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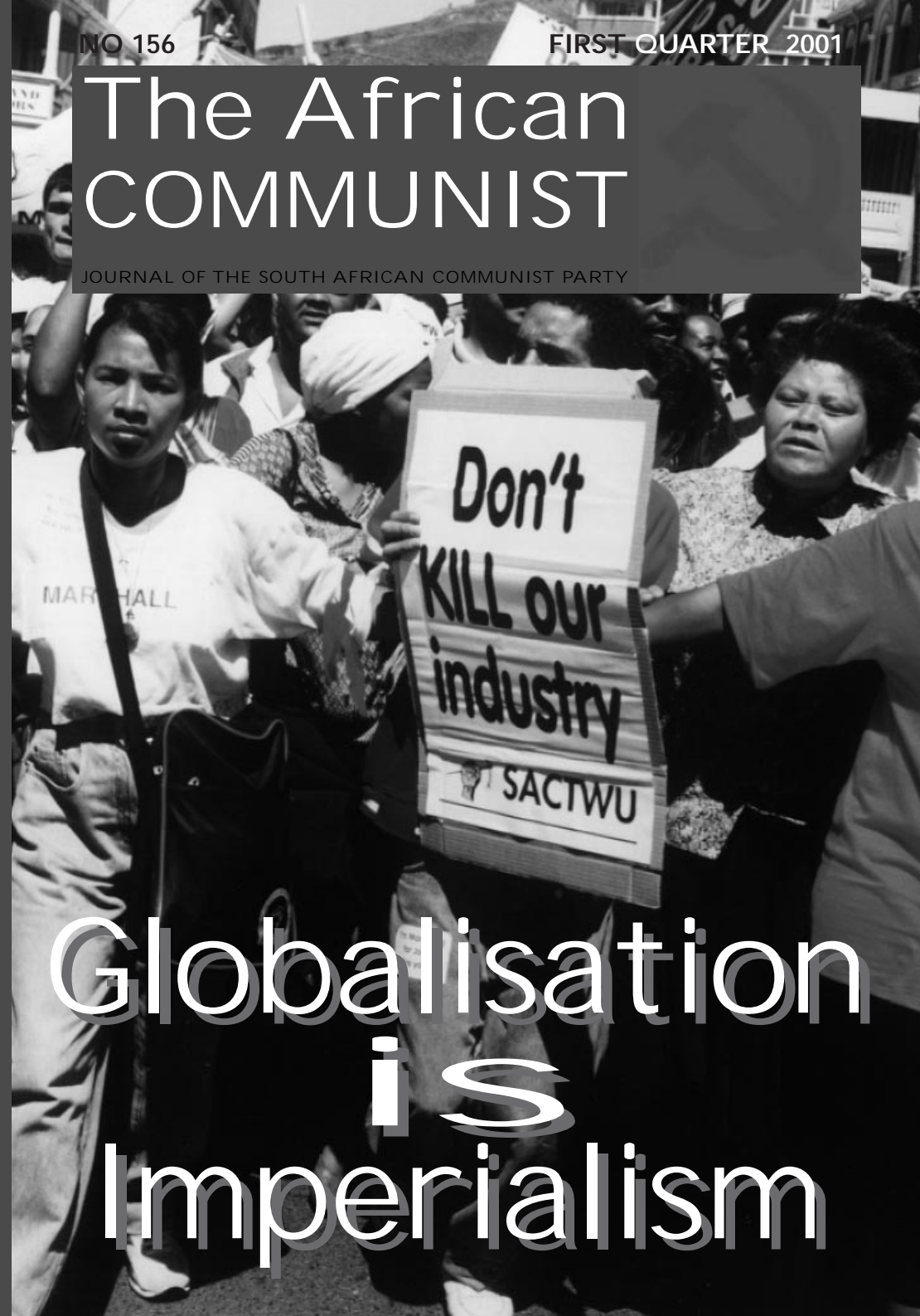
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Globalisation is Imperialism

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Editorial

We are now well and truly in the midst of the hardest part of the South African democratic transition. Our liberation movement's mass support, confirmed amongst other things in electoral landslide victories in 1994, 1999 and now, again, in local government elections in December 2000, remains the bedrock on which the democratic revolution has to be taken forward. But advancing, deepening and defending the democratic breakthrough occurs on a complicated and often unfavourable terrain.

Consistently, through the 1990s, the SACP has sought to warn against unrealistic assumptions about the international context. It is true that, to a certain and perhaps limited extent, the South African liberation movement benefited from some of the post-Cold War realities. Back in February 1990, apartheid president FW De Klerk explicitly referred to these factors. Announcing the unbanning of the ANC and especially the SACP, De Klerk, admitted that what, from his point of view, made this possible was the imminent demise of the Soviet Union and the bloc of socialist forces in Eastern Europe. 'Communism no longer poses a threat', he announced triumphantly – so he could now 'afford' to play at being a democrat!

Given the new global power balance, the democratic victory of our liberation movement has not been challenged by a hard-nosed, imperialist, counter-revolutionary destabilisation conspiracy of the kind that was unleashed against Salvador Allende's democratically elected presidency in Chile in the early 1970s, for instance. This is partially a

testament to the powerful support the ANC enjoys within our country, and the fragmentation (until recently) of internal opposition forces. It is also a testament to the persisting strength and good-will built up over decades by anti-apartheid forces in the developed world. But the fact that we have not had to face a hard-nosed, externally manipulated, armed destabilisation agenda is also crucially related to the relatively unipolar global balance of forces. The fact that third world democratic projects are less often confronted with Cold War anti-communist crusades (although just such a crusade persists against Cuba) does not mean that powerful global forces have nothing but good intentions in mind for countries like South Africa.

In this issue, the Political Report presented to the Central Committee meeting of February 2001, by general secretary, cde Blade Nzimande, and the article 'The myth of sound fundamentals: South Africa and the global economic crisis', by John Pape, both remind us that imperialism remains imperialist. Driven by its own internal, structural contradictions, imperialism ceaselessly seeks to extend its domination of the globe. This domination constantly reproduces structural inequalities, deepens the divide between rich and poor in the north, and the gulf between the majority of the societies of the South and the North.

This is the dominant context in which we are seeking to advance, deepen and defend our democratic gains. Through the 1990s the SACP has sought to warn against naïve readings of the new global situation. We have sought to

temper claims about a 'global consensus on democracy', or unrealistic expectations about the possibilities of reforming the global economic and trading regime. These are among the themes that the SACP took up once more in our recent bilateral with the ANC, and they are reflected in the document we tabled at that meeting, which is published in this issue of the AC.

However, despite the strength of powerful transnational corporations, it is possible to challenge their agenda, and even to notch up victories. Nothing illustrates this better than our recent victory against 39 international pharmaceutical companies. This victory underlines the imperative of uniting the widest range of progressive forces ñ government, parliament, mass formations, AIDS campaign structures within our country, and progressive NGOs, governments and popular forces internationally. Faced with an unprecedented array of such forces, the pharmaceutical companies have beaten a hasty and embarrassing retreat, abandoning their court action to block legislation designed to enable South Africa to import cheaper medicines into our country. However, like any victory in these circumstances, it remains partial, and ongoing vigilance and mobilisation are required.

However, the challenges confronting the democratic revolution in South Africa are not just external challenges. Or rather, these external challenges also impact upon our own society and our own movement, and this impact creates its own complexities. In the coming months the SACP intends to pay particular attention to the fostering of unity within our liberation movement. As the Party observes in its input to the ANC/SACP

bilateral, the strategic value of 'black economic empowerment' remains under-theorised, and often vague.

The SACP, obviously, supports the idea of black economic empowerment, provided it is understood to mean the empowerment of millions and millions of historically oppressed, exploited and marginalized South Africans. For the SACP, BEE is about ensuring that rural communities have access to safe drinking water, that township dwellers are provided with safe, affordable and comfortable public transport, that there is massive job creation, and that workers enjoy effective rights in their places of work. However, as we all know, all too often BEE is confined to the creation of a new capitalist and managerial elite.

Insofar as there is a bourgeoisie in South Africa, there is no earthly reason why it should remain white and male, but classes and strata of classes do not just emerge out of thin air. The SACP believes that the time has come for a much more robust analysis of just how an emergent black bourgeois stratum is being formed. What accumulation processes are permitting this development? Is it the plundering of public resources, and the parasitic use of political power? Is it through manipulative arrangements from the side of white capitalists, arrangements that are designed to pre-empt and divert attempts to secure genuine economic empowerment of the majority?

And, above all, what is the impact upon the unity, discipline and revolutionary morality of our movement of all of these phenomena? In the SACP bilateral input we begin to raise some of these questions. In the coming months we intend to pursue these questions in greater depth. ♪

Draft theses on some key strategic issues and considerations in the current international conjuncture



This document was the Political Report submitted by the SACP General Secretary, Blade Nzimande, to the SACP Central Committee meeting of February 2001.

The main aim is to reflect on the current international situation from the vantage point of the SACP's work over the last decade since the collapse of the Soviet bloc socialist countries and to identify key challenges and priorities for the SACP in the next decade.

In undertaking this assessment it is important that we be guided by our 10th Congress Party programme, which in itself is a very rich document and a reflection of our experiences towards the end of the last decade. Obviously our entry point is on globalisation. Amongst other things our 10th Congress Party Programme states that:

"From its launch in 1921, the Communist Party in South Africa has committed itself to an internationalist perspective. We have always sought to understand the interconnectedness of our own struggle with socialist, work-

ing class, democratic and liberation struggles around the world... The SACP is today convinced that internationalism is more relevant than ever before... A strategic understanding of present international forces is central to developing a clear programme for the South African transformation struggle" (p.19)

It is even more critical that we use this year - our 80th anniversary year - to reflect systematically on the current international situation, within the framework of our commitment to international solidarity. This discussion is also necessary as part of our reflection on international work we have done over the last few years. Since our 10th Congress, our extensive international work has not decreased, but in many ways has increased. This is also due to the increasing activities showing positive signs of renewal in international communist and socialist organisation, after a

decade of uncertainty in the wake of the collapse of the Soviet Union.

As we have noted before, the 1990s have ended on a note quite different from that on which they began. Within a decade we have travelled from capitalist triumphalism to the WTO Seattle Round. Whilst capitalism remains, by far, the hegemonic system internationally and within our continent and country, its untrammelled domination is meeting with opposition. As capitalist globalisation deepens, so is poverty. In this past decade alone eighty countries have become poorer than at the beginning of the 1990s, despite all claims of the superiority of the “free market”.

These theses therefore also aim to survey some of the critical questions and challenges thrown up by the contemporary global realities, as well as an attempt to nuance some of our own positions on these critical questions.

Six Theses on Capitalist Globalisation

We have decided to contextualise our discussion on strategic challenges in the international conjuncture by putting these in the form of theses on capitalist globalisation. The presentation is deliberately structured in a polemical way in order to force us to critically reflect on and appraise the correctness of some of our own assumptions about globalisation, as well as to highlight some of the myths about globalisation. It is possible that these theses might not be about globalisation per se, but perhaps more about globalisation and the nation-state. This is an issue that in any case is very important in our struggles for transformation and the choices available to us

as a country to drive a progressive development agenda.

Theses 1 - Globalisation is Imperialism

Whilst this may sound obvious, it is important to restate our understanding of globalisation as imperialism. There are a number of reasons why we should re-assert this perspective as an entry point to this discussion. As the dominance of capitalist globalisation deepens together with its neo-liberal ideology, the term “globalisation” is increasingly being understood, consciously or unconsciously, as a neutral, objective, inevitable phenomenon that has got both good and bad features. In this argument, all we have to do is to seek the best possible terms of incorporation for developing countries, as well as seek to exploit the good features of globalisation and seek to overcome its bad features. This argument is also to be found within our own movement thus shaping the manner in which we seek to engage with the current global realities.

The most problematic version of this argument is that which seeks to use Marxism, particularly the Communist Manifesto, to justify globalisation as an inevitable, objective process of capitalist development. One version of this argument is that Marx and Engels did say that capitalism had to develop to the full before it can be destroyed, therefore to seek to prematurely challenge it is the worst form of voluntarism. Thus those who seek to challenge the logic of capitalist globalisation are normally dismissed as “unrealistic”, “infantile”, “ultra-left” and not understanding the contemporary realities that we face.

Apart from the obvious vulgarisation of Marx, Engels and Lenin by the above latter argument, there are a number of other serious weaknesses in it. This argument essentially enjoins us not to wage a struggle against capitalism and imperialism, but rather to seek the best possible terms of incorporation under the present international economic order. This argument emphasises only one side of Marxism, that of its analysis of the economic logic and development of capitalism, and expunges the other more critical dimension - and in fact the core of Marxism - which is the waging of class struggle. This is tantamount to unilateral ideological disarmament that, in the light of the collapse of Eastern European socialism, Cde Slovo so strongly warned against in his pamphlet - “*Has Socialism Failed?*”

Globalisation is both an objective and a subjective process. It is a logical development of a particular form of human practices - capitalism and capital accumulation. To emphasise only its objective character, as vulgar Marxism does, leads to the disarming of forces wanting to challenge capitalist globalisation. To emphasise only the subjective character of globalisation is infantile. Both positions are unMarxist.

Our starting point in understanding the contemporary global realities should still be Lenin’s analysis and understanding of imperialism. According to Lenin, at its barest economic form:

“Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed.”¹

With regard to the most important feature of imperialism, finance capital, and the political implications of its dominance, Lenin had this to say

“Finance capital is such a great, such a decisive, you might say, force in all economic and in all international relations that it is capable of subjecting, and actually does subject, to itself even states enjoying the fullest political independence... Of course finance capital finds most “convenient”, and derives the greatest profit from, a form of subjection which involves the loss of political independence of the subjected countries and peoples.”²

Indeed to refer to Lenin is not to be blind to the massive changes that have taken place since Lenin wrote these words. But Lenin’s characterisation of imperialism highlights the fact that what we today refer to as globalisation is a quantitative and qualitative development and growth of imperialism. What the vulgar “Marxists” in essence seek to do is to strip capitalist globalisation of its imperialist content and foundation. They seek to project that the marginalisation and poverty in Africa as



more of an aberration or the “bad side” of globalisation that can be corrected only through persuasion and appeal to human rationality, thus expunging the need for an anti-imperialist struggle. For example, what this means is that the all-important struggle for an African Renaissance is essentially an anti-imperialist struggle that requires a collective solidarity and challenge to neo-liberalism and the stranglehold of the North over our continent. At the end this argument reinforces the notion that very little can be done other than to tailor policies of developing countries to the current vogue of neo-liberalism.

Sometimes it is said that to point out the imperialist character of globalisation is to fail to understand or is to resist engagement with globalisation. Nothing could be further from the truth. To engage capitalist globalisation from an understanding that such engagement has to be informed by an anti-imperialist approach is a far more realistic approach than that which seeks to de-emphasise imperialism. As the SACP has consistently said, to engage with global realities without a sufficient analysis of its capitalist character is bound to lead to a lot of problems.

Theses 2 - Globalisation is the simultaneous integration and marginalisation of developing countries

The one defining feature of imperialism is that of forever drawing all the coun-

tries of the world into its economic orbit, but under terms and conditions that favour the advanced capitalist countries at the expense of developing countries. This constitutes one of the major contradictions of globalisation. This simultaneous integration and marginalisation captures the reality that to be integrated does not in itself translate to benefits for the developing world, precisely because of the imperialist and capitalist character of globalisation. Integration also means the narrowing of progressive developmental options for the developing countries - thus having no choice to experiment with developmental programmes beneficial to their people. It is therefore incorrect to assume that to be integrated into globalisation comes with benefits.

The struggle for an African Renaissance is essentially an anti-imperialist struggle that requires a collective solidarity and challenge to neo-liberalism and the stranglehold of the North over our continent.

The most significant expression of this phenomenon of simultaneous integration and marginalisation are the structural adjustment programmes (SAPs) imposed by the IMF and World Bank on developing countries. In essence the prescriptions of SAPs aim at opening the developing world to the profit-seeking activities of the transnational corporations through liberalisation, privatisation and deregulation. These programmes have nothing to do with addressing the socio-economic needs of the majority of the population in these countries. In essence, developing countries are integrated through marginalisation, because their location at the periphery is both a cause and an out-

come of the imperialist nature of capitalism. The converse is also true, that developing countries are marginalized through the processes of integration into global capitalism, as their integration makes them dependent on the prescriptions of the international economic order.

This thesis is also important in highlighting and exposing another myth that we as a country are seeking to be integrated differently, when we are in fact already integrated through marginalisation. This further highlights the importance of collective struggle with other developing countries in order to challenge the very logic of imperialism in the current period. This is also important to challenge neo-liberalism, which strangely enough shares the same view as vulgar Marxism, that marginalisation is as a result of failure of countries to create conditions and the correct “signals” for full integration into capitalist globalisation. It is for this reason that the neo-liberal prescriptions simultaneously deepen integration and marginalisation. The faster the developing countries are integrated - opening their economies up - the deeper they are marginalised. This is even more acute for the African continent as shown by 20 years of SAPs.

The process of simultaneous integration and marginalisation throws many developing countries into an even deeper cycle of contradictions. The more they open their economies, not only do they get marginalised from the mainstream global economic benefits - “top-down” marginalisation, but the governments in those countries also get marginalised from their masses - a “bottom-up” marginalisation. The Zimbabwean

case is a classic example of this phenomenon of simultaneous integration and marginalisation from both the mainstream global economy as well as from its populace, as a direct result of the effects of SAPs.

Theses 3 - Globalisation simultaneously weakens and strengthens the contemporary nation-state: The myth and reality of “good governance”

Although it is true that, overall, globalisation weakens the contemporary nation-state, but this thesis needs to be nuanced in order to properly grasp the effects of globalisation on the nation-state as well as the challenges facing communist and socialist forces internationally.

One of the main arguments of what we referred to above as vulgar Marxism as well as neo-liberalism is that there is very little that the contemporary nation state can do on its own to forge a progressive development agenda other than to re-orient itself to the imperatives of globalisation. Our starting point is that the nation-state still remains an important site and instrument for waging an anti-imperialist struggle as well as to forge international solidarity of progressive forces. Even more important the nation-state still remains an important site for the mass mobilisation of the people to struggle for a just world order.

What does this thesis mean? It is incorrect to simply say globalisation weakens nation-states, true as this might be, without at the same time recognising that developed countries are weakened, if at all, differently to

developing countries. Globalisation in fact is in many ways strengthening the US nation-state as a global super-power, particularly in the military and political spheres. Indeed the end of the Cold War and the growth of other regional economic centres like the EU and South East Asia do pose a threat to US economic dominance globally. Despite this there is no way in which the US nation-state can be said to be weakened by globalisation in the same way as the Mozambican state. This is one dimension of our thesis that globalisation simultaneously weakens and strengthens the contemporary nation-state.

The other dimension of this thesis is more of an internal dynamic. Whilst on the whole, globalisation does weaken the nation-state, particularly in developing countries, we must at the same time not overlook the fact that certain aspects of the nation state need to be strengthened in order to drive a neo-liberal programme. Much as globalisation does weaken the nation-state - in particular the post-colonial state in developing countries - we must not lose sight of the actual reasons for this weakening nor the fact that certain functions of the state are actually strengthened by globalisation.

Globalisation weakens in the main the developmental role of the state in economic development, whilst strengthening its regulatory, and in many cases, repressive functions in order to drive a neo-liberal programme. Precisely because neo-liberal measures almost always lead to popular resistance, it is necessary for the repressive apparatuses of the state to be strengthened in order to deal with such resistance. In many cases, therefore, the weakening of the

state is not only due to the pressures of globalisation from above, but also due to the pressures from below as a neo-liberalising state loses its mass appeal. The Zimbabwean case is again a good example of this phenomenon. Neo-liberal programmes, without exception, are always driven from above and never really involve popular participation or popular endorsement. It is for this reason that our own movement needs to be very careful about brandishing notions of "government must govern" - as basic as this is - particularly if this is used as a substitute for effective alliance consultation and popular participation by our people in key strategic and policy choices made by government.

Whilst the state is being rolled back in driving economic programmes beneficial to the mass of the people, its regulatory capacity to oversee this process tends to be strengthened, and this is normally referred to as "good governance". This "good governance" essentially means developing and rigorously monitoring rules and regulations aimed at ensuring that private capital and capitalist accumulation processes flourish. Of course no one would be against "good governance" provided it means popular participation and responding to the mandate of the people in one's own country as the first priority, and as the point of departure in engaging the current global realities.

"Good governance" has come to mean in effect, the imprisonment of states by the financial markets. It means the re-orientation of the state to respond to the whims of international financial markets. "Good governance" means the creation of the conditions for private capital to have predictability for its opera-

tions ("transparency"), but insulated from the aspirations of the mass of the people of our countries. It means governing on behalf of transnational corporations. "Good governance" means creating open rules for the sale of the essential state assets to the highest transnational bidder. It means outsourcing, through the characterisation of the most essential services for the poor - schools and hospitals, water provision, road construction, electricity generation, etc - as "non-core" functions, so that the "core business" of the state becomes presiding over the abandonment of the interests of the overwhelming majority of its populace!

"Good governance", in contemporary neo-liberal discourse, means mortgaging the hard-won assets of the peoples of the developing world to private and foreign interests. In essence it means the rolling back of the victories of the national liberation struggles, sacrificing the interests of the people on the altar of neo-liberal expediency without a fight and a permanent postponement of the struggle for socialism! It means fostering ideas of "international best practice" but in essence being "local worst practice" (from the point of view of meeting the needs of the people), as well as creating "world class" cities, "world class" universities, "world class" managerial practices and "world class" norms, but with sub-human standards for the local population! "Good governance" means privileging the interests of private capital over those of the social needs of the population under the guise of "realism" and "understanding the broader picture". It

means transforming the nation-state to serve the interests of the capitalist class under the pretext of "engaging capital". It means the complete neo-liberalisation of the nation-state in the developing world!

In short, the notion that globalisation weakens the nation-state also does not adequately take into account the

fact that globalisation actually transforms rather than weakens the nation-state per se. It transforms the nation-state from being a potential custodian of the interests of the mass of the people, into being an instrument for implementing and policing neo-liberal policies. It is in this transformation of the nation-

state that its weakening takes place. The major ideological instrument in the transformation of the nation-state under globalisation is to be found in the seemingly objective and scientific discourse of "core" and "non-core" business. The distinction as well as the dialectical relationship between transformation and weakening is a very important one in order to fully grasp the effects of globalisation on the nation-state as will become clearer below. Robert Bates and Anne Krueger, in a study of structural adjustment, make this important observation, which is well worth engaging:

... economic policy reforms are not "anti-state"; rather, they appear to strengthen the powers of the core of the state, the executive branch, and to enhance its control over key economic policy variables which affect the outcome of economic activity...; the expansion of the role of markets requires a strengthening of the state and especially of its financial bureaucracy"³

Is an African Renaissance possible without waging an anti-imperialist struggle on the continent?

Thesis 4 - Engaging private capital - necessary as it is - is neither the starting point nor does it inevitably translate into privatisation

The reality of capitalist globalisation is the dominance of private capital in the form of transnational corporations that dominate almost the entire globe. No serious revolutionary can afford to ignore this reality, or fail to adequately strategise on how to deal with it. But there are a number of myths and problematic notions that are being peddled as a result of this reality, which are seriously flawed.

If there is one persistent criticism of our Party, both from inside and outside our movement, it is that we have not adequately answered the question of how to engage private capital in the contemporary period. Yet our 2000 Strategy Conference gave the most comprehensive answer and way forward on this question. But it is wrong to ask the question this way. Our starting point as revolutionaries cannot be how to engage private capital. Rather the starting point - as the SACP has consistently argued - is what kind of a state do we need to build. We have said we are struggling to build a developmental state, with a coherent industrial policy, that should play a leading role in driving a reconstruction and development

Given that imperial conquest and colonisation fundamentally shaped the national question, and that globalisation reinforces and reproduces economic and other inequalities, and a further subjugation of the post-colonial societies, the resolution of the national question is severely undermined by imperialism in its current phase.

agenda, including decisive intervention and leadership in economic development. It is only from this perspective that we can then ask the question of how do we engage private capital, as a component of the overall task of building a developmental, national democratic state. This approach is fundamentally different to that which starts by asking how do we engage private capital and only then to define the role of the democratic state in relation to dealing with private capital. The latter approach effectively subjects the logic of the developmental state to that of the imperatives and logic of private capital. The former approach seeks to subject the logic of private capital to meeting the objectives of a national democratic state. To start by asking the question of how do we engage private capital inevitably leads to one answer - that of privatisation and of seeking to develop the state in a manner that does not upset the market.

However the most important argument in this thesis is that engaging private capital does not equal privatisation. There are a number of options available in engaging private capital, and privatisation is only one of many. What we have perhaps not fully explored as the Alliance are the other options of engaging private capital, within the framework of building a

developmental state. It is in this area that we have a lot to learn from the Cuban and Chinese experiences. Whilst these economic models may indeed involve privatisation, but the general thrust of Cuban and Chinese models is that of public-private partnerships which are driven by the state and do not involve the alienation of public property from the control of the state. For instance in many instances in China and Cuba 100% owned state enterprises enter into partnerships with the private sector, without diluting the ownership of the state component in such partnerships. And much more importantly, such partnerships are driven within a clear framework of strengthening the role of the state in economic development. There is a vast difference between this path and that of selling off state assets. Privatisation is in essence disengagement and not engagement with private capital, and in many instances the retreat of the state from those areas that are in private hands.

In addition the existence of a large private sector does not necessarily imply that partnerships necessarily need always to involve the private sector. Many examples in India (the Kerala state for instance), Cuba, China and Brazil are instructive in terms of exploring a whole range of partnerships that can be forged outside private capital, in order to drive a developmental agenda. Exploring a variety of options in engagement with private capital, as well as other types of partnerships, still remains one of the tasks that socialist and communist forces need to fully explore and struggle for. It is therefore a myth that the only form of engagement and harnessing resources in the private

sector is through privatisation. This myth (and reality) is being fostered by neo-liberalism which seeks not only partnerships with the state but for the private sector to substitute for the state in all spheres of society.

Thesis 5 - Globalisation undermines the capacity to address the national question, particularly in post-colonial societies

As the SACP we have correctly and consistently argued that the national democratic revolution seeks to resolve, in an interrelated way, the class, national and gender contradictions. Indeed the national question was and still remains the most dominant question in our national democratic revolution, and in most of the post-colonial societies on our continent.

Precisely because imperial conquest and colonisation fundamentally shaped the national question, whatever form it took in different national settings, its resolution cannot be properly grasped outside of its imperialist origins. Globalisation, because it reinforces and reproduces economic and other inequalities, and a further subjugation of the post-colonial societies, undermines the resolution of the national question in a number of ways.

The national question in almost all former colonial societies, particularly in Africa - and even more so in former settler colonial societies like Southern Africa - involves three main dimensions. Namely, the struggle for national sovereignty, the struggle against the legacy of racial oppression and inequality, and the struggle for national reconstruction and economic emancipation

of the majority of the population as the crucial foundations for addressing the two other dimensions. Globalisation, as pointed out above, does undermine national sovereignty in that it narrows the options for progressive development and creates dependency on (if not subjugation to) the mainstream global economy that favours developed countries. This subjugation tends to reproduce the class and consequently national patterns of inequalities characteristic of the colonial era. It is therefore a myth to think that the national question can be addressed, whether racism or access to land, without simultaneously challenging imperialism.

The struggle for national liberation was as much a struggle for the emancipation of the native majority population as it was a struggle for national independence and sovereignty. Again the Zimbabwean example is instructive here. The colonial legacy of land dispossession was exarcebated rather than lessened by the adoption of the structural adjustment programme in Zimbabwe from 1990. SAPs do not address the overwhelming needs of the majority of the people, they also exarcebate the very same problems that they claim they will resolve, like the land issue in Zimbabwe. In fact privatisation, deregulation and liberalisation open the economy further to entrench the very same colonial economic relations that post-colonial governments seek to address. This is simply because it is the very same white capitalist and land-owning classes that are in a better position to buy privatised assets as well as to benefit more from a liberalised economy.

Thesis 6 - globalisation simultaneously creates contradictions that lead to its own grave

There is nothing new in this thesis. Precisely because imperialism is an uneven and exploitative system, it is bound to always create its own opposite. The sustainability of a system that has impoverished half the world's population is surely in question. Despite the collapse of the Soviet Union, the last decade, particularly towards its latter years, has been marked by a renewal of mass struggles and opposition to capitalist globalisation. The mass demonstrations in virtually every major international forum, as well as increasing experiments on alternative development paradigms are a sign of the growing crisis of capitalist globalisation.

These renewed mass struggles require a much more focused response and leadership from organised communist and socialist forces, in order to harness these energies towards a political offensive against capitalist globalisation. This in fact constitutes one of the key challenges for left socialist and communist forces in the world today. The basis for the development of a coherent and sustained response will be the development, in the first instance, of an alternative paradigm for development, around which these activities can be co-ordinated and taken forward. This will require hard work and many sacrifices in the years and decades to come. It is only those who have abandoned the working class, and who no longer have the energy to struggle against capitalism who will argue that the logic of capitalist globalisation can no longer be challenged. The task for the SACP is to con-

tribute to this long haul struggle against globalisation. Not only is a challenge to capitalist globalisation desirable but it is also possible. The challenge is to develop creative means of mobilisation of the people both within nation-states as well as globally.

Areas for discussion and further elaboration

Our international work continues to show that the SACP still enjoys a lot of prestige internationally, thus placing a lot of responsibilities on our own shoulders in working towards an effective rebuilding of socialist and communist forces internationally. This CC may consider discussing some or all of the following issues as part of deepening our own understanding of the evolving global conjuncture as well as identifying some of the key challenges and tasks facing the SACP on the international front:

This CC may want to engage with the 6 theses as part of elaborating on the current global conjuncture and its challenges. These theses are deliberately presented in a polemical way as an attempt to force a much more in-depth examination of our own assumptions about capitalist globalisation.

The challenge in the African continent

The challenges facing progressive forces on the continent are multi-faceted and enormous. The one ques-

tion that we have to answer is whether there are any significant left forces in the continent with which we can forge alliances as the SACP? Should we renew independent contacts with the former liberation movements on the continent, particularly in Southern Africa? These questions are important for the next decade, in that our own struggle to deepen the NDR and the struggle for socialism will forever remain threatened unless we find allies who share our strategic perspectives and objectives. The collapse of the

Are there any significant left forces in the continent with which we can forge alliances as the SACP?

Soviet Union and the pressure of globalisation and imperialist-sponsored counter-revolutionary movements in the continent and the region seem to have led to a retreat by most left forces from a commitment to thoroughgoing national democratic revolutions and socialism. Instead, many of these

movements seem to be retreating to narrow African nationalism, becoming bureaucratised and more suspicious of the working class movements. Are we therefore not running the danger of being isolated as a communist party in the region and continent?

A related question is that of our form of engagement with the President's initiative of the Millennium African Recovery Programme within the context of an African Renaissance? What is to be the main content of this programme as well as the African Renaissance itself? Is an African Renaissance possible without waging an anti-imperialist struggle on the continent? What form should such an anti-imperialist struggle

take, and who are our potential allies, and who are our enemies?

Lessons from existing socialist countries e.g. Cuba, China and Vietnam

The SACP has very strong bilateral relations with the communist parties in Cuba and China. We have exchanged delegations, information and visits with these parties over the last ten years, and we consequently developed very extensive relations. However as the SACP we have not systematically and collectively studied the new experiences and experiments undertaken by these countries in the post Cold War era. For example, China has over the last 20 years experienced massive economic boom and development, almost unparalleled in any socialist country in the recent past. Have the Chinese found the right way of engaging the global realities in a manner that will strengthen socialism in that country or is there a danger of a self-imposed return to capitalism? The survival of Cuba and in fact the turning around of its economy -which was more than 80% dependent on the Soviet Union, and in the face of the vicious blockade by the US - is a very important issue to study closely. Most impressive is the manner in which the Cuban revolution is genuinely rooted in the mass of the people of Cuba. Can we learn anything out of this?

As an Alliance we have come a long way in seeking a common understanding of the nature of the post-Cold War global conjuncture as well as its implications for South Africa.

Failure to systematically reflect on these experiences in particular have in some instances led to the crudification of what is going on there. But it is important for us to state it categorically that it is wrong to expect any one country to develop socialism in the same way as the next country has done. This should perhaps be the lesson from Eastern European and Soviet socialism, which tended to prescribe broadly similar routes for a number of very different countries. In short, what lessons can we learn from these countries?

Towards an international left platform and an alternative development paradigm

The SACP, as part of its preparations for attending a variety of international left forums and Congresses has attempted to develop a framework for an international left platform. This has been relatively well received in a number of communist and socialist quarters. However we need to develop this and take forward this work as part of an attempt to revive international socialist forces and a sustained challenge to capitalist globalisation. What should therefore be the key elements of such a platform?

A key component of renewed left action should be the development and popularisation of an alternative paradigm for development that would be beneficial to the majority of the people of the

world. Some of our comrades in our movement have forcefully posed this question as to what "intermediate" stage do we foresee between the current situation and socialism. Related to this is the question of what kind of a progressive paradigm do we need to struggle for? In other words what are the immediate issues around which socialists should be mobilising and organising to address the immediate problems of poverty and inequality and as part of a process of rebuilding an international communist and workers' movement? Much more importantly we now have to rebuild international solidarity in a situation where there is no longer a "centre" - the Soviet Union. The absence of a centre might as well be the most ideal situation to build international solidarity under new conditions that takes into account the different national and regional conditions in various parts of the globe.

The Tripartite Alliance and its approach to globalisation

The issue of globalisation has been on the agenda of the Alliance for the past ten years, and even more so since the democratic breakthrough of 1994. As an Alliance we have come a long way in our attempt to seek a common understanding of the nature of the post-Cold

War global conjuncture as well as its implications for South Africa. At a broad descriptive and even analytical level we seem to have a common understanding of the global conjuncture. But there are at least differences, if not insufficient canvassing within the Alliance, on how we should relate and engage with this reality. In a way the adoption of GEAR and the debates after that were largely based on how to develop our country in the light of contemporary global realities.

Another related and fundamental question that needs to be placed firmly in the Alliance discussions is whether there is harmony between, on the one hand, our socio-economic commitments and, on the other hand, the kind of economic policies we are pursuing particularly in relation to the global realities facing us. In order to do this we need to undertake a systematic exposition of the assumptions underlying a number of policy decisions and positions taken by each of the Alliance partners and government about the challenges of globalisation today. ♪

Endnotes

- 1 Imperialism: the highest stage of capitalism, V.I. Lenin, (p.244).
- 2 (ibid), (p. 238).
- 3 in Kelsey, (p.46)

The “minimum” programme of the Alliance in the current phase

*This document formed part of the SACP contribution to the National ANC-SACP
Bilateral Meeting held in March 2001.*

A minimum programme?

The ANC NEC lekgotla resolution on the bilateral process with the SACP calls for discussion of, amongst other things, the “**minimum programme of the Alliance in the current phase (theory of the transition)**”. In our PB and CC discussions of the NEC resolution, the SACP agreed that this kind of discussion was critical.

In the first place, however, it is important to frame the entry-point into this discussion correctly. The SACP has a number of reservations about the use of the concept “minimum” programme when it is applied to the programme of our revolutionary alliance.

The classical use of the concept “minimum programme”

The concepts “minimum” and “maximum” programme can be used with diverse applications. The most common use within the history of the socialist and communist movement has been to refer to the relationship between broad patriotic and/or democratic, popular front movements (based on minimum

programmes) and working class, socialist and communist formations (united around a maximum programme of socialist transformation).

Patriotic democratic fronts have emerged in a variety of conditions (including anti-feudal, anti-colonial, anti-fascist struggles) and they tend to unite a range of forces, from liberal democratic capitalist forces through to left-wing socialist/communist formations. From a Marxist perspective, participation in such a front represents an acknowledgement that the working class struggle for socialism is more favourably advanced on the terrain of a society in which there is some degree of national sovereignty and unity, in which there are basic citizenship rights, and in which there are organisational rights and democratic institutions. These realities are important in their own right, but they also provide a potential platform for further advances.

The National Democratic Programme of the revolutionary alliance

The programmatic perspectives, the strategy and tactics of our revolutionary

alliance, as they have evolved over the past decades, extend well beyond the general framework of this minimum democratic perspective. Since at least the mid-1950s, the ANC has, in its programmatic statements, explicitly identified itself as a liberation movement with a difference, a movement whose strategic perspectives go considerably further than an earlier generation of national independence movements. This is apparent in the Freedom Charter, and the point is developed at some length in the Strategy and Tactics document from the 1969 Morogoro Conference. It is a perspective that continues to be powerfully affirmed in our most recent Strategy and Tactics document from the Mafikeng, 50th National Conference (December 1997).

In 1969 the ANC reflected on the qualitative difference between itself and an earlier phase in the history of anti-colonial national independence movements. In essence, it argued that such a difference was critical for any meaningful democracy in South Africa. What was more, a far-reaching view of the NDR was not only necessary, but also a much more feasible task because of two fundamental factors:

- Changed external realities - in the post-World War 2 context our struggle was taking place in “a new kind of world - a world which is no longer monopolised by the imperialist world system; a world in which the existence of the powerful socialist system and a significant sector of newly liberated areas has altered the balance of forces; a world in which the horizons liberated from foreign oppression extend beyond mere formal political control and encompass the element which

makes such control meaningful - economic emancipation.”; and

- The relatively developed capitalist character of South Africa, already a factor by the mid-20th century, with the resulting preponderant numerical weight of the working class within our society. Our struggle, we said in 1969 “*is also happening in a new kind of South Africa; a South Africa in which there is a large and well-developed working class...and in which the independent expressions of the working people - their political organs and trade unions - are very much part of the liberation front.*”

The programme of the South African liberation movement was, therefore, qualitatively different from an earlier phase of liberation struggle. This is how the 1969 Strategy and Tactics document makes the point:

“Thus, our nationalism must not be confused with chauvinism or narrow nationalism of a previous epoch. It must not be confused with the classical drive by an elitist group among the oppressed people to gain ascendancy so that they can replace the oppressor in the exploitation of the mass ...In our country - more than in any other part of the oppressed world - it is inconceivable for liberation to have meaning without a return of the wealth of the land to the people as a whole. It is therefore a fundamental feature of our strategy that victory must embrace more than formal political democracy.”

But are the conditions for this more far-reaching NDR vision now more, or less, favourable?

In the year 2001, we could certainly not characterise the external reality in

remotely so favourable terms as we did in 1969. Indeed, within years of the Morogoro Conference the relatively favourable post-World War 2 international balance of forces had begun to erode. Important national democratic gains were rolled back in most of the South, from the late 1970s through the 1980s, regional wars, imperialist destabilisation, SAPs, and internal contradictions and weaknesses all played a part. By 1991 the socialist bloc itself had unravelled. Another favourable post-WW 2 factor (not mentioned by Morogoro) had also been weakened by the beginning of the 1990s. In many societies in the North, from the mid-1970s through the 1980s, neo-liberal forces had drawn the teeth of the trade union movement, rolled back welfare gains and eroded the post-WW 2 social accords upon which many of these societies had successfully carried through post-war reconstruction and development.

While neo-liberal triumphalism has diminished somewhat over the past decade, from its high-point in the early 1990s, imperialist domination of the globe is the preponderant external reality with which we have to cope. These external factors unquestionably influence our local room for manoeuvre, impacting on the speed, the depth and the quality of the transformation programme that is possible at this point.

Faced with this external reality there is the danger of voluntarist temptations within our ranks. One version of this is:

- *Left-wing voluntarism* - the dangerous exaggeration of one's own strengths and a neglect of the global (and domestic) balance of forces. S&T 1997 says, correctly, of this

variant of voluntarism that "A proper understanding of a given balance of forces is critical in defining the tactics that the liberation movement should adopt at each stage of transformation. To ignore this would be to fall victim to voluntarism and a revolutionary militancy that has nothing to do with revolution. Such "populism" can in fact lead to the defeat of the revolution itself." (p.8)

However, this is not the only variant of voluntarism liable to occur within our movement in the current conjuncture. There are other fairly common instances of voluntarism where the moral imperative, and practical desirability of a particular outcome start to be seen as the reasons WHY these things will come to pass in reality. This occurs, for instance, in certain versions of

- *Continental voluntarism* - there is the desperate need to fight against racist, neo-liberal Afro-pessimist views of our continent, above all to empower millions of Africa's inhabitants to become historical agents in their own right. The SACP has firmly committed itself to the vision of an African renaissance, connecting it to our own national and internationalist/anti-imperialist traditions. However, while espousing the moral imperative, and the practical necessity for such a continental re-birth, we cannot avoid a sober, scientific analysis of the extremely contradictory realities of our continent, and the dynamic processes that are deepening (rather than lessening) our continental marginalisation within the world system. When we argue in S&T 97 for instance that the current

global conjuncture "is an international epoch in which Africa enjoys the unique opportunity to extricate herself from the vicious cycle of these scourges, and to strike forth in a continental renaissance" (p.1), are we not, perhaps, over-stating the case, and giving into a voluntaristic leap of faith?

- *Post-Cold War "family of nations" voluntarism* - Closely related to the above, is a tendency to over-state the harmonious unanimity of the current global reality. For instance, again to take an example from S&T 97, we say that: "The new constitutional order [in South Africa] and the government based on the will of the people ... accord with the world trend towards democratic, open and accountable government." However, having said this, we realise in S&T 97 that things are a bit more complicated, so we immediately add: "But the balance of forces both within South Africa and internationally is such that these interests can be subverted by

capitalism's rapacious license. In this sense therefore, the basic framework of our democratic achievement in SA is irreversible: but it can be derailed, leaving us with a shell of political rights without real social content." (p.1) It is obvious that S&T 97 is, here, strongly affirming the Morogoro tradition, espousing a view of liberation that is much more than formal political rights. But the complicated and seemingly contradictory metaphor of a process that is "irreversible" but which might also be "derailed" suggests that we haven't quite thought through matters as clearly as we might.

To summarise the main point we are trying to make here: Morogoro argued that the existence of a powerful socialist bloc and the dramatic advances of the national liberation movements in the formerly colonised world were key reasons why our NLM would be able to advance beyond a mere "shell of political rights" to an NDR with "real social content". In 1997 we are continuing to



reaffirm this radical project, while arguing that:

- the end of the Cold War (i.e. the collapse of the socialist bloc) and the “global” move towards “liberal democracies”, coupled with
- the need for an African renaissance (i.e. by implication, the failure of the post-WW 2 independence process to produce such a re-birth)

are, somehow, grounds for renewed optimism that we will be able to give substantive social content to our NLM!

This kind of assessment may (or may not) be correct, but as a NLM we cannot just leap (without in-depth debate and analysis) from the Morogoro argument (which prevailed through the 1970s and 80s) into a very different set of assumptions about why there are favourable conditions for a deep-reaching NDR in South Africa.

We have to make our history on a terrain not of our own choosing. There are, undoubtedly, new possibilities in the current global reality (eg. mass electronic media, and the resulting ability to mobilise global opinion around, eg. the need for cheaper medicines in developing countries). And while reference to “the end of the Cold War” is a polite way of referring to the collapse of the Soviet bloc, there may well be other positives in terms of a diminution of regionalised super-power conflicts, or in less danger of a CIA plot being directed against our government because there are several communists in cabinet. However, in our understandable desire to cope with the daunting challenges we face, there is the danger of voluntaristic leaps of faith that either exaggerate our own strengths, or which, alternately, greatly exaggerate the global

space available for our revolutionary perspective.

The SACP is extremely proud that our broad NLM continues to support a substantive NDR perspective. We believe that, while external realities have, in many respects, become more challenging, the imperative of an NDR that has real transformational content continues to be grounded in the socio-economic realities of our society (the second key factor mentioned at Morogoro). However, our capacity to advance such an NDR in practice will be seriously compromised by leftist voluntarism that exaggerates our own strengths, and by other variants of voluntarism that exaggerate the favourableness of external realities.

In particular, the SACP believes that a somewhat voluntaristic mis-reading of global imperialist realities underpinned the FDI expectations imbedded in GEAR. We believe that, insofar as GEAR moved (at least in its aspirations and self-projections) beyond being a stabilisation programme, it was premised on the belief that macro stability, the alignment of our macro-economic policies with “global trends” would be rewarded with major FDI flows. The international *political* goodwill that flowed in response to our “alignment” of our “political dispensation” with “global trends” would have its economic equivalent. We think that this was, and has proved to be, voluntarist.

An irreversible process that can be derailed

Despite its seeming clumsiness, this formulation in S&T 97 is, we believe,

actually quite profound. But its profundity draws attention to another area of fuzziness in our recent policy perspectives. It is a fuzziness to be found in S&T 97 as well.

What does S&T 97 mean when it says that “*the basic framework of our democratic achievement in South Africa is “irreversible”; but that this framework can, nonetheless, “be derailed”?*”

“Irreversible” is probably too strong a word for any social process, but S&T is absolutely right to suggest in this formulation that the main strategic threat to our NDR does not come from a reversal of the 1994 breakthrough. In other words, the main strategic threat to our NDR does not come from forces that are seeking to go backwards to a pre-1994 situation. It comes from forces that seek to use the democratic platform of 1994 for their own neo-liberal project. The key strategic threat lies in the hollowing out or re-routing (better concepts perhaps than “derailing”) of the democratic breakthrough, “leaving us with the shell of political rights without real social content”.

But to understand this main strategic threat better, it would have been useful for S&T 97 to have unpacked much more its reference to “*the world trend towards democratic, open and accountable government*”. As things stand in S&T 97, this “world trend” is presented as wholly positive and supportive of what we are doing here, but it is threatened by a seemingly unconnected local and international balance of forces that might result in the democratic “world trend” being subverted by “*capitalism’s rapacious license*”.

Unfortunately, things are more complicated in reality. The trend towards

“democratic, open and accountable government” is a contested, and double-edged agenda. It is, in fact, a minimum, but contradictory consensus that we share, at least at face value, with local and international liberal/neo-liberal forces. While for our NLM this minimum democratic framework is a critical platform for deepening our revolution, for (neo)liberal forces this democratic framework has a very different potential. Far from being a reality entirely divorced from capitalism’s “rapacious licence”, “democratic, open and accountable government” is seen in these quarters as the most favourable institutional context in which the unfettered operation of capitalist market forces can be secured. Over the last decade (although not always consistently) “good governance” has become an additional conditionality attached to Structural Adjustment Programmes forced upon developing countries.

As a NLM we are no less concerned than other forces (in the UK or in the DA locally for instance) about the undermining of the rule of law, threats to the independence of the judiciary, and the blowing up of newspaper offices in Zimbabwe. However, these apparently shared concerns are rooted in significantly different agendas. For liberal forces, the critique of events in Zimbabwe is motivated by a concern to protect capitalist (and settler) private property, and to check and balance the power of a potentially radical third world state. For us, the fostering of democracy in Zimbabwe is an essential framework within which to deepen the organic links between government and popular social motive forces, overcoming tendencies to bureaucratisation and

social distance, empowering millions of Zimbabweans, and greatly strengthening the sovereign capacity and progressive orientation of their government.

However, notwithstanding our very different reasons for supporting basic democratic principles, a very general consensus on democratic institutions with liberal forces is an important minimum framework that needs to be fostered and safeguarded - not least in our own context. It is, amongst other things, an important bulwark against internal or external conspiratorial manoeuvres directed against our emerging democracy.

The post-1994 constitutional settlement as a "minimum" perspective

The 1994 democratic breakthrough is manifested in, amongst other things, the broad hegemony of a national democratic minimum programme, and the hegemony and influence of this perspective extends way beyond our tripartite alliance. The clearest expression of this national democratic minimum consensus is to be found in our new constitution. It contains all (and more) of the classic national democratic minimum programme elements - a unitary state with sovereignty, basic citizenship rights for all, a commitment to good governance, regular elections within a multi-party dispensation, independent media, judiciary, a Bill of Rights, including rights to organise, freedom of conscience, a commitment to non-racism and non-sexism, and the affirming of basic socio-economic rights to education, shelter, a job, etc.

It is a constitution enjoying the allegiance of all the major political formations in our society and a wide range of other social forces. As with any minimum programme, the different formations backing it (or working within its framework) will have different ways of interpreting the programme, different emphases, and different inclinations to taking the logic of the programme forward, or limiting it to its barest minimum. The 1994 breakthrough has compelled the IFP, the PAC, the FF, ACDP, the DP, the NNP and subsequent formations like the UDM to operate within the framework of (and to acknowledge support for - however sincerely or reluctantly) of this democratic constitutional framework. This reality has isolated and generally marginalized those old-style counter-revolutionary elements, which, nevertheless, continue to have some presence within (or contact with) formations like the IFP, the UDM and the FF. The ongoing need to strengthen this minimum democratic programme, the constitutionality of the 1994 settlement, and the new political and democratic institutions is, in part, about drawing the widest range of political and social formations into the minimum programme, and deepening the marginalisation of other elements.

The SACP is suggesting that, if we are indeed to use the term "minimum" programme in our current South African context, then THIS, perhaps, is the most useful way of doing so. This is, certainly, much more in line with the classic use of the concept.

This minimum programme is, essentially, a programme for the reconstruction and development of South Africa, and of overcoming the legacy of

apartheid. It is daily being advanced and deepened through a host of institutional and other initiatives, embracing a very wide range of political and social forces in our society that extend much wider than our tripartite alliance. Elements of the programme are continuously being elaborated, whether in NEDLAC, or in the ANC's bilaterals with the IFP, or in comrade President Mbeki's call in February this year for a national consensus on the priority of tackling poverty. Even in situations where the ANC shares in power (as in KZN), or is not in power (as in the Western Cape and the Cape Town unicity) the constitution, national standards and norms, and co-operative governance practices all compel IFP and DA politicians to implement (however partially and reluctantly) national democratic transformation processes. Our own campaigning and mass pressures have even forced the DA to put the promise of free basic water and electricity onto their election manifesto - a promise that extends far beyond the barest limits of a liberal version of a national democratic programme.

None of this is asserted to disarm or demobilise us. DA forces have not suddenly become revolutionaries. An intense political (including electoral) struggle is required to weaken the influence of conservative liberal and neo-liberal forces, while, at the same time keeping them bound within the hegemonic framework of our progressive

constitution and new democratic institutions. The degree to which other political formations can be won over to a more consistent and more far-reaching commitment to ongoing national democratic transformation will depend on many factors. The constituencies different parties represent (eg. the IFP) is one critical consideration in this respect.

It is through this entry-point, we suggest, that the main opposition forces in our society need to be analysed (we refer, in this context, to the earlier submission we made at our last bilateral, late last year). There has, however, been

considerable inconsistency within our ranks in this regard. Again, some of the symptoms of this inconsistency can be found in S&T 97.

The principal strategic threat to the NDR

S&T 97 observes that:

"It is always tempting for revolutionary organisations in political office to characterise all opposition to their programmes as acts of counter-revolution. In general terms, an opposition that pays allegiance to the constitution and the country's laws and seeks to modify the programmes of transformation or even express a retrogressive school of thought shared by a given constituency, is a legitimate actor in the contradictory process of change. Indeed, such forces should be treated as legitimate expressions of the country's social contradictions." (p.13)

The extent to which other political formations can be won over to a more consistent commitment to national democratic transformation will depend on many factors

This, we believe, is a largely correct observation. However, S&T 97 is not able to sustain the logic of this position (and its own earlier and related distinction between the “irreversibility” but “de-railability” of our democratic breakthrough). And so, on the next page, the following is said about opposition political parties in South Africa:

“with regard to these political forces and the mass base they exploit [presumably this should read “represent”?], the over-riding aim will be to derail OR reverse change so as to end up with a system in which the social privileges of apartheid are retained in somewhat modified form. As long as this is carried out within the parameters of the constitution and the law it is a legal and robust (though, broadly-speaking, counter-revolutionary) expression of the real contradictions within society” (p.14)

The key conceptual distinctions just put in place (“derail” versus “reverse”, and “legitimate opposition” versus “counter-revolution”) are, when it comes to their practical application, simply submerged into each other. This is problematic.

This conceptual instability results in two seemingly contradictory, but in fact related, mistakes:

- we either greatly over-estimate the degree of consensus between ourselves and (neo)liberal circles - particularly, as we have argued above, when it comes to hegemonic (neo)liberal international positions; or
- we fail to analyse the real threat posed by the DP (and by its now hegemonic position over a range of other forces) by loosely using concepts like “counter-revolutionary” and the “enemy”.

The DA is a counter-revolutionary force, but the counter-revolution it is spear-heading is not about overthrowing the 1994 democratic dispensation, nor is it about conservatism for its own sake. It is about an active, interventionist, radical neo-liberal restructuring of our society. Lack of clarity in this regard often results in a shallow politics from our side, in which we expend a great deal of energy on, for instance, attacking Van Schalkwyk’s benign opportunism (visiting Lutuli’s grave), while ignoring the massive wave of disinvestments out of our economy by domestic capital.

Our shared alliance NDR programme is not a socialist programme

The ANC NEC lekgotla resolution obviously refers to our shared programme as a “minimum” programme to make the point that, for two of the alliance partners, there is a commitment to building a socialist South Africa, beyond the more immediate shared tasks of the NDR. The ANC is not, and should not be, the movement of a single class. Nor is the ANC, nor should it be, a socialist organisation. There is, amongst us, no dispute about this.

However, incorrect or problematic things are sometimes concluded from these fundamental strategic positions. Such problematic conclusions include:

“Since our current NDR phase is not socialist, it must be about building capitalism”

This position is certainly not found in S&T 97, which argues more correctly

that our strategic NDR objective is not simply a “de-racialised” capitalist dispensation, but a fundamental empowerment of historically oppressed classes, strata, and groups. S&T 97 sees this NDR process unfolding within the context of a “mixed economy”. However, the idea that we are strategically building capitalism (rather than managing the impact of a dominant capitalist reality in the context of taking forward the NDR) has been expressed in discussion papers emanating from some senior leadership figures in our movement.

Related to this perspective is the argument that:

“One of the key strategic tasks of our NDR is the consolidation of a black bourgeoisie”

That there is the partial, sometimes problematic, emergence of black strata within the South African bourgeoisie is, undoubtedly, an empirical fact that we need to analyse and engage with as a NLM. (These black bourgeois strata are not, incidentally, nor could they be, “a” class separate from the wider South African bourgeoisie - after all, there isn’t a second capitalist economy in South Africa.)

The existence of emerging black bourgeois strata within the South African capitalist class does not necessarily make the active fostering from our side of such an emergence a strategic task. Whether it IS strategic or not requires effective argument. (Comrades will appreciate that making such an argument is not regarded as part of the SACP’s core business). S&T 97 ventures a little in the direction of making an argument, but it does not turn out to be

very persuasive. It notes that “*some of the black propertied classes are expanding their positions within important sectors of the economy.*” This development (S&T 97 correctly notes) “*is one of the most immediate and most visible consequences of democracy.*” (p.18) Clearly these strata are benefiting from the 1994 democratic breakthrough - but is S&T 97 right in drawing the conclusion that because their “*interests coincide with at least the immediate interests of the majority*” they are, therefore “*objectively important motive forces of transformation...in this phase, part of the motive forces of fundamental change.*”? It is obvious that they are beneficiaries of the immediate democratic breakthrough, it is less obvious that the NDR is benefiting from their advancement.

Indeed, apart from the bald assertion that they are an important motive force, all of S&T 97’s attention is devoted to warning us of the dangers of compradorism, social distance, parasitism and corruption potentially inherent in the emergence of these strata (see pages 17 and 18). Rather than these strata being a motive force, S&T 97 seems to conclude that it is THEY who have to be motivated. “*Their contribution to transformation, as distinct from the gains they derive from it, is contingent upon their mobilisation to pursue the interest of reconstruction and development, on such issues as the strategic employment of investment capital, labour relations, workplace democracy, style of management and so on.*” (p.18)

But couldn’t we say exactly the same of white domestic capitalists, or of international capital?

Indeed, this is exactly what S&T 97 does go on to assert: “*it is critical for*

the ANC and the government to help guide these **and other owners of capital** to promote social transformation mindful of the fact that such transformation will serve at least their long-term interests [is long-term the right word?] and those of society as a whole. **This applies as much to local financial, manufacturing, mining, agricultural and other entrepreneurs as it does to foreign direct investors**". (p.18).

So what is especially significant about black capitalists? It is not very clear from S&T 97.

A related argument for the strategic building of such strata that we often hear is:

The formation of new propertied strata depends upon one or another accumulation process

"After 1948 the NP deliberately used state power to foster and build a powerful white Afrikaner bourgeoisie. This process led to the accumulation of wealth that was then at the service of wider sections of the Afrikaner and white minority community. What's wrong with the black majority now doing the same thing?"

As a handy polemical rebuttal of NNP and DP forces now criticising our use of state power to encourage certain economic outcomes, or our affirmative action policies, this is, perhaps, not a bad argument. It certainly underlines the hypocrisy of these forces. However, as a guide to strategic action for our NLM it is seriously limited.

The formation of new propertied strata does not occur out of thin air, it depends upon one or another accumulation process. This accumulation process, if it is to be substantial and not

merely parasitic and/or comprador in character, may be fuelled by:

- very significant national confiscation of foreign resources and property;
- major intra-class expropriation and realignment of resources (on a relatively minor scale this happened through Group Areas expropriation of small black businesses, and through Afrikaner affirmative action at the expense of English-speaking white managerial and professional cadres in the private and especially public sector in the 1950s and 60s);
- the plundering of public property (as happened at the beginning of English capitalism with the enclosure of commons, or as is now happening in Russia, for instance, with capitalist class formation based on robber "privatisation")
- colonial plunder and expropriation; and/or
- the intensification of the oppression and exploitation of working people within one's own social formation.

While a significant Afrikaner capitalist stratum was created using a number of the above accumulation strategies, overwhelmingly this class stratum was forged through the drastic intensification of oppression of black workers and peasants over four decades. Average wages for Africans in secondary industry (the highest paying sector), which had risen under pressure of working class action by more than 50% in real terms between 1940 and 1948, were driven back ruthlessly after 1948. The average monthly wage of Africans on the mines was R24 in 1974 - a figure

lower in real terms than the average African wage paid in 1889! This offensive against black workers and peasants was the key factor in the accumulation of surplus that saw the emergence of Afrikaner monopolists, alongside and increasingly merged with their English-speaking and foreign counterparts (who also greatly profited from extraordinarily high returns on capital).

If the formation of a significant black capitalist stratum is a key strategic task, then which accumulation path is both possible and desirable?

Indeed, are we not already on a particular accumulation path?

It is probably common cause that, with moderate growth between 3 and 3,5% and without major changes in property relations (with the possible exception of the privatisation processes that have so far happened), there is no major accumulative process under-way in our economy. Indeed, the emergence of black strata of the bourgeoisie is extremely limited, and is largely based on complicated financial gearing and share acquisitions that are typically initiated by white and international capitalist forces themselves for pre-emptive, buying-off purposes, or to acquire political influence and credibility.

However, insofar as there are some new (or perhaps persisting and residual) accumulative processes under-way, the following statistics might provide some pointers:

- total compensation of workers increased by 5,7 percent in nominal terms for the year to September 2000. After inflation, workers as a group effectively received 0,8 per-

cent less than a year ago. Over the same period, the operating surplus of companies increased by 17 percent, a whopping increase of 10 percent in real terms.

- For the same period total compensation of employees as a percentage of the total gross domestic product fell to its lowest level since 1980. This reflects, principally, the very substantial job losses in the formal sector over the last six years. Firms, however, had their biggest slice of the cake since 1980, with surplus as a percentage of GDP at its highest point in 20 years. Shareholders have benefited relatively, while workers have lost.
- The final 15 years of the apartheid era saw a massive transfer of wealth from poor to rich (the income of the poorest 60 percent dropped by about 35 percent). However, by 1996 we had not reversed the trend, on the contrary the gap between rich and poor had grown even greater. In 1996, the poorest quintile of the population received 1.5 percent of total income, compared to the 65 percent received by the richest quintile, and the 48 percent by the richest 10 percent.
- While the "deracialisation" of wealth, power and privilege is often exaggerated, the most significant deracialisation has indeed happened at the upper quintile level. The proportion of urban Africans in the richest quintile increased five-fold between 1990 and 1995 (from a mere 2 percent to 10 percent), a trend that has probably continued. However, poverty, marginalisation, unemployment, vulnerability to dis-

ease remain overwhelmingly racialised (and gendered).

(statistics from **South Africa: transformation for human development 2000**, UNDP; and Bureau for Economic Research)

If these trends are, indeed, indicators of accumulation and class formation processes under-way, the SACP is not remotely suggesting that they are policy outcomes desired by the ANC. They underline, however, just how difficult it is to implement a thorough-going NDR on the terrain of a capitalist economy, and in the broader context of an imperialist and considerably uni-polar world. Above all, they underline the need for clear analysis, and for much greater clarity around our understanding of motive forces, and the principal strategic dangers to our NDR.

The ANC is not, and cannot be, class-blind

One important ideological component that would help resist the wrong accumulation process would be for the ANC to more robustly articulate concern about class inequality. The fact that the ANC is broader than just a working-class movement, does not mean that the ANC should be class-blind. We have consistently linked **race, gender and class** inequality. But in recent times there has often been a certain coyness about class inequality. At the recent NEC lekgotla, for instance, all commissions covered the same range of topics - what progress are we making towards building a **non-racial, non-sexist** and (er) **prosperous** South Africa? If we implicitly remove class from the pic-

ture, there is always the danger that our approach to non-racialism and non-sexism will become too focused on the upper quintile of the population, and that we will fail with thorough-going deracialisation and gender-empowerment as a result - not to mention persisting class inequalities.

The SACP would like the ANC to forcefully espouse the building of a **more egalitarian society** as a core ANC value. The ANC should not be calling for the abolition of capitalists, but the ANC should certainly not espouse the same levels of class inequality that we have inherited from the past.

The SACP would like the ANC to give more content, also, to the “mixed economy” of which S&T 97 speaks. In particular, we propose that the ANC should increasingly elaborate the concept a **people’s economy**.

Our shared NDR programme and socialism

The NDR programme that binds our alliance together is (in line with the Freedom Charter, Morogoro and S&T 97) more than a minimum democratic programme, but it is less than socialism. It is less than socialism, but it is not a capitalist programme.

What then is the SACP’s view of socialism?

Essentially, socialism (like the ND social formation envisaged by S&T 97) is a **mixed economy**, in which publicly-owned and other forms of socialised ownership co-exist with capitalist enterprises. However, the socialist phase is marked by the decisive **dominance** of

the former, and the relative marginalisation of the latter. In other words, socialism is itself a transitional economic system, in which, nonetheless, there is a decisive shift towards an economy based on social needs, and the relative weakening of an economy based on private profit. This decisive shift requires, and further advances a shift in, class power. It decisively shifts power towards working class and popular strata, and away from the private owners of capital.

The ANC must forcefully espouse the building of a more egalitarian society

According to our recent programmatic perspectives, key components of a socialist system include:

- A strong, effective, democratic state (including at the municipal level) and a varied public sector, increasingly playing a leading role in the economy - through public ownership, strategic planning, and general co-ordination and regulation;
- The great expansion also of other forms of socialised ownership - including the expansion of investments and operations through worker controlled funds, and a significant co-operative sector, especially in the SMME sector;
- The rolling back of the market - especially in terms of basic needs - water, electricity, housing, transport, education, health-care;
- The transformation of the balance of power on the market - including through active market participation of the socialised sector.

In the SACP’s view, there is no Chinese Wall between these key components of a

socialist system and the deep-reaching NDR envisaged in our “minimum” programme. At the same time, the SACP acknowledges that the global and domestic balance of forces means that there

will be no short-term decisive consolidation of a mixed economy in which the socialised sector is predominant. This does not mean, however, that aspects of this socialist perspective cannot be (indeed for the sake of the NDR they must

be) implemented in the present.

Such aspects include:

- Building capacity for socialism - including the fostering of a united, class conscious working class with a socialist outlook and values;
- Building momentum towards socialism - which is why it is so critical to analyse the accumulation path on which we may or may not be located, are the policy measures we are implementing taking us closer to or (unintentionally) further away from the key goals of our NDR and from socialism?
- And elements of socialism - an effective and strategic public sector, co-ops, and the de-commodification of basic needs (water, electricity, access to education and health-care, etc)

It is with these perspectives that the SACP has been advancing the slogan: “Socialism is the future” (i.e. it is not the present reality, but remains a longer-term strategic goal)

“Build it Now” (i.e. it is, nonetheless, imperative to build capacity, momentum and elements of socialism in the present)

From transition to transformation: challenges of the new local government system

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Entering a new terrain

Contradictions and difficulties notwithstanding, the new system of local government significantly advances the national democratic transition. Even more importantly, it has enormous potential to further advance the transition, and if implemented appropriately, can serve to do this in ways that also advance the struggle for socialism. Clearly, it is vitally important that as the SACP we give serious attention to the new local government system and play our full part, both as part of the Tripartite Alliance and independently, in implementing the system. Our engagement can, over time, contribute to deepening the national democratic transition, and serve to build “capacity for”, “momentum towards” and “elements of” socialism, in terms of our party’s overall strategic perspectives.

What then are the basic features of the new local government system? How does it advance the national democratic transition? What are some of the challenges in implementing the system? How can its implementation deepen the

national democratic transition in ways that also advance the struggle for socialism?

Local government has been undergoing a complex, intricate, protracted transition for over ten years now. In some senses, this transition has been far more challenging than that taking place in the provincial and national spheres of government. To some extent this is inevitable. It is almost a universal norm that it is far more difficult to fundamentally transform local government than provincial and national government. In any case, with the December 5 local government elections, we have entered the final of the three phases of the transition. In effect, we are now moving from transition to transformation - and we are going to give final shape to local government for a whole period to come.

Developmental Local Government

Essentially, the new system defines the senses in which local government is a *sphere* of government, with its original, constitutionally-enshrined powers and

functions. In other words, it is not a third *level* of government crudely subordinate to provincial and national government. It is not a *function* of provincial or national government. But, on the other hand, it is not completely independent either. It is interrelated with provincial and national government in one overall system of *co-operative governance*, in which the more each sphere co-operates with the other two, the stronger it can become.

Basically, the new system gives expression to the notion of *developmental local government* in the Constitution and the White Paper on Local Government. Section 153 of the Constitution sets out the “developmental duties” of municipalities. A municipality must “structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community”. This means that local government is not just an important site for the delivery of services, but is crucial for the social and economic development of people. By working effectively with the other two spheres of government and a range of public and civil society organization and the private sector, local government also has to contribute to economic growth, job creation and social development. Over time, through appropriate negotiations and securing further funding, local government will take on increasing responsibilities for service delivery and development. This is happening the world over anyway.

Key to fulfilling this developmental role is the requirement in the new sys-

tem for all municipalities to adopt IDPs (Integrated Development Plans). Essentially, an IDP sets out the vision, needs, priorities, goals and strategies of a municipal council to develop the municipality during its term of office, as part of a long-term vision and plan for development. In terms of the law, the community of a municipality must have a say in both the content of the IDP and the process by which it is drafted. The IDP provides the framework for determining the budget of a municipality. It is closely linked to the performance management system of a municipality in terms of which a municipality’s progress is judged, especially by the residents. The IDP is not only a plan. It is also a strategic instrument, a management tool, a method of running a municipality. The IDP provides a framework for all the activities of a municipality. It is also meant, over time, to be an important site of effecting co-operative governance in practice.

Participatory Governance

In the new system of local government, municipalities are meant to be firmly embedded in the residents. A defining feature of the new system is the space it offers to ordinary people to become actively involved in governance. In fact, the legal definition of a municipality is that it comprises not just the councilors and the administration, but *the local community as well*. Deriving from this definition, each of these inter-related components has certain specific rights and duties. These are based on the Constitution and set out mainly in *The Municipal Systems Act*. Among the objects of local government in the Constitution

are “to provide democratic and accountable government for local communities” and to “encourage the involvement of communities and community organizations in matters of local government”

In terms of *The Municipal Systems Act* a municipality “must develop a culture of municipal governance that complements formal representative government with a system of participatory governance”. The Act makes it clear that residents have the right to contribute to the municipality’s decision-making processes. They also have the right to submit recommendations and complaints to the council and are entitled to prompt responses to these. They have the right to “regular disclosure of the state of affairs of the municipality, including its finances”.

In order to encourage residents to pay promptly for their services, municipalities are required to inform them about the costs of providing the services, the reasons for the payments of the fees, and the uses to which the monies raised are put. Residents also have the right to give feedback to the municipality on the quality and level of services offered to them. Very importantly, they have a right to have a say on the mechanisms for service delivery. If a municipality decides to enter into service delivery agreements with outside agencies, whether public or private, the views of the residents have to be taken into account and they have to be informed of the contents of any agreement and any subsequent amendments to it. Residents could also request a municipality to review its service delivery mechanisms

Residents are encouraged to participate in the:

- preparation, implementation and review of IDPs;
- establishment, implementation and review of a municipality’s performance management system;
- monitoring and review of a municipality’s performance;
- preparation of a municipality’s budget;
- decisions about the provision of municipal services.

Municipalities have to inform residents about their rights and duties.

Municipalities have to establish “appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of the municipality” and inform the community about these. These structures and processes have to take into account the special needs of women, the disabled, the illiterate and other disadvantaged groups. Municipalities have to use their resources and annually allocate funds in their budget, as appropriate, to develop a culture of community participation. They also have to contribute to building the capacity of the local community to participate in municipal affairs and the councilors and staff to foster community participation. In terms of *The Municipal Structures Act*, a municipality’s executive has to give an annual report on the extent to which the local community has been involved in municipal affairs. The executive must “ensure that regard is given to public views and report on the effect of consultation on the decisions of the council”.

The new system allows for ward committees to be set up in each ward of a municipality in order to “enhance participatory democracy”. A ward commit-

tee may make representations on any issue affecting a ward to the councilor or through the councilor to the council. It can also exercise any duty or power delegated to it by the council. A ward committee comprises the ward councilor as the chairperson and up to 10 other people representing a “diversity of interests in the ward”. Women have to be “equitably represented” in a ward committee. While a municipality may meet the administrative costs of a ward committee, it cannot offer committee members a salary. In terms of the Code of Conduct councilors are required to have at least four public report-back meetings.

But if residents have many rights in the new system, they also have duties. They have to take responsibility for ensuring that the municipality functions effectively. They are required to promptly pay the municipality monies owed to it, within the framework of an indigence policy for those who cannot pay. They have to respect the municipal rights of other residents, comply with by-laws, and co-operate with councilors and officials who are fulfilling their legitimate roles.

Clearly, the new system places many responsibilities on municipalities to ensure community participation. Even where there is a will to fulfill these, there may be municipalities who will not be able to do so because of financial, administrative, resource, capacity and other constraints. The legislation therefore provides for the provisions on community participation to be phased in where necessary. Essentially, the system overall seeks to provide a balance between giving residents the fullest space to participate in

municipal affairs and ensuring the right of councilors to ultimately govern.

Advancing Non-racialism

The December 5 elections were the first truly non-racial, democratic local government elections as they dispensed with the “racial quotas” of the previous elections. With the new demarcation of municipal boundaries there are now 284 municipalities instead of the previous 843. The old apartheid boundaries of municipalities have been finally jettisoned. With the linking of racially separated areas and the merger of urban and rural areas, these new municipalities represent a further de-racialisation of South African society. With the implementation of spatial development plans as part of IDPs and other aspects of the new system, the racial segregation within municipalities will in some measure be reduced. The new system also seeks to inculcate a “local community” identity that will over time contribute to evolving a non-racial mindset among South Africans.

The new local government system is a considerable advance over the previous one in providing for the needs and interests of women, and their active participation in municipal affairs. This is reflected in the electoral system and in the many requirement to ensure the involvement of women in the mechanisms, structures and processes of community participation. In terms of *The Municipal Systems Act*, municipal councils are in fact required to “promote gender equity in the exercise of the municipality’s executive and legislative authority”.

The new local government system is represented through 284 newly established municipalities which replace the previous 843. These include 6 Metropolitan municipalities in the big cities, and outside these, 47 District municipalities and 231 Local municipalities. The Metropolitan municipalities are single-tier structures entitled to exercise all the powers and functions granted to local government in the Constitution. A District municipality, on the other hand, has to share powers and functions with the Local municipalities that fall within its area.

Clearly, the new system of local government is more powerful, non-racial, non-sexist, democratic and developmental than the previous one - and advances the national democratic transition. It serves to take forward the tasks of transforming the state identified in the 1999 ANC-Alliance Elections Manifesto and gives a new impetus to debates in our ranks about a national democratic developmental state. The new system is also fairly consistent with the approach of the SACP to local government in the national democratic transition - as set out in our policy papers and resolutions on local government. But the system has enormous potential to both further advance the national democratic and socialist struggles. But it will do neither automatically. It will require our active, consistent and appropriate intervention for both to happen. We need to ensure that the system is properly implemented. What are some of the challenges we have to confront?

Need for Details of Policy and Implementation

Obviously, the new system of local government cannot be implemented fully immediately. Aspects of it are being phased in on the basis of further fine-tuning of the system, and issues around local government funding, resources and capacities. Of course, given the differing conditions, municipalities will not all be able to fully implement the new system at the same time or in the same way. It could take between three and ten years to effectively implement the new system. But to ensure the success of the new system, we have to find the right approaches now.

It must be stressed that the policies and laws that define the new local government system provide no more than a *national framework*. In view of the way in which local government is defined as a sphere of government in the Constitution, there are limits to which national or provincial legislation can prescribe a local government system. In any case the differing conditions in different municipalities make general legislation for all municipalities very difficult. To some extent, regulations and guidelines issued by the Minister and MECs can attend to this.

But it is also vital that the national framework be given more political detail and be linked closely to our national democratic and socialist tasks. We have to give the laws and policies a more specific political content. This has to be done by the SACP working within the Alliance and also independently. There are many issues that cannot be dealt with through policy papers and legislation - and can only be addressed

in implementation. But again, implementation is not just a matter for the Ministry and Department of Provincial and Local Government or the provincial governments or SALGA (South African Local Government Association). It is an entire sphere of government that is being transformed. Most national and provincial government departments have a stake in local government and have to work much closer than they currently do if local government is to be effectively transformed. But more than this, a wide variety of other stakeholders have to work together - including, the ANC-Alliance, SANCO, NGOs, the private sector, individual experts, local communities and other sections of civil society. We need a massive ANC-led campaign to implement the new system. As the SACP we need to contribute to this campaign but also develop our own.

The policies and laws that define local government are a basic national framework

Building Peoples Power

Of course, it is almost a universal norm that participation in local government elections is significantly lower than in provincial and national elections. There are many understandable reasons why the local government poll should also be much lower in our country's case. But given the nature of the local government transformation project and the crucial importance of popular participation to ensure its success, the level of participation in the elections - 48% of registered voters and about 40 % of eligible voters - is not a particularly good start. In parts of the country, the way

the Alliance decided on our candidates left a lot to be desired - and we need, perhaps, to review our system of choosing candidates. But clearly the new local government system has enormous potential to mobilize people to actively participate in governance - and we have to realize this potential.

As the SACP we have been constantly stressing the need to build "peoples power" to deepen the national democratic transition and advance to social-

ism. At our 10th Congress we committed ourselves to a "national democratic developmental state that fosters and embodies people's power". In our May 2000 local government resolution, we stressed the "need to build people's power in the new model (of local government) and ensure public participation empowers the working class, marginalized and the poor in a manner that the masses of people are part of the decision-making processes". We have pegged our annual programmes of action around the building of peoples power. This year, of course, our programme is organised around "Building People's Power for a People's Economy". We have identified one of the 6 core components of this programme as "building organs of people's power centred around strong, vibrant and popular ward committees". Other organs of people's power referred to in our programme include school governing bodies, community policing forums, civics, CBOs, development forums and local HIV/AIDS structures. "Whilst other work on building organs of people's

power must continue, all SACP branches are required to play an active role in building these ward committees in the first instance. This work must be undertaken jointly with the ANC, COSATU, SANCO and other local organizations.”

As the Tripartite Alliance we need to give guidance to ANC-run municipalities on how the ward committees should be elected and what political meaning should be given to the “diversity of interests” that the law requires to be represented in these committees.

Ideally, the ward committees should be used to mobilize the broadest range of interests in the community behind progressive goals as part of the overall national democratic transition. Attempts should be made to ensure representation from civic, development, trade union, busi-

ness, taxi, women, youth, religious, cultural and other organizations. Organisations can be clustered and asked to forward representatives for election to the committee.

It would be important for the branch and other structures of the Alliance partners to play a role in ensuring this representivity. As the SACP we should seek to ensure appropriate working class representation both in the composition of the ward committees and in the interests they advance. It would be important to avoid the ward committees becoming a site for narrow, sectarian turf battles within and between the structures of the Alliance partners - as this could be very destructive. For ward committees to work, we need to have strong branch and other

structures of the Alliance partners - and, in turn, strong ward committees must be used to strengthen the branch and other structures of the Alliance partners. The ANC has taken a decision to reorganize its branch and regional structures to coincide with the new ward and municipal boundaries. As the SACP, we too will have to reorganize our branch and district structures to take account of the new boundaries. As the Alliance, we will have to ensure that ward committees are in touch with the

residents in the ward and that they do not become elitist and self-serving. Of course, there will be very specific challenges to confront in ward committees in wards that have been lost by the ANC-Alliance - and we would need to address this.

There will be councillors and officials who will not want ward committees to be set up. Structures of the Alliance partners must ensure that councils give the fullest support possible to ward committees. Within the framework of a general Alliance policy, there should be local and regional discussions on what powers and duties should be delegated to ward committees. While ward committee members may not be paid salaries, surely, where possible, allowances can be considered? Certainly, within a municipality’s budget constraints, administrative support to ward committees should be fully forthcoming.

Obviously, residents will not be able to immediately exercise all their rights to participation set out in the law. For a long time, the average resident will not

We need to give guidance on how the ward committees must be elected and their roles

even be aware of these rights. Some councils may not be enthusiastic about them ever knowing about their rights. Alternatively, some councils will seek to do no more than nominally consult communities. Not much may come in practice either of all the provisions in the law to ensure the active participation of women. Strategies will therefore have to be developed to ensure that over time significant community participation takes place in municipal affairs in ways that also advance the national democratic and socialist struggles.

Obviously, we cannot romanticize community participation. It requires capacities, resources and funding that do not come easy. Often the space for community participation can be exploited by privileged elites to hold back transformation or further their narrow, sectarian interests. Even a certain mode of progressive community participation can serve to paralyse councils.

Community participation should serve ultimately to strengthen a municipality and ensure that it effectively fulfills its developmental role and serves primarily the interests of the poor and disadvantaged in ways that advance the national democratic and socialist struggles. This will take time to evolve - and the answers ultimately can only be found in practice.

Contributing to Economic Growth

Over the past two years we have been developing and fine-tuning our economic policies and have evolved a programme around economic transformation. Key campaigns have included those on jobs, transformation and diver-

sification of the financial sector, and co-operatives. The latter two are key aspects of this years programme around a “people’s economy”. Our May 2000 local government resolution stresses the need for local economic development based on “strong local state intervention” and the “socialization of the local economy” through promoting co-operatives and the strategic control of social capital. Our current Programme of Action calls for “mobilizing local government to play a role in the transformation and diversification of the financial sector through, for example, utilizing its budgets and bank accounts to direct and discipline private finance capital towards development finance; awarding tenders to co-operatives; imposing conditions on banks;etc”.

Of course, there are limits to what any system of local government can do, however advanced and developmentally-oriented it is. But an important test of the new system in the long term will be the extent to which it contributes to economic growth and job-creation. The new system with its powerful metropolitan municipalities and potentially strong rationalized system of District and Local municipalities and its planning and developmental orientation is better suited to respond more effectively to globalisation. Strategies and programmes on local economic development, the stimulation of small businesses, municipal service partnerships, and other areas can over time contribute to economic growth and job-creation, especially if developed in co-operation with provincial and national government. There are also many senses in which the new system of local government will be strengthened by taking up issues around

the transformation and development of the financial sector, and the creation of appropriate co-operatives. As the SACP we need to develop more concrete strategies and programmes on this and win the Alliance as a whole over to as much of this as possible so that we can collectively ensure that municipalities implement them. But as the SACP we also need to campaign on aspects of this independently linked to our struggle for socialism.

Enhancing Delivery and Development

As the SACP we are working towards transforming and “rolling back” the market and have consistently called for the de-commodification of basic services such as water, electricity, transport and health. We are committed to “defending and extending the public sector”. We also adopted a resolution on municipal service partnerships (MSPs) last year. Of course, we believe that the public sector should be the preferred service provider. This is consistent with the “Framework for Restructuring of Municipal Services Provision” negotiated between the government, SALGA and COSATU in December 1998 and the ANC-Alliance Local Government Manifesto. We feel that MSPs other than public-private partnerships (PPPs), should be encouraged, especially partnerships with CBOs and NGOs. We support MSPs only if they occur within the framework of the 1998 agreement. We “support the implementation of MSPs, including PPPs, where it is unavoidable, through the maximum consultation of all the relevant stakeholders as an alternative

to privatization, and as part of an overall strategy for service delivery”.

The Municipal Systems Act requires municipalities to give priority to the basic needs of the local community, promote its development, and ensure that all residents “have access to at least the minimum level of basic services”. “Basic” refers to a “service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety or the environment”. The Act requires services to be “equitable and accessible”, and financially and environmentally sustainable. They must also be provided in a manner that is conducive to “the prudent, economic, efficient and effective use of available resources” and the “improvement of standards of quality over time”. Services also have to be “regularly reviewed with a view to upgrading, extension and improvement”.

Municipalities can deliver services through a range of internal or external mechanisms. Among the external agencies with which a municipality can enter into service delivery agreements are: water committees, licensed service providers, traditional authorities, CBOs, NGOs and the private sector. Before a municipality decides on external delivery mechanisms it must assess its internal capacity to provide a service. If a municipality decides on a service delivery agreement with a public sector external mechanism, it can do so without a competitive bidding process but private sector and other external mechanisms have to go through a competitive bidding process. Even where a municipality enters into a service delivery agreement with an external service

provider, the municipality remains responsible for ensuring that the service is provided to the local community. Importantly, the “municipal council has the right to set, review or adjust the tariffs within its tariff policy. The service delivery agreement may provide for the adjustment of tariffs by the service provider within the limitations set by the municipal council”. The effect of the law is to encourage public sector mechanisms for service delivery - but ultimately a municipality has to decide on a mechanism that will best achieve the aims mentioned in the paragraph above.

The law merely provides a broad framework. How the restructuring of municipal services is managed will depend on the specific conditions in dif-

ferent municipalities. On the one hand, if the restructuring of municipal services is done appropriately and through consensus within the Alliance, it could lead to a significant improvement in delivery and development and advance our national democratic transition. On the other hand, if the restructuring is mismanaged, it could impede delivery and development and weaken the Alliance. As the SACP we need to contribute to finding consensus within the Alliance on the provision of municipal services. As the Alliance we have, of course, committed ourselves to providing free basic water and electricity services. This is a major advance. We need to implement this as soon as it is feasible. Not all municipalities will be able to do it by July this year, but some cer-

tainly could, and must be encouraged to do so.

Of course, service delivery and development are inextricably linked. The nature and importance of IDPs in the new local government system constitutes perhaps one of its most crucial and innovative features. But it is going to be very difficult to properly implement IDPs, and municipalities need the fullest support possible, not least from

structures of the Alliance partners. For an effective developmental local government system, it is crucial that the administration be restructured. *The Municipal Systems Act* sets out the principles and values of the administration and a Code of Conduct - *Batho Pele* in the local government sphere. The Act defines the broad structure

Legislation requires services to be equitable and accessible, and financially and environmentally sustainable

of the administration and roles and responsibilities of key officials. The appointment of senior managers on performance-linked contracts is particularly welcome. In general, the public administration is very difficult to transform - and much work will have to be done in this area.

Developing Human and Other Resources

For the new system of local government to work, there has to be enormous investment in capacity building of councilors, officials and the community. Of course, the national and provincial government departments, SALGA, the municipalities, the local government SETA, NGOs, education

institutions and other organizations can contribute. To be more effective, they need to co-ordinate their programmes. But to give a more political content to this capacity-building and to link it more concertedly to the national democratic struggle, the ANC may also have to explore the possibilities of conducting specific capacity-building programmes.

In view of the new role of local government, there has to be a review of its finances. This would include local governments constitutionally-entitled "equitable share of the national revenue", the property rates system, District Council levies, the respective fiscal powers of District and Local municipalities, inter-governmental grants, the restructuring of the electricity industry, municipal service partnerships, local economic development, levels of payment for services, an indigence policy, and additional sources of revenue. Much of this is underway - and needs to be advanced. Of course, the answer does not lie in national government flinging more money at local government. Very importantly, municipalities have to invest more in securing their own funding and have to significantly improve their management of their finances. The demarcation of new boundaries are meant to make for more economically and financially viable municipalities anyway. For the new local government system to work, there has to be a drastic improvement in local government finances.

In general, public administration is difficult to transform and much work will have to be done in this area

Consideration is being given to paying councilor salaries from the national fiscus. This should be encouraged. There is a fair amount of unhappiness among councilors about their salaries, particularly with the discrepancies between different categories of councilors. A strong case rests with those who argue that if local government is to be fully recognized as a sphere of government and as crucial for delivery and development, the salaries paid to full-

time councilors should be reasonably similar to that of public representatives in the national and provincial spheres. This would also make it easier to redeploy public representatives from one sphere to another. Of course, there are considerable financial constraints, but the ANC and Alliance may have to give careful

consideration to these views.

Responding to Other Challenges

The issue of local government finances is also linked to the distribution of powers and functions between District and Local municipalities. This distribution is a highly complex and sensitive matter. It is crucial to the success of the new local government system and has to be handled adroitly. ANC and Alliance policy is clear. We need powerful District municipalities to ensure delivery, development and democracy in the rural areas. Powerful District municipalities will be key to advancing the Rural Integrated Development Strategy. The distribution of powers and functions must over time ensure

increasingly powerful District municipalities.

In view of the establishment of new municipalities, the system of local government that has evolved, and the challenges of implementing the system, questions are also being raised about the powers and functions of local government generally. There may well be a need to provide greater clarity in the Constitution on what precisely some of the powers and functions mean so that they can be given more practical effect to. In the case of powers and functions shared with provincial and national government, there might be a need for greater clarity on how they might be exercised by local government as distinct from the other two spheres.

There is some dissatisfaction within our movement with the "mixed" electoral system that combines the ward and PR results with the effect that the more wards we win the fewer PR list seats we are allocated. Of course, this system flows from the constitutional provision that the electoral system must "ensure that the total number of members elected from each party reflects the total proportion of the votes recorded for those parties". The new "mixed system" was, of course, endorsed by the ANC. It has its advantages and disadvantages. There may be a need to have further discussions on it. There may be a need to explore whether there is another electoral system that can meet the needs of the Constitution or whether an amendment to the Constitution is appropriate. But discussions about the local government electoral system could also be usefully linked to considerations of the national and provincial electoral systems.

Local government will play a key role in the recently announced urban renewal programmes. We need to develop greater clarity on this. Very importantly, we need to be clear about how the new local government system can be effectively used to tackle the HIV/AIDS pandemic. It would be useful if branch and other structures of the Alliance partners became more active in dealing with the immediate challenges of the establishment of new municipalities. It would also be useful if we could develop greater clarity on how we see the respective roles of the Mayor and Speaker of municipalities. What also do we see as the role of metropolitan sub-councils and how should they relate with metropolitan councils? In the ANC-Alliance Local Government Manifesto we made it very clear that we will act against councilors who do not fulfill their responsibilities or who are corrupt. The ANC may have to develop a system from branch level upwards within which to do this.

For the new system of local government to be implemented effectively there will have to be much greater co-operation between the three spheres of government in the spirit of co-operative governance. Provincial government in particular has to be more supportive of local government, notwithstanding the constraints of resources and capacity. The challenge of reconciling traditional leadership with local government will also have to be met - and this process has to be significantly advanced .

Making the Best of Unique Opportunity

So clearly there are many challenges to

meet. Given the conditions in local government at the moment, many of them are daunting. In view of the magnitude of the transformation, it could not be otherwise. We need to sensibly and sensitively phase in the implementation of the new system. Provided we are sobre about this, we can certainly succeed. Of course, there are no guarantees. There are aspects of the new system that have a dual potential - of either advancing or holding back not just the socialist struggle, but the national democratic struggle as well. Progressive outcomes

in this respect depend significantly on the political content we give to aspects of the system, the classes and strata we mobilize around them, and our strategies of implementation. We can, ultimately, ensure this. Certainly, we have a unique opportunity to not just implement a fundamentally new local government system, but also significantly advance both the national democratic and socialist struggles. Such opportunities do not come easily. We must make the most of it! ♪

The Myth of “Sound Fundamentals”: South Africa and the Global Economic Crisis¹

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The Asian crisis is over, in the sense that it is no longer a crisis but a long-term, intractable malaise. – Stratfor, Business Analysts, 26 July 1999

World capitalism has not succeeded in establishing the basis of a new long wave of expansion because it is unable to ensure a sustained consumer (wage) demand – Maxime Durand (1998,5)

Many of us recall the strongly emotive picture taken in Seoul, South Korea, last year when in response to the deep crisis which afflicted their economy, Koreans lined up at banks to hand over their gold jewellery to assist the country to ride out the crisis. By any measure, a strong response from people who want to succeed as a nation. We are not calling for South Africans today to hand over any valuables to the national chest. But, we are saying that we must respond as a nation. This is our country, these are our policies and we must demonstrate our unwavering commitment to make them work. – Trevor Manuel, South African Minister of Finance, Speech to Parliament, 1998

In July 1997, the Thai baht began a downward spiral that kicked off what became known as the Asian Crisis. Throughout 1998 and 1999, ideologues of the free market tried to convince us that the dust had settled, that the formula for a stable global economy remained intact. South African government representatives and many business leaders expressed similar sentiments. They urge us to breathe a collective sigh of relief as if the worst of the storm had passed. Some local analysts even boast-

ed that the South African economy, via the oft-cited “sound fundamentals” somehow set itself apart during the crisis. As economist Helmo Preuss put it, “our financial system ... was a lot more resilient than in Asia.”

There may be a few (but no more than a few!) kernels of truth to such optimistic analysis of the South African situation. After a Rand plunge of more than a third in the first half of 1998, some measure of stability in growth and exchange rate terms apparently

returned - enough at least to occasion the Reserve Bank to reduce interest rates steadily during 1999 and early 2000. Economic growth which had sunk to zero for 1998 began to increase slowly. The problem is, even this minimal stability was short-lived. By late 2000 the Rand was diving again, allegedly due to unrest in Zimbabwe.

These ups and downs pointed to the heart of South Africa's contradiction. Ultimately, the key issue is whether the global economy on which South Africa so strongly depends is sailing in safe waters or are further storms on the horizon? More importantly, if further storms should appear, will the so-called "sound fundamentals" be enough to avert a total meltdown?

This article attempts to address these issues. To tackle such questions for South Africa, the first step is to look at global capitalism, particularly the four key centres of economic power: the United States, Japan, China and Europe.

In general, the second half of the nineties was an unprecedented boom for the industrialised world, especially the United States. With the new millennium a different story has emerged. While the world of information technology easily weathered the threats of Y2K crashes, the vagaries of the market proved far more difficult to avoid.

From the standpoint of South Africa and other countries of the South which aspire to become such dynamic zones, the view from below still yield uncertainty at best. For the majority of the governments of these countries which

have chosen a neoliberal economic path, there remains considerable doubt as to whether the Western economic maestros and spin doctors can fine tune the problems away or whether a major restructuring of the global economy is inevitable.

The argument here is that the situations of these "big four" demonstrate that the problems are beyond fine tuning but are the cumulative effects of long-term structural contradictions in the global economic system. I will elaborate this view by examining the US, Japan and China in turn. I will then go on to explore the implications of these structural contradictions for South Africa. For if the

Asian crisis is but one moment in a much longer process of rise and fall, a smooth path is hardly a likely scenario with or without sound fundamentals.

The U.S. Boom or Bubble?

The rapid accumulation of wealth in the United States, particularly in the late 1990s, was unprecedented in the history of global capitalism. In 1998 the combined wealth of three of the richest of the rich-Bill Gates, Warren Buffet and Paul Allen exceeded that of the 600 million people living in the world's 48 poorest countries. Some analysts assert that Microsoft is worth more than Canada. Perhaps even more startling than the tales of riches was the increased concentration of wealth in the hands of a few. In 1997, 70 per cent of US company profits came from 200

The key issues is whether the global economy on which South Africa depends is sailing in safe waters or are further storms on the horizon?

firms, in 1999, 70 per cent came from just 50 firms. (Woods and Grant, 2000)

Despite such dramatic shifts in wealth accumulation, there has been a false façade to the prosperity, one which economists often call a bubble. A bubble takes place when the value of shares and other financial assets rises without any increase in the value of the company. In the old days, the value of the shares bore some relation to what the company owned and produced. To make it simple, if the factories and machinery of a company were worth a million dollars, then the value of all the shares of the company should also be worth roughly a million dollars. Then if the company made profits, either the value of shares would go up and/or shareholders would receive a dividend. By contrast, in the "new economy" we were told to forget the linkage of share value with bricks, mortar and machinery. The new economy was to be driven by paper profits, what Karl Marx once called "fictitious capital." In the "boom" period, companies with no assets, companies which have never made a profit can attract mega-investments. In the late 1990s, this process became legendary in US business circles. Let us just look at a few examples. In February of 2000, *Business Week*, one of the clearest voices in articulating the American "miracle" expounded on the allegedly widespread phenomenon of overnight wealth:

"Companies with no more than a business plan have raised unseemly amounts of cash just by offering shares to the public. Since the expansion began more than 5 000 companies have come to the stock market to raise more than \$300 billion." (14/02/00)

And such companies are not always fly by night small scale entrepreneurs. For example, in January, 2000, America Online, the US' biggest internet service provider bought up CNN and Time Warner, two of the largest media companies in the world. The deal involved \$350 billion, yet America Online had yet to make a profit. They had to raise the money for the deal. Because those who invest in fictitious capital have so much faith in the unending capacity of IT to make profits, AOL easily raised the money required to buy up the other companies.

There were even more drastic incidents of speculation gone mad, such as the buying up of Internet sites. Some people made a living off of "site squatting." They put up a site on the Internet with a name likely to be wanted by a large company: for example, Coca-Cola.com. Then they wait for Coca-Cola to make them an offer for that site. One such site squatter sold a site for \$824 000 (more than 5 million Rand). Sites were not sold because they had turned a profit. They were sold because someone believed they would make a profit from the site. "The point is, under the new economy profits were supposed to be all about the belief that something, even a space, will make profits-not about producing something which could be sold at a price above the costs of raw materials, machinery and labour.

In this new economic paradigm speculation was not confined to a narrow circle at the top. Investing in the markets became a mass activity-part of selling the viability of capitalism. Even elements of the working class became shareholders. By late 1999 an estimated

43% of American adults were owners of shares on the stock market. As one journalist put it, "every taxi driver in New York can tell you what IT shares to buy." By 1998 some 54% of US household assets were stock- up from 25% in 1989. The total capitalisation on the New York Stock Exchange hit \$17 trillion in 2000 (surely enough to make a dent in global poverty!).

In the 1990s glory days of this new economy, unending prosperity became the popular gospel. Capitalism had solved the problem of periodic boom and crisis. Then came the new millennium. By the end of the year 2000, the value of information technology shares on the NASDAQ had fallen by 50% over its highest level just nine months before. In the world of the dot.coms (information technology companies) closures and plummeting share prices had become more commonplace than profit-taking. Mainstream economists began to sound more and more like Mike Mandel of the *Business Week*:

"the New Economy is more than a technological revolution, it's a financial revolution as well - and that makes today's economy far more volatile than most realise. Just as forecasters underestimated the growth potential of the US economy in the 1990s, they are underestimating the possibility of a steep decline in the near future."
(quoted in Beams, 2000a)

We will return to the world of speculation below. But while the bubble of quick money via the markets may have begun to burst in the new millennium, this was not the only vulnerable aspect of the US model.

In fact, the US economy has more than one Achilles heel. Apart from the bubble there was the question of the trade deficit. In recent years, only about two-thirds of what US consumers were buying was produced domestically. That means a third of the goods and services have been imported. This is not such a big problem as long as the wealthy in the rest of the world continue pouring their money into the US financial markets to try and share in the bonanza. From 1997 to 2000, foreign investment rose from 10% to 23% of gross investment in the US. (Beams, 2000a) Nearly two-thirds of all money available for international investment was ending up in the US. Most of it goes to speculative investments, not production. However, such flows are not inevitable they are based on another belief - the dollar as the almighty currency.

Ultimately if the bubble bursts (or even sags a bit) , the US patterns of consumption and trade become unsustainable. There will be no way to make up the huge amount they are paying to import so many cheap consumer goods from countries like China. Debt will further increase but there will be far smaller investment flows to compensate. Robert Blecker of the Washington-based Economic Policy Institute has summarised the situation:

"The US economy's current prosperity rests on the fragile foundations of a consumer spending boom based on a domestic stock market bubble, combined with foreign bankrolling of the U.S. trade deficit...no country can continue to borrow so much from abroad without eventually triggering a depreciation of its currency and a contraction of its economy." (1999,1)

So while the US has remained the dynamic zone for many years, even the mainstream commentators are holding their breath. And as *Guardian* writer Larry Elliot advised those who have predicted unending prosperity in the US: "they would do well to ponder four little words, the four most dangerous words in finance: 'this time it's different.'" (Quoted in Brooks, 2000)

The impact of the US economy on working class restructuring has not received much attention

While the financial markets and trade deficits are the focus of most of the bubble debate there is another aspect of US prosperity (and instability) which gains far less attention: the little told tale of working class restructuring. Sustaining this economic upswing has also pushed US companies at the point of production. To remain the leading economy in the world means to be at the cutting edge of productivity. Fifteen years ago, the Japanese were the model in extracting output from their workforce. In this area, the US reigns supreme. This "success story" rests on two pillars: increased exploitation and the prison-industrial complex. Increased exploitation simply means that employers get more for less. As Alan Woods and Ted Grant have argued:

"Even in relation to productivity it is necessary to point out that while part of the increase in productivity that has taken place is due to new technology, much of it is not. Most of it is nothing new at all. It is based on the old familiar method: simple good old-fashioned pressure on muscles and nerves." (2000)

One form of "more for less" is the rapidly escalating productivity in the IT sector. In the 1990s value-added per IT worker rose at about 10% per annum. (Woods and Grant, 1999) In IT more for less rests on constant technological change, but in other sectors a different picture emerges. In fact, information technology has not been able to spark a growth in productivity across the economy. Robert Gordon, economics professor at Chicago's Northwestern University summed up the situation in the 24 September 1999 issue of *The Economist*:

"The productivity performance of the manufacturing sector of the US economy since 1995 has been abysmal rather than admirable. Not only has productivity in non-durable manufacturing decelerated in 1995-99 compared to 1972-92, but productivity growth in durable manufacturing stripped of computers has decelerated even more."

Business Week 14/2//2000:

Productivity growth is key to increasing profits. If workers are not producing more, growth with rising profitability can only occur through wage cuts and longer working hours. In fact, in the last two decades real wages, have remained constant, even with the 1990s boom. Further unpacking these figures shows that the bottom 60% of the workforce lost 10% in real wages from 1979 to 1995. (Shimbun, 2000) Further evidence of this trend came from a Economic Policy Institute report in 1998 which stated that in 1998 some "29% of all workers were in wages pay-

ing poverty-level wages, a larger share than in the past. “ (cited in Bronfenbrenner, 2000, 2) This restructuring, which was accompanied by a fall in union density, partly paved the way for the miracle of the late 1990s. In Maxime Durand’s words:

“There is a clearly polarised structure of job creation, with MacJobs3 on the one side, qualified jobs on the other and a relative decline of intermediate categories. This leads to a slowing but not a reversal of the principal regressive tendencies, such as a rise in inequality, or an increase in the proportion of the ‘working poor.’” (1998)

Perhaps an even more dramatic restructuring took place in terms of working hours. In 1973 the average U.S work week was 41 hours. By 1998 this figure had increased to 51 hours. (Roberts, 1998) Put differently, the Economic Policy Institute said that by the year 2000, the average middle income couple with children worked 3 335 hours a year - eight weeks more than in 1979. (Quoted in Business Times, 13 February, 2000)

In short, the new working class equals more people in the ranks of the working poor. And for those not fortunate to enter the ranks of the working poor there is another career path prison, described by Manning Marable as “a way of regulating mass unemployment.” With the ranks of US prisoners surpassing two million for the first time in early 2000 (and more and more prisoners being used as cheap labour), the domestic race to the bottom has hit full swing.

The new working class equals more people in the ranks of the working poor

Personal debt as a percentage of personal income went from 58% in 1973 to an estimated 85% for 1997. (Blecker, 2000) Debt escalation has been more rapid in recent years. Household borrowing went up by 27% in the last quarter of 1999 alone. Many people were even borrowing money to invest in the stock market. Debt is not a problem as long as prosperity reigns.

At the end of the day, the recipe for working class restructuring could come unstuck on two fronts. Firstly, the build up of social instability resulting from a model based on increasing inequality may reach the take off point. The massive demonstrations of youth and workers at venues like the Seattle WTO meetings reveal the potential for such a process to unfold. Secondly, if the debt house of cards should collapse, even those in the working class who can claim to have reaped some market benefits may join the ranks of the excluded.

This brings us to the last structural problem of the US economy: debt. For while households have been increasing their mortgages and their credit card deficits, businesses have done the same. From 1991 to 1999, corporate borrowing (excluding the financial sector) nearly doubled, from \$2,47 trillion to \$4,31 trillion. (Beams, 2000a) In the second quarter of 2000 alone, private sector spending exceeded income by \$600 billion. Anyone with the most basic understanding of finance knows that this is living on “borrowed” time. The seriousness of the situation was not lost on mainstream analysts like Wynne Godley from the Jerome

Levy Institute: “nothing remotely like this has ever happened before in the United States. Private spending is growing faster than income, and it cannot continue forever.” (quoted in Beams, 2000a)

At a moment when the US has assumed the position of world leader and was in the midst of the biggest economic boom in history, predictions of doom and gloom became commonplace. The debate was whether there would be a “soft landing” or a “hard landing” -but the high flying was definitely over.

As to the next stage, the case of the previous “dynamic zone” Japan may hold some lessons as to where the world leader of a crisis ridden economic system will end up.

Japan: A Miracle of Stagnation

The world’s second most powerful economy, Japan, presents a very different yet perhaps more problematic picture. A little more than a decade ago, Japan was the rising economic power. All roads led to the Japanese model. Companies such as Toyota and Sony had apparently discovered new ways to conquer the global markets. However, as the critics of capitalism would have it: after boom comes bust. Since the early 1990s, Japan has entered into what Keynes called a “liquidity trap” -no one wants to invest, no one wants to buy. In the wake of the Asian crisis interest rates were effectively set at zero in February 1999. Yet there were no takers. At all levels people have lost faith in the Japanese miracle. As the management consulting firm McKinsey Global Institute put it: “the past decade has seen the Japanese

go from model to muddle.” (quoted in Lopez, 2000a)

In mid-2000 the Japanese unemployment rate was just under five per cent. For a country accustomed to virtually full employment, this is cause for panic. And in Japan, the form consumer panic takes is to save for that rainy day when you are retrenched. But if those who are employed don’t buy, what happens to everything that is produced? Japan rose to glory by exporting to the global market, but exports account for only about 10 per cent of Japanese economic activity. While the Sonys and Toyotas may remain leaders in global markets, domestic firms are treading water at best. According to a report from the McKinsey Global Institute, their productivity is only 63% of their US counterparts. And the report adds: “the Japanese economy will not turn around until the performance of these companies begins to turn around.” (quoted in Lopez, 2000a)

But it gets worse-for Japan has tried the well-known Keynesian formula of investing in public works and other forms of government spending to get the economy going. The government has sunk more than \$1 trillion into such efforts, yet growth has not been forthcoming. In the last quarter of 1999, the economy actually shrunk by 1,4%, with only a slight turnaround in the year 2000. Likely the most profound result of applying the Keynesian formula has been the increased public sector debt. In the decade of the 1990s Japanese public debt as a percentage of GDP rose from 69% to 128%. (Woods and Grant, 2000)

The situation is exacerbated by the pride of the Japanese economy-the

banks. Japanese banks lost some \$450 billion in the Asian crisis with perhaps more losses to come. This results from the fact that many Asian companies which went under were financed by Japanese loans.

Of course, the West has a cure for Japan-revolution. Business Week's Irene Kunii sums it up: "Yet a revolution is precisely what Japan needs. The alternative is to cede high-growth industries of the future to US and European rivals." (2000) The revolution Kunii calls for is actually nothing more than industrial restructuring. Business thinktank Strafor provides ingredients of the "revolutionary" recipe:

"The only way out of this dilemma would be an agonising restructuring of Japan's economy, including massive bankruptcies, unemployment and misery. This would last for a generation." (quoted in Woods and Grant, 2000)"

So far, the Japanese have not been willing to bite this bullet of restructuring and it is unlikely that they will do so willingly in the near future.

The Japanese case is instructive for examining the United States post-boom. According to economic orthodoxy, the way to stimulate growth is to lower interest rates. However, such measures have yielded little progress for Japan. Would the situation differ in the US? Unlikely. If US interest rates fall, speculative investors on whom the US balance of payments rest, will look elsewhere for opportunities. A withdrawal of investment from US speculative markets would lead to a decline in the value of the US dollar, further precipitating flight from US financial markets. At a certain point in the cycle of boom

and crisis, economic policy makers run out of options. The contradictions of the system become too enormous to be handled by traditional economic managers.

Of course, the dilemmas of Japan and the United States could perhaps be resolved if the dynamic zones of Durand could be found. Clearly the rising power in this regard is China. Let us briefly survey the likelihood of China providing the impetus for a global turnaround.

China: A Giant Market Without Consumers

Unlike Japan, China is experiencing rapid growth -about 8% per year. The problem is that so many goods are being produced, the market is becoming flooded. Once again, let me return to Stratfor to sum up the situation:

China is stuck in a crisis of overproduction and underconsumption. Consumer confidence has collapsed and with it domestic demand. Meanwhile, despite generous tax subsidies on exports, China has been unable to export its way out of the crisis. (August, 1999)

For a time this has been very beneficial to US consumers, since the high levels of competition between Chinese companies kept export commodity prices low. But there are limits to this process. Most crucially, Chinese workers are notoriously underpaid-typically earning about R300-500 per month. Workers with such wage levels are not candidates to consume what they produce. In fact, crisis in China is expressed in an almost textbook model

of what some economists call underconsumption - a situation where consumers do not have the purchasing power to buy what is produced at price levels that will ensure profits. Several years ago, Western businesses were trumpeting the new frontier of more than a billion consumers. China was to become the key market for a new round of imperialism. However, investors quickly realised the paradox of superexploited workers: they can produce but they cannot consume. Ultimately, relatively few Chinese could afford the goods and services of the modern consumers. A new market, yes; a solution to the global economic crisis, no.

For its part, the Chinese government has taken a very different approach to crisis than their Japanese counterparts. The Chinese authorities have not been afraid to restructure. By late 1999 there were some 80 million unemployed people in the rural areas looking for work. Jobs were in such demand that some workers were prepared to pay employer's a month's wages as a deposit for being employed. In such a buyer's market for labour, where is the impetus for increased consumption? The more likely result is simply further overproduction of cheaper and cheaper exports which in a period of downturn will find fewer and fewer consumers. As a nation, China is certainly rising in importance in the global economy. But the structure of the Chinese economy does not contain the recipe for re-establishing a capitalist boom.

Of course the final possible locus for a dynamic zone would be Europe. But

in the past decade Europe has never been a serious contender for pulling the rest of the world up by the bootstraps. Sidled with high rates of unemployment, pockets of welfare states which are far more resistant to complete marketisation than the US, and altogether too much outdated infrastructure, Europe has never been the choice to lead the global upswing. Protracted warfare in the former Yugoslavia has added to the woes of the great European experiment

in integration. Ultimately, the failure of the Euro to hold value is but a symptom of deeper underlying structural problems which the profound economic and political restructuring of the continent has been able to shake.

Dynamic Zones or Enduring Crisis?

So where do we stand in relation to global economic crisis? Ultimately, the Asian crisis was but a short-term manifestation of fundamental structural problems in the global economy. During the boom period of the 1950s and 60s, industries in the capitalist countries grew to such an extent that they became able to produce far more than could be consumed. The restructuring of the global economy via measures like Structural Adjustment Programmes, export processing zones, and general workplace restructuring was meant to correct this structural problem. But the problem did not go away. The 20 February 1999 issue of the *Economist*, hardly a bedfellow of

Unlike Japan, the Chinese government has not been afraid to restructure the economy

Karl Marx, provides us with a magnificent summary:

“Thanks to enormous over-investment, especially in Asia, the world is awash with excess capacity in computer chips, steel, cars, textiles, ships and chemicals. The car industry, for instance, is already reckoned to have at least 30 percent unused capacity worldwide, yet new factories in Asia are still coming onstream.”

In the rush to produce during the previous boom period, factories were built, profits were taken. But as both physical and money capital accumulated there became fewer opportunities for profitable investment in production. The solution became the markets. Ultimately, this overproduction precipitated the shift of investors away from the production to speculation. In the mid-1970s 20% of all cross border flows of capital went into speculation, while

80% were for productive investment. By the mid-1990s some estimates were that only 2% of cross border flows went into productive investment, the rest-98% or \$10 trillion a day went into speculation. (ILRIG, 1998,23)

Nearly all economists identified the whims of speculators as a crucial factor in the Asian crisis of 1997-8. While the types of disruptive capital movements of that crisis have not recurred, little has changed to correct the roots of the problem. For investors, prospects for profitability in speculation remain better than in production. With so many major industries already reaching points of excess capacity, why would an investor want to join in producing more cars or steel when they can make a higher profit by playing the stock market or buying futures? Moreover, despite the fall in the markets, in a time of downturn financial markets are more flexible and mobile than bricks and



mortar. With the growth of telecommunications, the options for a speculative investor are seemingly endless, even if most of these options do not present a rosy picture.

And while the nature of capital flows has not changed, there has been little effort to regulate those flows. A few countries like Malaysia, China, India have restrictions on speculators such as forcing them to keep their money in the country for at least a year. True, there have been calls from prominent free market economists such as Jeffrey Sachs former adviser to the IMF and Joseph Stiglitz of the World Bank to regulate capital flows and move toward a new global “financial architecture”. Even George Soros, perhaps the greatest profiteer from speculation in history, has called for regulation. Despite such calls, the pitfalls of a global investment regime dominated by the whims of speculators remain. And for countries like South Africa, the so-called emerging markets, such unpredictability in the global environment cannot be positive. Let us take a closer look

South Africa and the Global Crisis:

For the government of South Africa, the notion of global turnaround is central. The architects of GEAR and their loyal followers have hitched their wagon to the star of globalisation. Finance Minister Trevor Manuel has spelled this out quite clearly in his 2000 Budget Speech: “The transition to democracy in 1994 marked the turning point in our country’s economic performance. Economic growth recovered, capital flows resumed and business and con-

sumer confidence increased.” Manuel reaffirmed this upbeat view of recent economic history in his assessment of South Africa’s response to the Asian crisis: “the lessons we draw from all these experiences is what matters are sound economic policies and sound economic institutions.” (Speech to Parliament, 1998)

The formula for these policies then is GEAR, South Africa’s homegrown structural adjustment programme. Following the formula means increasing the country’s engagement with the global economy and reaping the benefits which are supposed flow to South Africa, some of which will even go to the workers and the poor. This argument could hold, if the fundamentals of the global economy were sound.

However, the global economy is a crisis-ridden system where the power of profit-seeking capital remains unregulated. The best the powers that be in South Africa can hope for is a few niche markets for exports, a few entry points for local TNCs to play the global markets and a trickle down of tourists and investments coming into South Africa. For the workers and the poor, the few jobs and benefits which may emanate from such a process are little cause for optimism. For the most part they will be on the wrong end of continued restructuring-victims of the very privatisation, liberalisation and deregulation which have become the enablers of global poverty and inequality.

The point is that despite the boasting about sound fundamentals, South Africa has turned no corners, despite having turned sharply to the right by implementing GEAR. We still rely heavily on speculative capital flows to

finance deficits. Still there is no guarantee that South Africa will not fall into disfavour and be attacked by the speculators. Remember South Korea was one of the best practitioners of the “fiscal discipline” in 1997 (running a budget surplus) but they were still a target for speculators’ attacks. And even if they do play the game of “maintaining sound fundamentals”, South African government and corporate powers have virtually no control over the perceptions of global investors about emerging markets in general and Africa in particular. A bit of “cronyism” here, a “tribal conflict” there could precipitate massive capital flight and a tumbling Rand.

At the end of the day anyway, this is not about perceptions and running the treadmill to keep up with global trends. In the domestic economy, South Africa suffers its own crisis of overproduction. There is considerable idle capacity in major sectors such as steel, auto, and energy—largely a holdover from the era where production of consumer goods for whites and homeland elites seemed like a never-ending source of profits. Now, in the face of a global downturn, there is little hope for such capital intensive industries to find niche markets and restore production. Hence it comes as no surprise that the giants of apartheid capitalism have chosen to play the global markets rather than build infrastructure and production capacity at home. While capital-starved communities look for job-creating investment, the people with the money to make a difference, the Old Mutuals, Anglo-Americans, South African Breweries have taken off for greener pastures with, of course, their money capital in tow.

Lastly, the architects of global economic policy are forcing small economies like South Africa to restructure in ways that are only advantageous to the global powers that be. For example, in the realm of tariffs, WTO pressures have levered open South African markets in clothing, food processing, dairy, footwear—leading to the demise of dozens of producers and the retrenchment of tens of thousands of workers. While global markets lead to volatility on the JSE and in exchange rates, the realm of local production is no less volatile when compelled to conform to the dictates of international competitiveness as defined in the North.

In the present conjuncture, all reassurances aside, this is the terrain on which national economies operate. And as the economic policy makers never seem to tire of reminding workers and the unemployed: there is no escape from the global economy.

Conclusion: Looking for an alternative?

The underlying structural crisis of the global capitalist economy has not been resolved. There is still a crisis of overproduction, speculators remain unregulated. South African economic policy makers and working class leaders will do well to remember that there is no coming messiah of productive foreign investment, no panacea of satisfying the perceptions of TNC CEOs which will deliver the economy from the doldrums. Both globally and nationally, the crisis is structural and cannot be whisked away with the sweep of policy makers’ brooms.

Secondly, despite the instabilities, there is no guarantee that the system will collapse soon. Economic analysts, like weather forecasters, do not have a good track record. And with regard to predicting economic crisis, leftwing economists are particularly suspect—having predicted the imminent demise of capitalism on almost a weekly basis for over a century.

Thirdly, if there is a massive collapse there is no absolutely predictable outcome. One option is massive deflation. Such a global fall in prices would lead to massive restructuring, company closures, and social chaos. But would it restore a stable process of profit-making for multinational capital? And could such a crash reverse the shift from productive to speculative investment which has been such a key feature of the era of globalisation. These are difficult issues to tackle.

However, there is an alternative way to look at the situation. Socialist-oriented optimists would like to think the crisis may present an opportunity for workers’ power, despite the disparate state of the global trade union movement and the near total absence of political parties based on working class politics. For if capitalism is busy digging its own grave in the financial markets of the world, at this stage it is difficult to detect more than a few cells of the embryo of the alternative.

Nonetheless, there are emerging trends which need to be recognised. Some of these have drawn great fanfare, perhaps even been overexaggerated in their significance. Still, perhaps an

examination of these unfolding changes may offer a more promising response to the global economy than scrutinising international market opportunities.

To begin with, we have the mass demonstrations against the international financial institutions, beginning with the anti-WTO protests in Seattle in December 1999. These events reveal that there is a core of people across many countries who see the present

economic direction as largely driven by corporate profit hunger in opposition to meeting the basic needs of the impoverished majority in the world. By mid-2000 they were labeled the “anti-capitalist demonstrators”. While these protests have sent WTO delegates

and their cohorts running for cover, the greatest achievement of these mass actions may have been in reviving the age old economic question: is there humanity in a system which privileges profits over people?

Apart from reviving debates about the nature of capitalism, these demonstrations have highlighted the potential of information and communications technology (ICT). In the buildups to the mobilisation in Seattle, Prague, etc tools such as the Internet and email have been used effectively by a wide range of networks to revive yet another apparently moribund issue: international solidarity. This technology has helped to bring together activists around the world (including many trade unionists), to reflect on their common plight and pose co-ordinated responses. For worker organisations there may be lessons to learn here. As global chains of produc-

Information technology has helped to bring together activists around the world

tion become more complex and interdependent, the use of up to date technology may help workers and other activists to plan the types of actions that can effectively paralyse TNCs who rely on smooth operations across the globe to ensure their profits.

While anti capitalist demonstrators in the North have grabbed headlines, a number of organisations of the South have gone about the business of building mass organisations through combining both the use of ICT and more traditional grassroots organising methods. Three of the most important of these are the National Alliance of Peoples' Movements in India, the Korean Confederation of Trade Unions and the Movement of Landless Workers (MST) in Brazil.

Each of these organisations has done the spade work of building democratic structures and managed to carry out successful campaigns against corporate domination. The NAPM has been central in a number of actions against the building of India's largest power plant and the defense of fishing communities in Maharashtra state. The Korean Confederation of Trade Unions (KCTU) has been by far the most advanced trade union movement in the world in the last five years-repeatedly resisting restructuring attempts backed by the government and the IMF, through tactics ranging from general strikes to global email solidarity campaigns. For its part the MST has brought together a range of the rural citizenry of Brazil, linked their struggles effectively with those of urban movements including

The new movements are truly movements of the wretched of the earth

labour, and provided a formidable obstacle to the restructuring process driven by former leftist, President Cardoso.

The point about this second category of movements is that they are truly movements of the "wretched of the earth". While some of their leadership and allies may spend much of their time behind computers, the rank and file of the NAPM, the KCTU and the MST are not surfers. They are building a democratic movement based on building human ties of solidarity through the oldest form of societal communication known-collective action. While the demonstrators in northern capitals may have captured Yahoo News and CNN, ultimately these movements of millions, even billions of the South, may take centre stage of the struggle to control or overturn an economic system in which crisis has become a way of life. And ultimately it is these organisations, not World Bank gurus, job-creating tourists or TNCs in search of a tax holiday who should be the source of inspiration for the genuine reconstruction and development of South Africa. ♪

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Endnotes

- 1 This is a chapter from a forthcoming anthology to be published by ILRIG: *Is there an alternative?* South African Workers Confront Globalisation.
- 2 According to the *Business Day*, one US company even tried to apply colonialism to site squatting. In late 2000, Rathbawn Computers tried to gain "ownership" of any site with the word Africa in the suffix. If they had succeeded, anyone wanting to put "Africa" in their web page address would have had to pay Rathbawn a royalty (luckily the courts ruled against them) (20 November, 2000).
- 3 The term Macjobs comes from the US fast food chain MacDonalds. MacDonalds is known for paying low wages and actively resisting providing benefits and unionisation.

Critical Literature Review and Discussion Paper

Worker Owned Co-operatives, Development and Neo-liberal Economic Adjustment



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Introduction

While the first consumer co-operative experiment in Rochedale, in 1844, inspired by the ideas of Robert Owen, is widely documented, it would seem the sociological study of co-operatives began in earnest from the 1960s onwards. While most of this literature was initially very descriptive (Spaul, 1965) it was only later that attempts were made to interrogate the development impact of co-operatives, the conditions necessary for success or those that contribute to failure, the role of the state in supporting the co-operative movement and other general approaches to co-operative development from

below. A lot of this literature also used case studies to highlight experiences, practices and challenges.

At the same time, the Cold War also had a major impact on the literature and general discourse around co-operatives. From within the Soviet Union (Maslennikov, 1983) attempts were made to theorise the role of co-operatives in countries like Asia and Africa and how this linked with the global socialist system. Emphasis was also placed on understanding class formation in co-operatives, the nature of co-operative property, co-operatives in exchange and production, government and co-operatives (both in states with or without a capitalist orientation) and finally the training of experts in socialist countries.

Later on in the 80s and 90s, a policy orientated literature began emerging from the ILO, the World Bank and even the International Co-operative Alliance itself. With the advent of the Internet,

the debate and study of co-operatives has become more textured. Comparative information is more easily available. Worker owned co-operatives have also been documented and these studies are available within this general pool of information.

This literature review has drawn from all the above sources. At the same time the conclusions reached from this exercise are meant to stimulate discussion on some of the critical tasks the SACP has to consider in order to build a socialist co-operative movement in South Africa.

Conceptual Issues

The ILO, in the Co-operative (Developing Countries) Recommendation, 1966 (No 127) defines a co-operative as follows:

“an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which members actively participate.”

This definition by the ILO while recognising that equity in a co-operative comes from within, from its members, unlike a public company, nonetheless obscures the ownership dimension of co-operatives.

This stands in contrast to the definition by the International Co-operative Alliance (ICA) which states:

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

However, the notion of an “association of persons” has tended to focus mainly on member owners and has excluded employees of the co-operative from ownership. This separation of ownership from employees in a co-operative is normally expressed in the classification of consumer and producer co-operatives. In the former, member owners contribute to the internal market of the co-operative and buy from the co-operative and also own shares in the co-operative. Workers or employees in the co-operative do not have shares in the co-operative and are de jure as per the statute, excluded from ownership.

Co-operatives also operate and exist at three levels - primary, secondary (sometimes referred to as central) and federal. Agricultural co-operatives are a good example of this. As primary economic enterprises these co-operatives produce a particular crop or fruit or livestock and so on. Their members are individual farmers who join the co-operative. Secondary or central co-operatives are made up of primary co-operatives as their members. Within branches of the agricultural sector, like maize for instance, secondary co-operatives have provided credit, cheaper inputs, transport, grading, cleaning and storage facilities, a marketing channel and processing facilities either downstream or upstream within the value chain. Sometimes primary and secondary co-operatives can be organised to be multi-purpose and handle several areas of economic activity. Also all the primary and secondary agricultural co-operatives could organise themselves into federal or sectoral co-operatives involved in agriculture.

At a national level apex bodies are constituted by sectoral or federal structures and sometimes organise themselves on national lines - as provincial and regional structures. "Apex national bodies" are meant to be the national voice of co-operatives in a country and are meant to represent its members in policy formulation and to devise strategies and programs for the development of co-operative activities. In many experiences apex bodies have failed to discharge their core function primarily because they have been controlled by government or have been the conduits for donor agendas. In Italy there are three national co-operative bodies. One was linked directly to the Communist Party and played an important role in the "red belt" area. The apex body is known as Lega Co-op (Philips, T.K.)

Sometimes co-operatives are classified as formal or informal (Attwood, 1988). This distinction largely relates to the legal status of a co-operative. A formal co-operative is by definition legally registered in terms of Co-operative legislation and has to comply with certain statutory requirements. An informal co-operative normally operates outside the ambit of the law but works with the values of a co-operative, has co-operative practices and might even have a voluntary constitution.

Worker Owned Co-operatives

Robert Oakshot's *Mondragon: Spain's Oasis of Democracy* (1973) and *The Case for Workers Co-ops* (1978) was pioneering in terms of exposing the most sophisticated worker owned co-operative complex to the world. The Mondragon worker owned co-opera-

tives have grown dramatically since their initial formation in 1956 - from 23 workers in one co-operative to 19,500 worker owners in more than one hundred worker co-operatives in 1991. They have also displayed a phenomenal record of success - of the 103 worker co-operatives that were created from 1956 to 1986, only 3 have been shut down (Whyte, 1991). 'Worker owner' relations have impacted on Mondragon co-operatives in three important respects (Whyte, 1991). Firstly, management in Mondragon co-operatives does not have a right to vote. They are located alongside the board of co-operatives and merely participate in board meetings to make recommendations. The general policy direction of the co-operative is decided by the worker owner board members; managers merely implement. In the second instance, worker owners are at the core of all co-operatives. For example, the Co-operative Bank in Mondragon is a secondary co-operative but its employees also have ownership in the co-operative and are represented on the board and share in surpluses. In the third instance, worker owner relations have incentivised the labour process. Workers do not require typical hierarchical work relationships to ensure productivity. Instead, shares in surpluses, participation in decision-making and commitment as worker owners have ensured that worker co-operatives in Mondragon are more productive than their capitalist counterparts.

Other experiences of worker owned co-operatives exist in situations where trade unions have attempted worker buyouts. In the Third World, the Kamani Tubes Experiment stands out. It

is documented by Srinivas in *Worker Takeover in Industry - The Kamani Tubes Experiment* (1993) Set up in Bombay in 1959 by the Kamani family, Kamani Tubes was engaged in manufacturing non-ferrous products which enjoyed a good market. The death of the patriarch of the family in 1972 led to the decline of the Kamani Empire. Internecine feuds amongst the family members adversely affected the performance of the Kamani group of companies. Kamani Tubes was no exception. The frequent siphoning off of funds along with inept and non-professional management spelt doom for the unit. During the early eighties the unit suffered heavy losses and by 1985 the losses had accumulated to a large amount with increasing liabilities. Failing to respond to the crisis, the management abandoned the factory premises in September 1985. At this juncture, the workers of Kamani Tubes, through their union, explored various possibilities for reviving the unit. A revival scheme prepared by the workers was presented to the Supreme Court which in turn directed the Board for Industrial and Financial Reconstruction (BIFR) to file a feasibility study of the workers scheme. Based on the report submitted by BIFR, the Supreme Court gave a historic judgement in September 1988 favouring worker takeover of Kamani Tubes on a co-operative basis. This decision was consistent with the provisions of the Sick Industrial Companies Act, 1985 which facilitates the takeover of a sick company by its

Like Kamani, in South Africa the use of worker owned co-operatives has also been used in defensive situations

employees through formation of a co-operative.

Like Kamani, in South Africa the use of worker owned co-operatives has also been used in defensive situations. In most instances during the eighties, trade union - linked co-operatives used to provide subsistence employment to workers who lost their jobs. In general the conclusions reached by Kate Philip from her case studies is that "co-op collapse is common, degeneration is manifest, and those co-ops that do survive struggle economically. The case studies also illustrated some of the classic problems arising from these pressures: undercapitalisation, marketing difficulties, low productivity, uncompetitiveness and self-

exploitation". However, the focus by Philip on South African co-operatives was one sided and did not take into account the dualistic character of the co-operative sector. Parallel to the worker owned co-operatives in South Africa were numerous white owned agricultural co-operatives that were provided with a host of enabling, protective and incentive based policy support from the state. This enabled them, particularly the seasonal grain co-operatives (see below) to become billion rand economic operations.

The Development Process and Co-operatives

Formal cooperatives were first introduced in sub-Saharan Africa (SSA) by colonial governments, often for the

purpose of promoting cash crops by peasant farmers. After independence, many SSA governments adopted policies that further reinforced the role of co-operatives and other rural organisations in the agricultural sector. This one sided approach to co-operatives, as instruments only for agricultural development, failed to draw on the potential of co-operatives to develop other sectors of the rural economy. In apartheid South Africa this was also the case with enabling legislation and incentive based policy measures being used to support the development of agricultural co-operatives (Amin and Bernstein, 1995).

In the main, the development potential of primary co-operatives resides in the following attributes:

- Internal capital formation. This happens by pooling member fees and share purchases into an internal capital pool. This is further enlarged if co-operatives re-invest a portion of their surplus or borrow from member surpluses. Within the wider movement, co-operative banks are essential in providing technical support, "business advice" but most importantly start-up or venture capital. In Mondragon the co-operative bank, also known as the Caja Laboral Popular, has played a crucial role in financing the co-operative movement and planning the formation of new co-operatives or assisting with the conversion of private enterprises (Whyte, 1988);
- Locally based asset formation and control. As the co-operative invests its capital in equipment and land or even inventory, it contributes to local asset formation that would be

controlled by member owners in the co-operative rather than an outside stakeholder. These member owners would be responsible for these assets due to ownership but would also have the prerogative to dispense with them and even replenish them after depreciation sets in ;

- Links land redistribution to productive economic activity. This is particularly the case with rural development. With this link land reform policy can be implemented in a more sustainable manner and contribute to micro-economic activity and the efficacy of development strategies;
- Employment. To this extent co-operatives can provide for self-employment for individual farmers or can contribute to full time employment or seasonal employment. In a context in which there isn't proper state support or protection or no co-operative movement linked into a wider political program, employment created through co-operatives would merely amount to "survivalist jobs" earning co-op members an income far less than a living wage and amounting to self exploitation (Philip T.K);
- Co-operative movement networks. These exist when the demand and supply side of the market are organised through co-operatives. This allows for needs to be met in a more planned way but also provides consumers with cheaper products or services. To this extent the market is socialised and controlled and co-ordinated by decisions made jointly by producers and consumers (Wainwright, 1994).

Within secondary or central co-operatives involved in development activity, the following positive contribution has been identified:

- They provide their members with the advantage of economies of scale. By combining their resources, producers can obtain needed goods and services at reduced costs, and market their produce in larger volumes, giving them a stronger bargaining position in dealing with traders;
- They can link small-scale producers to the national economy. By serving as a means for obtaining inputs and marketing of produce for their members, the organisations can help to incorporate the smaller producers into the national economy and contribute to higher productivity and improved farmer income in the small holder sector, for instance;
- They can contribute to rural stability. By providing an institutional permanence for self-help, these community-based organisations can extend services to members over the long term. When collaborating with development projects, they can continue project related activities after external assistance has been concluded.

In terms of the development approaches used vis-à-vis co-operatives as development instruments, the literature points broadly to three experiences. In the first experience, mainly in the Third World, co-operatives were used in primary export sectors, which were very important to the local economy. The rationality of centralised macro planning gave politicians the power to decide policy ends and planners the power to decide means or policy interventions to realise

these ends (Hyden, 1988). Planners in the state provided "blue prints" or models for the role of co-operatives in agrarian reform and farmers on the ground were forced into these socially engineered co-operative relations. In the main these co-operatives were largely state controlled and were conveyor belts of state policy, rather than understood as institutions that needed to be nurtured in a wider web of political and economic relations.

In an attempt to reclaim the autonomy of co-operatives as development instruments, a key theme in the literature has pointed to a 'green house' approach (Hyden, 1988). In this approach, rather than organising people for purposes beyond their comprehension and interest, the greenhouse approach focuses on factors which help local efforts grow on their own. Thus, rather than insisting on implanting organisational models, irrespective of whether or not they fit the political economy of a given society, the green house approach takes as its starting point what exists on the ground and encourages organisational development from below or from within. To this extent, this approach recognises the richness of institutional forms and origins that exist in the global co-operative movement. However, beyond this, green house development of co-operatives is about a philosophy of incubating a "self-help" culture; informal co-operatives are nudged to become formal co-operatives. This would happen by reclaiming the autonomous nature of co-operatives, while at the same time, empowering and strengthening apex organisations to perform a host of support functions for primary co-ops.

From a Northern donor perspective the green house approach is useful and allows donors to work closely with national apex organisations in the Third World. Three problems emerge from this approach. Firstly, the assumption that the organic knowledge of people outside any informal self-help group is less than those in it, is not necessarily the case. This means working with people that have not formed any kind of informal co-operative does not mean that a co-operative cannot grow even from very "formal beginnings" particularly if the process capacitating the co-operative is empowering. Secondly, the state cannot be ignored

The state cannot be ignored completely in co-operative development

completely in the context of co-operative development. The state in any country is crucial for the development of a co-operative movement. However, the challenge is finding the right balance between state control and complete non-intervention. Finally, in the context of liberalisation the greenhouse approach to co-operative development produces "weeds and sick plants" that are basically capitalist enterprises that undermine the essential founding principles and philosophy of co-operatives.

A third approach in the literature to co-operatives in development can best be termed the "transformation from below" approach (Wainwright, 1994). This approach proceeds with the understanding that co-operatives are part of social movements in which the organic knowledge of members is crucial for co-operatives development and existence. This, however, does not preclude political relationships with parties or "new

vanguards". This party-to-movement relationship is not one-sided or instrumentalised and it provides co-operatives with a political and strategic role to advance transformation from below such that control of the economy and development is a central driving force. Transformation through co-operatives means socialising economic relationships and changing the basis of overall economic coordination. In Lega Italy, this existed in the relationship between the Italian Communist Party and the co-operative movement. Together with support from the regional state, the co-operative movement or Lega was able to advance worker take-

overs and buy outs and even new co-operatives were established in a host of economic sectors. Also in Brazil currently, the Workers Party is supporting the Landless Workers Movement by using its positioning in local and provincial state legislatures to open up blocked spaces for advance.

Neo-liberal Economic Adjustment and the Impact on Co-operatives

Most of the current literature on the global co-operative movement reflects a serious ideological shift in support of neo-liberalism. Three important themes emerge strongly to define the adaptation required by co-operatives to deal with liberalisation, privatisation and deregulation. The first theme emphasises the opportunity that neo-liberalism offers co-operatives in the Third World and countries in the former second world

that are in transition to market economies (Fazzio, 2000), to reclaim their autonomy from the state. The end of state control and intervention in the economy inaugurates a new balance between state and market. Thus co-operatives need to embrace the only logical economic space for their continued survival and renewal, that is, the market (Hussi et al 1993, Rajapatirana, 1998, Fazzio, 2000). The use of terms like a "co-operative sector" or "third sector" are jettisoned and the economic viability and the general orientation of co-operatives is conflated with the market and ultimately the private sector.

A corollary to this theme is a minimalist state policy on co-operatives which merely provides a simple legislative framework, preferably in plain English, and which is enabling (Hussi et al 1993 and Fazzio 2000). Policy incentives, protective measures and other training supports from the government are decried. The alternative being advanced by neo-liberalism is greater emphasis on support for apex organisations to play a role in policy-making, training and strategy development or full-blown conversion of co-operatives into companies. Most donor programs are focusing on promoting this approach, even those in South Africa today (see below). The third theme complements this thrust by arguing for a new kind of management in co-operatives to ensure they are globally competitive. Co-operative experts (Davis, 1995) are arguing for the end of "worker control" and "self management" and instead talk about the promotion of the new kind of co-operative manager who operates with the values of co-operatives but who understands

the efficiencies of the market. In addition, Davis (1996) goes further than this to argue for managers to be given voting (and possible ownership) rights in boards. In other words, it is only through embracing this new kind of co-operative management paradigm, it is argued, that co-operatives can deal with the global market and the necessary challenges of economic adjustment.

From the standpoint of the basic principles of co-operatives, the neo-liberal appropriation of co-operatives into the globally competitive market, with minimal state support and typical managerial prerogatives, opens the way for degeneration and for co-operatives to be treated as businesses - profit maximisation and competitiveness become the sole goal of the co-operative which supplants the wider social, cultural, developmental and spiritual needs of co-operators and co-operatives. However, at the same time as the global adjustment of advanced capitalist economies began in the seventies and intensified through the eighties and nineties, Mondragon worker owned co-operatives have proven the vitality and appropriateness of labour-management relations that are defined solely by worker ownership and decisionmaking power. Instead of shedding jobs during the adjustment of European economies or even changing worker-owner and management relations, the Mondragon co-operatives have created jobs during this period (Whyte, 1991).

Worker-owners in the Mondragon complex responded to the adjustment threat in the nineties by developing, on their terms, areas of strategic organisational restructuring but in the main drew on the strengths that were already

established as part of the worker complex (Whyte, 1991): education and training, a role for social councils involving the base of workers in decisionmaking in a co-operative, worker owner exclusive power on boards to determine policy and strategy for the co-operatives. In some cases the Mondragon co-operatives very cautiously entered joint ventures with private firms but largely on terms that did not allow the private companies to take-over or undermine their autonomy (Whyte, 1991). The Mondragon complex stands out as a successful worker owner led co-operative response to global economic adjustment. Without detracting from its original philosophy, other worker owner led co-operative movements can do the same (Dumais, 1997). For Itkonen (1996) it is clear that the internal knowledge and the human centredness of co-operatives is what gives these institutions an edge over typical enterprises. This is further enhanced when women are treated equally in co-operatives. Following on these perspectives, it is possible to argue that a worker-owner led co-operative movement that is linked into a dynamic party-to-movement relationship with a political vanguard and which has a clear ideological program, can also achieve what the Mondragon worker owned co-operatives have achieved.

Case Studies

While the literature on co-operatives contains numerous case studies, we concentrate on two experiences; namely, Dairy Co-operatives in India and the white owned seasonal grain co-opera-

tives in South Africa. These case studies are meant to highlight the various institutional forms that co-ops can take, the diverse activities co-ops can be involved in, the role of the state and policy, contributions of these co-operatives to rural development and finally, some of the problems encountered.

Dairy Co-operatives in India

Amul co-operative dairy is located in the town of Anand which is part of the Kaira or Kheda district in the Gujarat state (George, 1998). This dairy is part of a milk co-operative that began after the Second World War, in 1946. Prior to this, dairy production was in private hands and given exclusive rights to supply the nearby Bombay market. In response to this, dairy producers came under the influence of Gandhian philosophy and nationalist revolutionaries which prompted the growth of the dairy co-operatives (Patel, 1988).

In 1947 there were only 8 village based co-operatives with 432 milk producers. By 1983 this had increased dramatically to 895 villages involving 352 000 milk producers collecting about 183,820,076 litres yearly (Patel, 1988). In terms of the organisational structure, it operates with three tiers (Baviskar, 1988): one at village level, which is a co-operative society and the other at district level, made up of numerous village co-operatives. Together the various districts form a federation at a state or provincial level.

Farmer members of the co-operative sell milk to the co-op twice daily, in the morning and afternoon. The local co-operative supplies the district, which runs the Amul Dairy and is responsible

for procuring, marketing the output and processing. Quality and grading is done by the district level co-operatives. Amul Dairy produces all the by-products of milk - cheese, butter, buttermilk. Amul also has a technology center where they conduct scientific research and business feasibility studies to increase product diversity. In addition, the co-operative provides other services and supplies to co-operative members: a guaranteed market for milk at a fixed price, cattle feed at reasonable cost, and regular and efficient veterinary services in the village (Baviskar, 1988).

State policy support for the dairy and milk producing co-operatives has been at three levels. The first has been at the level of breeding technology for dairy cows. Local and indigenous species are crossbred for high milk output. Secondly, the nutrient content of cow fodder has been improved. Thirdly the state policy has also contributed to transport linkages. In this regard the state has provided the necessary infrastructure for transportation like roads, vehicles and communication lines. Currently, the state is trying to replicate the Amul Dairy Co-operatives in other parts of India where there has been a dire shortage of milk. The extent to which the state can succeed will depend on its understanding the specific success factors of the Amul Co-operative.

As a vehicle for rural development the Amul Co-operative has had a differential impact. While the co-operative is open to everyone notwithstanding caste, class and religion, large land owners are in the majority and together with middle level land owners have been the main beneficiaries of the benefits provided by the co-operative.

Landless workers have not been able to gain directly. At the same time, the co-operatives have created jobs estimated at about 5000 in Gujarat state alone, with an average of six persons per co-operative (Apte, 1988). In addition, the dairy co-operatives generate employment in their plants as well as in the transport of milk and milk products, in the manufacture of cattle feed and in the financing agencies and infrastructural services (Apte, 1988).

Annually, after 50 per cent of the annual profit is distributed amongst members, the remaining amount is allotted to various funds such as the reserve fund, charity fund, extension of co-operative fund, etc. (Patel, 1988). In the end these allocations of co-operative surpluses have contributed to local development through the establishment of schools, health care centers, construction of roads, provision of water supplies and electricity connections to villages. Also, women have been educated and empowered in terms of family planning and a broader understanding of economic issues and processes (see below).

At the same time, while the dairy co-operatives have been hailed as the harbingers of the white revolution (following the green revolution) and which has been more successful in terms of contributing to rural development, several problems plague these co-operatives. Firstly, land ownership is governed by the market and hence most people cannot afford to purchase land and engage in dairy farming activities. Secondly, women are mainly involved in tending cows and buffaloes in Indian villages and they deliver milk to the co-operatives, more so than men do in Indian villages (Apte, 1988). As a result

they have achieved an improved status through being involved in milk production and earning an income from it. Particularly widows have been able to increase household income. However, men still dominate the co-operatives and its leadership structures.

Most members are also faced with a lack of capital (Patel, 1988). The co-ops don't provide credit and hence it is difficult for members to start up, expand and maintain their cows. After about a year or two a cow dries up and there is a need for another cow. In the end, if loans are taken it is difficult to repay credit institutions that have agreements with co-ops to deduct a certain percentage of member's sales. This negatively affects mainly farmers who have one cow. As opposed to farmers with several cows who are able to rotate their cows, a farmer with a single cow over uses the cow such that it dries up before the loan can be paid. This creates debt.

A fourth problem facing these co-operatives is management. While the management has not been corrupt it has been made up exclusively of upper caste large landowners. They are literate, compared to the widespread illiteracy amongst most members, and have been able to manipulate and direct the co-operative according to their ideas and interests (Apte, 1988). This type of management, which completely undermines member participation in decision-making, is also referred to as 'Paternal Managerialism'.

South African "White Owned" Seasonal Grain Co-operatives

In the South African context white agricultural co-operatives have been used as

important instruments of rural development. Currently, about 250 agricultural co-operatives have emerged in South Africa with around 142 000 members, total assets of some R12.7 billion, total turnover of some R22.5 billion, and annual pre-tax profits of more than R500 million (Amin and Bernstein, 1995). In addition, according to Amin and Bernstein, agricultural co-operatives handle all exports of citrus and deciduous fruit, handle and/or process the entire wool clip, and market 90% of dried fruit. On the input side, they provide and/or finance 90% of the fertiliser, 85% of the fuel, 65% of the chemicals, and a significant proportion of the machinery and implements, used by white farmers; they also provide 25% of credit used by white farmers (Amin and Bernstein, 1995: 5). At the heart of this white owned agricultural complex are eleven summer grain co-operatives. These co-operatives are mainly concentrated in the north of the country and in the Free State and they dominate the rural agricultural economy. The two largest summer grain co-operatives OTK and SWK have an annual turnover of R2.374 bn and R2.22 bn respectively, which compares with some of South Africa's largest food corporations like Imperial Cold Storage with an annual turnover of R2.4 bn and Rainbow Chickens with a turnover of R1.5 bn in 1993.

These co-operatives provide a host of agri-services to their farmer members. These range from receiving, handling, grading, fumigating and storing controlled commodities. A levy is charged to members on the volume of business done with members and this helps to finance other business activi-

ties. The second important role of these co-operatives is the channeling of Land Bank funds (and those acquired from other financial institutions) to members. Funds are provided to members to purchase production inputs. Drought relief funds have also been channeled through these co-operatives to their members. The third service provided by these co-operatives to members is general trading of bulk procured production supplies - seeds, fertilizers, pesticides, herbicides, and farm implements and machinery - as well as consumer goods.

Increasingly trade is also happening with non-members. A fourth service provided by these co-operatives to members is an insurance brokering service for short-term cover and Sentraos for crop insurance. Some co-operatives also provide group schemes, pension funds and credit insurance for their personnel and for members. Finally, these co-operatives provide secondary processing of agricultural produce. This is mainly in downstream activities. Examples of such activities are: maize milling, peanut butter production, sunflower oil pressing, malting etc. A few co-operatives have specialised upstream into fertiliser blending and seed multiplication.

In terms of state support this came through agriculturally skewed co-operative legislation, the 1981 Co-operatives Act 91, which was largely enabling for these co-operatives. However, these co-operatives were also beneficiaries of government policy through the Land Bank Act and the Income Tax Act. In the terms of the Land Bank, summer

grain co-operatives were designated agents of the Land Bank and have administered loans and drought relief for small fees to members. Drought relief provided farmers with major direct and indirect financial supports. This included concessions for mortgage loans to assist with the consolidation of debt; consolidated carry-over debts to be repayable over a six-year period and interest subsidy by government on new production credit. Although these concessions were modified

and gave added benefits to summer grain co-operatives, in 1992 a massive emergency relief scheme involving the transfer of R2 400 million to assist farmers and co-operatives was introduced by the government. The largest

proportion of this finance went to summer grain co-operatives (i.e. 88%, which reduced the debt of summer grain co-operatives by 82%).

In terms of tax benefits, prior to 1977 agricultural co-operatives only paid income tax on profits from non-members turnover. Later, in 1976 and due to pressure, co-operatives have been taxed on the company rate of 35%. However, the Income Tax Act grants agricultural co-operatives special concessions ranging from allowances for purchase of buildings and machinery, general depreciation benefits and an allowance for losses as a result of damage to farm products by the control boards. Also surpluses declared as bonuses six months after the year-end also can be deducted for tax purposes.

At the same time, the recent changes in the tax laws which ended a ten year

Management is a key problem facing worker-owned cooperatives

tax holiday in 1987; the gradual movement of Land Bank lending towards market related interest rates since the mid-1980s; the deregulation of the maize board and the end of the apartheid dispensation have posed serious challenges to the seasonal grain co-operatives. Instead of opening up membership to more African members, in particular, they have attempted to consolidate their positions as powerful white "enterprises" through a host of strategies. Bernstein and Amin note the following strategies adopted by these co-operatives: improving management practices; amalgamations (since 1990); diversifying activities into mostly downstream processing; expanding non-member business, especially in the former homelands; converting to companies under the provisions of the Amendment Act 37 of 1993 and entering maize marketing on their own account from the 1995-1996 season.

This poses serious challenges for rural development policy and for consideration to be given to breaking the monopoly position of these co-operatives and limiting their statutory privileges or alternatively building powerful "black owned" secondary co-operatives in various branches of the rural agricultural economy to bolster the emergence of black farmers and ensure that they also draw on the policy benefits that are ensconced within the legal and policy framework that has supported white agriculture.

Main Challenges For The SACP to Build a Socialist Co-operative Movement in South Africa

While the co-operative movement in South Africa is in its infancy, there can

be no "middle road" on the ideological orientation of this movement. The onslaught of neo-liberalism is appropriating co-operatives into the private sector. The implications of this are three-fold: Firstly, the enabling role of the state is limited and it basically should not provide the environment for a co-operative sector. Instead co-operatives are seen as essential "self help" complements to the state as it withdraws and shrinks due to privatisation, liberalisation and deregulation. Secondly, co-operatives are considered to be businesses like any other juristic entity - like a company, closed corporation and so on - and must compete with the same aggressiveness and profit maximisation imperative. Thirdly, the identity of co-operatives grounded in co-operation and mutuality between co-op members, the co-op movement and the rest of society is supplanted with the social Darwinism of market driven competitiveness and fervour to marketise.

In South Africa the choice is simple : we either capitulate to the dominance of global capitalism and let co-operatives be treated as typical capitalist enterprises or we build a co-op movement on a scale and mass that induces the forces of capitalism to accept a contending logic of need, co-operation, solidarity, self reliance and self management. If the SACP takes the latter option and asserts co-operatives as one of many crucial programmatic thrusts to advance (even minimalist) socialist construction in South Africa then some of the following tasks and questions need to be dealt with:

Building a Party-Movement Relationship with NCASA

In the first instance the SACP needs to clarify its relationship with the National Co-operative Association (NCASA). This is an apex body that was developed through Canadian funding since 1996 and has brought in sectoral co-ops like the Savings and Credit Co-op League, Medical Co-op Association, Home Industry Co-op Association, National Community Co-op Association and the Agricultural Business Chamber. At the same time NCASA has attempted to build provincial structures and is even considering regional structures. All of this happened in a top down way and has been contrary to international experience - co-ops do not have a sense of ownership of NCASA and also most of the developing co-operatives do not believe in the services and support it can provide them and hence do not affiliate. While the debate on the structural formation of NCASA is open and happening currently, the major issue is its orientation. Should NCASA become the "Green House" and be the backbone for capitalist co-operatives or should it foster a mass based socialist co-operative movement that builds relationships of solidarity and co-operation between co-operatives and within society and ultimately constructs, together with the state, a co-operative sector?

Beating at the heart of this question is the relationship between the SACP and NCASA. International and historical experience points to one possible approach: NCASA becomes a front of the SACP and is controlled by it conveyor belt style. Alternatively, and more

appropriately a party-movement relationship can be forged which ensures that NCASA and the SACP develop joint programs to mobilise and build the co-op movement, attempt to engage each other on strategic and tactical questions and debate ideological questions. While this approach will have Communists emerging and working in NCASA, this would not undermine the organisational autonomy and independence of the co-operative movement. In short, with this approach NCASA would not have a socialist orientation by force or "appendage status" but by the strength of our arguments and mass based practice.

Mobilising in Key Areas to Ensure Working Class Leadership of the Movement

Flowing from this is the need, both in theory and practice, to advance working class leadership of NCASA - a leadership committed to the socialist orientation of NCASA. Practically speaking this means the SACP has to champion a "worker owner model" as the generic model for co-operatives in South Africa, but more importantly, there is a need to organise the working class (both employed and unemployed, rural and urban) into the co-operative movement. This means working closely with trade unions, working class communities, rural villages and former combatants as priorities of mass mobilisation to educate, organise and build the co-operative movement.

With trade unions, co-operatives should not just be used defensively but should also be part of an offensive strategic approach that promotes work-

er takeover and buyouts. In both working class communities and rural villages there is a need to promote co-operatives as development institutions that can organise local labour, capital, land and other resources into a model of self reliant and sustainable local economic development. In this regard it might be important to promote local co-operative movements made up of cornerstone co-operatives like a community co-operative bank, a labour and technology co-operative (which distributes work rights to the unemployed members within local economic development projects and refurbishes second hand technologies which can be borrowed for productive purposes by co-op members), waste recycling co-operatives (that also engage in processing like recycled paper, toys etc), arts and crafts co-operatives and organic farming co-operatives (with either of the latter co-ops running a local community market). All of this stimulating dynamic local economic activity and a sustainable growth path. In Midrand within the Eco-city project most of these co-ops have been put into place and are attempting to achieve such a model of local sustainable development. With rural villages a similar co-operative complex can be experimented with to build self reliance but with the possibility of building in a secondary co-operative that can procure inputs in bulk and even market produce both to the wider co-op movement and market.

With trade unions, co-operatives should not just be used defensively but as part of an offensive strategic approach that promotes worker take-overs and buyouts

With former combatants, most of them have been trained in "Marxism-Leninism" and have a very firm ideological orientation and commitment to socialism. This is very much part of the historical investment made by the SACP when it ensured many cadres in training camps obtained such ideological training. However, currently, many

combatants are discontent in the army. From a political and strategic point of view it is important to work with these cadres and ensure that they take up the co-operative option both to ensure self employment and re-integration into society. More importantly they can provide a bedrock political force for the co-operative movement. In Zimbabwe, for instance, such an approach was also used. However, current studies on the co-

op movement in Zimbabwe reveal a lack of a proper support environment and in most instances heavy handed state control, in the context of rural transformation, which has contributed to their demise in many places (Louis M., 1995 : 162-177).

Building An SACP Linked Co-operative Bank

In many contexts, the need for capital is an important constraint on the development of co-operatives. While co-operatives can generate capital through membership fees, ownership shares, and reinjection of surpluses, however, sometimes this is not sufficient. In the

Mondragon worker complex the co-operative bank was central in providing capital for the start-up and expansion of co-operatives. This model also houses technical capacity which helps emergent co-operatives develop feasibility studies, co-operative business plans and advice for start-up operations. A lot of this groundwork takes about two to three years in Mondragon and has ensured an almost zero failure rate. In the party-movement model in Italy the party was also crucial in providing finance to the co-operative movement. This is also the case and experience in Cyprus. The SACP could design and set up its own co-operative bank which can provide capital for the co-operative movement. This could mean either working with the SACCOL model of credit unions but ensuring that finance is not only used for consumption but for productive capital. Alternatively the SACP could design its own model, based on a common bond of party membership and attempt to secure an exemption from the registrar of banks for its co-operative bank. In short, the co-op bank of the SACP could become the central tool to facilitate a socialist co-op movement from below.

Policy Intervention On the Co-operatives Bill

The next major intervention by the SACP to ensure that a co-operative movement is promoted and a co-operative sector is buttressed through state regulation is by influencing the review of co-operative legislation. Consideration should be given to publicly calling on NCASA to host a national "Civil Society Conference" on the co-

operative law. This event would not only assist progressive and left forces to define a firmer agenda on co-operative legal reform but would also give impetus to the movement and build a wider societal consciousness on co-operatives.

Analytically speaking there are many problems with the Co-operatives Bill. Some of the major substantive areas that the SACP should consider focusing on include

- Ensuring a worker-owner model is inscribed into the law which gives all employees of a co-operative membership, ownership and decision-making rights. In some co-operatives like consumer co-operatives employees are excluded from obtaining such rights, for instance;
- A separate law be passed for Financial Service Co-operatives that removes the constraints contained in exemptions to the Banks Act. For instance, SACCOL credit unions cannot grow beyond a certain size and village co-operative banks have to use commercial banks as their link banks as per their exemptions. In short, these exemptions constrain the size of Financial Services Co-operatives;
- A national policy forum/ board is constituted which has the power to influence co-operative policy, ensure standards and accreditation of training institutions, administer funds for co-operative capacity building, ensure statistics are provided, inform regulations made by the Minister, and with the power to sit as a special tribunal, to provide orders, based on feasibility studies and business plans presented before it, on worker initiated takeovers and buy-outs;

- The conversion provision only provides for conversions of other juristic entities to co-operatives through a regulated process;
- A Ministry for "Trade, Industry and Co-operatives" be established. In many national governments in the world, like Italy, India, St. Lucia and Swaziland or certain provincial governments in Canada (Ontario), ministers are given the responsibility for championing the interests of the co-operative movement. More importantly, the SACP has to ensure that the necessary institutional capacity is built in DTI so that co-ops are not merely **SME+IBk-s** and the role of the DTI reduced to administration of the Act by the Registrar. A fully fledged co-operative department must be promoted in the DTI which mainstreams co-ops within industrial development but also houses the registrar, the loan guarantee fund, policy advisory forum and any other policy projects and programmes necessary to build co-operatives in South Africa co-operative movement. More importantly, the SACP has to ensure that the necessary institutional capacity is built in DTI so that co-ops are not merely SME's or neither is the policy role of the Department reduced to administration of the Act by the Registrar. A fully fledged co-operative department must be promoted in the DTI which mainstreams co-ops within industrial development but also houses the registrar, the loan guarantee fund, policy advisory forum and any other policy projects and programs necessary to build co-operatives in South Africa;

The SACP should also provide a more comprehensive submission on the new co-operatives bill. More importantly, this process should not be halted any longer. Thus far it has taken over two years to review this legislation. Progressive forces must push for this legislation to be passed in the course of this year and if there are other important policy issues these can be handled through the policy forum provided for in the law and the struggles waged by the co-operative movement on the ground. ❧

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Restructuring in telecommunications

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Introduction

In line with the framework document released in August 2000 by the Department of Public Enterprises (DPE) on the restructuring of state assets, government is proceeding with restructuring of telecommunications. At the same time, Telkom is attempting to retrench large numbers of workers in the name of improved efficiency and productivity. Government also intends to go ahead with further privatisation by selling more of its shares in Telkom with an Initial Public Offering (IPO), and it is envisaged that a second national operator will be licensed and will start operations in the next two years. These processes at sector and enterprise level are closely linked, and can be questioned at a number of points.

Firstly, successful restructuring of telecommunications (to increase services and jobs in the sector as a whole) requires **more** not **less** government intervention. Secondly, Telkom is using inappropriate measures of efficiency and productivity from the perspective of

economic development. What is not often mentioned is that Telkom is, in fact, very profitable whilst it is still only focusing on certain areas of telecommunications operations - those which service centres of big business and wealthy households.

The broad objective is taken to be identifying the requirements for telecommunications growth and economic development. Telkom's plans are evaluated against this (and found wanting).

After discussing the role of government and assessing arguments based on globalisation we evaluate the approach of Department of Public Enterprises (DPE) to restructuring, and then examine Telkom's performance their management strategy. The analysis provides the basis for developing alternative proposals.

The role of government in infrastructure provision

Telecommunications infrastructure is part of the environment which makes economic activity possible - it is an important determinant of the cost structures of firms and of their spatial location. The benefits from infrastructure for the economy as a whole are therefore much greater than what can be earned by charging for services. These benefits arise because there are economic effects from telecommunications services beyond the two groups involved in the sale of the services themselves (i.e. Telkom as the seller and the customer as the purchaser of the services). It is well recognised in mainstream economic theory that when such effects exist (termed 'externalities', as they are external to the transaction in question) free-market transactions will not be economically efficient. Efficient outcomes in these situations **require** government intervention.

In addition, there are impacts from telecommunications services which affect development more broadly but which may be difficult to quantify. These include the importance of telecommunications for being able to participate in the political, economic and social activity in a country. It is impossible to work out the value of information and communication in Rand terms, yet it is clearly important.

Private owners will only take into account the narrow financial gains to themselves in deciding how much to invest. The private sector will always under-invest in infrastructure such as telecommunications as investors do not take account of the wider economic

effects. They are also risk averse meaning that they base their decisions on existing demand, rather than the potential demand which may arise from the economic growth which is made possible by the infrastructure provision itself. This means less investment in infrastructure and less jobs in operating that infrastructure. The location of infrastructure is also very important for addressing the effects of apartheid. Black economic empowerment means providing infrastructure in historically disadvantaged areas. Private owners have no interest in doing this. Where there is a lack of competition, private owners are able to make financial returns by charging higher prices for existing services, and not from providing new and/or better services. Private profits are therefore gained at the expense of economic efficiency rather than because of it.

Telecommunications also improve the provision of other essential services such as education and health. The private sector will **not** take into account the benefits in terms of wider and better provision of health and education that come from extending telecommunications.

Government therefore has an important role in providing infrastructure. It is able to take into account the wider economic and non-economic effects of infrastructure and therefore to provide it up to the level which is efficient for society as a whole. Studies and economic theory indicate that government provision of infrastructure will 'crowd-in' (increase) private sector investment.

There are also important backwards and forwards linkages of telecommunications infrastructure with other sec-

tors. For example, it is linked closely to manufacturing of the electronic equipment used in setting-up and running the infrastructure. Increased service provision will have positive knock-on effects on production and employment in other industries and sectors. Private firms also view employment as a cost to be minimised but, in a situation of high unemployment the 'savings' achieved by private firms in reducing employment are not savings from the point of view of the economy as a whole.

Government also has a very important role to play in regulating prices of services where they are provided by very few companies, or even just one.

Globalisation and the role for government

The argument that globalisation requires a reduced role for government, with policies such as privatisation, is based on a false analysis. A country's ability to participate in the international economy depends on its infrastructure, and particularly telecommunications. This requires government support and a longer-term development approach if South Africa is to take advantage of the opportunities available from globalisation. Industrial economies already have a mature infrastructure which provides the basis for global economic links.

Even the World Bank in its 2000 World Development Report proposes that the power of the state be used to redistribute resources and create greater equality, especially where it is to do with creating assets in areas such as infrastructure. A reduction of state involvement in telecommunications will entrench and exacerbate inequalities.

The Economic Returns from Telecommunications Services

It is widely recognised that infrastructure investment is closely associated with economic growth and development. For example, De Long and Summers (1993) find a very strong statistical association of equipment investment and economic growth across 88 countries over the period 1960 to 1985.¹ They also find that the returns to the economy as a whole (the social returns) are approximately 25 per cent (in real terms after taking account of inflation), and could be as high as 35 per cent.² But, the private returns (those directly accruing to the provider of the investment) are only 15 per cent. The level of private investment which is undertaken will only reflect these returns, suggesting the importance of a role for government if the benefits from investment in infrastructure are to be realised.

These findings are supported by a study of 119 countries over three decades (1960s-1980s) which finds that public investment in transport and communications is consistently and strongly correlated with economic growth (Easterly and Rebelo, 1993).³ Other studies (such as Bandyopadhyay and Devarajan, 1993) find that the returns to telecommunications and transport projects are much higher than those in other sectors, even without considering indirect benefits.⁴

Individual country studies confirm the importance of telecommunications. A study of rural business in Botswana and Zimbabwe found that a critical determinant of success or failure was access to a telephone.⁵ A recent study of

employment and unemployment in South Africa found strong and significant correlations between provision of telecommunications services and the ability to find employment (Kingdon and Knight, 2000).⁶ Recent studies from the United States emphasise the importance of telecommunications in rural and peri-urban areas and indicate that the private sector alone will not meet this need (See the box at the end of the article).

Telecommunications have been identified as particularly important for economic development because they directly impact on the nature and level of economic activity. They also increase the efficiency of institutions and make service delivery more effective and potentially cheaper.⁷ It has long been recognised that government has a primary role to play in facilitating the development and adoption of new technologies. This is the case with the recent developments in information and communication technology including the internet. Many of the gains from these technologies extend beyond the institutions using them and rely on their widespread adoption. Government action is necessary to ensure linkages are achieved between enterprises, public institutions (in education, health, research etc.) and financial incentives for investment and innovation.⁸

In examining the linkages between telecommunications and economic development it is therefore important to separate two questions. First, what is the level of telecommunications services required for development? Second,

what is the best way of achieving this level of service and ensuring the maximum gains are realised from it?

On the first, we have outlined the basis for the broad agreement that achieving widespread access to telecommunications is important for economic development. In this regard, the level of telecommunications services in South Africa is already very low given the present GDP per capita. Stimulating

growth requires a significant jump in service provision.

Identifying the best way of achieving a much higher level of service means working out the roles of public and private

institutions, their inter-relationship, and how to ensure that each works effectively in line with the requirements of economic development. Experience of other countries, for example Argentina, indicates that privatisation is unlikely to stimulate additional service provision. Instead, regulation by government, including of price, is extremely important (Petrazzini and Guerrero, 2000).⁹ A cross-country study has also found privatisation is negatively correlated with mainline penetration and connection capacity.¹⁰ High prices, especially for local calls, have a significant negative impact on service extension.

Increased investment in telecommunications infrastructure also has a range of multiplier effects through the increased demand for equipment and materials which stimulates growth in upstream sectors. The cost of direct government support for investment in infrastructure will therefore be partly

Telecommunications is important for economic development

recouped through the effects of this spending on growth and employment (and thereby on tax revenues).

The present distribution of telephones

- **Telecommunication services remain racially and spatially skewed**

The 1999 October Household Survey data indicate that just 7.3% of African Households in non-urban areas have a phone (including cell phones) compared with 85.6% of white households, while in urban areas 31.8% of African households have a phone compared with 87.6% of white households. This is in fact a lower proportion of urban African households than in the 1998 October Household Survey, which found that 32.4% of African households had a phone. While Telkom's roll-out programme has increased the number of phones in 'under-serviced' areas, the extension levels are still low, and are linked with the prices being charged for the services. This leads to 'churn', that is, lines falling into disuse because people cannot afford to pay the monthly rentals and call charges. According to Telkom's own report on its licence obligations in the year to 31 March 2000, it achieved a roll-out of 621 219 new lines compared with the target of 575 000. But, 223 386 lines were disconnected over the same period. The impact of much higher prices for local calls and rentals (discussed below) clearly affects low-income, predominantly black, households to a greater extent.

- **The extension of telecommunications has been very poor**

Several countries which had lower lev-

els of provision of telephone services in 1989 have overtaken South Africa in the past ten years. Changes in service provision are especially poor in terms of residential lines. The number of telephone lines in South Africa rose from 8.31 per 100 inhabitants in 1989 to 12.47 in 1998.¹¹ In Malaysia, over the same period, lines rose from 8.00 per 100 inhabitants to 20.16. In Chile, from 4.98 to 18.57. Residential main lines have almost remained static in South Africa. Lines per 100 households in South Africa have only risen from 27.2 in 1989 to 29.1 (in 1996). In Malaysia, they rose almost three-fold, from 28.5 to 73.3 in 1998. In Chile they increased four times, from 16.4 to 66.2.

This compounds the observation from the Household Survey data that the net increase in lines is not nearly as large as suggested by the roll-out figures, and that it needs to increase at a much greater rate if telecommunications are going to play their potential role as a driver of economic growth.

It is also important to note that it is the dramatic increase in telephone services in countries such as Malaysia and Chile which underpin the higher number of lines per employee in these countries, rather than a reduction in the number of employees.

- **South Africa has high priced services, especially in residential services**

For example, residential monthly rentals in South Africa cost twice that in Malaysia in 1998, whereas business rentals in South Africa only cost 30 per cent more. A three-minute peak rate local call in South Africa cost more than three times that in Malaysia.

Connections charges in South Africa are

also very high, at over two and half times the level in Malaysia.

Moreover, the pattern in call charges in South Africa has been to increase the price of residential and local calls by a much greater amount than the average. Local call tariffs increased by 28.4% in 1997, 25% in 1998 and 19.2% in 1999 (BMITech, 1999).

Restructuring: the DPE approach

The DPE document states that the 'success of restructuring will be measured by its contribution to improving the standard of living of the majority of the population' and that it should expand infrastructure service and 'provide an opportunity for economic participation'. In this it recognises that the state's role is dynamic, and that the orientation of State Owned Enterprises (SOEs) has often reflected the previous dispensation and skewed development aims.

While there is a need to be innovative about the mix of public and private sector, there is no reason to believe that the private sector will be interested in, or suited to, addressing the legacy of inequality and inappropriate infrastructure provision. There is a danger that the reorientation of the state with increased privatisation will avoid responsibility for restructuring the SOEs, however difficult this might be.

Effects of restructuring and empowerment

The DPE document notes the many problems and pitfalls in privatisation and restructuring, and quotes a leading economist on the finding that '[t]he conditions under which privatisation

can achieve the public objectives of efficiency and equity are very limited.'¹² It is clear that the institutional conditions which are established are therefore very important, especially with regard to ensuring that social efficiency and development goals are achieved, and that privatisation in itself is not an answer and may significantly worsen the situation. This is particularly the case with larger SOEs. It is also the case that many of the gains which have been attributed to privatisation are actually due to the reform of the enterprises under state ownership prior to privatisation.¹³

However, the DPE bases its argument for private sector involvement on the fact that the state lacks immediate resources to address the needs of SOEs. This is not true, for three reasons. Firstly, the only Gear target which has been met is the lowering of the government budget deficit. The deficit was reduced to just 2.4% of GDP in 1999/2000. In other words, the government does not have a tight finance constraint. In addition, where government finance is targeted at investment in infrastructure it will encourage growth and therefore increase future revenues, as well as being less likely to impact on inflation. Secondly, selling equity in SOEs which are profitable (as Telkom is) provides revenue today but reduces the future income to the government, as it no longer receives that profit. Thirdly, the process of privatisation is very costly in itself. It involves hiring advisors, undertaking initial analyses of the company's value, contacting and negotiating with possible buyers, advertising etc.

The DPE also argues that equity sales (privatisation) are needed in order to

provide capital and technology, but this is misleading at best. Technology can be obtained through a variety of arrangements such as licence agreements. Skills can also be bought in without the need for equity sales. In fact, using contractual arrangements may be better in order to ensure that the development of the SOE is in line with economic development goals, rather than a narrow profit orientation, which is associated with ownership.

It is therefore important to ensure that the thorough investigation of the options which is promised in the DPE document is rigorously carried out and evaluated. The path taken in the restructuring of Telkom should address the need to broaden access to infrastructure as well as upgrading services in areas already provided for.

Regulatory framework

The DPE document emphasises the need for regulation of privatised/corporatised SOEs where there is not the possibility of competition (so called 'natural monopolies'). However, international experience indicates that the need for regulation is much wider than this. In addition, it is necessary for regulation to extend beyond price, to service provision. In this case, it is not clear why the regulatory agency is better positioned than government to monitor the enterprise and ensure that development goals are followed.

Framework as it applies to telecommunications

The DPE believes that changes in technology mean that telecommunications is no longer a natural monopoly, which explains why under their list of future action by government there is no mention of regulatory matters. As argued above, this is to misunderstand international experience as well as economic theory. For example, despite many years

having passed since privatisation in the UK, the original firm is still overwhelmingly dominant in many areas and is involved in frequent conflict with the regulatory agency.

Despite the emergence of new technologies and cell phones, calls still generally have to be completed through a fixed line network

and series of switches at one or both ends. The upgrading of the infrastructure and increasing utilisation of wireless technology do not change this basic fact. Much of the infrastructure is also very capital intensive and is of a 'sunk' nature - that is, the decision to invest cannot be easily reversed and the infrastructure sold to another operator. This means that the existing provider, Telkom, is still in a very strong position, as entrants will have to make major investments before being able to compete in these areas.

Instead, as acknowledged by DPE, competitors will only target the most profitable sectors of the market which do not require such a large capital investment. These are the markets for business customers, international serv-

The path taken in the restructuring of Telkom should address the need to broaden access to infrastructure and services

ices and national long distance callers. For this to happen the regulator will still have to ensure access for these companies' calls to the Telkom network, such as by using a pin number. The regulatory requirements even for this are not necessarily straightforward, as the original firm (Telkom) has the incentive to make it as difficult as possible - for example, by requiring callers to dial a very long pin number and then wait for connection before making their call.

Moreover, the penetration of telecommunications in South Africa is only projected to be 16% by 2003, which lags behind both developed and developing countries (according to the DPE itself). A universal service agency has been tasked with development goals and it is unclear whether this will have a significant impact on the extension of infrastructure.

International experience

The DPE document relies heavily on a small number of studies for the interpretation of the 'international experience'. A significant proportion of these studies tend to be either undertaken by World Bank economists or economists associated with investment banks. A broader analysis of the experience in developing countries, especially those with high levels of inequality and a very skewed provision of infrastructure, needs to be undertaken.

Instead, many developing countries have gone through privatisation as part of structural adjustment programmes. These are widely acknowledged not to have been a success.¹⁴ By comparison, countries which have industrialised successfully in the last 20 years (such as the

East Asian economies) have done so under state direction of infrastructure provision. Moreover, a World Bank study found that the biggest improvements had occurred under **state ownership**.¹⁵

It is therefore very important that government is held to its principles, including the agreement of individual shareholder compacts between government and enterprise, a framework for corporate governance for all SOEs, and a clear policy framework and programme for restructuring which takes into account social development goals. The DPE's commitment to ensure a full investigation into costs and benefits of the second operator must also be carefully monitored, especially with a view to the social effects and the measurement of employment.

If not, then the following belief stated in the DPE document has no chance of being realised.

'South Africa's globalising economy will benefit from lower prices and/or improved service outputs, which will enable it to become more competitive and to create more employment and investment opportunities. All people, but especially unemployed and poor people, will benefit from increased job opportunities and more affordable and available services...'

Instead, competition will benefit business and the wealthy, and services will be static for the poor, increasing inequality and worsening the disparity in people's ability to participate in the economy.

Objectives of restructuring: Gear and government revenue

Although Gear was presented as one stage in the implementation of the RDP,

it contains little on the processes of development and reconstruction. Its preoccupation is with keeping a tight rein on inflationary pressures (viewed as the main condition for private sector led growth) with both monetary and fiscal policy directed to this goal. The centre-piece is a tightening of fiscal policy and reduction of the government deficit - the key variable which the government has targeted. The other variables are variously outcomes of, or determined by, this stance through the logic of the particular framework. It argued that further reductions in the deficit would release resources for investment and reduce inflation. The implications of continuing this policy stance are serious:

Raising funds from the sale of state assets may be self defeating, in terms of overall government revenue. The sale of state assets may raise funds in the short term but negatively impact on economic growth on which government's future revenue depends. International experience shows that the price of the assets tends to be below their worth, the process of sale is costly in itself and that government has to continue to fund regulatory bodies.

The central question is what drives growth. The focus on short-term macro-economic stabilisation in Gear implied that the decisions of public and private enterprises are the key forces that will drive growth, along with exports. Gear did represent a key shift - the government is no longer seen as the leader in growth and development. The failure to achieve growth and employment has therefore been blamed on nebulous ideas of 'business confidence' rather than government policy. Privatisation is

now being promoted as necessary to generate this confidence and attract foreign direct investment.

The outcomes in terms of growth and investment have been very poor:¹⁶ - investment has been weak and contracted by 6.1% in 1999 and growth was just 1% in 1999 and below that in 1998.

Gear envisaged that government will utilise resources that are generated from economic growth and will pursue goals such as redistribution in what is essentially a reformulation of the 'trickle-down' approach. Much of it therefore established parameters and then formulated expectations of the private sector response to these parameters. These expectations have clearly not been met.

Objectives, strategy and performance of TELKOM

Structure of Telkom

Telkom operates in a range of areas, in some of which there are competitors (who need to use Telkom's lines to provide their services). Telkom's subsidiaries are:

- 50% stake in cellular operator, Vodacom
- 100% stake in Intekom, which provides Internet services
- 100% interest in Q-Trunk, a provider of two-way communications to industry
- 60% interest in Swiftnet, a provider of wireless data access services to industry
- 54.9% interest in Telkom Directory Services (Pty) Ltd, which provides a printed and electronic directory service

In March 1997, government sold a 30% stake of Telkom to a consortium of SBC Communications and Telekom Malaysia

Different markets in which Telkom operates

Telkom classifies its products into two types: business products/services and residential products/services. Their products can also be broadly divided into high-revenue growth services, which are being improved aggressively and low revenue services, which have a developmental significance that should not be ignored.

Telkom offers high profit services such as Integrated Services Digital Network (ISDN) where voice, data, images and video can be transmitted on a single line. ISDN also enhances the speed, reliability and quality of faxes. Other multimedia services that are offered to corporate clients include video conferencing, multi-conferencing and broadcast services.

Corporate clients are also offered fifteen types of business voice services, business systems, travel services, network solutions and Internet services. Households are offered sixteen types of voice services, Internet services and regular line services. Telkom offers a new Internet access service, Telkom Internet, which has three components: Dial-up access/web browsing, e-mail accounts and technical hotline support.

Management's strategy in light of the end of the monopoly

Telkom's efforts to prepare for competition have centred on making the company more focused, streamlined and

profitable. These goals are being pursued in various ways. Outsourcing of non-core operations and reducing costs - there was a 19.8% decline in headcount from 61 237 staff members in 1999 to 49 128 in 2000. Resources have been devoted to investment in new technologies that promise to enhance the company's profitability. Services that are being developed are targeted at the upper-income urban and corporate sectors - data and broadband communications were singled out in the 1999/2000 CEO Review as areas of priority in the company's modernization drive. Telkom spent R9.5bn on expanding its network during the 1999/2000 financial year and has connected 5.5mn lines to digital exchanges. Total capital expenditure on infrastructure between 1997-2002 is estimated by Telkom to be about R54bn.

Evaluation

It is clear that the management's main priority is to entrench Telkom's position in the more profitable sections of the market. Predictably, management's strategy revolves around attempts to make it more difficult for future competitors to enter into the business and upper income markets. Those services that do not yield high revenues and which will not attract competitors will not be developed, in spite of their significance to the country's infrastructure and economic development.

It is also in Telkom's interest to leverage its power in controlling the network into areas where there are competitors. This is evident from the conflict between Telkom and the inde-

pendent internet service providers. These areas are already providing a greater proportion of Telkom's profits (discussed below).

Given the development of the regulatory framework, it is also in Telkom's interest to argue that their profits are low, so that the controls and restrictions, such as on price, will be more relaxed.

Financial Performance

Telkom's profits (as a return on assets, RoA) have fallen in the last two years, but there are strong indications that this does **not** mean a weakening of underlying profits.

Revenue growth has been strong, meaning that lower profits are because costs have been rising even faster. **The rises in costs are not due to operating costs.** Once-off costs have been the reason for higher costs, along with higher finance charges and depreciation. Restructuring costs are not ongoing

expenses and therefore serve to depress profits in a particular year, with no implication for the company's underlying profitability. In a press release, the company's CEO was quoted as saying that operating cost growth is expected to slow down in the coming financial years.¹⁷

Finance charges almost doubled to R2.4bn in 2000. The higher interest charges reflect Telkom's increased borrowing to finance capital expenditure in preparation for competition. These charges therefore reflect a strength, and increase the value of the company (and so of the private owner's shares). Thus overall, Telkom is earning high revenues and its future profitability is being enhanced. The fall in the RoA ratio in 1998 was due to the sharp rise in total assets, which lays the foundation for future profitability.

Depreciation and amortisation charges have increased rapidly. This means that Telkom is accounting for the new assets as if they are wearing out

rapidly (and so the estimate of their fall in value reduces profits). But, the assets will provide the company with revenue for many years.

Profitability has increasingly been driven by strong contributions from Vodacom and data services. Data and multimedia revenues increased by 39% to R3.5bn in 2000. In a press release, Telkom's CEO attributed this increase of data and multimedia revenues to product enhancements, price reductions on data and internet-based products and the expansion of the ISDN and Diginet customer base. It is clear that the company's future profitability lies in serving its upper market client base. Vodacom contributed to 7.9% of group revenue in 2000 (R2.1bn), a 39.5% improvement on last year's contribution. Vodacom's contribution to operating profit rose by 51.5%.

Bad debts also increased substantially from R392m in 1999 to R813m in 2000.

Fixed assets and investments have increased substantially: capital expansion has been achieved mainly through borrowing thus interest bearing debt and interest charges have increased significantly. A huge amount of money has been spent on network expansion, upgrading and expanding data, Internet and broadband networks. This expansion drive increases the company's future profitability.

Productivity measures

Measures indicate that revenue per line has increased, in spite of rolling out lines to less profitable areas. Revenue per main service line increased from R3 167 in 1996 to R4 378 in 2000. This

suggests Telkom should be required to extend more lines.

The main service line per employee ratio increased from 83 in 1999 to 112 in 2000. Lines per employee in industrialised (OECD) countries and Asia tends to be above 120 (not the level of 200 being used by Telkom as their international benchmark). Telkom seems to be pursuing an unspecified but possibly inappropriate international line per employee benchmark, and the benefits of a more labour intensive strategy are being forfeited. In countries which are more developed and significantly more urbanised it would be expected that there are more lines per employee. In South Africa, the high cost of capital and high unemployment both indicate the economic benefits of such a labour intensive strategy.

It is important also to note that productivity is the responsibility of management - low productivity reflects a failure of management. In the context of the need to increase telecommunications services low productivity does not provide a reason to retrench workers.

Charges

On average, call charges have risen by just over 12% in the past two years. Average rates across all domestic distance bands and time periods rose by an average of 5.1% in January 2000 compared to 7.4% in January 1999. This decline is a reflection of a switch to a per-second billing method.

The ratio of long distance call charges to local calls declined from 21:1 in 1994 to 6.9:1 in 2000. International call charges dropped by 50% between 1997 and 2000, while local call charges

Telkom: financial indicators (Rm)

2000	1999	1998	
Revenue	26 720	22 675	19 218
% change over previous year	17.8	18.0	21.3
Profit before finance and depreciation charges	8 988	7 439	7 489
% change over previous year	20.82	(0.67)	9.7
Depreciation and finance charges	6 533	4 208	3 970
% change over previous year	55.25	5.99	0.7
Profit before taxation	2 455	3 231	3 519
% change over previous year	(24.02)	(8.18)	22.0
Attributable profit	1 850	2 346	2 408
% change over previous year	(21.14)	(2.57)	34.8
Return on total assets, %	13.8	15.0	23.0

Source: Telkom Annual Report 1999/2000

have risen significantly, above the rate of inflation. For example, in 1999 a 2 minute local call increased by 19% and a 3 minute local call increased by 24%.¹⁸

Rental charges have also risen at a faster rate than the average, for example, in 1999 there was an 11% increase in residential rentals and a 13% increase in business rentals.

Non-financial Performance

Three-year cumulative rollout tally of new phone lines was almost 1.6m in May 2000 (86 000 of these lines are public telephones, 2091 villages received telecommunications services for the first time, 14 000 lines were installed in schools, clinics, hospitals and police stations). But, the current density of telephones is still low relative to other developing countries. It is thus possible for Telkom to increase the line per employee measure through line extension, not by reducing employment.

Installation and repair times have improved. The company spent almost R3bn on what it terms its Black Economic Empowerment Programme. Part of this amount reflected the outsourcing of non-core divisions to 'black-controlled' companies or those with 'meaningful' black equity participation. It is not clear how these criteria were set. Only R456m went to purchases from Black SMMEs.

Relationship between objectives and the different technologies

The technologies Telkom chooses are closely related to its objectives. There is therefore an important link between the shifting orientation under private ownership to the more profitable areas of its operations and the implications for labour.

The company is enhancing its technology so that it is better able to

serve its more profitable clients. ISDN services have been growing at 7% per month, driven by cuts in monthly rental rates in the past two years and the increase in the availability of the service.

Telkom has speeded up its provision of sophisticated technologies, mainly because corporate clients were migrating towards those technologies.

Objectives the government should pursue as majority owner

In the context of a mixed economy continued government ownership provides a range of benefits:

Government ownership is an important way of setting non-profit objectives. These may conflict with the objectives of the private shareholders, meaning the government, as majority shareholder, must enforce its conditions.

Ownership is almost certainly better than relying solely on regulation. As an owner the government has access to much more information on the performance and decision-making of the firm than the regulator. The conflict

The technologies Telkom chooses are closely related to its objectives

between SATRA and Telkom illustrates this.

Government should ensure that the under-served end of the market is not neglected as a consequence of Telkom's new focus on raising entry barriers in the profitable end of the market. It can also ensure that a longer-term perspective is adopted to grow the market rather than short-term, shareholder driven profit.

Ownership ensures a proportion of returns from the business go the state.

Competition, regulation and restructuring

The plan to license another fixed line operator will introduce competition for Telkom in this area. In addition, there is already competition in a range of areas, such as internet services, and data management and transmission.

But private ownership is not the same as competition and competition does not necessarily mean efficiency. For example, if there are two operators, they may both earn high profits by co-operating/colluding with each other and not compete vigorously. They may both operate as monopolies in different areas/in different markets. Further, the barriers (such as the the size and behaviour of the original firm) may deter new entrants and make it difficult to come in and attract customers. Competitors may only try to attract customers in the most profitable areas of the market and may 'cherry pick'. Competitors will only take into account their own profits, and not the benefits to the economy and country

Issues of restructuring and regulation

Narrowly defined, privatisation is the transfer of a controlling ownership stake in an enterprise from the state to the private sector. But, in a mixed economy there are many different forms in which the state can play a role. The impact of the state is not equivalent to the extent of ownership. For example, state intervention may have less impact in the case of a state-owned enterprise whose management can ignore policy objectives because of poor monitoring by the government as the shareholder. By comparison, a privately-owned firm may face close regulation through government intervention in pricing and the markets in which it operates.

Regulation is therefore a particular and important form of state intervention. So restructuring which involves a greater degree of regulation may be viewed as a changing role for the state, rather than a reduced role for the state. Restructuring should also incorporate elements of regulating the private sector (including those firms which were never state owned). This is very important when considering that the privately-owned services provided via telecommunications infrastructure are an increasing proportion of the telecoms sector, with significant potential for employment creation. Restructuring therefore involves a different relationship between the state and the enterprise in question, although ownership may not change.

As outlined above, ownership is a fundamental determinant of the interests an enterprise serves. And, partial government ownership may be comple-

mentary to government regulation, helping to make it more effective.

Shareholder monitoring and control

The case for the private sector being more efficient than government rests on a model of the firm in which the owners are also managers and so can ensure that profit maximising strategies are pursued. In firms where the shareholding is dispersed, such that individual shareholders have little contact with managers, managers are able to pursue strategies that are in their own interest or in the interests of one ownership grouping. A critical question is the influence on the objectives of Telkom of the minority SEP owners, especially where these owners have particular business models which are not based on the realities of the South African economy.

The evidence in favour of private owners is mixed and there are notable examples of efficiently run state owned enterprises such as the state run German telecommunications company and French electricity supplier, as well as the important role of the state as owner of strategic industries in South Korea. In South Africa, the example of Eskom's simultaneous achievement of lower prices and accelerated electrification, while remaining profitable, demonstrates the successful operation of a key enterprise to the benefit of national economic development, in line with the government's policy objectives.

Regulation

The privatisation of a state-owned enterprise means that the state can no

longer directly monitor the managers of the enterprise as agents acting on its behalf. Instead government may determine guidelines for the behaviour of the enterprise, such as on maximum price levels, minimum service provision etc. This is particularly the case where the enterprise is a monopoly or a dominant firm, but also applies where the enterprise plays a strategic role in the economy. In this respect, a key lesson of the UK privatisation experience is that regulation is not a temporary phenomenon. The regulatory institutions for de-nationalised enterprises have grown in both size and scope.¹⁹ A number of issues arise in this respect:

- As privatisation requires continued regulation, it may make greater demands on the capacity of the state and it implies on-going expenses in maintaining a staff etc. with no revenue being earned.
- Regulation is complex and must cover a whole range of areas beyond price, such as access to a network and the terms of service provision. Price regulation has also been very complicated, as companies can stay under a limit which is set on increases in average prices by changing the prices which go into the average (as Telkom has already been doing).
- Regulation may be a less effective way of achieving policy goals as the government cannot directly determine the objectives of the enterprise. Moreover, the information which the regulatory authority requires to make decisions on the enterprise's performance has to be collected from the enterprise itself.
- There is a danger of 'regulatory cap-

ture', where the regulatory body becomes close to management and owners of the enterprise and is unduly influenced by their interests. This is especially problematic, as the employees of the regulatory authority must have extensive knowledge of the industry in order to perform their function, and the most obvious alternative employment for them is in the enterprise they are regulating.²⁰

- Reasons for privatisation based on poor government capacity for running businesses may also constitute reasons for poor regulation, such that the change in ownership may lead to little or no improvement in performance, in relation to the needs of the economy. It is widely noted that regulation requires capacity and skills. It can therefore be questioned why South Africa is pursuing a strategy that requires precisely the skills which are scarce.
- Monopoly power may be entrenched under private ownership as, in addition to 'natural monopoly' factors, a dominant firm may be able to deter new entrants and so continue to exert market power.
- Regulation of de-nationalised enterprises raises broader questions about the regulation of private sector activity more generally, particularly in the context of economic transformation. For example, neither black economic empowerment nor the provision of basic needs can be meaningfully addressed by the 'free' market, since prices (and profits) reflect the existing economic structure which has been determined by apartheid. A new economic structure cannot be

created by privatisation, but instead requires a wider strategy of government action in the context of a mixed economy.

Regulation and structural change

It is important to consider structural changes in Telkom which will enable a better and more effective enforcement of development goals alongside private-sector profit-seeking. This is particularly relevant given that Telkom operates at different levels - providing access to its network to firms providing services (such as internet service providers) which compete with Telkom's own subsidiaries. Much of the literature recommends separation of business units, such as those within Telkom, into independent firms. The benefits of structural changes include:

- separating areas of private and state ownership
- setting different incentives and objectives for different areas of telecommunications
- reducing possibilities for cross-subsidisation. (In this regard, Telkom is likely to want to use revenues from higher prices in local calls to support its services in more competitive markets for long-distance and international calls.)
- identification of areas for direct state support

Strategic Equity Partners

A range of benefits were put forward by government and others in favour of SEPs, focusing mainly on the provision of capital, technology and management expertise. However:

- The benefits from an SEP may also be attainable through strategic partnerships not involving ownership.
- If the potential returns from the participation of an SEP are high, then the value of the company is likely to rise, but the government will not benefit from the high returns to the extent that they have sold all or part of their equity.
- How close will the SEP's objectives be to the government's interests? For example, a foreign SEP may only

want a stake in a company in order to gain access for their own products.

- It may be advisable to only sell a small stake, perhaps linked to a return ownership stake being taken in the foreign company, in order to reap the full benefits from co-operation without the loss of control or all of the future revenue stream. It is not therefore necessary for the government to sell increased equity.

Telecommunications development in rural and peri-urban USA

Case 1. Municipalities in small towns and cities in the state of Georgia, USA, have obtained licenses and have set up public utilities to provide advanced telecommunications infrastructure following the failure of private companies to do so.^a The city of LaGrange, about 70 miles from the city of Atlanta, could not attract companies because of the lack of high speed telecommunications infrastructure. The private telephone company declined to provide it because of insufficient demand. After the public provision of the infrastructure in 1996 to 1998, companies were attracted to locate so increasing demand and the metropolitan council earned an estimated rate of return of 15% on their investment (i.e. earning a profit over and above covering all its costs). The economic development programme was also linked with training and education programmes at high schools and techni-

cal institutions to provide training in the skills required by the telecommunications intensive firms that were to be attracted.

Case 2. After the failure of private provision in the rural state of Iowa, provision by the public sector of a state-wide fibre-optic infrastructure backbone allowed a variety of both public and private local service provision and economic activity based on upgraded communications infrastructure.^b The fibre-optic network was initially designed for distance education and the linking of government offices, but has been much more widely used. This demonstrates the potential importance of new public enterprises to establish infrastructure, especially where the capital requirements, risk and 'public good' properties of the infrastructure make it unlikely that a private oriented enterprise will undertake provision.

a Youtie, J. (2000) 'Field of Dreams Revisited: Economic Development and Telecommunications in LaGrange, Georgia'. *Economic Development Quarterly* 14(2): 146-153

b Van Wart, M., D. Rahm and S. Sanders (2000) 'Economic Development and Public Enterprise: The Case of Rural Iowa's Telecommunications Utilities'. *Economic Development Quarterly* 14(2): 131-145

Initial Public Offering

It is important to ensure that the initial public offering (IPO) serves economic development objectives, that key concerns are met with respect to the process, and that mechanisms are put in place to ensure consistency between the IPO and restructuring state assets. It is widely acknowledged and very important that getting the highest share price does not drive the IPO process. Maximising the share price would mean allowing Telkom to make high profits from its monopoly position and would compromise economic development. Instead the aims of the IPO must be integrated with the aim of the restructuring process, namely economic development, service expansion and greater efficiency.

Several problems may arise from the Telkom IPO process

Several problems may arise from the IPO if not managed correctly:

- Telkom may be made more attractive to potential shareholders looking at short-term returns by selling-off assets for cash to improve Telkom's balance sheet, but this would weaken Telkom's capabilities in the longer-run.
- A misplaced emphasis may be placed on reducing labour costs, rather than building workers' capabilities through training. In South Africa where skilled labour is scarce, skills must be developed - they cannot simply be bought in when there is such a big shortage.
- The regulatory framework may not be properly established to ensure development goals and economic

efficiency are pursued. Instead this would allow Telkom to make high profits at the expense of users (and potential users) of telecommunications. This is especially of concern given that the skills required for complex regulation of privately-oriented monopoly firms are weak.

The process may be 'captured' by those with a financial stake in it, namely Telkom's owners, merchant banking and corporate advisors generating business from equity sales,

and potential purchasers. Because the objectives and interests of groups in the process differ it is essential to protect against possible hijacking of the sale by one of them. ♪

Endnotes

- 1 De Long, J.B. and L. Summers (1993) 'How strongly do developing economies benefit from equipment investment?', *Journal of Monetary Economics* 32, 315-415.
- 2 Other studies have estimated the rate of return to rural telephony as being as high as 40% (Ernberg, J. 'Universal access for rural development: from action to strategies', paper presented at the International Telecommunications Union Seminar on Multipurpose Community Telecentres, Budapest, 7-9 December 1998)
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- 4 Bandyopadhyay, S. and S. Devarajan (1993) 'Using project rates of return to inform sector allocation decisions', Mimeo, World Bank (cited in Easterly and Rebelo, 1993)

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Towards an Information and Communication Technology (ICT) Industrial Policy - a discussion framework



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In this paper, she provides a broad framework on the ICT industry, what implications it has for development, the role of government and the SACP.

The South African Communist Party's economic transformation perspective is premised on a developmental state, a state-led industrial strategy and the vision of building elements of, and the momentum towards socialism. In this quest to build socialism, it is necessary to consider the contradictions that arise from the impact of new technologies and resultant new processes.

Fundamental questions include the following:

- Does ICT assist or hamper the securing of a socialist transformation?
- Would affordable access to information and communication assist in securing a socialised democracy?
- Does ICT play any role in govern-

ment service delivery and good governance?

- Can ICT tools enable the eradication of poverty?
- What role, if any, does ICT play in an industrial strategy?

The political economy of the Third World is at odds with new systems of market led development, new forms of democracy and equality and the access to finance and technology for media and information systems that the "New World Information and Communication Order" has promised.

"The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society." The Communist Manifesto

The world we know and understand is rapidly changing. Information Technology is one of the more dominant forces creating accelerated change. Information Communication Technology (ICT) is the world's fastest growing economic sector. This has impacted on social, cultural, political and economic relations in society. The current change has been cited as the most significant and exciting transition in our industrial history. No technology has ever unfolded its potential as swiftly as computers and telecommunications are doing. We are witnessing a whirlwind of transformation, the dizzy rush of innovation and the sudden influx of new technical powers.

The application and impact of ICT is so pervasive that it affects issues as diverse as the balance

of payments, skills development and training, design and manufacturing competence, mass-media reach, industrial competitiveness, publication, communication, transportation, health, the financial infrastructure, industrial productivity, managerial efficiency and the delivery of government services.

The current shift in society changes the capitalist mode of production from labour intensive to information and knowledge-based production. The shift from hunter gathering to land was known as the agrarian revolution, the shift from land to factories was termed the industrial revolution, the current shift is known as the information revolution.

The transformation of resource-based-economies dependent on land

and resources such as mines and labour to knowledge-based economies based on use of technology, advanced information infrastructures and with an injection of finance is characterised by global competition, input of financial capital and the outsourcing of aspects of production, where the information infrastructure has no geographic boundaries. The end point of which is to ensure that the world is a village wherein the ability to access resources and information from any part of the world

through innovative technological applications and to transfer finances instantaneously is realised.

Production of IT applications can be done over a twenty-four hour period continuously in all parts of the world through the use of telecommunications and Internet technology and

capital flows in the form of finance are transferred from one part of the world to another at the touch of a button.

Society has always been shaped on information, knowledge and wisdom. The difference now is that technology can be used to store, transmit and even manipulate information. ICT is responsible for transmitting more information faster, to more people and is credited as the driver responsible for the rapid transformation of resource-based economies to knowledge-based economies. This view often does not take the human factor of being creatively involved in production into account. ICT is therefore responsible for a more intensive form of alienation of the worker and the individual and is responsible for changing the labour

The application and impact of ICT is so pervasive that it affects a wide range of issues

process. With the advent of new technologies and ICT, workers have been displaced from formal employment.

In an information and knowledge-based economy, the key forces of production change from production of material goods and services to the production of non-material goods and services. Production becomes information-centred through technologies and is based on the intellectual capacity to use and manipulate ICT. Marx had pointed that capitalism was a system of unprecedented dynamism, continuously revolutionising its productive processes with new technologies and new forms of labour process.

Communication, culture, language and social reproduction also need to be considered together with the instrumental and productive nature of labour. It could be said that communication and culture are material practices, and labour and language are mutually constitutive with communication and information being dialectical instances of the same social activity.

One important aspect that has been transformed in the capitalist mode of production is the labour process. It is argued that capitalism is undergoing a profound transformation from mass production to craft production or flexible specialisation and a move toward a regulated approach to labour.

Flexible specialisation involves a production system based on the manufacture of a shifting and diverse range of products, customised to specific market segments and produced with "intelligent" machinery and an adaptable, skilled labour force. Four chief regimes of accumulation and modes of regulation are: extensive accumula-

tion, Taylorism or intensive accumulation without mass consumption, Fordism or intensive accumulation with mass consumption and an emerging post-Fordist regime, which accommodates the individual within an institutional apparatus.

Yet a further trend arising from the current shift in the capitalist mode of production is the increasing reality of information as a commodity and information-based capital. This results in the costing of information based on tariffs and trade and also the accumulation of information capital in the form of intellectual property rights. Marx noted that "The wealth of societies in which the capitalist mode of production prevails appears as an immense collection of commodities" "The Commodity" - *Capital*.

Investments have correspondingly shifted from the agricultural and industrial sectors to the finance sector and into the information sector, resulting in the growth of a monopolistic economic paradigm, which is known as the information or knowledge economy. The propertied classes of the information sector are "cyberlords", the owners of intellectual property rights on hardware and software and the service providers on information facilities and infrastructure. "Cyberlords" form the social base of globalisation and most users of ICT are renters of the services.

In the past landlords rented out land and property, in the information economy cyberspace is used for the accumulation of wealth. Corresponding with this, the capitalisation of investment has been in the ICT and finance sectors. This in itself has meant a loss of capital in the agricultural and industrial sectors and has led to job losses in these sec-

tors, swelling the pool of unemployed people in the working class.

Technology, as a driving force towards convergence has toppled old economy financial models. The convergence of IT and Telecommunications has coerced the redesign of telecommunications policies in the first world, to allow for the early formation of transnational long-distance carriers. Europe's BT and United States' AT&T are amongst the company whose activities dominate the different parts of the value chain of infrastructure and content of telecommunications. Thus it is this convergence, as a result of technology, that led to vertical and horizontal aggregation of companies with the net effect of monopolisation and the rapid ascendancy of the IT and Telecommunications sector in the world economy.

South Africa and the challenges

From 1994 South Africa has been attempting to develop an implementation paradigm to deliver and realise transformation. The Batho Pele (People First), the government service delivery framework; the Government Communication and Information System (GCIS), responsible in the main for the packaging of government information; the State Information Technology Agency (SITA), mandated to provide IT services to government collectively play a significant role in shaping the usage of ICT in transforming and in accelerating change within government and improved services to citizens.

During 2000 the South African IT Industrial Strategy (SAITIS) process, an

e-Commerce Policy debate and a process to devise recommendations for an IT policy for government were undertaken to assist in developing specific frameworks for transformation of state and society. More recently, the merger between the information technology divisions of Denel, Eskom and Transnet consolidated into Arivia.com was announced. This is a part of the government's overall restructuring of state assets and an attempt at levelling the playing fields in the ICT sector.

In 1996, the South African government raised a key concern about developing the nation's ability to participate in the information super highway. The developed nations and the trans-national corporations conceived this super-highway of information, known as the Global Information Infrastructure.

The developed nations and the trans-national corporations control global trade and tariff regulations have liberalised the market; and control access to and the development of the global telecommunication infrastructure. Some of the companies include AT&T, IBM, HP, Sun, Oracle and Microsoft. They also own the intellectual property rights relating to the new technologies more particularly ICT based applications. The thrust in all the applications and innovations is to retain domination over the world and impose cultural imperialism. This aspect is more overt in the global control of broadcast content and the message being transmitted.

There is a monopolistic form of ownership of the global information infrastructure and intellectual property rights. All international negotiations are characterised by non-negotiable

demands by the United States. They are unwilling to share intellectual property rights. This monopolistic paradigm also creates an artificial scarcity and is driven by high profit margins.

In the case of the United States, the intellectual 'raw material' was sourced from Ireland through the United States/Ireland Agreement and from India. Thus as much as the modus operandi of the United States is one of dominating, dictating, pace setting in the first world, other countries were able and willing partners. The debate is therefore on the value of intellectual capacity and the physical resources such as products, the country of origin and re-sale rights. These link directly to trade in intellectual property matters, with the intellectual capital remaining in the hands of the trans-nationals and first world.

The latest global approach to 'level the playing fields' is the setting up of a Digital Opportunities Task Force, which will consider market-led approaches to development in the third world. While the key thrust is to consider multi-sector opportunities, the main motivating factor is the expansion of the market for the owners of the superhighway of information. Liberalisation of the economies of the third world would be a pre-requisite for economic development.

Governments throughout the world have attempted to develop policies, strategies and programmes to address and accommodate the role and impact of ICT. Apart from reaping benefits of the reduced costs of data communications and electronic storage which enables a greater return on public sector investment; policies relating to access,

privacy and trust, intellectual property rights and relations in an on-line economy are some of the challenges facing governments. In the third world the additional challenge relates to the development and retention of core ICT skills. These aspects form the crux of the global divide where poorer nations attempt to carve a niche and access the "new" resources of richer nations.

Among the newly industrialised nations, Malaysia and Singapore have leveraged ICT for the provision of government services and in so doing have attracted global relocation of research, development and the manufacturing of high tech equipment and components. The Indian government has facilitated the development of the ICT sector mainly in software development for export through a centrally devised strategy. Currently, the Indian software exports have overtaken and replaced Indian textiles as the biggest export earner in the Indian economy.

It is postulated that the main challenge for countries outside of the developed world is to become increasingly pro-active rather than reactive in the development of their indigenous ICT sectors. Both developed and emerging economies have recognised this reality and are developing and implementing their own broad ICT strategies.

International left solidarity has also been aided and enhanced through the use of ICT. Trade unions, non-governmental organisations and social movements have forged global unity on key issues through e-mail services and Internet technology. Notwithstanding this, the Internet has an ideology or value system, a hidden globalised bias that mainly supports a capitalist culture.

Countries successful in adapting to the global market trends and in transforming their ICT sectors, offer better products and services, improved time cycles, and competitive prices thereby retaining their position in the global supply and value chains. These countries have successfully utilised technology in the production of cars, textiles and almost all other products being manufactured.

The enormous potential of ICT lies not only in it being a tool for improving governance and creating higher-skill jobs, but more significantly, as a means to greatly enhance the standard-of-living of the people. The use of ICT in enhancing the delivery of services in government leads to a very responsive and transparent administration, thus facilitating the empowerment of the people and satisfying their right of information and could contribute to a socialised democracy.

The global problem of a social divide between the IT "haves" and the IT "have-nots" is real. There is an economic divide of information poor and information rich. An inherent danger exists of exacerbating social exclusion of the poor, the unemployed, workers, illiterates, the disabled and other disadvantaged groupings from the benefits of electronic governance and electronic commerce and Internet-based or ICT aided training.

Urban dwellers are able to access payments electronically through ATMs and Internet enabled banking, while rural dwellers are still forced to walk

long distances and wait in long queues. In the South African context, even urban dwellers in many parts of large cities and towns are unable to access ICT enabled services.

The costs of accessing Internet enabled services are relatively high, as the telephone costs are the base of this service. At the base of the economic divide of an information poor and information rich society is affordable and accessible telecommunications.

Generally information is seen as a low priority on the scale of basic needs for the poor. However, if information about how to meet basic needs, receive services and grants from the state is not freely accessible, the poor are further marginalized from opportunities to improve the quality of life.

Information is not just a basic unit of production in government, but it is also a basic unit of democracy in society. Information is therefore a resource of government in the same way, if not more important, as financial, human and technology resources are assets of government. In taking the centrality of information into account government would be working to actively deepen democracy.

The Internet is becoming widespread in use in South Africa and enjoys popularity amongst persons with access to a computer or computer facilities. The growing adoption of Internet usage aids South Africa to have a relatively developed economic standing in the world. Electronic commerce increasingly appears to be the way the world will do business in future. This means that

The enormous potential of ICT lies in the creation of skilled jobs and its ability to enhance the standards of living

entirely new ways will evolve by which future governments will function and meet the needs of citizens via e-government and e-business.

South Africa has a well-developed urban infrastructure to build on. It is an acknowledged leader in the use of ICT and has one of the most advanced economies in Africa. Africa could draw on locally developed ICT content in the broadcast and telecommunication areas, in the defence and security sectors and also in the electricity and rail provision and delivery areas.

Currently a number of disparate initiatives directly or indirectly impact on the ICT sector and the creation of an information society in South Africa. These initiatives are sending out different signals and are managed by competing interests. Some of these programs receive donor funding while others are self-funded. The contents of these processes are mostly based on the interests of the first world and transnational corporations, are funded by them and do not necessarily address the needs of the majority of South Africans. In addition, there are a number of pan-African, SADC and international initiatives. Attempts to project a broad strategy on science and technology have commenced with the Foresight Process. The main challenge would be to channel the funding for Innovation from the Department of Arts, Culture, Science and Technology to areas of need and priorities of industrial strategies.

The greatest implementation challenge will be to ensure job creation, poverty eradication, economic growth and empowerment through a broad range of economically sustainable activ-

ities and projects. Implementation will require efficient co-ordination within government and a high degree of collaboration between government, business, academia, labour, and civil society as well as substantial involvement at the community level.

Notwithstanding the current interventions to assist and enable the use of ICT for effective government service delivery, several issues about reconstructing economic, social and cultural relations in society remain aspects of a wider debate. Some of these issues are:

- The infrastructure required for electronic service delivery such as electricity, telecommunications and buildings.
- The affordability of ICT enabled services.
- The content and applicability of ICT applications to the second and third world contexts. This would include consideration of local needs such as language and cultural variations.
- The ability of producers to use technology to produce and manage information aimed at delivering a service and the ability of consumers to use new forms of access to information and service.

While the issues noted above are linked directly to under-development, they also point to a redefinition of basic infrastructure to include telecommunications and IT infrastructure. ICT enabled services, can only be provided if electricity and telephony are in place and will only be effectively used, if they are affordable. The state would need to play a decisive role and not merely expect the private sector to ensure the provision of the ICT infrastructure. In instances internationally, where the pri-

vate sector has assisted governments to provide ICT enabled services or to develop networked communities, the private sector has benefited. These ventures have not created sustainable jobs and the cost of services delivery has increased incrementally.

Currently between 60 and 80% of the population in most provinces reside in areas where there is inadequate basic infrastructure provision. There are schools and clinics in most provinces that do not have telephones or electricity. In instances where telephones have been installed the problem has been an inability to meet the costs of the service.

If electronic governance and electronic government and on-line service delivery is the favoured approach, then the contradiction of sustainable job creation to absorb the labour force against the closing of the digital divide surfaces. The skills base required to sustain electronic service delivery is expected to be a highly skilled and IT literate one, while the vast majority of people in need of jobs are unskilled, semi-skilled and also at times are illiterate.

The ICT Sector in South Africa

South Africa is at a stage of its development where it already has an established ICT sector. Together with Egypt, it is rated as one of the 55 countries in North America, Europe, Asia, Latin America, the Middle East and Africa on the Information Society Index. The 55 countries on the Information Society Index account for 97% of the world's ICT contribution to GDP and more than 99% of all IT spending.

The established ICT sector in South Africa is currently fragmented and act-

ing without national purpose. It is mainly comprised of white males at management and operational levels. There is an extremely low presence of women in the sector. The sector is mainly resellers of hardware and software, dependant totally on imports. The sector is involved in software development of first generation applications. While this does generate exports, it is exceptionally low. There is no major hardware assembly plant, microchip manufacture plant or global IT hardware and software distribution outlet or warehouse based in South Africa, as in other parts of the world.

A strong indigenous ICT sector is needed. This must be owned by locals, staffed by South Africans and backed by government policies and regulations. The overall aim must be delivering on local needs of absorption of the labour force. Without a clear sense direction in the form of an overall strategic goal and some regulatory features that ensured the industry assists to meet the overall development needs of South Africa, the ICT industry will remain one that is directed by the global competitive paradigm. It could be said that South African women led ICT companies and Black owned ICT companies are struggling to become serious players in the sector. Other than the Skills Development Act and the Levy and the Employment Equity Act, no further and specific measures exist to ensure that ICT companies participate in the reconstruction and development of society more decisively. Most global ICT companies do not give out donations in "brick and mortar". When ICT companies make contributions it is a part of their marketing strategies with the aim

of driving business downstream.

It is necessary to commence a debate about the complementary nature of competition, development and the reconstruction of society. An ICT company is unable to do business in a local area that is under-developed and under-serviced. Similarly local areas will remain unattractive, if companies are not prepared to relocate to areas where people live and work. Local economic development needs to be more carefully considered, factoring in the growth of a local, indigenous ICT sector that is spread throughout the country, and not located only in commercial hubs. This will assist to increase ICT penetration and spread the growth of technical knowledge and skill more evenly.

State ownership of ICT ventures has not been fully translated in any part of the world. India has recently set up a Ministry for Information Technology, which plays a facilitating role but leaves the actual process of ownership and implementation of ICT to the private sector. In South Africa, the move to emulate the global practice of outsourcing and privatising non-core businesses has already been implemented.

The State IT Agency is an example of out-sourcing, while Arivia.com is poised to become a player in the private sector, although wholly owned by government it is likely to become privatised. Arivia.com is a services organisation within the ICT sector. It procures hardware and software from other companies and will specialise in putting all the pieces together.

Arivia.com has the potential to develop local IT intellectual property, especially in applications linked to the security and defence area, electricity

generation, and transmission and distribution areas and in the rail transportation area. The test for the new state owned ICT Company is its ability to position itself to be a serious player in the ICT sector, to be able to compete with the global companies in South Africa and abroad, to retain the human resource base that will be consolidated in the near future and constantly upgrade skills.

With the competitive services offered by Orbicom, Sentech the state carrier for SABC will most likely be moving away from state ownership. Whether any of the state asset restructuring initiatives will contribute in any significant way to absorption of the labour force and make a dent in the job creation field is yet to be seen.

Ownership

The interests of the large indigenous companies and the foreign multinational enterprises that have chosen to establish a presence in South Africa mainly direct the sector. These companies already have a substantial share of the local ICT market, and are, in most cases, also active globally.

Some global players in South Africa are: Dimension Data, (a South African company which has listed on the London Stock Exchange) Datatec, IBM South Africa (which de-listed from South Africa in 1998), ICL South Africa, Oracle SA, Microsoft SA, Anderson Consulting, Nortel Networks, Novell, Lucent Technologies.

- Some of the major local players are:
- Comparex Holdings (of which PQ Africa is a subsidiary)
 - Altech (owned by Bill Venter)

- Siltek (majority ownership - Kunene family)
- Mustek (in which Wiphold has shares)
- Datacentrix (Afrikaner owned)
- CCH (mainly white owned, recently bought out by MGX)
- M-Cell (holding company for MTN - owned by Johnnic, where the major ownership is with Kopano and black businesses)
- Vodacom (Telkom, white capital, foreign interest owned)
- MIH (holding company for Multichoice - MNet, DSTV)
- UAH (investment in Isanga and Motu Technologies, Africa Pay Television, Twilight Holdings, YFM and Yarona FM in Botswana)

The South African ICT sector is an integral part of the global ICT sector and is influenced by global ICT trends. This includes dealing with increasing competition in the sector, but also seizing the opportunities locally, regionally and globally, and contributing to South Africa's transition to an information economy. The global IT industry (excluding telecommunications) continues to undergo rapid restructuring; although hardware is still the largest segment, data communications plays an increasing role in the sector. Many traditional IT hardware firms (e.g. IBM) are moving towards services while Asian firms remain major players in many hardware segments. The rapid consolidation in the ICT industry, particularly telecommunications, is having an impact on the competitive structure of this sector. The global players dominate and control the ICT sector. Global ICT sector trends indicate globalisation and rationalisation (the use of the prin-

ciple of more for less) in the business activities of these very large companies.

In addition, the convergence approach to the definition of the sector permits a wider range of companies to potentially be included. In South Africa state owned enterprises such as, Telkom, SABC, Sentech, and Arivia.com are prime targets for this. It is anticipated that large companies will change to adapt to the evolving domestic and global market opportunities. For example, telephone companies, such as AT&T, have transformed themselves into broad ICT companies encompassing telecommunications infrastructure and services, applications and content, recognising in particular, the opportunities brought about by Internet technology, the growth of common digital codes and diminished government regulation.

There is a need to consider whether other models can be devised for state-owned enterprises to adapt to the global trends while at the same time ensuring delivery on local development needs. With a monopoly on fixed lines and a strategic equity partnership, Telkom has not managed to deliver affordable telecommunication access to all areas of the country and to citizens. It is not clear whether the listing of Telkom will ensure the meeting of backlogs relating to access to ICT, as the main point would be how the capital realised from the listing will be redistributed.

The Digital Opportunities Task Force set up by the World Economic Forum will contain and limit the developmental approach to be market-led with a profit enhancement focus. This is in line with the current donor interests on ICT and development. Most of these are about community projects attempt-

ing to provide ICT enabled services without a clear national framework and strategy, within an undeveloped infrastructure, with inadequate resources and without the necessary skills needed to sustain themselves. These ventures have little, if any ability and means to enter the core ICT sector and yet are expected to become self-sufficient.

The mechanism for ensuring that access is delivered to citizens resides in the monitoring of service obligations of the telecommunications industry. The government processes underway have led to a myriad of different approaches to delivering digital access to communities. One plan is to have a Public Information Terminal for citizens to access government information and collect e-mails, another is to have a citizens' post office. Another approach is to have tele-centres, yet another is cyberlabs at schools. In addition multi-purpose community centres are also being set up for citizens to access government information and government services. The CSIR has also been working on information kiosks and community information services projects.

In all this, there are replications and duplications of infrastructure and approaches. There is no clarity on whether sustainable jobs will be created. All the approaches have one common thread, they will deliver government information and government services, however the co-ordination of a single entry point for this and a common template is lacking. Thus far the approach has been top down, with very

little involvement of communities and citizens, the ultimate recipients.

Within this context, the most reasonable way forward that will be suggested by the global ICT development initiative of the World Economic Forum would be to let the market bring the most suitable means of delivering access to communities and also effectively co-ordinate the process. This would inevitably cut out the possibility of state-led interventions and would also make development a new niche for business.

In SA so far, there are replications and duplications of infrastructure and approaches

Skills Development

South Africa has an established, but relatively small base of highly skilled ICT professionals, the vast majority of whom are white and male. A number of initiatives are attempting to redress this. The Department of Communication's 'Houwteq' programme is concerned with skilling in a new area of technology, satellite technology. This is useful in tracking weather, security and defence, in space exploration and in broadcast coverage. It should be noted though that this programme has absorbed a very small number of trainees. Telkom's 'Centres of Excellence' is attempting to spread telecommunication skills throughout the country on fixed line and value added networks. PQ Africa's 'PQ-Academy' is an attempt to develop core IT skills on programming. The ICT Sector Training Board (ITITB) also has training programs set against the backdrop of an education and training environment, which has been restructured

around Sector Education and Training Authorities (SETAs).

A concerted re-skilling process is needed on existing jobs in all sectors of the economy as new technologies bring about re-engineering of work processes and even job losses. In general terms this is about making the current workforce IT literate.

No definitive national or provincial perspective exists on what ICT skills are needed to build the economy. The general approach emanating from parts of the ICT industry is that the scarcity of skills can be plugged with the importing of skills. In trans-national ICT companies, this aspect is attended to on the assignee basis, the state and society do not benefit from this as no mechanisms exist to monitor whether indeed skills transfer takes place between assignees and locals.

Jobs

In terms of its potential to generate opportunities and employment with little pressure on land, environment and other resources, information technology is cited as one of the most people-friendly and environment-friendly industries of modern times. ICT is however not always seen as a friendly and safe job creator, but more of a destroyer of low-skill jobs and is seen as responsible for the removal of workers from secure formal employment into informal home-based work. Furthermore the effects on health and safety of workers involved in the manufacture of microchips, is yet to be fully ascertained.

An industrial economy is fundamentally a manufacturing economy. The

technology itself is constituted of machines, which requires manufacturing. Machines exist to produce hard goods, ultimately food, clothing, and shelter and transport our flesh and blood demands. Even if factories have been automated and the number of service occupations multiplies, a high tech economy remains a manufacturing economy. Even when industrial capital is exported to foreign places, manufacturing is not eliminated from the economy, but only internationalised under the same ownership. Such relocation is happening and the movement is taking place at the hands of multinational firms. The search is underpinned on cheap, non-organised labour and subsidies from malleable governments.

In the post-Fordist regime the capitalist institutions have accommodated individuals with new sets of skills based on specialisation into the labour force. In the ICT sector these jobs are highly paid skilled jobs commonly known as consultants, process engineers, IT architects, system designers and programmers. The bulk of the manufacturing related, electronic assembly work in ICT remains poorly paid, unorganised and largely home-based work. ICT has had a profound impact of jobs in other sectors of the economy. In most managerial and supervisory jobs IT enabled tools can be empowering and have placed greater control in the hands of workers. This has assisted the Just-in-Time implementation and Total Quality Production and Total Quality Management. However in other jobs, IT enabled tools and machinery have led to degradation of work as "intelligent" machines carry out complex processing, which in most cases we, ordinary peo-

ple cannot explain. This leads to work becoming a mere touch of a button or manipulation of a mouse without understanding the details behind the process. Specialisation in various aspects of production thus is no longer a skill, or a craft.

SMME's

SMMEs are an important source of job creation and economic growth. In addition, SMMEs can be recognised as the source of innovation of the new appropriate products, services and applications for all sectors of the economy required to satisfy the local market, regional expansion and to compete globally. Such usage of ICT could bring about the export of goods and services produced locally.

Mechanisms to expand and support the contributions that SMMEs can make to the ICT sector and in usage of ICT in other sectors of the economy are lacking. The survival rate of SMMEs is generally not high. This is due to the lack of support on new company formation, access to finance and inadequate survival techniques. The IDC has recently launched a process to provide venture capital to SMMEs, to redress one of the more serious aspects of SMME's development.

ICT can assist in the marketing of products. Products be they African beadwork, wood craft, leather craft or any other item will still need to be produced. If the demand for products and services can be stimulated, this in itself creates jobs, as a supply of products will be needed.

A sector of the economy that can benefit from ICT enabled marketing,

while utilising the current capacity of South Africa is the tourism industry. The spin-off in job creation covers a wide range of diverse skills: cleaning, laundry services, food supply, catering, transport, building, electrical repairs, work in the arts and crafts, in the cultural arena, and the travel and tour operation fields. Stimulating this industry is also a viable means of building and sustaining rural, natural and heritage areas. The opportunity to develop cultural villages, bed and breakfast operations and indigenous traditional performance ventures also unfolds.

Lack of a definitive ICT Industrial Policy

It can be argued that no country in the world - no matter how "free market" it may now appear to be - has developed without an active industrial policy, in which the state has played a driving if not pivotal role. The strategic objective of an industrial policy needs to expand the capacity of the forces of production, to enable the economy to absorb the labour force fully and to produce more. This is obviously not only a quantitative issue, the nature of the accumulation process is also very important. A simultaneous challenge is transforming the balance of economic power in society.

Rapid innovation and penetration of technology has impacted on class mobility and the marginalisation of the organised workforce. Industrial policies therefore need to consider the role of ICT in the development of a country's economy and democracy. ICT is a cross cutter in economic and social development. It has a reach and range across all sectors of the economy and pervades all

aspects of society. It is therefore, necessary for an industrial policy to cater for the role of ICT as an important driver in industrialisation and ensure that ICT does become an island on its own. ICT directs and plays a central role in economic development and needs to be guiding the primary focus area of all industrial policies within the context of development.

Industrial policies adopted by government are intrinsically linked to the nature and pace of a chosen developmental path. The content of industrial policies determines which social classes are strengthened and which are weakened in the process of economic development. The patterns of ownership and control, income distribution and the demand for different types of labour and the nature of goods produced for consumption form the base of an industrial policy. Industrial development impacts not only on the balance of political and economic power at a macro level, but also at the micro/household level and can have different impacts on gender relations, either empowering the poor more especially women or further marginalising them. The case of women in Vietnam, China and other countries of the east demonstrates this point, as industrial restructuring led to women losing out on the state provided child care facilities, thereby increasing their burden on domestic labour, whilst at the same time retaining women as the most exploited workers in the labour force.

The economy's industrial base and productive capacity need not only be

increased, but also moulded into a form appropriate for South Africa, which prioritises maximising sustainable employment opportunities, job creation and meeting the needs of the poor. It is in this respect that the closing of the gap created by the global divide must be considered. A key facet to the equation is the continued re-skilling of the workforce. The challenge in South Africa is

The challeng in SA is around a lack of basic infra-structure, technology, skills and resources

around lack of basic infrastructure, lack of technology and a lack of skills and resources. In terms of the provision of basic infrastructure, there are a sizeable number of jobs that do get created, with the building of roads, buildings and the Spatial Development

Initiatives (SDI), however these are not sustainable jobs and in some instances contribute to cyclical unemployment.

In attempting to catch up on development and, in particular, with rapidly developed technological innovations, the possibility of obsolete technology being dumped into the country must be circumvented. Similarly, in the process of restructuring state-owned enterprises and liberalising the regulatory frameworks, the influence and dominance of the global ICT sector must be considered. Foreign direct investment (FDI) in the form of investment in finance and human resources does not always bring the most appropriate technology; it also comes with new institutional apparatus, which inevitably leads to labour flexibility and a displacement of the formally employed.

While the relocation of global companies into South Africa and the move to list South African companies over-

seas is about FDI and brings in foreign exchange into the country, it does not translate to meeting basic needs, creating sustainable jobs, or building infrastructure and innovating local technology that will be owned by the country. The FDI option limits the possibility of state-interventions and favours a market dictated approach. There is little or no space with the FDI approach for an industrial policy that favours job creation and a weighting on the primary and secondary sectors of the economy, as the FDI approach is intrinsically linked to the financial sector and is locating itself more in the quaternary sector of the economy.

The defining of semi-exclusive "territories" by the global players of the "market" effectively constrains the state from playing a more direct and driving role in all aspects of industrial development, more particularly in expansion. A condition for strategic objectives to be met is a driving role by a strong and developmental state. Many of the debates over appropriate industrial policies for South Africa appear to be underpinned by controversies over the role of the state. This is often framed as a dichotomy between activities which are seen to be the proper domains of the state and market respectively.

In the context of transformation from authoritarian rule to a socialised democracy, the role of the state in setting the parameters with respect to usage of appropriate modern technology, access to and coverage of services by ICT; in developing an information society also implies the reconfiguring of the role of the state bureaucracy and service delivery. In this respect the cost of ICT

enabled services must be affordable and must reach all citizens equally.

The qualitative nature of the state's activities, and the extent to which it is able to frame and facilitate private sector activities should be the basis of an intervention. A basic strategic requirement for enabling industrial policy measures is for the state to play a planning, co-ordinating, and propelling role in developing industries towards meeting basic needs.

While industrial policy measures must have a protective component e.g. job creation, more importantly it could play a proactive role in identifying and dealing with blockages or opportunities. The use of ICT will facilitate many opportunities in the years ahead, but those that are slow to recognise challenges and seize opportunities will find themselves unable to compete successfully on a global scale.

The real possibility to bring an end to queues and long unnecessary delays in attending to government service delivery is possible through the efficient and effective use of ICT. This will assist in making Batho Pele implementation partly a reality. Of crucial note in this is the question of access to ICT enabled services and affordability and whether government will 'out-source' this function or make this a sustainable job creation focus.

Way Forward

Information based industries and the enabling capabilities of information technologies will provide new opportunities and challenges for growth in South Africa, provided that there is regulation to ensure that the ICT sector

acts within the parameters of the priorities, policies and values set out in the Constitution of South Africa.

The problem of resources in the form of skills can only be addressed at root level. The lack of ICT resources in South Africa is traceable way back to the primary schools where there is almost no exposure to ICT and this develops a mindset block to new paradigms, which ultimately leads to few graduates and a scarcity of skills. Thus an Industrial Policy must ensure the creation of a feeder system for the constant development of new skills and an environment that will enable the equipping of the education system to deliver a set number of graduates. Given this state investment in ICT skills, a compulsory service to the state, as in the case of doctors could also be considered.

The ICT sector currently prefers the least regulation and opts for a market-dominated approach. There is a need for State interventions to support and reshape the ICT sector structures and processes to enable the sector to achieve the objectives of increasing sector revenues, increasing the sector's contribution to GNP, increasing sector exports, increasing employment in the sector, and maintaining or increasing sector profitability, within the paradigm of a socialised economy as opposed to a monopolistic economy.

The two main barriers of entry into the ICT sector are finance and skill. These are also obstacles to creating a robust, growing and sustainable South Africa ICT sector that reflects equity, representativity and inclusivity. The form and shape of the ICT sector itself needs to be changed. The ICT sector is

the cutting edge of the profit-making end of businesses.

One method of toppling the balance would be in the areas of co-operative ventures and the setting up of associations not for gain in small but significant areas: such as cabling, PC services and support, call centres, basic IT training, and in the distribution, warehousing and packaging of products that get ordered and purchased through the Internet. Another aspect to penetrate is the content arena of value added services, such as the film and recording industry, which works on a layer above the basic ICT technical base and impacts on the production of culture in society.

Rural and community participation in the sector also needs to be encouraged. It is vital to have state intervention to ensure that companies make investments in rural areas and in areas where there is a need for job creation. The issue is to find the appropriate balance between building an urban-based sector utilising the relatively well-developed infrastructure and resources against building a rural and very local community-based, indigenous sector that requires basic infrastructure and resources to be provided.

There is therefore a need for the state to take immediate and decisive action to build and shape the ICT sector capabilities to position the nation to increase employment, reduce barriers to innovation, encourage social and economic development initiatives and stimulate the need for appropriate and intermediate technologies. There is a need for state regulation on free and compulsory software. Protection measures on government terms relating to low cost

access to intellectual property rights material is needed. Open sources of information tools must be encouraged to enable state initiated public access stations for citizens to access information. Information and communication must be an affordable reality where ownership is in public hands, preventing the growth and spread of local "cyberlords".

"...after the enslaving subordination of the individual to the division of

labour; and therefore also the antithesis between mental and physical labour has vanished; after labour has become not only a means of life, but life's prime want; after the productive forces have also increased with the all-round development of the individual; and all of the springs of co-operative wealth flow more abundantly - only then can the narrow horizon of bourgeois rights be crossed in its entirety society inscribe on its banners: 'From each according to his(/her) ability, to each according to his(/her) needs!'" Karl Marx.

✎

Socialism and Gender Equality: What lessons can be learned?



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Introduction

“...despite the promise to women held out by virtually all modernising strategies, their actual role has been to stabilise the world; to be the still point around which the axis of the revolution can rotate more freely.” (Young, 1989:246)

The opening quote points to a key concern with regard to transformation processes - that inevitably gender relations remain virtually untouched. While there have been major areas of progress in providing women with access to services and support, and involving them in political processes, in socialist countries and in capitalist welfare states, unequal gender power relations have proven very difficult to change.

This raises the fact that there is a need for a specific focus on gender issues in the transformation process, in our theory and in our practice. This specific approach is important because women's oppression will not automati-

cally be addressed, as history has demonstrated¹. There is also a need to develop theoretical and practical approaches to women's emancipation that are specific to the South African context. We should take as a starting point that a materialist approach is the most useful theoretical approach, however, Marxist writings generally do not theorise gender relations adequately. Thus, we need to acknowledge that we do not have an adequate theoretical basis within classical Marxist writings, and that there have been distortions of socialist theory in some of the socialist countries, leaving us with a legacy of inconsistent and incoherent approaches to transforming gender relations. This paper reviews these approaches and examines some of these inconsistencies and gaps, with the aim of raising issues for debate that contributes to a review and enrichment of our theoretical perspectives.

A further complicating factor in our attempts to develop a revolutionary theoretical approach to gender struggles is

the fact that the people trying to transform gender relations are deeply affected by sexism themselves. Political organisations are male-dominated, most of the “political thinkers” are men, and they need to overcome their personal interest in perpetuating women's oppression. Furthermore, because men do ‘benefit’ it is often difficult for them to see how their own lives have been distorted and limited by sexism. On the other hand, women are often not well-organised, because of their gender roles, and in order to become conscious gender activists, they need to overcome the paralysing effects of internalised oppression. Thus, each activist faces a challenge of promoting and developing a revolutionary theoretical approach, and challenging sexism within the struggle, while simultaneously engaging in a personal struggle to challenge gender power relations in their own lives.

Marxist Theory on Women's Oppression and Women's Emancipation

Engels was the first Marxist to make a significant analysis of the oppression of women in *The Origin of the Family, Private Property and the State*. He examined family structures in different societies in different eras. He traced a historical transition from matriarchal to patriarchal family forms, and identified the monogamous family as intrinsic to capitalism. He showed that the family, monogamy and women's oppression are not natural, and had nothing to do with evolution, but were specifically intended to control the ownership of private property, through the protection of heirs. He thus saw the family as the

institutionalised subjugation of women by men for the purpose of entrenching and perpetuating the capitalist system. Overthrow of mother right on which earlier societies were based laid the foundations for women's subjugation, private property, monogamous marriage and patrilineal inheritance: “The first class opposition that appears in history coincides with the development of the antagonism between man and woman in monogamous marriage, and the first class oppression coincides with that of the female sex by the male.” (Engels, 1972:129)

Engels was damning of the institution of marriage under capitalism, describing it as analogous to prostitution, with the role of the wife differing only in the duration of her services: “[T]he wife ... differs from the ordinary courtesan [prostitute] only in that she does not hire out her body, like a wage-worker, on piecework, but sells it into slavery once and for all.” (Engels, 1972:79) He envisaged the liberation of women through the overthrow of capitalism. In his view within a classless society the family would be replaced by non-exploitative freely-chosen sexual unions within which the status of male and female would be equal.

Many Marxists have pointed to conditional links between women's emancipation and socialism. For example, Lenin argued: “the proletariat cannot achieve complete liberty until it has won complete liberty for women.” At the same time, women's emancipation would not be achievable without a fundamental transformation of capitalist relations of production.

An important aspect of Engels' contribution was the emphasis on both pro-

duction and reproduction within the materialist analysis, with the assertion that both are determining factors in history. He explains that this refers to “the production of the means of existence, articles of food and clothing, dwellings and of tools necessary for that production” and “the production of human beings themselves, the propagation of the species.” He goes on to argue that: “The social organisation under which the people of a particular historical epoch and a particular country live is determined by both kinds of production: by the stage of development of labour on the one hand and of the family on the other.” (Engels, preface to *The Origin of the Family*, 1884)

However, this approach is generally not carried through in Marxist writings, and an exclusive focus on production is more common. For example, the socialist movement later refused to endorse the view expressed by Engels - what disturbed them was the “implication that the family represents an autonomous, if not wholly independent, center of social development.” (Vogel, 1983:90-91)

The Marxist analysis was significant in developing foundations for a materialist conception of women’s oppression, breaking with “naturalism” and biological reductionism. Biological reductionism can be found amongst those seeking to justify women’s oppression as natural and stemming from biological differences; as well as amongst some feminists who base their arguments on women’s “inherent” superiority.

Marxist analysis developed the foundations for a materialist conception of women’s oppression

Identifying a material and historical basis for women’s oppression is important because it creates the possibility of transformation.

Lenin’s contribution went beyond that of earlier writings, because he emphasised women’s material oppression in the household, condemning ‘domestic slavery’ and ‘humiliating subjugation’ in the household. Thus, Lenin emphasised a crucial area that remains a core focus of socialists today - the

unpaid labour performed by women to maintain and reproduce the working class: “The female half of the human race is doubly oppressed under capitalism. The working woman and the peasant woman are oppressed by capital, but over and above that, even in the most democratic of the bourgeois republics,

they remain, firstly, deprived of some rights because the law does not give them equality with men; and secondly - and this is the main thing - they remain in ‘household bondage’, they continue to be ‘household slaves’, for they are overburdened with the drudgery of the most squalid and backbreaking and stultifying toil in the kitchen and the individual family household.” (Lenin, 1966:83-84).

Thus, the importance of the Marxist analysis lies in the fact that it identifies two crucial elements to women’s oppression - their exclusion from production and their ‘domestic slavery’ - leading Marxists to conclude that women’s emancipation requires the elimination of private property, the inclusion of women in social produc-

tion and the socialisation of reproduction. Alexandra Kollontai argued that the work performed free of charge by the housewife for her family should become part of the responsibility of the community and that the “socialisation” of domestic life was integral to the creation of a communist society. Lenin also emphasised the transformation of ‘petty housekeeping’ into large-scale socialised services.

While it is accepted that these are important conditions for women’s emancipation, it is now widely acknowledged that these alone are not sufficient conditions.

Critiques of Marxist Theoretical Approaches

When critiquing Marxism we need to recognise that there are different strands - the classics, the use of a materialist analysis by Marxist writers, and the interpretation of Marxism in theory and practice by Communist parties and socialist movements. Some writers have argued that Marxist theories on women’s emancipation are sound and that the interpretation and application of these theories by socialist states were a distortion. However, it is more correct to argue that there are fundamental flaws and weaknesses in the original theoretical approach that allowed for such misinterpretation, while it is also true that some communists are completely gender-blind, despite references to these questions in Marxist classics. While Marxists, particularly through Engels and Lenin, paid far more attention to women’s oppression than they are generally given credit for, there are strong cri-

tiques of the Marxist analysis. Vogel (1983:127) argues that the early Marxist tradition does not provide adequate theoretical guidance on women’s oppression and women’s liberation, as it has a number of gaps and inconsistencies. However, the weaknesses in Marxist theory on women’s oppression do not negate the centrality of a materialist analysis to understanding and challenging women’s oppression and gender relations - deepening our analysis has been and remains an important endeavour for revolutionaries.

One of the main criticisms is that it is too idealistic and deterministic, giving the idea that class struggle would *automatically* solve women’s oppression. According to Horn (1991b:11) this does not leave room for the organisation of women to struggle against their oppression. As we will see in accounts of socialist experiments, a core requirement to effectively struggle for women’s emancipation is that women are organised as women and as feminists².

The following extract illustrates the determinism that sees women’s oppression as a simple derivative of class relations: “The supremacy of the man in marriage is the simple consequence of his economic supremacy, and with the abolition of the latter will disappear of itself.” (Engels, 1972). This is deterministic because it views reproductive and gender relations as a “simple consequence” of productive and class relations. Orthodox Marxism did not adequately apply a materialist analysis to patriarchy, gender relations and reproductive relations, nor was the articulation between gender relations and class relations adequately theorised. This is

because patriarchy and gender relations were seen as arising from class relations and therefore did not need a separate analysis, because they would fall away with the transformation of economic relations.

According to Landes (1989:26) in her critique of shortcomings in the writings of Marx and Engels: "... The Woman Question remains subordinate to the fate of the working-class movement, and political, social and gender questions are all too easily dismissed by way of a naturalizing discourse on matters of sexuality and family life. Following Engels, social democrats and communists have recommended public housekeeping - the socialisation of domestic work - as the solution to women's domestic oppression. In this prescription, there is no recognition of the need for women and men to wage a conscious struggle to transform interpersonal relations, nor of the political requirements of such a task."

None of the early Marxists posed patriarchy as a political problem or even challenged it. Political relations of power were not analysed, while economic relations were the dominant focus (Horn, 1991b). Thus, the relations of exploitation and domination in the family are not debated or analysed, for most Marxists the concept of exploitation is only applicable in the context of class relations. This leaves a whole area of debate untouched, however this has been explored by Marxist feminists more recently.

Another critique relates to the problem with the assumption that drawing women into production would necessarily create the basis for their liberation. Early Marxists predicted

that women would be drawn into industry in large numbers and this would provide the conditions for their liberation from the oppression of the family and their dependent status within it. Their entrance into the public arena would serve to end their oppression and unite them with their working class brothers in the struggle against capitalism. However, in reality women did not enter waged work in large numbers and where they did, they were in a structurally disadvantaged position compared with men. Marxists have analysed this subsequently in terms of theories of labour market segmentation, showing how capitalism benefits by dividing workers and increasing its control and exploitation of the workforce. However, there has been very little theorising of the occupational segregation and the sexual division of labour under socialism both in relation to the public and private spheres.

A crucial element of the feminist critique of Marxism is of the narrow conception of production, which separates between production of things and of people. Although there are references to labour and production as encompassing all activities necessary for the reproduction of human life, this is not carried through Engels and Marx's analysis. Rather, the production of things (which depends on the organisation of labour) is emphasised and the production of people (which depends on the organisation of the family) is often altogether absent. Sometimes even more narrowly, the production of things is confined to the production of things with exchange value only. This means that large areas of human activity are often overlooked

in Marxist political economy and the distinctive relationships that women and men have to the spheres of production and reproduction are not analysed (Kabeer, 1994:44).

Flowing from this criticism, feminists have argued that Marxism, although formally applying a materialist analysis, was actually viewing reproduction as part of nature. This critique is based on the way in which Marxism treats the body. The defining feature of the human condition was the use of the body to make use of nature to meet human needs and wants. But upon careful examination it is revealed that the body that was referred to was the body of the proletarianised worker, the producer of surplus value: "By equating human labour with the production of objects, and more narrowly, of objects with exchange value, women's bodies and women's labour in maintaining bodily existence are assigned to nature." (Kabeer, 1994:46). In other words the use of the human body in reproduction is seen as separate from human labour, thus making women's reproductive role form part of 'nature'.

A further criticism is on the focus on the structures of production at the expense of the activism and consciousness of human beings. Accordingly, women's oppression is reduced to being functional to capital. There is no acknowledgement that men often benefit from women's oppression and that they play an active role in perpetuating it, both within the home and the capitalist marketplace. Traditional Marxism would also have difficulty in explaining the resistance and antagonisms of women to male domination (as distinct from class domination) except by

attributing this to a divide and rule strategy by the capitalist class and as false consciousness or 'bourgeois feminism' (Kabeer, 1994:49).

Finally, Marx himself reflected patriarchal practices and attitudes in his personal life, which must have partly accounted for some of the gender-blindness in his writing. According to Thompson (1997:202): "Marx not only neglected, and concealed the existence of his illegitimate child, the son of his maidservant, but presumed to exercise patriarchal interference in his daughter's private affairs." The interference referred to here is that Marx was opposed to his daughters pursuing careers. Similarly, the words of his wife, Jenny Marx, paint a clear picture of her own disempowerment in the home: "While the men are invigorated by the fight in the world outside, ... we sit at home and darn stockings." (cited in Gardiner, 1997:56). Furthermore, in some of his letters Marx shows an ambivalent approach towards gender issues, with a serious political intervention often undercut by patriarchal humour: "Social progress may be measured by the fair sex (plain ones included)" (Marx, 1868)3.

The difficulties posed by the challenges of transformation are illustrated in the inconsistencies in Marx himself - on the one hand his ideas were way ahead of his times, while on the other hand some people might excuse him for being "a man of his times". This is the case for many communists past and present - they are constantly struggling to give expression to their ideals and to transform our practice, with uneven success.

SACP Perspectives on Women's Oppression and Emancipation

The South African liberation struggle has concentrated on 'race' as a primary factor, and indeed, the experiences of women were often more starkly experienced in colour and class terms, thus obscuring the gender dimension of their oppression: "Women are not organised along sexual lines in South Africa. Feminism is almost entirely absent from the social fabric, and this is primarily due to the race factor. White women share with white men in the exploitation of blacks. The wages and incomes brought in by their men and the social security provided by the State afford them comfortable to affluent lives. While sexual discrimination exists, it is offset by the fact that the status of whites is infinitely higher than that of the black men; and this not only invalidates an anti-male movement, but underlines the fact that to preserve their existing privileges white women must close their rank with white men as a class." (Meer, 1985). Thus, the class and racial cleavages have tended to be seen as more dominant. Although there were women's organisations and activism, this did not necessarily give space to a voice for women independent of the liberation movement. Furthermore, there was strong pressure from male-dominated leadership against the idea of women organising separately around specific gender issues, as this was seen as 'divisive' and 'bourgeois' and amounted to 'hijacking the struggle'.

While there has been significant progress in recent years, communists still face a major challenge in integrat-

ing an analysis of patriarchy and gender relations in all Party theory and practice. Historically, within the liberation movement broadly programmes and documents have been gender-blind. This section will examine the theoretical approach of the SACP (as the leading socialist formation in the country) on gender issues.

The Party Programme of 1962, *The Road to South African Freedom*, devotes one paragraph to women, focusing on programmatic proposals: "The Party demands that the state provide special protection for women workers, the removal of all restrictions against married women employees, and the provision of adequate maternity leave before and after birth. The Party will fight for full and equal rights for women in every aspect of state, social and private life. It will work for the elimination of polygamy. It will fight against all vestiges and manifestations of contempt for or unequal treatment of women, or their being regarded as mere cooks, domestic servants, nannies and housekeepers. It will fight for the admission of women on an equal basis to every sphere of state, industrial, commercial, agricultural, scientific, academic and professional life."

While some of these are important proposals, there are overall weaknesses in what they reflect theoretically - primarily that the struggle is for equal rights with men, and changing the way women are regarded, without fundamentally challenging gender relations. Furthermore, the fact that there is no theoretical analysis of women's oppression and of the strategic significance of fighting for their liberation weakens the proposals considerably. The six previous

sections of the programme analysing Communism, the African revolution, CST, the forces of change and the National Democratic Revolution, make no mention of women in analysis or as a target for mobilisation. Even the analysis of the African working class makes no mention of women and their specific circumstances, nor does it identify their role in the reproduction of labour power for the mines. Thus, the proposals that come at the end appear as a favour to women without any material basis, rather than a struggle connected to the class struggle, with significance in its own right.

The Path to Power, the Party Programme of 1989, goes further than earlier documents, by including reference to the triple oppression of the majority of South African women.

However, the fight for a united, non-racial, non-sexist democratic South Africa is only mentioned when the document addresses women directly, but when it speaks to workers and youth, for example, the struggle is against capitalist exploitation and national oppression. Furthermore, the entire analysis of CST makes no reference to women, and only refers to triple oppression under the mass democratic movement. This implies that women are, crudely, an 'interest group' to be mobilised, as opposed to a perspective that sees them as a fundamental part of the revolution - both because their oppression as women is fundamental to apartheid and capitalism, and because they constitute a strategic force for transformation.

A pamphlet published by the SACP and printed in the *African Communist*, under the authorship of Dialego, entitled *Philosophy and Class Struggle* enunciated the basic premises of dialectical and historical materialism, and served as an important political education document. There was no mention of gender relations, nor even of reproduction. The focus was entirely on productive relations with no reference to the production of human beings. It is difficult to account for this complete gender-blind-

ness since Marx's writings are not entirely gender-blind, although somewhat inconsistent. Furthermore, Marx and Engels cannot be blamed for our own limited applications of Marxist tools of analysis.

The *Strategic Perspectives* adopted at the 9th Congress made some

important points, in a section specifically dealing with gender, noting that: "... patriarchy has to be consciously addressed and dismantled, it will not simply wither away because the economic basis of women's oppression has been removed." (1995:9). It is argued that there has been a mistaken view by some "Marxists" that see women's oppression as a "side-effect" of class exploitation, advocating a "pure class struggle" approach with the assumption that this will automatically liberate women. The document concludes that patriarchy, class and national oppression intersect and reinforce each other in various ways, and our approach should be to integrate gender struggles into the immediate tasks of the NDR, while at the same time giving

The entire analysis of Colonialism of a Special Type has no reference to women

an “independent focus” to the struggle against patriarchy.

The most recent SACP programme, the 10th Congress programme, is very uneven in its analysis of gender relations. The section dealing with the NDR and parts of the section on Our Marxism provide very useful analyses, however, other sections, particularly that on Economic Transformation and the transformation of the State are remarkably gender-blind. This is not because there is a lack of analysis of these issues to draw from.

The NDR chapter contains a section on the gender struggle in the national and class struggle, which articulates the following analysis: “CST and the specific capitalist growth path in our country involved the appropriation of existing patriarchal customs and traditions, and their articulation into the reproductive processes of CST capitalism. In particular, the brunt of the reproduction of a massive army of reserve cheap labour was borne by the unpaid (and hidden) labour and effort of millions of women. The reproductive functions often carried (at least to some extent) by society at large in other developed economies (by way of pensions, public education, health care and housing, and municipal water and power infrastructure) has been borne at huge personal cost, by millions of black women in our country...”

The chapter on Our Marxism critiques “productivism” in our theory - pointing to an over-emphasis on production at the expense of analysing reproductive labour and gender relations. If a gender analysis were integrated into every sphere of Party activity and analysis things would look very dif-

ferent, and the potential of real and thorough-going transformation would be much greater.

The lack of gender analysis or sense of the gender implications of policy is obvious in government macro-economic policy. Yet, even in their critiques of job losses, privatisation and conservative fiscal policies, the SACP and COSATU are often silent on the effect that this has on women’s unpaid labour and the entrenchment of women’s poverty and vulnerability.

An important theoretical lesson in looking at gender is that we cannot make abstract sweeping formulations without analysing each situation with the tools of dialectical and historical materialism. South African socialists have a major contribution to make in indigenising Marxist theory and further developing our theoretical contributions on the relationship between colour, class and gender. The main challenge facing us theoretically therefore, is the application of a materialist analysis to patriarchal relations. Moreover, the application of these tools of analysis must filter into debates and practice at all levels.

Lessons from experiences of Socialist countries

There are many inconsistencies and contradictions in the policies and practices of socialist states and socialist movements. In some cases there were shifts and fluctuations in policy in a single country or party. As mentioned earlier, this is partly as a result of theoretical weaknesses inherited from Marx and Engels, and also because of problems in interpretation and application -

not least because most of the leading revolutionaries were men, and probably had less direct interest in the resolution of the ‘Woman Question’.

This critique is intended to encourage debates on these issues, recognising the real struggles that have taken place. The evaluation of the approaches of socialist countries to gender issues is not a ‘side-issue’ of relevance only to gender activists: these debates point us to important lessons about Marxist theory and practice. In particular, the historic lessons that are thrown up for us are about the centrality of democratic participation in revolutionary transformation, and the challenge of constantly applying our tools of analysis to each new situation rather than imposing doctrinaire formulations.

According to Horn (1991b:12) the economism and determinism in Engels’ analysis were reproduced, not only in Bolshevik Party policy, but also in Soviet State policy on the position of women. Furthermore, Horn argues that the experiences of the Soviet Union and China, rather than being open to being “critically examined by socialist women’s movements in the rest of the world, to serve as lessons of how to avoid the same mistakes, were immortalised and spread to other parts of Europe through the influence of the Comintern on the Communist Parties of Europe.” (1991b:14)

However, these experiences are now available for us to reflect on, and in doing so we should not lump socialist states and movements together as if the range of experiences of Eastern Europe, the Soviet Union, China, Cuba, Mozambique and others, are the same. However, this paper will not review all

of these experiences, and therefore this point should be borne in mind.

The Soviet Union began with an enthusiastic and strongly committed approach to women’s liberation. The Bolsheviks introduced equality under the law, free and legal abortion, legalisation of homosexuality and the Family Code of 1918, which made divorce easier and abolished illegitimacy. The purpose of the Code was to begin to shift family functions to the state, this “constituted the most progressive family and gender legislation the world had ever seen” (Goldman, 1989:62). The Code also entitled children to financial support when their parents separated. When paternity could not be established, the courts often ordered all the possible fathers named by the woman to pay support (Macdonald, 2000:70). Considerable resources were allocated to establishing public child-care, laundry and kitchen facilities, but the Bolsheviks were conscious that real emancipation would require greater resources and better quality facilities on a much larger scale. While there were weaknesses, there was a recognition, certainly by Lenin and other leaders, of the importance of organising women, and, as the following quote shows, the need to challenge the backwardness of male comrades: “They regard agitation and propaganda among women and the task of rousing and revolutionizing them as of secondary importance, as the job of just the women Communists ... Unfortunately, we may still say of many of our comrades, ‘Scratch the Communist and a philistine appears.’” (Lenin, 1966).

The work of the women’s department of the Communist Party

(Zhenotdel) and the Women's Congress in 1927 showed the potential of active women's organisation (Goldman, 1989:61). However, this potential was cut short when "Zhenotdel was dismantled in 1929 and policies of family integrity, sexual puritanism and traditional sex roles were reimposed by Stalin." (Coole, 1993:170). There are a range of factors contributing to undermining this revolutionary potential, including the legacy of Russian underdevelopment, the lack of state resources and the peasant economy, society and traditions (Macdonald, 2000:71). However, the extent of the reversal of the gains under Stalin

showed that the dominant factors were political and ideological. In the 1930s "the Woman Question won the proud status of being 'solved'" (Buckley, 1989:254). Women were not supposed to organise as women, and women's issues were no longer discussed - this would have been seen as "unpatriotic, bordering on treason" (Horn, 1992). Under Stalin, divorce was made more difficult; abortion and homosexuality were criminalised; and later the category of illegitimacy was reintroduced and paternity suits were banned. Accompanying this was a propaganda campaign "which appealed to the need for 'social stability', emphasised the importance of individual family responsibility and lectured on the joys of motherhood, upward mobility and the happiness of the worker mother" (Macdonald, 2000:76). The main author of the 1918 family code was

Under Khrushchev and Brezhnev, the problems and double burdens of women began to be recognised again

imprisoned in a mental institution in 1937, while many other advocates of the Bolshevik programme of women's liberation were murdered or disappeared into labour camps.

Under Khrushchev and Brezhnev, the problems and double burdens of women began to be recognised again. However, while there were differences

in the position of women in the Soviet Union and Western capitalist states, "patriarchal oppression thrives as freely in both" (Horn, 1991b:12). This is illustrated by the following anecdote - A cosmonaut, seen as the 'cream' of Soviet society, was asked about a new space ship and responded as follows:

"There is a kitchen in Salyut 6, so a woman would feel quite at home'. Then he added '... but no woman is at present training.' (Browning, 1980:6).

In recent years, with the dismantling of the Soviet Union and the embrace of capitalism in Russia, women have been hardest hit, with massive unemployment and with loss of the social services and state support they previously enjoyed.

One of the first Acts of the Chinese Communists when they came into power in 1949 was the Marriage Act, making 'free choice the basic principle of every marriage'. The Chinese Communists faced a traditional patriarchal system that suppressed women, the majority of whom had to abide by the traditional custom of foot-binding (Wilson and Grenier, 1992:72).

Although the basis of the Chinese Communist Party's policy on women

was the Marxist proposition that women's liberation can come only through their participation in socially productive labour, the application of this has been considerably varied (Davlin, 1977). In the early 1940s there was a concerted effort to get women into textile handcraft production, and later there was a campaign to get women to work in the fields coinciding with the departure of men into the army. However, at the same time the Central Committee acknowledged that "productive labour was not in fact the only and ultimate solution to the women problem, that remnants of feudal ideas about women would remain for some time, and that a prolonged period of education would be necessary to overcome them." Even this acknowledgement, however, demonstrates a biased analysis, since it does not take account of the oppressive nature of women's role in the reproductive sphere within a patriarchal system.

Davlin (1977:301) provides the following illuminating account of the contradictions in the Chinese approach: "During the Cultural Revolution involvement in productive work was once more presented as the major goal for women. *The People's Daily* editorial for Women's Day 1973, entitled "Working Women a Great Revolutionary Force", quoted Lenin on the importance of getting women to 'take part in socially productive labour, to liberate them from "domestic slavery", to free them from their stupefying and humiliating subjugation to the eternal drudgery of the kitchen and the nursery'. Lenin's words contrast strangely with the mood of 1955, when under the slogans 'Housework is Glorious too'

and 'Let's be Pretty', a positive cult of the housewife was fostered, women were urged to seek fulfilment through raising a socialist family, and the pages of women's magazines were filled with recipes and dress patterns."

The Chinese explanation of fluctuations of policy towards women is that they reflect the struggle between two ideological lines. However, some analysts have argued that the call for women's participation in the workforce was, in fact, dictated by economic requirements and the particular demand for labour at a given time.

Chinese Marxists were of the conviction that social change can be the product of changing 'attitudes', given their emphasis on human agency. Young (1989:236) shows how the attempt to challenge gender roles from an ideological basis failed to take account of the material reality of women's oppression, and perpetuated dual (and contradictory) roles for women: "If then the definition of the problem facing women is that they are *seen* as women, the solution seems fairly evident. At the level of material reality, of course, they will continue to bear and rear children and be responsible for their usual chores. At the ideological level, however, this implicit aspect of their identity can be put aside. In the public realm they are to be seen as men. Standing in the way, however, are 'feudal attitudes' that restrict women's movements and participation in the world of work and politics and 'bourgeois attitudes' that lead women selfishly to focus on their own small family responsibilities. With sufficient effort, both attitudes can be overcome and the path cleared for the new woman, a kind of socialist androgyne;

for public purposes a man, at home a loving wife and mother; genderless in public, chaste wife and selfless mother in private.”

This critique demonstrates the underlying weaknesses of theoretical perspectives on women's emancipation. A material analysis is applied only to the productive sphere, with the assumption that women's oppression is based on ideology and culture, without taking account of the need to transform gender relations specifically, and to challenge the material basis of patriarchy. This is a curiously un-Marxist approach, since ideology should have a material basis. Furthermore, the notion of the archetypal male proletarian was widespread and went unchallenged, rather, women were expected to conform to this stereotype. Thus, Young (1989:236) asserts that: “Many liberals and Marxists reject all notions of biological determinism; both embrace a concept of universal humanity. For both, as well, the universal human is male - a class-conscious revolutionary for the one, an autonomous individual for the other, but in neither case a woman.”

There was, nevertheless, an acknowledgement of the complexities involved in liberating women. Mao Zedong was quoted as saying: “To liberate women is not to manufacture washing machines.” This is rather a profound statement, which seems to mean that genuine liberation is not simply about the development of the forces of production, and also that the production of devices that cut back women's household labour would not be sufficient (Young, 1989:246).

Delmar (1977:279) in her writing on the Chinese experience, concludes that

an important challenge is the treatment of male supremacy “as a contradiction ‘amongst the people’ and hence as an object of ideological struggle. ... [T]he most powerful ideological weapon is women's entry into all diverse forms of social activity.” This point echoes the importance of democratic participation, raised earlier, and the need for women themselves to be organised in active struggle against their oppression.

Thus, a major limitation of socialist states was that they saw women's emancipation as being achieved by women's participation in the labour force. While it is widely accepted that women's participation in the labour force is a necessary condition, ‘state socialists’ saw it as the single sufficient condition. This meant a focus on women at work, without looking at what happened in the “private sphere”. Nevertheless, many progressive policies and practices were developed, such as education and training to counter sexual segregation in the workplace, equality at work, equal pay and social provisions such as childcare to facilitate women's labour force participation (Einhorn, 1994:74).

However, an extract from East Germany's revised labour code of 1977 reveals the entrenchment of women's traditional family role in socialist policy: “Section 3. The socialist state shall ensure that conditions are created everywhere to enable women increasingly to live up to their equal status at work and in vocational education, and to reconcile more successfully their occupational activities and the duties they have to fulfil as mothers within the family.” (Einhorn, 1994:74). According to Einhorn this piece of legislation was not unique - in socialist states women

were defined as mothers and workers and men were defined solely as workers. In addition to the double load placed upon women, they were expected to fulfil a third, political and social role. This approach led Thompson (1997:203) to conclude that: “The progressive character of the socialist movement in this [gender] sphere consisted in the main in improving and enhancing facilities for women to perform their traditional gender duties.”

The Cuban revolution broke new ground with the introduction of the Family Code in 1975. A distinctive feature of this legislation was that it stipulated that men are required to take responsibility for 50% of the housework and childcare when women work. Of course this is difficult to monitor, and would require that women bring legal action against their husbands. Nevertheless, the importance of this lay in the public sanction of equal responsibilities (Cole, 1986:316). The Cuban Revolution made important gains, particularly if we take account of the conditions of women before the revolution, when many women were unable to find work, while the most common work for women was as domestics, or as prostitutes. The impact of the revolution on women was two-fold - the revolution itself made massive strides in making health, education and social services available, and there were specific laws and programmes to bring women into employment, to socialise domestic labour and to challenge ‘machismo’ - the Latin American version of patriarchal ideology. Nevertheless, as Castro acknowledged women still do not have absolute

equality because of both subjective and objective factors (Murray and Lewis, 1980:11). Arguably the strongest of the objective factors was the economy of Cuba, which remained underdeveloped and unable to effectively socialise domestic labour and provide employment. The most significant subjective factor was the lack of a grass roots movement of women conscious of their own oppression - while women participated significantly in the revolution and influenced political processes, the impetus for change came mainly from the government.

Another weakness of socialist projects mentioned earlier was the denial of the fact that men benefit from women's oppression and are directly implicated in their oppression. Thomas Sankara, Marxist revolutionary leader of Burkina Faso, made a bold Women's Day speech on March 8, 1987, which identified this reality: “Comrades, only the revolutionary transformation of our society can create conditions for your liberation. You are dominated by both imperialism and men. In every male languishes the soul of a feudal lord, a male chauvinist, which must be destroyed. This is why you must eagerly embrace the most advanced revolutionary slogans to make your liberation real and advance toward it more rapidly” (1987: 29-30). Sankara highlighted the “specific reality of the woman's situation”, showing the interconnectedness yet distinctiveness of women's oppression and class: “... in addition to the class exploitation common to both of them, women must confront a particular set of relations that exist between them and men.” (1987:9). He also emphasised women's central role

in struggling for their own liberation: "Emancipation, like freedom, is not granted but conquered. It is for women themselves to put forward their demands and mobilize to win them." (1987:36).

Finally, although there are some important exceptions, many Marxists fail to make theory accessible and to use their analysis as a mobilising tool for working class, poor and rural women. The intellectual, arrogant culture of Marxist debates often alienates many of the people that it intends to reach: "Marxism hardened into a narrowly masculine mind-set: political belligerence and intellectual cock-sureness, masking deeper insecurity. The need to be right and to put others in the wrong precipitates destructive infighting and faction-forming, periodic purges and regular accusations of foul-play, along with vicious denunciations of supposed traitors." (Reiss, 1997:122).

Thus, the experiences of socialist countries have provided us with many lessons about the great challenges we face in seriously grappling with the transformation of gender relations.

New Challenges and Alternative Perspectives

The starting point is to acknowledge that Marxist classics are inadequate to guide us theoretically on gender and patriarchal relations. South African socialists, furthermore, need to develop theories that are based in our own experiences. There are a range of issues that require further debate and theorising. This paper can only point to these areas.

Theorising the material basis of patriarchy

The material and structural basis of patriarchy needs to be analysed and understood in relation to specific historical periods and in its relation to class societies and to specific modes of production. Firstly, it is incorrect to view patriarchy as an ideological phenomenon, based on backward beliefs left over from feudal relations. Furthermore, the approach that subsumes patriarchal relations under production and class relations has also been critiqued. The fact that patriarchy continued to exist in socialist states is not simply because of problems with those systems, but because it is "relatively autonomous" although interconnected with capitalism.

Marxists have made the mistake of equating materialism with economic/productive relations without analysing the specific material nature of reproductive relations, and at the same time the gendered nature of economic relations. Thus, the dialectical relationship between the economic consequences of patriarchal relations and the impact of capitalism on gender relations need to be explored.

The linkages that have been made between unpaid reproductive labour and capitalist accumulation are extremely important, and need to be further elaborated and applied to the South African situation. However, arguments that view reproductive labour as purely functional to capital are not particularly useful, since there are dynamic and at times unpredictable interactions between patriarchy and capitalism. For example, Hartmann has

argued that 'men and capitalists often have conflicting interests, particularly over the use of women's labor power ... men [seek] to control women's labor power ... for the purpose of serving men in many personal and sexual ways' (1979: 11, 14).

There have been significant debates amongst Marxist feminists on domestic labour, with explorations of the concept of a domestic mode of production and exploitation in the household. Space does not allow an examination of these positions, however, while some of these approaches have been critiqued, it is nevertheless critical for socialists to explore these debates in the interest of sharpening theoretical perspectives on the material basis of patriarchy.

A key challenge is to analyse women's subordination in relation to both production and reproduction and as part of capitalist accumulation. This is to overcome the problems of either seeing women (and reproduction) as outside of the processes of capitalist accumulation, or focusing narrowly on women's subordination in relation to the economy.

It was the development of capitalism and the industrial revolution that created a spatial demarcation between production (in factories) and reproduction (in the home). Before capitalism production and reproduction took place around or near to the home, which meant that reproductive labour was often integrated with productive labour.

This separation meant that the ruling class faced a contradiction between

its immediate need to appropriate surplus labour and its long term requirement for a class to perform it. In other words the ruling class would want to have as many workers as possible available to be exploited, but at the same time the workforce has to reproduced, which requires time and resources.

According to Vogel (1983) a key factor in women's oppression is the fact that women could not be 'productive' during

the childbearing period, and therefore required subsistence - this role was granted to men - they were responsible for supporting women during this time, and thus had control of subsistence greater than that needed for their own reproduction. Vogel argues as follows: "It is the provision by men of the means of subsistence to women during the childbearing

period, and not the sex division of labour in itself, that forms the material basis for women's subordination in class society." The fact that women and men are differentially involved in the reproduction of labour power in pregnancy and lactation, and often for much longer, does not necessarily constitute a source of oppression." (1983:147)

There is a need to debate these issues further, and extend our analysis beyond domestic labour, to seek broader explanations of women's oppression.

Ultimately, patriarchy must be historically grounded rather than used as a universal explanation of male dominance (for it cannot do the latter without ultimately being descriptive rather than explanatory). As Gardiner neatly

The key challenge is to analyse women's subordination in relation to production and reproduction as part of capitalist accumulation

captures this point: "It is as unhelpful for feminists to use patriarchy as a universal explanation of gender inequality as it is for men to maintain it as a universal aspiration." (1997:126).

Understanding gender relations

The analysis of gender relations should not be confined to the relation of women to capital. We should broaden our understanding by looking at household relations, the relationship between gender and the state, the relations between women and men, and the differentiation amongst women. Furthermore, the relationship between women and capital includes an analysis of women's role as producers, and reproducers. Patriarchy has a material basis in the economy and the household, as well as features that are not strictly economic, such as in sexual relations. Patriarchal practices like foot-binding, clitorodectomy, restrictions on the mobility of women, amongst others are not easily explained as functional to capitalism, nor as simple hangovers from the past.

There is also a need to tackle gender relations at the personal level. Politically, men do have an interest in eliminating sexism because it limits their lives in various ways. Men are denied experiencing their full humanness, and are made to take on oppressor roles with dire consequences if they challenge this. In most instances men defend and uphold patriarchal systems and practices because they are reluctant to give up the privileges it offers them. Because of the power dynamic between men and women it is important that women take leadership in the struggle

to transform unequal gender power relations.

An important contribution that has been made by the women's movement internationally, is the slogan "the personal is political". This highlighted the importance of the experiential aspect of women's oppression, the invisibility of women's experiences and the reality of their lives. It made it impossible to hide behind privatised personal problems. The challenge posed by 'sexual politics' also exposed the power relations in sexual relations and experiences of sexuality. Thus, the slogan "the personal is political" needs to be reclaimed and given meaning in our own context. The SACP/COSATU political education manual highlighted the fact that the elements of sexism in the working class, like violence and abuse directed at women, are a political issue and need to be seen as central challenges that must be overcome for the working class to fulfill its role as the motive force for transformation. The assertion of 'the personal is political' is particularly relevant in the light of the fact that many male activists seem to find it particularly difficult to internalise the gender-sensitive rhetoric that they are able to articulate.

Theorising gender equality

We have seen ambiguous and contradictory approaches to gender roles in Marxist theory and practice. On the one hand, the woman's role as mother is seen as unproblematic and a glorious contribution to socialism, on the other hand there is a gender-blindness that assumes that these different roles do not exist (yet the unspoken assumption is

that the typical revolutionary proletariat is male).

As discussed earlier, Marxism simultaneously rejects nature based arguments and promises a materialist analysis, yet confines the woman's body and the division of labour in sexual reproduction to nature. Thus, Marxist theory does not theorise the body as part of the material and social - it is assumed to be part of nature within a framework that rejects the notion of 'nature' (Eisenstein, 1989:335). This creates ambiguity in the theoretical framework when we look closely at gender equality and what this really means. There is a hidden assumption that equality means that women become equal *to* men and that inequality is based on their difference *from* men. But, viewing difference as necessarily implying inequality is problematic since women and men are biologically different. The expectation that women should be the *same as men* is problematic. This thinking is so entrenched, however, that any mention of difference is seen as implying inequality and as entrenching biological determinism. The fundamental point is that difference does not have to mean oppression. As Eisenstein (1989:335) argues: "...equality cannot mean sameness of treatment between men and women because males and females are both similar *and* particular; they have similar needs *and* specific needs."

Thus, we need to recognise that we are trying to transform gender roles, recognising that these are social and not natural, and in so doing we will create something new. However, this should not mean that women take on men's gender roles (in addition to the

women's roles they play in private) under the notion of 'equality'.

In conclusion, the materialist analysis remains the most relevant and useful tool in understanding women's oppression and unequal gender relations. However, there is still much work to be done in developing indigenous South African theories. Furthermore, the development of revolutionary theory does not happen outside of organisations and cannot be separated from people and practice - we need conscious gender activists who devote their energy and thinking to transforming gender relations (from the global economy right down to their personal lives) and developing new, fresh perspectives that are relevant to our context. ♪

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- 1 The term women's oppression is used because it is women that are oppressed, and often the use of 'gender oppression' obscures this. This does not deny that men are deeply affected by sexism and have a responsibility to struggle for its elimination. The concept of gender relations is also used to capture the existence of unequal power relations between women and men.
- 2 'Feminist' is used here to refer to women that are committed to the transformation of gender relations.
- 3 For the full text, see Marx to Kugelman, 12/12/68, Collected Works, volume 43, 184-5