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EDITORIAL NOTES

Let us re-build trade union unity and working class revolutionary cohesion

Cosatu faces the dual challenges of
globalised capital and internal divisions

AS WE GO TO PRESS, COSATU'S CENTRAL EXECUTIVE COMMITTEE (CEC) has just announced the expulsion of its long-serving general secretary, Cde Zwelinzima Vavi. The CEC indicated that this was a difficult and painful decision. The SACP has consistently argued that Cosatu must be allowed the space to conduct its own organisational and internal disciplinary processes, free from any external influences. We therefore respect the decision of Cosatu's CEC, without underestimating the ongoing challenges that will continue to confront the federation and the broader working class in South Africa.

In its official statement on the matter, the SACP stated: "Cosatu has for some while now been faced with serious problems of maintaining unity, cohesion and discipline." Referring, among other things, to the expulsion of the former general secretary, the statement said it "cannot be cause for celebration for any progressive or revolutionary organisation". It was important for the SACP to unambiguously state its position in this way, because much of the commercial media has tried to portray the SACP as a factional force within Cosatu. Our support for both the independence of the federation and for the importance of a radical trade union formation fearlessly active within the ANC-

led alliance is not factionalist. A powerful trade union federation that is prepared to be critical of government without becoming simply anti-state or oppositionist by definition is what conservatives of all stripes most fear.

However, we need to understand what has been happening as more than the clash of personalities, audit reports and scandals within the union movement. We need to appreciate the complex underlying factors that have led to the current turmoil. In this editorial, we can only sketch in the briefest terms some of the key underlying issues that must be understood.

In the first place, we need to appreciate the massive, neoliberal-driven global restructuring of the working class, under-way since at least the 1980s. Before the onset of the late 20th century wave of globalisation, labour markets that were open to transnational, private corporate investment had about 1-billion workers and work seekers. By 2000, the labour force in these countries had risen to 1,5-billion. Meanwhile, China's liberal reforms from the late-1970s, and the collapse of the former Soviet bloc countries at the end of the 1980s, added a further 1,5-billion according to Guy Standing (*The Precariat – the New Dangerous Class*). As a result, "the labour supply in the globalising economies trebled. The newcomers came with little capital and with very low wages, altering the world's capital-labour ratio and weakening the bargaining position of workers". (Standing)

The weakened bargaining position affected workers in the advanced capitalist countries themselves. Reagan and Thatcher launched vicious attacks against the union movements in their respective societies from which the unions have never fully recovered to this day. The neo-liberal "flexible labour market" lobby intensified, with threats of disinvestment and re-location to low-wage economies if worker rights were not rolled back.

For a variety of reasons, South Africa was at first partially insulated from these global developments. Through the 1980s, South Africa's not insignificant monopoly capitalist sector could not easily follow

its international peer group on the globalisation freeway in pursuit of high profits in low wage economies. Anti-apartheid economic and financial sanctions, as well as apartheid state defensive measures (tough exchange control measures, for instance) made taking the on-ramp to trans-nationalisation a very difficult proposition for our local monopoly sector. Moreover, the rising, semi-insurrectionary struggles against apartheid, and the complicity of monopoly capital in the apartheid system, added to local trade union strength. Increasingly, workplace, community and wider political struggles reinforced each other and further contributed to South African monopoly capital finding itself relatively off-balance.

Paradoxically, as the Central Committee political report published in this issue notes, our 1994 democratic breakthrough changed these realities. The 1994 breakthrough certainly brought a series of real gains for the progressive trade union movement – not least a range of progressive labour laws (including the Basic Conditions of Employment and the Labour Relations acts). However, with the lifting of apartheid-era economic sanctions, complemented by excessive and ill-judged ANC-led government liberalisation from the mid-1990s, South Africa’s monopoly capital sector was now able to happily take the globalisation free-way. This has seen massive disinvestment, foreign stock exchange listings, transfer pricing, tax evasion, de-industrialisation and formal sector job losses. At the very moment that South Africa’s progressive trade union movement began to reap the labour market legislation fruits of its heroic and decades-long struggle, these gains were being actively eroded in practice.

As has often been remarked, both the South African government and the labour movement now increasingly confront all of the private sector giants of our economy (the likes of SA Breweries – now SAB Miller, Sasol, De Beers, Investec, Anglo, Old Mutual, etc) as if they were foreign investors. The further erosion of trade union power in our country has been due to the rapid expansion of so-called “a-typical” work (which more and more has become the norm) – informali-

sation, casualisation, often associated with labour-brokering.

These developments in South Africa have been advanced by another phenomenon closely associated with the last three-decades of accelerated capitalist-driven globalisation – massive waves of labour migration. Punishing structural adjustment programmes imposed on developing societies (the counterpart of the Thatcherite rolling back of the welfare state in the advanced capitalist economies), and the ongoing accelerated penetration of transnational agri-business into peasant economies in the South have produced massive floods of migration from the countryside to informal settlements in teeming cities in the developing world, and from developing countries into the advanced economies.

Today, the most militarised international border in the world is not between North and South Korea, but between the US and Mexico. It is designed to keep desperate (but “illegal”) work-seekers out. However, as Saskia Sassen and others have eloquently demonstrated, there is a deep hypocrisy in this. Tens of millions of desperate, “illegal” work seekers nonetheless still find their way into the US and Europe. As Sassen writes: “what looks like failure from the perspective of controlling entry is actually delivering results that particular sectors inside the US want from immigrants.” Key sectors of the US economy (like agriculture, retail and hospitality services) require large numbers of low-paid workers. Their “illegal” status means they are prepared to accept low wages and precarious working conditions. While a highly weaponised border sustains the charade of illegality, “US governments, regardless of political party, have repeatedly shown a strong reluctance to allocate funds and create jobs to inspect workplaces”. (Sassen)

Although our own South African social and regional realities are somewhat different, millions of “illegals”, desperate work-seekers from throughout the continent, displaced by imperialist-driven structural adjustment programmes, climate change, and civil wars, have poured into post-apartheid South Africa. Many hundreds of thousands are

super-exploited, non-unionised workers in agriculture, mining and hospitality services. This, too, has impacted on the relative bargaining strength of the South African labour movement. Mirroring, with their own local characteristics, global trends, these are some of the factors that have weakened the power of the South African labour movement in the face of active monopoly capital strategies.

It would be wrong, however, to think of our trade unions, and of Cosatu in particular, as if they were simply passive victims of a global process. Over the past 20 years Cosatu, typically in alliance with the SACP, has fought many important battles, some of them rear-guard actions in the face of local neo-liberal inspired interventions. The Cosatu-SACP left-wing axis, for instance, was absolutely critical in the provisional defeat of the major privatisation strategy unleashed by the ANC-led government in the early 2000s. Likewise, trade union pressure on the ANC-government led to early state-led industrial policy initiatives, which have now been consolidated into the centre-piece of governments' progressive, inclusive-growth strategies. An early leader in this process and the major beneficiary to date of these policies has been Numsa and its historical worker base in the auto and auto components sector. It is ironic, therefore, that it is precisely the Numsa leadership (now expelled from Cosatu) that has led the anti-state, regime-change opposition within the federation.

If external factors have played a major role in creating the context for the turmoil and splits within Cosatu, there are, of course, important internal factors as well. Critical among these is what Sakhela Buhlungu has described as the "paradox of victory". The victories of the trade union movement, born out of its central role in the anti-apartheid struggle, have seen significant institutional advances with real dangers of bureaucratisation. In many cases there has been a growing distance between an office-bound leadership and the factory-floor membership.

Cosatu affiliates have themselves not been immune to the dangers of the "sins of incumbency" attributed frequently to the ANC as a

ruling party. Faced with the restructuring of the working class, unions predominantly active in the private industrial sectors have increasingly become focused on (or defensively confined to) the more formal and better paid worker strata – a challenge confronting both the two major rivals in the recent past (NUM and Numsa). Public sector workers (with the exception of municipal workers) have, generally, not been buffeted by the global neo-liberal restructuring of the working class to the same extent as those in the private sector. Membership of these unions has grown significantly post-1994. However, in several public sector unions there are cases of confusion between union functions and public sector managerial responsibilities. In these cases there are dangers of union leadership positions being abused to advance personal careers within the public service, rather than the active servicing of grass-roots members.

An even graver danger for worker solidarity is the phenomenon of “business unionism”. In the recent past the SACP has increasingly spoken out about this problem. The major unions all have nominal control over multi-billion rand retirement funds. These, in turn, have been leveraged to set up union investment arms. In principle, if subjected to democratic worker control and guided by clear strategic objectives, these investment arms have the potential to be a critical pillar of a solidarity economy – investing, for instance, in desperately needed social wage assets like affordable public transport or public housing. Sadly, in practice, they have often become entry-points through which the capitalist class has inserted its DNA into the head-offices of many unions. Much of the recent turmoil within Cosatu affiliates is to be located in competing factions seeking to control these resources.

The current challenges within the trade union movement are a wake-up call for all progressive formations in South Africa. As we seek to recover the proud traditions of our revolutionary labour movement there are several basic principles that must be observed:

- We need to appreciate that worker democracy within unions, and

the servicing of workers in their daily shop-floor struggles is of paramount importance. Only a determined re-dedication to these tasks will counter the dangers of bureaucratic deviation and business unionism.

- The massive restructuring of the working class, placing large sectors of workers in “a-typical” employment effectively beyond the reach of traditional unionism, requires innovation. There are at least two dimensions to addressing these challenges. Is the manner in which unions are currently structured appropriate to the globalised organisation of production? This is a question that Numsa has placed on the agenda – unfortunately in a highly factionalist manner, seeking to justify its cannibalising of membership from other unions. This does not mean, however, that a principled debate should not be undertaken on new forms of union organisation, along productive value-chains, for instance.
- Responding to a massive non-unionised “precarariat” also means recovering previous struggle traditions, notably the re-building of active solidarity between work-place and community struggles. This talks not just to internal union weaknesses, but also to the organisational and campaigning challenges of ANC and SACP local-level branches. It also raises questions around the numerous local level struggles in townships and the imperative of linking more effectively with them.
- Finally, above all, it is critical that progressives understand that a timid and uncritical stance by unions towards government, on the one hand, and (the flip-side of the same coin) worker mobilisation on the basis of a regime-change, anti-state oppositionism *both* play into the agenda of monopoly capital within the current realities of our society.

The trade union movement in our country stands at the crossroads. The dangers of increased intra-worker contest and of lose-lose union rivalry over membership with ordinary workers treated merely as cannon fodder to be mobilised demagogically into untimely

and ill-considered actions on behalf of union head-office ambitions is very real. On the other hand, the traditions of worker solidarity and of militant shop-floor struggle have not disappeared. The SACP is convinced that the great majority of Cosatu unionists, the tens of thousands of shop stewards, and the millions of organised workers in the federation's ranks will, once more, not fail the revolution.

This issue of AC also carries critiques by Cdes Mcebisi Jonas and David Masondo of the SACP's *Going to the Root* document on the radical, second phase of the National Democratic Revolution that appeared in the 4th Quarter 2014 issue of AC. The next issue of AC will include responses to these critiques and that by Comrade Joel Nets-hitzenhe that appeared in the 4th Quarter 2014 issue. We welcome further articles on this debate. ●

NDR DEBATE

Let us remain focused

The current conjuncture and building capacity to drive the second phase of our transition

Political Report to March 2015 SACP Central Committee

THE PRESENT SOUTH AFRICAN CONJUNCTURE NEEDS TO BE CONTEXTUALISED within a wider global reality. The 2008 global capitalist crisis has dramatically exposed a number of critical fault-lines within the global capitalist system. It has also deepened the economic and social crisis of a large array of popular strata in both the developed capitalist centres as well as in the periphery. This has given rise, in turn, to a wide range of popular mobilisations, some with a broadly progressive character, others with a seriously negative orientation. All of these realities are being experienced locally with their own South African characteristics.

Capitalism versus Democracy:

Financialised late capitalism in the 21st century

During the decades of the Cold War, the dominant capitalist centres sought to present their systems as “democratic”, as “parliamentary democracies”, in contrast to the socialist bloc countries which they sought to portray as “totalitarian”. While this ideological posture was, of course, seriously flawed, the democratic deficit in the Soviet bloc (see Cde Slovo’s *Has Socialism Failed?*) and the hey-day of capitalist welfare democracies (1945 to the mid-1970s) in which the Western national state had considerable power over capital (not least through high levels of taxation and Keynesian inspired redistributive meas-

ures), this “Western democracy” argument had considerable popular appeal. (It seduced millions of East Europeans who overthrew in peaceful protest “actually existing socialism”).

We are now in a very different global conjuncture. Over the past 30 years, the sway of globalised financial markets has increasingly displaced and eroded nominally sovereign national electoral mandates, even in the most developed capitalist societies. In 2007 Alan Greenspan, then chair of the US Federal Reserve, was asked which candidate he supported for US presidency. His response was revealing: “We are fortunate that, thanks to globalisation, policy decisions in the US have been largely replaced by global market forces ... it hardly makes any difference who will be the next president. The world is governed by market forces.” While this might have been a partial exaggeration, it clearly contains considerable truth.

Assisting this relative “irrelevance” of electoral national politics in most advanced capitalist economies has been the “tweedle-dum and tweedle-dee” electoral party reality – the regular electoral alternation between two dominant centrist parties or blocs, funded by the same corporate interests, and barely distinguishable from each other (Republicans and Democrats, Conservatives and Labour), each pursuing the “middle ground” as the condition for electability.

The continued post-2008 global capitalist crisis is now beginning to have a disruptive impact on this stale-mated party political reality. Across much of Europe, there has been the strong rise of anti-establishment right-wing neo-fascist, anti-immigrant movements, responding demagogically to the growing stress felt by working class, petty bourgeois and unemployed strata in Germany, France, Austria, Greece, etc. There has also been an important rise of more radical left electoral formations as well – notably in the semi-periphery of developed capitalism, with the current hot-spot being the European South (Greece, Spain). The election of Syriza (with 37% of the vote) in Greece has pitted a national electoral mandate against the banking interests that dominate the European Monetary Union and the wider

EU. We are currently witnessing a game of high-stakes poker – who will blink first, the democratically elected Greek left-wing government with a clear anti-austerity mandate, or the European (mainly German) bankers? In Spain, Podemos (a political formation similar to Syriza) is poised to win elections later this year.

It is important to understand our own present South African conjuncture within this broader international context. The 1994 South African landmark democratic breakthrough occurred in the midst of the triumphal onward march of neo-liberal driven globalisation and financialisation. In the late 1980s and early 1990s, for South African monopoly capital and for global imperialism the “gamble” of supporting the negotiated demise of white minority rule with non-racial democratisation and majority rule in South Africa was then perceived as worth the “risk”. Particularly with the collapse of the Soviet bloc, the new South Africa would be “governed” by the iron laws of the “financial market”, and any delinquency on the part of majority rule could be curbed and contained.

This was what was fundamentally at stake in the late 1990s battles over the Growth, Employment and Redistribution (Gear) policy and the general liberalisation of the South African economy. It amounted to a considerable opening up, and therefore subordination to the dictates of the financial markets and their ancillary weaponry (“market confidence black-mail”, ratings agencies, debt servicing replacing public servicing, disinvestment and investment strikes, etc).

Nevertheless, the sustained high level of electoral majorities won by the ANC, and the effective presence of the SACP and Cosatu within the Alliance through these two decades, served to act as an important countervailing force or, at the very least, an “irritant” to the neo-liberal agenda.

We are now living through a somewhat different global conjuncture. Globally, the triumphalist hey-day of neo-liberalism is over. Transnational finance capital remains, of course, all-powerful – but its ideological and political triumph is less secure than it has ever

been in the past 25 years. This is clearly intimately related to the post-2008 persisting crisis and the obvious inability of the leading circles of corporate capital to advance any meaningful responses to deepening global inequality, economic stagnation, and high levels of unemployment even in relatively wealthy capitalist countries.

When the local media speaks of “the end of the rainbow dream”, the loss of “Mandela’s leadership and values” – they are in fact reflecting (and misrepresenting) not just a South African reality, but a global reality. The mask of the “third wave of democracy”; of a “new world united behind common liberal values”; of a “Pax Americana”; of “the end of imperialism”; of an “African renaissance”; of a “rainbow nation” based on shallow liberal rights have all been exposed for the hollow neo-liberal myths that they were.

Here within South Africa, the neo-liberal Gear-era package has, of course, failed dismally to address the underlying structural problems of our economy and society, hence the persisting social crises of unemployment, poverty and inequality. While there was at least sustained GDP growth approaching 5,5% percent levels at one point, it was possible (although wrong) for the 1996 class project and others to still project the NDR as being “on track”. With the post-2008 global reality and its impact upon South Africa, this is no longer credible. An economic growth path premised considerably on unbeneficiated commodity exports, household consumer debt, and macro-economic policies (notably high interest rates) that locked us into a dependency on volatile speculative financial inflows has been shown up for what it is by the global economic crisis.

This has been the context in which the ANC has resolved on the imperative of a “second radical phase of the NDR”. Although the exact content and character of this second radical phase remains considerably vague and even contested, within government there is now a growing consolidation around a package of initiatives focused on re-industrialisation, infrastructure development, training and related issues – localisation, beneficiation, the energetic use of state procure-

ment, anti-private monopoly intervention, etc.

But precisely because of this partial policy and programmatic turn, and because of the leading role played by the left in this regard, the anti-majoritarian liberal offensive has been intensified. This offensive takes many forms. Errors or weaknesses on our side (corruption, poor appointments, the clumsy handling of parliament) are pounced upon in order to advance a “regime change” agenda – both from the ultra-left as well as from the centre-right. The Marikana tragedy is the most obvious example. Most of the commercial media, significant parts of the intelligentsia, many advocacy NGOs and opposition political parties advance this agenda. Since the May 2014 overwhelming electoral victory by the ANC, there has been a sustained fight back campaign from a disparate range of forces. Most of these disparate forces, including sections of the media, have very little in common, except to dislodge the liberation movement from power. It is as if the ANC had just not won an emphatic overwhelming electoral victory of 62%!

At the head of this offensive has been what the SACP has correctly referred to as an anti-majoritarian liberal offensive, and a range of hangers on or useful tools of this particular agenda. When the SACP coined the phrase ‘anti-majoritarian liberal offensive’, some of our detractors were sceptical, often dismissing the concept as a label rather than an analytical concept. Even an opportunistic strand of business unionism started to dismiss this concept – betraying its own collaboration with this liberal agenda in order to score cheap political points against our movement.

In the light of the above, it is important for our movement to remain focused on the task of driving a second, more radical, phase of our transition. It also requires a much more effective ideological response, particularly from the SACP, and greater engagement with progressive NGOs, the media and the intelligentsia. The anti-majoritarian liberal offensive in South Africa needs to be more closely linked to the global capitalist displacement of electoral politics and, indeed, of national sovereignty. It needs to be linked with imperial-

ism's "regime change" strategies world-wide – directed with velvet glove agendas using the media, and an array of NGOs and "civil society" formations against countries, mainly in the South, with a relative degree of democratic support and national sovereign capacity (Brazil, Venezuela, Russia, South Africa). Key targets of these campaigns are real (or alleged) corruption and the sowing of general demoralisation about elected governments and the state.

Grasping the current conjuncture

The social and economic impact of some 35 years of intense neo-liberal led capitalist globalisation has produced a contemporary conjuncture that is filled with both many dangers as well as progressive opportunities. The growing political and ideological challenges to neo-liberalism (both internationally and here at home, including within the ANC itself) open possibilities for consolidating broad anti-capitalist fronts. However, while this ideological crisis of neo-liberalism has been provoked by its social and economic crises (rampant unemployment, ecological destruction, deepening inequality), the impact of these crises on popular strata can have a diversity of outcomes, including negative phenomena like recourse to religious fanaticism, neo-fascist populism, xenophobia, localised warlordism, consumerist anti-politics politics, etc.

Two decades into democracy in South Africa, we too have not escaped many of these negative realities. It is important that we use this Central Committee to, amongst other things, closely examine the current conjuncture. Conjunctural analyses are often useful in order to connect the immediate past struggles to immediate challenges ahead. But conjunctural analyses do not only serve a purpose of looking at the immediate period, but as a way of grasping both the medium and longer term challenges in their microcosm.

Class inequalities and class struggles

A defining feature of the current global conjuncture is deepening

inequality, including within the most advanced capitalist countries themselves.

Part of the deepening ideological and political crisis of neo-liberalism (referred to above) is the growing number of voices coming from non-socialist and non-Marxist sources, documenting and even mobilising (see for instance the “Occupy Movement”) against deepening inequality in their societies. This deepening inequality is no longer just between North and South, it has become a feature of even the most advanced capitalist countries since the end of the post-1945 neo-Keynesian, welfare state period (1945-mid-1970s). Diverse non-socialist sources are now taking up this theme – including Joseph Stiglitz, Thomas Piketty, and Oxfam – with the result that the inequality crisis has become more main-streamed. In talking about the 2014 Oxfam poverty index, for instance, *The Guardian* newspaper summarises it as follows:

“The world’s wealthiest people aren’t known for travelling by bus, but if they fancied a change of scene then the richest 85 people on the globe – who between them control as much wealth as the poorest half of the global population put together – could squeeze onto a single double-decker (bus)”! Oxfam research has also further found that since the 2008 financial crisis the number of billionaires has doubled. The number of billionaires (by US dollar) worldwide has increased from 793 in March 2009 to 1 645 by March 2014. In the case of one billionaire, Bill Gates, he is estimated to be earning, at the ordinary rate of 1,9% interest, US\$4,2-million every day!

This snapshot graphically captures the reality of our current global reality. A key factor propelling this widening inequality in the current conjuncture is the dramatic process of capitalist “financialisation”. Increasingly, capitalist surplus is circulating within a global speculative casino, to the detriment of productive investment. As noted above, this process of domination by global capitalist financialisation means that increasingly the “one-percenters” (or, more accurately, the 0,1 percenters) are able to escape the discipline of na-

tional governments and therefore of democratic electoral mandates. Their wealth is largely untaxed and it is based in fluid financial instruments, nominally based in tax havens, rather than locked into realizing medium- to long-term returns on productive investment in a mine or factory. They exert their sway on national governments no longer just by investing or not investing in the national economy, but increasingly by financing governments themselves and their SOEs through bond-issues and indebtedness (this is the current reality with GFIP, e-tolls).

South Africa has not escaped the impact of this global capitalist crisis. Prior to 2008, GDP growth in South Africa was based largely on the commodities boom, on household consumer indebtedness, and on a reliance on short-term speculative investments fuelled by quantitative easing, amongst other things. The vulnerabilities and structural flaws of this semi-colonial growth path have now been rudely exposed. The current poor GDP growth in South Africa has little if anything to do with the personality of President Zuma, or “market trust”. The commodities boom brought increased profits for mining houses and their foreign share-holders. However, the commodities boom never benefitted the ordinary mass of the workers and the poor especially given the structural distortions in our economy and the labour market, reflecting the persistence and stubbornness of the semi-colonial growth path in our economy. Even the surplus accumulated by the mining bosses is not being reinvested into the rest of the economy, nor necessarily into significant expansion of mining activities themselves. In short, we have not been immune to this global meltdown, especially on the back of our own structural challenges of unemployment, inequality and poverty.

Government's response to the crisis

However, against this background, there have been some important advances especially made by the fourth ANC-led administration. These advances played some cushioning role, no matter how mini-

mal, from what could have been the disastrous, if not catastrophic, impact of the global crisis. Contrary to the government response to the 1996 financial crisis, there was no commitment to headlong privatisation and the building of a minimalist state. The first important advance has been the investment of R1-trillion into infrastructure, a project led by the state.

Secondly, despite the impact of the crisis, government did not reduce investment into some of its priorities, especially education and health, while maintaining the social security net through social grants reaching 16-million South Africans and EPWP/CWP public employment programmes which reached 4,3-million over the past five years. In so many ways, government has led some significant projects aimed at transforming our current economic trajectory. Whatever other weaknesses may be there, both the 2015 State of the Nation Address (Sona) and the Budget commit to continuing more spending on our priorities and infrastructure at least for the next three years.

The above realities have shaped and been shaped by what one would call the continuing struggles to build a developmental state. The outcome(s) of some of the struggles to build a developmental state will shape the terms, pace and struggles in driving a second, more radical phase of our transition.

Perhaps the two single most dominant fractions of the capitalist class in our country are the mining bosses and finance capital. The mining bosses had set the tone for black economic empowerment and have managed to produce some of the richest capitalists, albeit few, from within the ranks of the black community. The mining bosses have done this not out of generosity, but as part of an attempt to create a dependent section of the capitalist class in order to secure favourable terms for accumulation going forward. The mining sections of the capitalist class are also aggressively defending the current semi-colonial growth trajectory, whose foundation is the export of mineral resources and against beneficiation. The mining bosses see beneficiation as a threat to earning foreign currency and selling of our

minerals through internationally determined prices. For this reason they are fiercely resisting attempts to ensure, through the Mineral Resources and Petroleum Development Amendment Bill, the designation of strategic mineral resources and percentages to be set-aside for cost-plus pricing to downstream beneficiaries.

As argued in our *Going to the Root* document, South African monopoly capital in general has divested from South Africa and located itself externally as big global oligopolies which now see South Africa as but one of its investment destinations. This sector of the capitalist class is only interested in the maintenance of government as a regulator to facilitate maximum profits, including the export of these profits into their new imperial centres of location. This has reinforced the semi-colonial trajectory of our economy.

The financial sector (together with real estate and business services sector) and its share of the GDP in South Africa has grown tremendously over the past 20 years: from 17% of GDP to approximately 24% in 2012. The banking sector has been characterised by four major oligopolies that are not responsive either to the needs of the overwhelming majority of our people, including the SME and low-cost housing sectors, or the financing of a new growth trajectory. The financial sector has been funding consumption spending away from investment into the productive sectors of our economy. In a sense there is an objective co-incidence (if not alliance) between mining and finance sections of capital to maintain the current, highly profitable semi-colonial growth trajectory.

The SME sector continues to be hemmed in by, on the one hand, the monopolies and, on the other, government policies that are not adequately supportive of this sector. The set-aside commitments made in the 2015 Sona might go some way towards the creation of a vibrant SME and co-operative sector, provided there is adequate support, and provided the sector is not captured by tenderpreneurs.

Most 'successful' developmental states, albeit of different types, have been characterised by the emergence of a new domestic, 'patri-

otic' capitalist class that often acts as part of the motive forces for local (domestic) economic development. Can this pattern be repeated in South Africa? In these other cases the societies were still dealing with: residual feudalism especially in agriculture (see South Korea and, to some extent, Brazil where anti-feudal land reform programmes have been critical components for industrial take-off); and/or low levels of (capitalist) development (South Korea, China); or war-time ruin or dislocation of capitalist production – in the case of post-war social democratic Western European “developmental states”, (eg. West Germany), or post-1945 Japan.

Does post-1994 South Africa resemble any of these cases? Is there “space” for a patriotic bourgeoisie in our situation? Unfortunately our BEE and procurement policies and practices have created two strata of the emergent, especially black, sections of the capitalist class that are rather compradorial and parasitic.

The first stratum of the BEE-inspired fraction of the capitalist class is compradorial in the sense that it has no independent existence of its own, other than as an extension of, and highly dependent upon, especially large mining and telecommunications monopoly capital (two areas that depend on government regulation, and therefore government “access”). For its growth and expansion it is dependent on policy compulsion (and share quotas) by government on existing monopoly capital. However, within this fraction, there is a truly entrepreneurial component that could be nurtured to play some progressive role in the economy.

The other stratum of the BEE type, emergent capitalist class represents the worst component, as it is thoroughly parasitic and tenderpreneurial (to the point of theft and asset stripping of the state) and is dependent on the control of the levers (and tenders) of government. It is often corrupt and ruthless in dealing with whatever obstacles on its way to one of the most vicious forms of primitive accumulation. Of course, there is often an overlap between the compradorial and the parasitic fractions of BEE capital.

There is also a significantly huge amount of what is supposed to be ‘public capital’ located in the hands of development finance institutions (DFIs) and other parastatals, like the Public Investment Corporation (PIC). The billions of rands in the hands of these institutions, if deployed appropriately, can play a crucial role in driving a new growth path in our economy. It is this capital that is currently a subject of intense struggles in the state between a variety of class forces that see it either as sources of accumulation by both established and BEE type capital or as sources of driving a progressive agenda by the working class.

Many of our DFIs and related institutions are not playing a very progressive role if one were to look into their investment portfolios. In fact, in a number of instances their investment portfolios are in direct contradiction to some of the imperatives of working towards a new growth trajectory. For example, the PIC should not be investing in so much building of private hospitals and funding private higher education loan institutions, as these are in direct contradiction to building a NHI and access to higher education for the children of the poor and the working class. The DBSA loans are in a number of instances much more expensive than the private monopoly banks.

One of our most significant struggles against the capitalist offensive, including the 1996 class project, in the late 1990s was that against the privatisation of state owned enterprises and companies. Our struggles on this front, together with Cosatu, played a crucial role in rolling back the privatisation agenda up till today. It is against this background that the SACP needs to develop its capacity to pay close attention to the energy space. Let us approach this weekend’s discussions on energy to identify very clear tasks for the SACP.

However, our very own victory of that period is now being threatened by a take-over by a more sophisticated agenda, which seeks to keep state ownership in order to capture the supply-chain processes and tenders of these SOCs. It is in this agenda that there is actually an overlap in the class agenda of both the compradorial and parasitic

strata of the BEE-type emergent bourgeoisie.

A crucial dimension of the current conjuncture relates to the state of the working class and our Alliance. The shifting of the balance of forces in favour of the working class is one of the key challenges in the current conjuncture. Our analysis of the current period must essentially be for this purpose.

A key feature of the current conjuncture is the continued restructuring of the capitalist workplace and the working class through labour brokering and the increasing regionalisation (SADC) of the working class in the more vulnerable sectors of our economy, especially in agriculture and the hospitality industry. In a way the ‘xenophobic’ attacks on (black) foreigners in our townships and villages are about both a reaction to the growing regionalisation of the working class, including in residential areas (in fact largely in townships – there is very little if any evidence of xenophobic attacks directed against black non-South Africans working in the hospitality or financial sectors, for instance), and local economic activities.

We need to intensify the struggle for a new growth path premised on industrialisation whose primary drivers must be manufacturing, infrastructure and mineral beneficiation.

The above is taking place against the background of a weakened Cosatu which, in itself, is a subject of an imperialist offensive and that of especially the mining bosses. It is for instance within this context that we must locate the growing membership of Amcu (Association of Mineworkers’ and Construction Union) and the concerted attack on the NUM (National Union of Mineworkers). We must, of course, not be blind to the internal weaknesses of the progressive trade union movement as well as the ‘sins of incumbency’ and the complacency arising out of many of the Cosatu unions being the ‘guaranteed’ majority in their various workplaces. The SACP needs to pay particular attention to this, as the progressive trade union movement in itself is a terrain of the current class struggles.

The national question (in the context of the above class struggles)

Both within South Africa and internationally the deepening social and economic impact of the global capitalist crisis is provoking the resurgence of all manner of backward, revanchist, populist reactions. Post-apartheid South Africa has never been free of white racism, but there is a distinct upsurge of anti-black racism and white arrogance in our country. This is often directly connected to the sustained anti-majoritarian liberal offensive from the media and from opposition benches in parliament, with its implicit and often explicit racism. White racism (and sometimes black counter-racism) is rife in our cyber-space. It is also being fed by parts of the black “intelligentsia”. For instance, Prince Mashele recently recycled an earlier *Sowetan* 2012 article in which he writes that “Zuma’s ascent to power could not be understood without a deeper appreciation of rural psychology.” Zuma, he writes with a sneer, has been “marketed to lowly ANC members as a leader who is like them, who dances like them, is uneducated like them is morally and ethically flawed like them.” He laments that in South Africa “functional illiterates have made it all the way to parliament”. And Mashele then suggests in a profoundly anti-democratic statement that only those with certificated academic qualifications should be allowed to stand for parliament.

The EFF’s flirtation with anti-white sentiments, ethnic favouritism in service delivery and counter ethnic mobilisation in Malamulele, and the spate of xenophobic attacks on shopkeepers in townships are all fundamentally morbid signs of economic and social distress and opportunistic (and often self-defeating) mobilisation based on one or another form of identity politics. Rather than being seen as the “resurgence of outdated” ideologies, they need to be understood as symptoms of contemporary social distress along with many other variations of intra-poor conflict – taxi wars, gender-based violence, homophobic attacks, the burning down of schools and other community assets.

In this context the SACP has a critical vanguard role to play. We need to analyse the intersection of class, national and gender dynam-

ics in all key sites of power. We need to underline that a critical part of the present “national question” is the defence of national sovereignty, which is to say the defence of democratic majority rule and the electoral mandate bestowed on the ANC-led government.

It is in this sense that the national question is the key bridgehead between the first and second phase and a critical platform for a more radical phase

Gender struggles

A major dimension of the past three decades of neo-liberal globalisation has been the feminisation of the proletariat. Women workers, especially African, are still the most exploited, especially in the more vulnerable sectors of our economy. There has also been patriarchal violence against women, some of it occasioned by a loss of male self-esteem as a result of widespread male unemployment and retrenchments. Even in professional jobs, women occupy the lower rungs.

In this context the organisation of working class women in all keys sites of power is critical, as is the empowerment of women in community based struggles. We need to think about more creative ways of organising women where they are: in the church, in co-ops, in SGBs, etc, and not only focus on the organisation of elite women. It is only mass women’s struggles from below that will have an impact on middle class and professional women

The ANC-SACP political relationship as the anchor of our Alliance

This relationship has remained the political anchor, despite decades of sustained attack on it by both imperialism and its lackeys, inside and outside of our ranks, as well as a right wing nationalist and ultra-left offensive, again both inside and outside our ranks. The attack on an SACP meeting by thugs wearing ANC T-shirts, including participation by well-known ANC leaders is something that must not be taken lightly. The ANC- SACP dynamic in the context of the politics in eThekweni region is something we must also study closely in terms

of its implications for the ANC-SACP political relationship.

This relationship in the context of electoral politics requires ongoing reflection and strengthening. Post-1994 the relationship has gone through different though sometimes similar challenging periods. Immediately after the 1994 elections, the opportunities to radically deepen and consolidate our democracy were temporarily opened up by the adoption of the RDP (Reconstruction and Development Plan), but quickly squandered by an ill-informed (or relatively well prepared) adoption of a neo liberal economic policy in the form of Gear. Perhaps in hindsight we did not adequately notice the (policy) class assault of imperialism on our movement during the period just prior to the 1994 democratic breakthrough.

In the late 1980s and into the early 1990s there was what one could call an imperialist led ‘policy offensive’, disguised as preparing for negotiations and a post-apartheid order. This saw, among other things, targetted programmes and pilgrimages (short training programmes and learning trips) to London, Germany and the US especially by some of the senior cadres of our movement to be trained in governance and economics, with key (and now increasingly discredited) corporations like Goldman Sachs playing a critical role. Accompanying these initiatives was the hurried closure or weakening of virtually all of the ANC created left-leaning think tanks and policy units, eg. MERG, MEPU, LAPC, and on health, the CEPD.

Gear was therefore in many respects the policy consolidation, within the new government, of these policy restructuring initiatives of the period. They in essence reflected an emergence of “new” class interests within the liberation movement that became the core of the 1996 Class Project. The 1996 Class Project perhaps posed the most serious threat to the political relationship between the ANC and the SACP since the fall-out in the 1930s.

The dislodging of the Class Project in Polokwane rescued this relationship from the doldrums. However its rescue did not deal with all the damage that had been done, especially at sub-national levels.

Nor did Polokwane do away with the new class interests whose consolidation still somehow implies a rupture of the relationship between the ANC and the SACP. It has always been the agenda of the South African capitalist class and its political colonial regimes, including the apartheid regime, to break the relationship between the ANC and the SACP.

It is now necessary to pay closer attention to this relationship, especially given what appears to be a renewed internal (and external) offensive to dislodge and disrupt the SACP as shown through the Mpumalanga thuggery against our Party.

A new class offensive whose agenda now is not privatisation per se, but the capture of procurement by state owned enterprises, by ensuring continued state control of these entities, needs to be tackled. This agenda may appear to be similar to ours but it is not, and instead it is similar to the call by the new tendency to nationalise. In the energy sector this agenda is possibly a mix between part privatisation (eg electricity generation) and state ownership (of transmission).

The significant 'shift' and concession by the 1996 Class Project at the Gallagher estate policy conference that the ANC was a disciplined force of the left, was both an attempt to displace us much as it was part of a capitulation to the organised pressure and backlash from the SACP and Cosatu against Gear. It was a grudging concession and part attempt to reclaim the policy space by simultaneously calling the ANC a disciplined force of the left while castigating and *falsely accusing comrades* of wanting to turn the ANC into a socialist organisation. But it was a project also beginning to feel internal pressure from inside the ANC itself in its reckless marginalisation and treatment of its own Deputy President, Cde Zuma. We now need to cement the relationship between the ANC and SACP by:

- Forging a left consensus on a second, more radical phase of our transition, rooted in addressing the triple crisis; and
- Paying attention to the state of organisation of both the ANC and the SACP

What is to be done?

What is our task? It is incumbent upon the Alliance that we remain focused on the task of driving a second, more radical phase of our transition. Some of the commitments contained in the President's 2015 Sona are crucial components in driving a second phase of our transition. For instance, the very radical proposals on land ownership – including the banning of foreign ownership of land, and limits to the number of hectares to be owned by individuals - are what we should be focusing on achieving. There is likely to be a racist and class backlash on this score and it is important that we mobilise all of our rural Alliance structures, individually and collectively, to act as motive forces for this radical land reform. Many of the proposals contained in 2015 Sona are likely to see intensified class struggles, and our Party must not be found wanting in this regard.

The Sona commitments to industrialisation through, amongst others, increased focus on beneficiation, more infrastructure spend and expansion of the manufacturing sector, as well as set-asides for small and medium business and co-operatives, are all important commitments in driving more radical economic transformation. This will require, among other things, intensive engagement with Cosatu affiliates so that the federation becomes an important force in our transformation programmes. This in itself may help to refocus the federation as it seeks to overcome its internal organisational challenges. In fact, it will be through radical mobilisation of organised workers behind some of the commitments made in Sona that they will be achieved.

For the SACP, in particular, it is vitally important that we drive the SACP-led financial sector campaign, to ensure that significant resources in the financial sector are redirected away from consumption into funding for expansion of the productive sectors of our economy. The set-asides for co-operatives are an important breakthrough, and will certainly provide a welcome and renewed emphasis on building a progressive co-operative movement, including co-operative banks.

The SACP must seek to lead in building proper co-operatives so that these set-asides are not captured by tenderpreneurs disguised as co-operatives. In fact, the set-asides for SMEs and co-operatives can provide a huge impetus to our own campaign to revitalize our township and village economies.

Last, but not least, we need to scale up our work on the battle of ideas so that we, amongst other things, defeat the anti-majoritarian offensive as well as the opportunistic posture of the neo-fascists in the EFF. But our focus on the battle of ideas must not just be in reaction to the anti-majoritarians and the neo-fascists. It must also be about building the capacity of the working class to provide overall ideological direction to the revolution.

To keep focused means that we must pay close attention to the implementation of measures that will bring palpable changes and improvements to the lives of our people. It is only our movement, combining both our state and mass power, which will be capable of continuing to change the lives of workers and the poor for the better. While the anti-majoritarians are preoccupied in the courts, and the neo-fascists banging desks in Parliament, we must be on the ground, and indeed in all key sites of power and influence, including robust engagement in Parliament! Most importantly, we must pay close attention to the state of organisation of each of the Alliance formations. From now, into our Special Congress and beyond we need to pay close attention to strengthening the SACP organisationally and ideologically. We must be concerned about the ease with which the ANC and sometimes the Alliance lose control in communities that are in protest. On many instances new structures and elites emerge and play a leadership role in our communities. This underlines the importance of close analyses of class and gender struggles in all key sites of struggle, in order to build a better presence and organisation. ●

NDR DEBATE

Radical economic transformation: towards synthesis and praxis

Mcebisi Jonas reviews the competing versions of 'radical economic transformation' and sets out a synthesis

THE AFRICAN NATIONAL CONGRESS (ANC) JANUARY STATEMENT appropriately declared 2015 *The Year of the Freedom Charter and Unity in Action to Advance Economic Freedom*. The statement makes the point that the ANC is best placed, as the leader of society, to bring hope to all South Africans around the vision of the NDP (National Development Plan) and the agenda of radical economic transformation. But, as will be argued, there are many interpretations of what constitutes radical economic transformation, with very different positions on issues such as our macro-economic stance; our approach to globalisation; the importance we accord to economic growth; what underlies inequality and our extremely low levels of economic participation; whether we need a new social contract; and what role the state should play in the economy. These different positions are underpinned by class and ideological persuasions and tactical political considerations.

This is probably to be expected in a multi-class formation such as the ANC, but has unfortunately led us down a path of policy contradictions and even policy paralysis. This has caused the economy and the transformation project itself to falter on a number of fronts. It is time to make hard choices.

To discern what these choices must be, and what should constitute

a more focused agenda for this term and beyond, we need to collectively understand the determinants of our structural constraints, and why we are not able to move out of our low and unequal growth trajectory (with its consequent high unemployment and poverty).

And if we are able to agree on the fundamental nature of the problem and the strategy to address it, we need to ask difficult questions about our credibility and legitimacy in society to mobilise all role-players behind our agenda, as well as about our leadership capacity to extract the kinds of commitments and concessions needed from disparate social interests. Equally importantly, we need to ask difficult questions about our ability as the state to implement the policy decisions we make.

The paper is structured in two broad sections. The first briefly examines the current debates and positions on economic transformation. The following section delves more into the details of different themes and issues – the macro-economy; South Africa in the global context; positions around economic growth; inequality and economic participation; and the role of the state. In each of these sections specific propositions are put forward to move us out of our current policy malaise. The paper concludes with recommendations on what the ANC needs to do to drive a clear and workable programme of radical economic transformation.

Current debates and positions

The term “radical economic transformation” (RET) entered the South African political-economic lexicon in 2012. At the June 2012 ANC policy conference the notion of a “radical second phase of the National Democratic Revolution” was adopted. Based on the understanding that the first phase of the transition was largely political and juridical (abolishing white minority political rule), the second phase would be focused mainly on economic transformation. The need for RET and “decisive action” in the economic sphere resulted from the country’s dire economic situation: the triple challenge (unemploy-

ment, poverty and inequality) combined with low growth and seemingly unchanging structural continuities.

The notion of the second phase was then adopted at the December 2012 Mangaung conference and RET became the main part of the ANC election manifesto in 2014.

But, as we point out below, “radical economic transformation” has become associated with a number of different positions and interpretations (with two - the positions of the SACP and Joel Netshitenzhe respectively – kick-starting a long overdue discussion on RET). But the debate cannot simply be reduced to that of communists versus pragmatists. There are many other varieties of RET that exist within the Alliance and in broader society. And it is important to be alive to and influence debates outside our structures – the imperatives of the NDR dictate that we must lead the whole of society behind our agenda. It will also assist us to tactically win the “battle of ideas” with contending forces.

It is proposed that there are at least five varieties of RET, which are not mutually exclusive, and may overlap on certain positions of economic policy:

- Government-official
- Cosatu
- Populist
- Mainstream left
- Creative pragmatist

Government-official version

The official government version of RET is contained in the Medium Term Strategic Framework, 2014 to 2019. RET is one of two overarching strategic themes in this document.¹

RET (through rapid and inclusive growth) is to be achieved through nine pillars:

- Productive investment crowded in through the infrastructure build programme;

- Competitive enhancement in productive sectors of the economy;
- Addressing spatial imbalances in economic opportunities;
- Elimination of unnecessary regulatory burdens;
- Workers' education and skills development to meet economic needs;
- A macro-economic and financial framework to support employment-creating growth;
- Workplace conflict reduction and improved cooperation between government, organised business and organised labour;
- Expanded opportunities for historically excluded and vulnerable groups, small businesses and cooperatives; and
- Public employment schemes to provide relief for the unemployed and build community solidarity.

This RET variety is a judicious mix of the 2014 ANC election manifesto, the National Development Plan, the New Growth Path, and the Industrial Policy Action Plan (respectively, the NDP, NGP and Ipap). By combining the NDP with elements of the NGP and Ipap, this variety addresses one of the main critiques of the NDP – its under-emphasis on industrialisation and industrial policy.

The strength of the government-official version of RET is its comprehensiveness, which, in a sense, is also its weakness. It is not articulated as a clear strategy with the most highly prioritised and sequenced interventions, but rather as a smorgasbord of everything government is doing in the economic space. It is therefore possible that in as much as hundreds of interventions are made to further RET, a few critical binding constraints may be omitted, or not get sufficient attention, which then negates the gains made on other fronts. Electricity supply is a good case in point. Capital export is another. The government-official version is also limited to the current available policy instruments (many of which may be inappropriate or poorly conceived, even if they are well intentioned), and is further constrained by state co-ordination and implementation capacity, as well as the ability of

the state to influence decisions of capital. The question begs: if the government-official version is as comprehensive in practice as it is on paper, why are we not seeing more impact?

The Cosatu version

While clear Cosatu positions on RET may themselves be obfuscated by current tensions within the labour movement, elements of Cosatu's position on RET are contained in its February 2013 discussion document. Key aspects for actioning by the ANC and government include:

- Nationalisation of the mines (or at least “control and regulation of strategic commodities”);
- Regulation of the food chain;
- Transformation of the apartheid wage structure (including banning labour brokers, introducing a minimum wage, and providing more regulatory protection for vulnerable workers);
- Promotion of the role of trade unionism and collective bargaining;
- Shift towards an employment-creating macro- economic stance;
- A more effective industrial policy to diversify the economy;
- Transforming the tender system and increased productive capacity in the State; and
- More progressive taxation.

In addition, and in spite of its internal issues, Cosatu has signalled its intent to partake in issue-based policy decisions, for example through its stance on e-tolls and the youth wage subsidy.

Cosatu was also a vocal critic of the economic chapter of the NDP, pointing to what it called six fundamental flaws, these being:

- The NDP's jobs plan is problematic and unsustainable;
- It fails to pursue the NGP/Ipap vision of reindustrialising the economy;
- The NDP's proposals on labour market reforms are premised on undermining worker rights, and constitute in essence a low wage strategy;

- The NDP proposes a business as usual macro-economic stance;
- The NDP accepts the persistence of high levels of inequality; and
- Its poverty and unemployment projections are dubious.

As expected, the Cosatu position is built around consolidating and expanding labour market regulations, and extending terms and benefits to the employed. Cosatu is vocal in its opposition to a low-wage growth strategy, and has been an outspoken critic of the so-called “jobs bloodbath” associated with the de-industrialisation that has taken place over the past two decades. Cosatu needs to be more intensely engaged on how a jobs-intensive growth strategy can be driven, especially in the context of the low skills base in the country (and in particular peripheral regions of the economy). Cosatu also needs to be further engaged on issues of industrial competitiveness, the efficacy of the collective bargaining machinery, the rise of new unions in the workplace, as well as the future of corporatist institutions such as the National Economic Development and Labour Council (Ned-lac). Within the public sector, issues around state transformation and professionalising the public service must take centre-stage in engagements with public sector unions if we are to build the state capabilities required to drive RET.

The populist version

This RET variety is mainly focused on changing ownership: uncompensated land redistribution and nationalisation of mines, banks etcⁱⁱ. The Economic Freedom Fighters party (EFF) claims to draw “inspiration from the broad Marxist-Leninist tradition and Fanonian schools of thought in their analyses of the state, imperialism, culture and class contradictions in every society”. It criticises the ANC and Democratic Alliance (DA) for their allegedly pro-business stances, which have allegedly sold out the people of South Africa to capitalism. Key economic proposals are expropriation of “stolen land”, nationalisation of the mining and banking sectors, doubling welfare grants and

a minimum wage of R12 500.

The National Union of Metalworkers of South Africa (Numsa) currently falls between the Cosatu and anti-capitalist populist versions of RET. Numsa's current positions seem to have been developed from a variety of political traditions from Marxist-Leninist, Maoist, syndicalist and Trotskyist. While calling for a return to key demands of the ANC's Freedom Charter, the Numsa-United Front approach does not as yet have a finalised position on economic transformation. It is currently on a listening campaign, "unfolding a process of popular assemblies to collect the demands of our people, to listen and to build a front that is of the people, for the people and by the people", rather than coming out with a firm position on economic transformation.

As the version-type name suggests (populist), the policy stance on RET is designed to garner support among the poor and unemployed (and take support away from the ANC). In its worst iteration, the populist version could cause increasing social disruption (land grabs and the like), cause disruptions to production (enabled through populist trade unions such as Association of Mineworkers and Construction Union), and ultimately impact negatively on investment, growth and jobs. It could also trigger populist tendencies to emerge within Alliance structures (a kind of "fighting fire with fire" logic).

The mainstream left version

This RET variety has recently received a clear articulation in the form of a SACP discussion document, published in *African Communist* 4th quarter 2014, titled *Going to the root- towards a radical, second phase of the NDR*.

The paper correctly points out that the emphasis on redistribution, as important as the massive redistribution programme has been over the past 20 years, has "tended to neglect the critical task of transforming the systemic features of South Africa's productive economy".

The paper argues that the second radical phase of the NDR should focus more on "the imperialist dimension of our persisting structural

problems”, especially in the context of increased trans-nationalisation and expatriation of South African capital, and what is referred to as “run-away financialisation”.

The SACP discussion paper proposes two “de-links”:

- “Use state power and popular power to effect a relative de-linking of our society from the globally dominant imperialist political economy”.
- “Leverage a relative de-linking of popular strata from the depredations of the capitalist market” through, for example, making stronger links between redistributive measures (such as land reform or public employment programmes) and the transformation of production itself.

The paper makes the important point that we are not starting from scratch in conceptualising RET. Many elements of RET are already in existing ANC and government policies (NGP, Ipap, National Infrastructure Plan etc), and the process of “transforming our skewed internal development” has commenced.

The SACP position argues strongly against Netshitenzhe’s call for a “second Codesa” and Steven Friedman’s call for an overarching social pact. This is, says the SACP, essentially a vision of elite-pacting. The interests of “the globalised casino economy” are too vested and too powerful to make the kinds of concessions needed for structural transformation. The paper also argues against the “growth then redistribution narrative”, suggesting GDP is an inappropriate measure of economic performance. The paper argues that even when South Africa experienced relatively high levels of growth, the impact on poverty, unemployment and inequality was negligible.

The creative pragmatist version

This variant of RET is contained in a response to the previously mentioned SACP discussion document, by Cde Joel Netshitenzhe: “The two de-links and the poverty of radicalism” (African Communist, 4th quarter, 2014).

Cde Netshitenzhe critiques the SACP's anti-growth assertions, showing that during South Africa's high growth period (2003-2008), unemployment fell from 31% to 23%. He argues that had the growth trend continued and had it not been halted by the Great Recession, unemployment would now be around 13%.

Cde Netshitenzhe persuasively questions the two de-links argument. As regards the external de-link he writes: "What is required is not so much a "de-link" from the detestable imperialists; but a systematic diversification of our economic partnerships..." With regard to foreign sources of finance and investment and foreign markets, he particularly refers to BRICS and the "Africa Rising" narrative.

As regards the domestic de-link, Cde Netshitenzhe points out that while public employment programmes, food gardens and small-scale agriculture provide a cushion from poverty, these income sources are insufficient for household, or even individual, survival. Moreover, small producer incomes are more likely to be boosted by improving links to established value chains than by "de-linking".

Cde Netshitenzhe also argues against the SACP's rubbishing of the call for "social compacting". He does this both theoretically (the danger of "the common ruin of the contending classes") and through reference to historical praxis: the progressive nature of class coalitions and "broad fronts".

Specifically, Cde Netshitenzhe believes that government should work "with the business community and the trade union movement to ensure that each sector and each enterprise develops its vision for 2030 in line with the NDP, and introducing both incentives and prescriptions to ensure higher rates of productive investments, as was agreed at the Growth and Development Summit in 2003".

The paper also points to the need to adopt innovative and pragmatic developmental solutions, and argues for a shift away from fixed ideological positions (which may be unworkable).

Importantly, Cde Netshitenzhe also points to the importance of the radical transformation of the ANC and the Alliance as a pre-condition

for RET: “to cleanse them of the factionalism, social distance, patronage politics, corruption, money politics and other ills that undermine them as forces of change, and which they in turn transfer to the state, thus rendering it less capable and less developmental”.

An obvious weakness of the Cde Netshitenzhe position is its over-expectation of the ability of the state to negotiate with capital towards progressive outcomes. In this regard, the SACP discussion document is correct in its assertion that “a largely redistributive government” such as the ANC-led government will inevitably be set up for failure if it locks itself into agreements with big capital that limit its ability to transform the productive economy.

SECTION 2: POLICY SYNTHESIS AND PROPOSITIONS

Macro-economic considerations

Within the broader Alliance, there have historically been policy differences around macro-economic policy. In particular, Cosatu has been a vocal opponent of the Growth, Employment and Redistribution (Gear) policy, instead calling for a more expansionary fiscal policy, the scrapping of inflation targeting, and a weakened exchange rate.

More recently, the discussions within the Alliance around macro-economic policy have tempered, being confined to calls for macro-economic policy to be more enabling of job-creating growth. Partly this is borne out of the fact that the country has in fact implemented an expansionary fiscal policy (doubling expenditure between 2002 and 2012), and a clear counter-cyclical stance adopted following the 2008 financial meltdown. The absence of hard policy divisions on macro-economic issues also signals some consensus on the macro-economic risks that confront South Africa. These risks speak to:

- A growing current account deficit with imports growing at a faster pace than exports (which will continue given the slow pace of global growth and sluggish commodity prices);
- Stagflation (low growth and relatively high price inflation);

- A weakened fiscal outlook (with a sustained low growth-low revenue cycle, and growing debt-to-GDP ratio);
- Rising global interest rates, a stronger dollar, and ratings downgrades which are increasing the cost of borrowing (in a context in which foreign capital finances 37% of government borrowing).

If not managed appropriately, these risks could lead to macro-economic instability and unsustainable levels of debt, which in turn could compromise national sovereignty.

Short term measures we should prioritise include:

- Stricter management of the fiscus, tighter fiscal expenditure ceilings and stricter controls over the growth of costs of employees within the public sector;
- Driving harder efficiencies and value for money within the public sector;
- Improved management of state-owned entities and their rising contingent liability;
- Continuation with existing monetary policy (in the context of strong dollar and inflationary pressures, although somewhat relieved by declining crude oil prices);
- Addressing the current account deficit through dealing with transfer pricing issues and higher taxes on luxury imports.

South Africa in the global economy

The SACP discussion document correctly reveals the extent to which South African corporates have trans-nationalised and financialised over the past 20 years. South Africa is completely locked into international markets and capital flows, and is highly integrated into and dependent on the global economy. By international standards, South Africa has an extremely open economy (in terms of ratio of exports to GDP and ratio of imports to GDP), and is highly dependent on foreign capital inflows and commodity markets. For the short-to-medium term this leaves us vulnerable, with the global economy in

a sustained period of under-consumption resulting from a declining share of wages in national incomes in advanced economies. At the same time, countries like China, which were responsible for relatively high commodity demand and prices in the face of the Great Recession, are in a process of sustained slow-down over the medium term. So for a country like South Africa, whose growth model is centred around commodity exports and consumption-led growth on the back of (speculative) capital inflows, the prospects of escaping our low growth trajectory in the short-term are slim. Our relative openness has also, over the past 20 years, led to incredibly high levels of disinvestment and capital export (as our monopoly corporates have internationalised), which has contributed in no small measure to our foreign debt.

So what are the solutions? The SACP position is one of “relative de-linking from the imperialist North” (while acknowledging that “there is no immediate or medium-term prospect for a complete rupture”). But as Akyuz (2013) of the South Centre argues, the rapid rise of the South that began in the early years of the new millennium has come to an end. Romantic notions about short-term decoupling are unfounded. Countries of the South remain highly integrated into the global economic and financial architecture, which currently remain dominated by the economies of the North. And as far as the South “unseating” the North, Thomas Piketty in his *Capital in the 21st Century* points out that the total assets of Chinese sovereign wealth funds, including the reserves of the Bank of China, are a mere 5% of real estate and financial assets owned by European households. But this is changing fast. As Piketty himself shows, by the end of the 21st century, Asian countries will own about half of the world’s capital, and African countries will have a similar share of capital as Europe. The “Asia rising” and “Africa rising” narratives are not fiction, and should underpin South Africa’s strategic repositioning in the global economy into the 21st century.

So what is to be done?

Firstly, South Africa needs to reduce its dependency on (and vulnerability to) foreign commodity markets and the investment decisions of global finance capital. This requires a rebalancing of domestic and external sources of growth over the medium term (through our industrialisation programme), and a rebalancing of foreign direct investment and portfolio investment (Bhorat et al, 2014, show that portfolio investment has averaged double the proportion of FDI annually). Domestic savings also need to be strengthened to reduce dependence on capital inflows. Stricter controls on capital outflows (especially illegal ones) must be better enforced.

Secondly, a point made strongly by Cde Netshitenzhe, we need a much more strategic and pragmatic approach to globalisation (what he calls a diversification of economic partnerships). Regional integration and unlocking trade and investment opportunities in the rest of Africa should be our short term priority. Brics also offers significant opportunities, but must be managed with clear strategic outcomes in mind. Our priority in the short term must be the development of new instruments to achieve more diversified trade partnerships.

Economic growth and diversification

The SACP discussion document's notion of the "GDP-myth" is a distraction, and at worst feeds in to an anti-growth logic that is potentially dangerous. While we all agree that (a) GDP in itself is an inadequate measure of development, and requires to be viewed alongside other human development indicators, and (b) growth in itself will not address the structural weaknesses of the South African economy (including the reproduction of patterns of race, class and gender inequalities), this is not to say that the expansion of national economic output is unimportant. As Cde Netshitenzhe argues, even in our period of consumption-led growth (2003-2008), unemployment fell to the lowest levels in the past 40 years, and state revenue grew to an all-time high (which in turn enabled our post-Great Recession counter-cyclical fiscal policy stance).

The real question should rather be about how we grow the economy in a manner that both transforms it and impacts most on unemployment and inequality. Other outcomes such as increased export earnings also become important, considering the current risks posed by our worrying current account deficit.

With respect to transformation, the obvious starting point is diversification out of our historic minerals-energy-finance (MEFC) complex. The MEFC's historic economic logic – if one can call it that, built on super-exploited migrant labour and cheap electricity – has long expired. And our over-dependence on minerals and financial inflows to fuel growth makes us extremely vulnerable to external shocks. In the words of Rodrik (2015), developing countries (like South Africa) must “wean themselves off fickle capital inflows and commodity booms”.

Clearly, the focus must be re-industrialisation and growth of more employment-creating sectors. Rodrik (2015) suggests that countries which have successfully undertaken structural change and diversified their economies towards sustainable growth have done so for three reasons:

- They have invested consistently in macro-fundamentals and capabilities (especially human capital and institutions);
- They have adopted pragmatic and opportunistic policies to support local growth – especially manufacturing growth - (subsidisation, local content, development finance, special economic and investment zones, etc); and
- The global development outlook at the time was favourable (which provided access to markets, capital and technology).

So what is the potential for South Africa to replicate the rapid growth strategies of Europe and the US (in the 1950s and 1960s), and more recently East Asia? The answer in the short term is unlikely, given the combination of our subjective weaknesses (around economic fundamentals, human capacity, and ability to innovate) and weak global outlook. The nature of manufacturing has also fun-

damentally changed, with increasing levels of capital and skills intensity, and a broad trend towards global growth of the services sector. To think replication – moving through stages of agrarian reform, labour-intensive manufacturing, skills intensive manufacturing, to knowledge-based services – as human capacity and productivity increases - is naïve, and fails to appreciate conjunctural factors which constrain and/or enable such a trajectory. Our growth strategy should rather be based on our opportunities and be pragmatic, playing to our strengths as we address the binding constraints at the level of our macro-fundamentals and human capacity.

Priorities over the short-to-medium term must include promoting export competitiveness (with increased state support, including incentives to promote trade with Africa). As argued by Kaplan (2014), in the current scenario, export manufacturing is unlikely to be a major job creator (without labour market reforms), as South Africa's competitiveness is in the more skill-intensive and capital-intensive sectors (including minerals-beneficiation). Industrial policy, argues Kaplan, is therefore more about growing export earnings to address current account deficit constraints and pay for tradable import goods (where we are currently uncompetitive) consumed by those employed in the services sector. It is here – in the non-tradable services sector – that jobs are currently being created (construction, retail, security, health, etc). Industrial policy, argues Kaplan, is therefore more about increasing exports than about jobs.

There is, however, a caveat to this argument of exports being the key outcome for industrial policy. Could we be more competitive in the labour intensive manufacturing segments of the tradable sector? Globally dollar unit labour costs are rising (especially in countries like China, which had more than 68-million manufacturing jobs in 2010). This will create opportunities for developing economies to capture labour-intensive (low skill) segments of production in the tradable sectors, although in the context of an overall global net decrease in low skills production (with the continuing global trend towards capi-

tal and skills intensity in manufacturing).

Jose Gabriel Palma (2014) points out that the success of East Asian developing economies was not just about cheap labour, but had more to do with sustained levels of high productivity (which leads to lower dollar unit costs). Higher productivity depended on a range of other factors beyond just labour costs, including locational advantages (proximity to raw materials, inputs and markets), state of infrastructure and logistics, costs of other inputs (energy, etc.), skills and training costs, management competency, technological developments, etc.

This focus on sustained levels of higher productivity may support Kerr, Wittenberg, and Arrows' (2013) assertion that jobs in South Africa are being created by large firms - and not small firms and new firm entrants. In their analysis of rates of net employment creation, Kerr et al show that it is only in enterprises with 5 000 or more employees that gross job creation rates are significantly higher than gross job destruction rates. By contrast, in enterprises with 0-19 employees, we find the reverse: gross job destruction rates are significantly higher than gross job creation rates.

Clearly, hard questions need to be asked as to why our small and medium business sector is not creating jobs, and why our labour intensive productive sectors continue to shed jobs.

On the latter point, agriculture in particular appears to have received very little policy interest from government. As Black (2014) argues, South African agriculture went from being highly protected prior to 1994 to having levels of support that currently are amongst the lowest in the world. According to the OECD (2011), producer support in South Africa as a share of gross farm receipts declined from approximately 15% in 1995 to 2% in 2010. This in turn has resulted in significantly reduced output and exports (see Sender 2014), as well as reduced jobs. This must be viewed against relatively consistent state support for agriculture in the EU, and increased state support for farmers over the past decade in Latin America.

Based on this analysis, short term growth priorities must revolve around:

- The design of new policy instruments to increase output and employment in the productive sectors of the economy, and in particular labour-intensive export and/or import-replacement sectors. To some extent these sectors are identified in Ipap, but the question of the instruments and their effectiveness needs more discussion, as does the question of what needs to be done to make us more competitive in labour-intensive industrial segments, as well as what we need to do differently to increase levels of productive investment in the more peripheral spatial regions of the economy (especially the former bantustans);
- Unlocking growth in the SMME sector (deregulation, tax instruments, etc);
- Major supply-side obstacles to growth and industrialisation (skills, logistics, and in particular energy supply) must be tackled head-on, and cannot be held to ransom by any particular interest group. The point made by Cde Netshitenzhe that our post-2008 slow-down cannot just be attributed to the Great Recession – our economy had already starting slowing down when the financial crisis hit due to supply-side constraints;
- With respect to the above, addressing energy supply issues must be a top priority, including mitigating the impact of load shedding on industry, undertaking emergency measures to avoid grid collapse, reassessing the cost-benefits of energy-intensive industrialisation, improved demand management, upscaling co-generation with the private sector, and fast-tracking new generation capacity;
- Using our infrastructure programme to grow a capital goods and infrastructure components sector to take advantages of Africa’s massive infrastructure build-programme over the next few decades;
- Expediting the development of new sources of growth (oil and

gas, including shale gas, the coastal economy, agro-industry, nuclear, etc);

- Refocusing our financial sector to grow the productive economy;
- Moving beyond old paradigms – to adopt a more pragmatic and “opportunistic” policy approach – including experimenting with new ideas that could unlock areas where we are stuck, such as energy supply;
- Incentivising innovation; and
- Brokering new relationships, with industry and labour mobilised behind a national development agenda, and concomitant concessions to allow new investments, new entrants, and new jobs.

Inequality and economic exclusion

The SACP discussion document’s critique of the “growth-then-redistribution” narrative is correct in its assertion that equality cannot be achieved through capitalist growth alone (simply because certain growth paths reinforce structures of inequality), and that “radical transformation of our productive economy” is needed to address the root cause of the reproduction of our triple crisis. The SACP position is also on point in the argument that redistribution (through social wage fiscal expenditure) – as important as it is to reduce poverty and improve quality of life – is limited if it is not accompanied by the “critical task of transforming the systemic features of South Africa’s economy”.

What the SACP paper succeeds less well in doing is interrogating the relationship between growth and inequality (beyond just critiquing the growth-then-redistribution narrative), as well as in its propositions to address inequality and economic exclusion (particularly its over-romanticism of the “de-commodified” social economy – a point picked up by Cde Netshitenzhe).

The ideas of Piketty (2014) are instructive in understanding how low-growth mature economies reproduce inequality. Piketty shows,

through rich empirical data, that the returns on capital in capitalist economies (invested in the stock market, real estate etc) exceeds the rate of growth (capital grows faster than income). This causes a growing tendency towards rising inequality. This also constrains the growth of the productive economy. The more concentrated the wealth, the less the private savings invested in the economy, and the more the likelihood of financialised economic activity (speculative stock trading etc).

This is particularly the case in mature capitalist economies (in which economic growth largely just keeps pace with population growth). Developing and industrialising economies can experience high growth and reduced inequality as a result of improvements in education, skills, technology, new regulatory frameworks, innovation, logistics, etc. As these economies mature, growth slows, with the tendency towards rising inequality. South Africa displays many of the features of a mature capitalist economy (high wealth concentration, low growth, and returns on capital exceeding income growth), but with one important difference – that 60% of the population do not participate in meaningful economic activity (as employees, self-employed or employers). This has resulted not only in growing disparities between capital and income within the formal economy, but also in growing disparities between the formal components of the economy, and the economically excluded – the unemployed, informal sector, and those in the former bantustans.

In this sense, measures to reduce inequality must focus both on offsetting extreme wealth accumulation and concentration (through progressive income, capital and inheritance taxes, etc) as well as combatting economic exclusion.

Key to this will be a stronger emphasis on redistribution measures that also support the growth and restructuring of the productive economy. BBBEE and land reform, rather than just being about ownership transfer, must grow productive capacity (output, employment, exports etc).

Fresh approaches to supporting the informal and social economy must also be prioritised. But rather than “delinking from the depredations of the capitalist market”, as suggested in the SACP discussion document, we need rather to animate linkages with productivity enhancing inputs and networks.

As Ricardo Hausman (2015) argues, any strategy for inclusive growth must differentiate between inequality in productivity among firms and from unequal distribution of income within firms. These, he argues, are two distinct sources of inequality which we often conflate. Most theories of inequality focus only on the latter source of inequality – the unequal division of surplus between owners of the means of production and workers. Hausman argues that we will only achieve a more egalitarian society through addressing productivity constraints such as skills, infrastructure, logistics, ICT connectivity, access to value chain networks, etc. In the words of Hausman, redistribution in itself is palliative rather than curative, and may well fail to benefit both inclusion and growth.

In the South African context, the plight of the former bantustans in particular warrants special focus. Using Hausman’s logic, the strategy to end their continued peripheral status must move beyond welfarist and redistributionist logics, towards measures that foster economic inclusion, that is measures that better connect these areas to productivity-enhancing inputs and networks.

On this logic, going forward, our short term priorities must centre on the following with respect to enhancing economic inclusion:

- Human capability enhancing measures such as improved education, health, and skills;
- Investments in infrastructure, logistics capacity, ICT connectivity, etc to build local and regional competitiveness;
- Support to link local producers and firms to value chain networks (in a manner where as much as possible of the value chain surplus is accumulated locally);
- Actively supporting productivity and competitiveness

gains in small producers and firms (credit access, business training, technical training, R&D, market access, strategic state procurement, etc);

- Special investment zones (tax incentives, innovation incentives, development finance and equity funds, etc); and
- Imbuing regional and local government with the necessary mind-set to support local economic competitiveness.

The Role of the State

Most of the discussions within the Alliance on the role of the state have focused on the attributes of a democratic developmental state, and what these should be in the South African context. These include:

- ideational aspects (the ability to conceptualise socio-economic transformation and develop appropriate policy);
- strategic aspects (setting an agenda and time-bound priorities, allocating institutional responsibilities, building organisational capacities, allocating resources, assessing impact and adjusting policy);
- technical aspects (putting the capabilities in place to implement policy); and
- embeddedness (the ability to mobilise society and strategically-significant stakeholders behind a vision and programme).

These require some interrogation. At the ideational level, do we have a shared understanding of why we are not able to place the country on a higher and more inclusive growth path? Is political leadership attuned to the urgency of structural change? And are we agreed on what must be changed, and how? The current debates around radical economic transformation – and contesting areas of emphasis and policy content – as discussed in section 1 above, suggest that we are not.

Instead, in accordance with the Alliance's multi-class composition, we have a range of policy positions that we can draw on and empha-

sise in the numerous policy discourses that permeate the discussions around radical economic transformation (in the Freedom Charter, in the Mangaung resolutions, in the NDP, in the NGP, in the Ipap, in government's medium term strategic framework, in our labour market policies, in our land reform policy, in our energy policy, etc). This is not to say there is no policy consistency across these various policy frameworks – rather it is that there are too many competing and sometimes contradictory priorities, a circumstance that mitigates against coherence and effectiveness. Some policy objectives may be carried through into implementation, through the design and development of instruments which are resourced (financed and given technical implementation capacity). Others are bottlenecked in policy indecision, co-ordination and implementation failures. We need a simpler, more coherent plan on economic restructuring and a stronger co-ordinating and integrating centre.

There are also very different views within the Alliance on the role of the state and markets. International experience shows that countries that have successfully driven economic restructuring and diversification have moved beyond old paradigms and taken more nuanced and pragmatic approaches to the respective roles of the state and markets.

Wilson Peres and Annalisi Primi (2007), in their *Theory and Practice of Industrial Policy: Evidence from the Latin American Experience*, illustrate three broad approaches to the role of state and markets in industrial development.

The free-market or *laissez-faire* point of view – popularly known as the Washington Consensus – emphasised the role of the market in efficiently allocating the factors of production (capital and labour). In this view there is no need for industrial policy. Industrial policy distorts market mechanisms.

This is counter-posed with what Peres and Primi call the standard theory, or state interventionist approach – in which the basic government function is to correct market failures. This in turn leads to

state failure, rooted in the fact that the state is not the only locus of decision-making in democratic systems and therefore has limited control over the consequences of its policy choices and actions. Other reasons for state failure have to do with the veiled interests that underpin state decision-making, as well as the fact that political cycles are short term whereas effective economic management requires long term frameworks.

Peres and Primi suggest that Latin American countries that successfully implemented industrial policy have adopted what he calls the Schumpeterian, evolutionist, structuralist approach (SES synthesis) which recognises both the state and the market as different and necessary institutions in socio-economic systems. In this view, state intervention is necessary to generate the incentives that make it possible to innovate and explore technological possibilities, strengthen private-sector actors in strategic sectors, and support the expansion of capacities and knowledge.

Mariana Mazzucato, in her book *The entrepreneurial state: debunking public sector versus private sector myths* (2013) follows the logic of Peres and Primi in her view of the need to revisit conventional thinking on the state and markets. Mazzucato debunks the notion of the bureaucratic bumbling state versus innovative and efficient private sector, and shows through careful comparative international analysis, that it is precisely the high risk investments of the state that enable the private sector to innovate and develop. In the predominant free-market global policy discourse, the state's role in innovation is scarcely acknowledged. In Mazzucato's words, this has led to the socialisation of the risks and not the rewards.

Similarly Rodrik (2015), in his call for a shift from welfare state to innovation state, sees a greatly expanded role for the state in economic restructuring. Besides the usual development finance, investment in skills, infrastructure and the like, Rodrik suggests the need for the state to be more creative – for example taking equity in new technologies and ventures, and assembling new financing instruments and

partnerships. This would, he argues, require some relative autonomy to avoid narrow political capture, following a model such as that of the Federal Banks (in our case the Reserve Bank).

In the South African context, this brings us to the question of state capacity and will to implement industrial policy, innovation systems, and economic restructuring. At precisely the time we need the state to play a more creative and developmentalist role in the economy, we have a state racked by planning, co-ordination and implementation failures. A number of our SOEs, which are the frontline forces of the developmental state, are afflicted by governance and going concern issues, and need to be re-oriented away from short term political agendas towards medium range economic restructuring.

Besides stable and focused institutions that can pursue a restructuring agenda over a number of terms of government, the other success factor for sustainable economic transformation is consistent investment in human capacity. Fixing our education and training system becomes paramount if we are to achieve higher levels of productivity that would make us more competitive in sectors that would bring employment, growth, equity and export earning returns.

Two other related factors are critical for the state to play a more directly facilitative role in economic transformation. The first concerns the legitimacy and credibility of the state, and its ability to lead other sectors of society. The second concerns its ability to enter into practical compacts.

Both require a fresh approach. The question is less about whether we need an economic Codesa or not (the SACP- Netshitenzhe debate), as about what strategy we need to pursue to

- Address credibility issues of the state;
- Achieve broad consensus around a medium term economic restructuring agenda; and
- Mobilise practical partnerships (compacts) in identified sectors around specific outcomes (with universities, the private sector, venture and equity funds, DFIs, SOEs etc).

At the heart of this will be rethinking our social corporatist model (anchored around the ailing Nedlac) towards new compacts that accommodate the interests of the unemployed, small business, light manufacturing, agriculture, poor regions, etc.

Conclusion

This paper has sought to interrogate different perspectives on radical economic transformation, in an attempt to point towards areas of synthesis around which we can agree on a clear set of propositions for actioning. The paper is intended to add to the current discussion papers on the current moment in our National Democratic Revolution, answering the question of why we have failed to more fundamentally transform the economy, and what needs to be done to restructure the economy out of its low and unequal growth trap. The paper has unequivocally called for us to break with old paradigms and dogma – to navigate the turbulent global and national currents requires a unique mix of pragmatism, opportunism and innovation, while remaining true to our ideological commitment to restore socio-economic justice and build a non-racial, non-sexist and more equal society.

The question must revolve around the extent to which we, as the ruling party, have the appetite and maturity to move beyond narrow sectarian and often factionalist interests to more honestly and robustly confront the challenges we face. To do this will require heightened levels of introspection, followed by decisive action and the necessary shifts and ruptures required to regain credibility and legitimacy. To unite opposing and disparate interests in society behind a common transformation agenda – and to manage those who cannot or will not be accommodated – will require a special kind of leadership: one that is able to make hard choices, placate the growing impatience among our people, and not succumb to populist solutions that may win the day but take us nowhere on the broader journey to restructure the economy and society. ●

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NDR DEBATE

Going to the root, but barely touching the branches

David Masondo critiques the SACP discussion document: *Going to the Root*

PUT SUCCINCTLY, THE SACP DISCUSSION DOCUMENT TITLED: *GOING to the Root: A radical second phase of the National Democratic Revolution – its context, content, and our strategic tasks* (GtR) argues that we are in a single revolution – the National Democratic Revolution (NDR), but with distinct phases. The ‘first phase’, ex post facto defined as the ‘first radical phase’, is also ostensibly marked as the period between 1991 and 2014. The ‘second phase’, defined ex-ante as the radical second phase of the NDR, is also being implemented through the current government policies, namely the National Development Plan (NDP), the New Growth Path (NGP) and Industrial Policy Action Plan (Ipap), amongst others.

The labelling of the 1990s as the ‘first phase’ of the NDR is questionable. It is as if the NDR only started in the 1990s. What about the late 1960s, starting with the ANC congress held in Morogoro in 1969? What about the 1980s, which actually produced much more radical democratic forms of governance through organs of people’s power in communities? In this paper, I take the authors’ arbitrariness in marking the 1990s as the ‘first phase’ with a pinch of salt. This periodisation of phases treats our NDR as if it has no deep history. Starting in this way enables the authors to even discard the historical radical policy positions of the ANC and SACP entailed in the *Freedom Charter*, *Green Book*, and *1962 South African Road to Freedom* as well as the 1985 ANC Kabwe Conference. This periodisation also conceals

what was compromised in the 1990s negotiations, and what should be significantly changed in the current period. Nevertheless, for the purpose of this paper, I will not quibble over the periodisation of the phases. I would rather direct my comments at the theoretical and programmatic issues raised in the document.

I have set as my task to critically comment on key issues in the GtR document and provide elements of an alternative. I have organised my comments around four issues: (a) political democracy and the property question (particularly land) and nationalisation of strategic resources; (b) the concept of the 'productive economy'; (c) capitalist logic and conduct of South African and global capital; and (d) the origins of 'social compacts'.

Firstly, I argue that the GtR document exaggerates the radicalness of the political aspect of the NDR in the last 20 years. It also fails to show huge continuities with the key aspects of the colonial state – the traditional authority – in the post-apartheid dispensation. Secondly, I show that the GtR has good rhetorical radical intentions, but it is still trapped in the government's neo-liberal assumptions in its policy prescriptions and fails to go to the root.

I take it that the analogy of Going to the Root implies that the roots must be uprooted in order to 'kill' the tree. Flowing from this analogy, I contend that instead of Going to the Root, the GtR has just touched the surface (i.e. the branches of the tree), thus reducing the clarion call for a radical phase to another reformist phase in our revolution. In my view, Going to the Root means going to the property relations, which includes nationalisation of land and other strategic economic measures as necessary steps towards socialisation in line with the SACP's *1962 South African Road to Freedom*.

Going to the Root without touching the traditional tribal authority

There is a tendency in the GtR to exaggerate political democratic achievements since 1994, thus presenting the 'second phase' as the economic radical transformation, implying that the political demo-

cratic tasks are complete. The GtR points out that the radicalness of the 'first phase' lies in the fact that the apartheid state form was abolished and replaced by a democratic state with a Constitution, which protects worker rights, and promotes corporatism as expressed in the National Economic Development and Labour Council (Nedlac). Indeed, part of the content of the working class democratic struggles (not just the NDR) has been to realize political democracy (the right to vote, assembly, speech, association, etc). No doubt, the defeat of the apartheid state has set better political conditions for the working class to deepen social emancipationⁱⁱ. Twenty years of democratic breakthrough has, however, left many of the political democratic questions unresolved, particularly the traditional tribal authorities in rural areas.

To begin with, despite the growing trends of urbanisation, currently 38% of the South African population lives in rural areas governed both by elected municipalities and, more importantly, traditional authorities. The quasi-feudal traditional authorities predate colonialism, but they later became extensions of the colonial state. As in many colonies, semi-autonomous tribal authorities were established to control the nationally oppressed in the countryside and were organised around perverted customary laws under absolutist power centralised in one person – the chief.

The GtR only criticises the tribal traditional authority on the basis of its exclusion of women, as if the inclusion of women in it will be radical. In fact, according to the 2003 Traditional Leadership and Governance Framework Act, a third of a traditional council should be women. The institution itself is problematic regardless of which gender, age or race is in it. Of course, the position of women in relation to ownership of land and participation in decision-making processes in the countryside is still a major problem. However, these problems cannot merely be resolved through incorporating women as leaders of a traditional authority. The traditional authority must be abolished, if we are to give a radical content to the deepening of our democracy

in the second radical phase of the NDR. After all, the mode of political rule entailed in the Freedom Charter includes direct and representative democracy, which excludes the rule of the quasi-feudal political relations in the countryside. It should follow, therefore that the radical content of the second phase of the NDR should include the abolishment of traditional authorities in the countrysideⁱⁱⁱ.

Going to the Root without touching the land

The issue in the countryside is not just about the political state form, but fundamentally about economic forms, particularly land ownership. A huge population in the countryside is either landless or has very small plots of land under the quasi-fiefdom and real ownership by traditional authorities, living side-by-side with huge capitalist, racialised and landholding agricultural corporations. As a result many of the rural masses depend on the remittances, meagre wage-labour from small towns, and social grants.

After reducing the question of agriculture and food security in the countryside to ‘food gardens’, the GtR argues that there must be a linkage between redistributive measures and the transformation of production. The GtR says very little, if anything, about the ownership and control of the means (particularly land ownership) through which production has to be carried out. In the GtR, the relationship between redistribution and production is divorced from the ownership of the means of production. It ignores the fact that production relations determine the relations of distribution.

It is common knowledge that the apartheid colonial power was forced to concede state control, but made sure white monopoly capital’s strategic economic interests were not affected. To legitimatise the system, white monopoly capital was also forced to incorporate sections of the willing and aspirant elites into ownership of the economy through BEE. The Constitution also entrenched the right to private property, which left colonially accumulated property intact. But the outcome of the negotiated transition has also left huge tracts of land

in the hands of white monopoly capital and traditional tribal authorities (chiefs, kings, queens).

Recently, Deputy Chief Justice Dikgang Moseneke pointed out that expropriation of land for public use in the context of “just and equitable compensation” has not been tested in a court of law. He further argued that the Constitution allows for the nationalisation of land with or without compensation. The compensation for land expropriation, Moseneke points out, may be determined by courts or by mutual agreement between the landowner and the state^{iv}.

Moseneke’s interpretation of the property clause seems progressive in that he suggests that the Constitution enables the nationalisation of privately owned land. But this leaves the interpretation of land redistribution at the whim of the courts. In fact, the property clause is written in a way that limits the power of the democratic state; and affirms the power of owners with regard to land ownership. It puts the onus on the state to justify changes in land ownership from private hands to the public.

To overcome this problem, the Constitution should be amended to provide that all land should belong to the people as a whole, and the state should be the custodian of the land, and the state should allocate land to citizens based on the justifiable need of the country. In other words, part of the content of the second radical phase NDR document should include the nationalisation of all the land, which the state can then lease to its citizens based on the socio-economic priorities of the people. From this perspective, the right to privately owned non-residential land by both South Africans and non-South Africans is abolished. All non-residential land should be occupied and utilised on a lease basis, and the terms and conditions of such a lease should be set by the state.

Nationalisation of land would mean land is owned by the state and leased to different economic agents (e.g. worker co-operatives, village assemblies, private sector, etc). This turns the jurisprudence of land ownership and distribution on its head. Firstly, within this logic, land

is not owned as a commodity to be bought either by the state or private individuals. Nationalisation of land is radically different from the current clause in which the power of ownership lies in the hands of the bourgeoisie. And the onus rests on the state to justify alienation of bourgeois land ownership through courts.

The nationalisation of land will allow the power of ownership to reside with the state, but possession with the different economic agents (workers, state institutions, etc). This means the occupier cannot sell the land on the market. This would be a serious form of de-commodification, not just of consumption goods such as school feeding schemes, as the GtR suggests. In fact, de-commodification of the means of production, including land, is the necessary condition for the meaningful de-commodification of labour. It is only when the separation of the direct producers from the means of production (including land) occurs that they are forced to sell their labour power as a commodity in the labour market. To avoid arbitrary state dispossession and allocation of land, the three spheres of government, including the organs of people's power such as people's local assemblies/councils, must be utilised to curb such potential abuses.

In the above-mentioned context, land in the villages should be left under the control of popular and democratic communities for common use such as farming, pasturing and water catchment; but with huge state support (extension services, credit systems, marketing etc), without turning rural people into objects of 'development' in which the state plays a central 'modernising' role. The importance of agrarian reform from below in the countryside will also set the conditions for industrialisation. In addition to state-controlled agriculture, accumulation from below will also provide raw materials and food for industry. Accumulation from below in the countryside can also serve as a source of demand for industrial inputs (pumps, tractors) and other consumer goods.

Communities through their local communes could elect ward councils to administer land use and allocation. This will encourage accumulation from below. Of course, this is still within capitalism and has

the potential to create kulaks, but this is much better than accumulation from above carried out by traditional authorities in partnership with the black bourgeoisie in alliance with white monopoly, which uses local land, labour and other resources for export production.

Undefined 'productive economy' – the economic mainstay of the radical phase

The GtR document's main concern is that the 'top-down' welfarist socio-economic programmes and narrow BEE redistribution have not been accompanied by structural change in the 'productive economy'. It would seem for the GtR the content of the second radical phase of the NDR is about building the 'productive economy'. Since the 'productive economy' is the mainstay of the second phase of the NDR, I expect the authors of the discussion document to clarify what they mean by this. Unfortunately, the document does not make clear what is meant by 'productive economy'. Sometimes it is used to refer to the 'physicality' of the commodities produced, thus implying that 'productive' consists of physical goods alone. Sometimes it conflates production and consumption; and other times the concept of 'productive economy' is counterposed with 'social economy'. In certain respects, the document invites the readers to interrogate the meaning of the concept of 'productive economy'^v. I wonder, in what ways the concept ideologically and theoretically arms activists to carry out economic struggles in different sites of the struggle.

Eclectic explanation of South African and global capital's conduct

The GtR argues that the conduct of the South African firms (Anglo, De Beers, Old Mutual and SAB Miller), which includes disinvestment since the mid-1990s has been motivated by overcoming their "peripherality"; and passing of a "vote of no confidence against our non-racial democracy". What drives capital is the profit logic. At the root of Colonialism of a Special Type (CST) stood the system of capitalism, which operates on the basis of profit logic.

It is not democracy or geographic location per se that drives the underlying conduct of capital in post-1994 South Africa. Liberal-democratic legal and political forms are actually compatible with the needs and smooth functioning of capitalism since the actual power of capital lies in its ownership of the means of production. If it is true that South African capital is disinvesting from South Africa to deal with its “peripherality”, how do we explain the growing presence of South African capital in African countries such as Mozambique, Zambia and Tanzania? Anglo-Gold, Shoprite and Absa have increased their presence in Africa. Many Afrikaner farmers have acquired huge swathes of land in Mozambique.

The GtR also argues that “global capitalist restructuring in the last three years was a response to the crises of over-accumulation, falling rates of profit and long-term stagnation”. There is some element of truth in all these factors for capital restructuring, but they are not coherently theorised. It is not clear in GtR which of the three – profit, accumulation or stagnation – has been the underlying driver of global capitalist restructuring. The GtR document only provides a hotch-potch theorisation of global restructuring. Capitalist over-accumulation, stagnation and falling profits are presented in an eclectic manner leaving the reader confused as to which of the three contains the underlying logic driving capital restructuring. As a result, it is difficult to distinguish theoretical categories of the surface and phenomena. The former does not capture what is the underlying logic of capitalism.

Stagnation and over-accumulation are phenomena of the falling profit rate. It is wrong for the GtR document to suggest that what drives capitalism is effective demand expressed in over-accumulation (unsold excess commodities). Capitalists are not motivated or driven by sales, but profit. Selling is meant to realize profit. Demand is effective when it is profitable. So the fundamental problem for capitalism is not over-accumulation or stagnation, but profit. Selling is a means through which profit is realized.

The GtR document tends to treat profits as statistics to illustrate

how capital has benefited since 1994. The GtR correctly observes that there has been an increase in profit. But looked at from a longer-term perspective – say from the 1960s – the profit rates have declined. Yes, from the 1970s, the post-1994 profits have increased. However, it is not true that all sections of the bourgeoisie have experienced the rise in profit rates since 1994. The automotive sector, for instance, has been experiencing a decline. If it were not for the state, which mollycoddled the manufacturers by providing endless import-export complimentary handouts, the profit rates would have significantly declined to the negative. Strangely, in some of our SACP statements, there is often a celebration of the state’s baby-sitting of capital through public finance. What is radical about providing *largesse* through a set of endless tax and customs concessions to industry?

Another eclectic theory of capitalism entailed in GtR is the idea that the existence of monopolies and oligarchies stifle capitalist competition. This is actually based on the quantitative bourgeoisie theory of capitalist competition, which assumes that competition is determined, by the quantity of companies. Flowing from this narrow conception of competition, the GtR document suggests that we should increase the power of the Competition Commission to deal with the market power of monopoly capital, as if the Commission has the power to stop the laws of motion of capital, which are based on competition for profit regardless of the number of firms in the market.

Contrary to what the GtR document suggests, competition is inherent in capitalism. It takes place without regulatory bodies such as the Competition Commission. Competition is simultaneously accompanied by both monopolisation and the dissolution monopolies. In other words, the presence of monopolies in the market does not mean competition between monopolies ceases to exist. Yes, the Competition Commission can moderate the conduct of capital, but in a very limited and insignificant way. But to think that the laws of capitalist competition can be solved through the Competition Commission is erroneous.

Ducking the property relations and embracing neo-liberalism

The GtR document's strategy is neither positioning the working class and the rural poor to win concessions from capital nor to wrestle control and ownership of the means of production. Instead it is more about agitating the state to give more concessions to capital through existing post-2009 micro-economic policies wrapped in a neo-liberal macro-economic framework. In fact, the micro-economic policies and strategies and macro-economic policy framework are no different from the strategies carried out by the '1996 class project'.

In the mid-2000s, the Mbeki administration had already packaged a whole range of micro-economic policies, including *Asgisa* (the Accelerated and Shared Growth Initiative of South Africa policy), which are being carried through by the post-2009 government as Cde Joel Netshitenzhe^{vi} has also pointed out. Arguing that the post-2009 policy programmes including the NGP, *Ipap* and NDP constitute the radical content of the second phase of the NDR borders on subjectivism: that neo-liberalism is good as long as it is carried out by 'our own'. It is bad if it is carried out by the 'class project'.

Neo-liberalism does not deny state intervention. The question is: intervention for which class? For neo-liberals, intervention is required to create conditions for increasing capitalist profits. It requires state intervention to distribute more profit and power to capital. *Ipap* and the Youth Wage Subsidy are doing exactly this, which actually reduces the fight about the outcomes of the 53rd ANC congress at Polokwane to a battle for access to state office without changing state policies. In fact, the continuation of neo-liberalism in the post-2009 state has generated many intra-ideological struggles within the left, particularly in *Cosatu*.

Part of building the 'productive economy' is to carry out industrialisation through the annual *Ipap*, according to the GtR document. Here industrialisation is presented as a techno-economic issue (providing subsidies to business and technological upgrading); and an exercise in identifying a 'value-chain' so that South Africa will become

integrated on its own terms in the 'global value chain'. I argue that industrialisation is not just a techno-economic issue as presented in the GtR: it depends rather on the social class structures and balance of class forces. It is not clear in GtR which social class agents will lead the process of industrialisation. There is no deeper class analysis of constraints, including imperialism, that block the process of industrialisation. The GtR document is not clear on which class agents will carry out this industrialisation and how, and under which balance of class forces and property relations is this possible.

Going to the root requires changing property relations. It does not lie in the regulation of capitalist conduct by the Competition Commission and Tribunal as the authors of GtR suggest. One of the defects of the 'first phase' of the NDR is the failure to transfer the ownership and control of the strategic means of production such as the mines, banks and land to the democratic state as a step towards socialisation. It is this that has set the economic roots of white capitalist power and enabled it to impose neo-liberalism and a narrow BEE willingly embraced by the post-1994 ANC state leadership, which is increasingly being embraced by the post-2009 ANC-Alliance state leadership. Going to the Root requires, among other things, fundamentally transforming entrenched property relations. The GtR document is silent on changing property relations despite the 2007 SACP resolutions that called for the strategic nationalisation of companies such as Arcelor-Mittal and Sasol to spur the process of industrialisation.

In the recent past, the struggle for the nationalisation of strategic economic production has also been complicated by narrow nationalist demands informed by the continuation of white monopoly ownership and the rising aspirant bourgeoisie which seeks land ownership and other resources for their capitalist accumulation, whilst at the same time supporting neo-liberalism. As the GtR document notes, the nationalist-petty bourgeoisie radical phase of the NDR means more narrow BEE. In this instance, the nationalist-petty bourgeoisie will also support nationalisation. At least the narrow BEE national-

ists have raised the property question in their own interests. But the SACP discussion document veers away from this question. Communists do not abandon the struggle for democracy just because other classes have their own interests in pursuing it. For this reason, at the centre of ‘the radical second phase’ of the NDR should be nationalisation of the land and other resources, as transitional radical demands towards building socialism.

Social compacts or class struggle?

In arguing against social compacts, the GtR argues that social compacts are only possible when the ‘national bourgeoisie’ out of self-interest contributes ‘...by way of high taxation and productive investment, to the patriotic effort of reconstruction and development’^{vii}. This line of argument suggests that progressive reforms are a consequence of benevolent capitalists. It is as if the reforms were given without a class struggle. Class struggles, including labour militancy, forced the capitalist states to undertake progressive reforms such as welfare states funded through progressive tax and labour market regimes. These struggles set a balance of power, which forced capital to negotiate through corporatist structures. The lesson from this is that the capacity of the working class to extract concessions from the state and capital, and generating developmental gains whilst still exploited by capital also depends on its organisational and mobilisation power. So the origins of these reforms came out of working class struggles and their ability to threaten the stability of or overthrow the capitalist social order. Shifts in the balance of class power against the working class are also accompanied by the reversal of reforms. ●

Notes

i. In a forthcoming article titled: “Post-Apartheid South Africa: Tribalism, Language and the National Question”, I elaborate in detail on how as the ANC-led movement, we have failed to address the political national democratic aspects of the NDR.

ii. I have discussed structural constrains associated with capitalist state in the article: “The capitalist nature of the post-1994 South African State”, *African Communist*, May 2013.

iii. This is also addressed in my forthcoming article: “Post-Apartheid South Africa: Tribalism, Language and the National Question”

iv. Moseneke, D. “Reflections on South African Constitutional Democracy – Transition and Transformation”, 12 November 2014, paper presented at the Mistra-Tmali-Unisa Conference.

v. *Going to the Root: A radical second phase of the National Democratic Revolution – its context, content, and our strategic tasks* p. 30

vi. See Netshitenzhe, J. “The ‘Two Delinks’ and The Poverty of Radicalism”: *African Communist*, Issue187

vii. *Going to the Root: A radical second phase of the National Democratic Revolution – its context, content, and our strategic tasks* p.32

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