour depends on certain key issues.

Firstly, a coherent plan in certain strategic areas of the economy. This plan would be implemented largely through economic incentives rather than administrative control. Such a plan would rely heavily on the organised formations of our people to implement and monitor the direction of the plan. This in turn will be more successful if there has been full participation in formulating the plan by the same organised formations.

Secondly, the State's intervention would not be pervasive but its scarce resources would be carefully marshalled in order to make strategically selected powerful and effective interventions. The purpose of those interventions would be to achieve a restructuring of the economy within a coherent framework. These interventions would assume a number of different forms as outlined in earlier sections.

These two projected developments have a very significant implication for our conception of the State. The implication is a movement away from a statist conception of the State to a more disaggregated conception of the functions of a State. In many of the strategic areas looked at above the proposals were not that the State should take all responsibility for providing and administering social services but that it should facilitate the development of services and economic activity within the wider society.

Such a direction is only possible if civil society is organised and capable of absorbing functions and activities of the State as normally conceived. In effect the State is being disaggregated into centralised State activities, the direct organs of government and into organised institutions of civil society.

In part this is the disaggregation of powers between central, regional and local government. What is being argued is for a strengthening of local government structures. However, we should explore strengthening other less developed organs of civil society. One area addressed in earlier sections were the unions. It is clear that they would have to play a very much greater role in the formulation and implementation of economic policy within

industry. Two other key areas suggest themselves in addition to local government or civics and unions. The one is structures within the educational institutions and those within rural areas (in a form of rural civic).

In a very early section we explored the dangers for democracy, planning and social awareness of situations where either organs of civil society were virtually non-existent or where such organs were effectively organs of government and the political party in power. These dangers point to a greater constitutional protection of those structures.

What needs to be explored is whether protection lies within the Constitution or whether it lies in a separate form of charter-based legislation that lies between the constitution and legislation. In a society that is restructuring and attempting to deal with the discriminatory effects of racism the latter option may be a more flexible form of protection. This would also allow for more detailed consideration of the key discriminatory mechanisms around race and gender in our society. By placing such protection in charters that cannot be changed by the government of the day and which will set the direction and parameters of legislation the effect may be more lasting.

### Conclusion

The overall effect of the many proposals and measures outlined - if successful - would have a revolutionary impact on our society. There is no doubt that such a revolutionary restructuring of our society is what is necessary if we are to build a prosperous, democratic and stable future. However, this restructuring is achieved by the coherent nature of the State interventions. Looking at each measure in itself shows that the restructuring is based on building on what already exists and using institutions and concepts that already exist in our society. Many of the State interventions proposed are modifications and strengthening of forms of intervention already used in our economy or used up until very recently. What changes is the purpose and significance of the intervention.

This is important because if the purpose and form of State intervention is explained carefully and its relationship to existing practices carefully explained then we may be able to win a very wide base of support for such measures. Furthermore, in proposing the strengthening of organs of civil society and what role they will play we allay fears of

statism that exist.

To be able to explicate our programme and its relationship to present practice more research needs to be done. However, a relatively clear programme of research can be devised out of this programme.

Finally the implementation of such a programme will require a strong political leadership and a strong State both in its governmental aspects and within the organs of civil society. Our priority is, therefore, to strengthen our political organisations - the ANC and SACP - and to strengthen organs of civil society - the unions, civics, rural organisation and education.

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