SECOND QUARTER 2017 - ISSUE 65 www.instituteforafricanalternativescapetown.com

NEW AGENDA

SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY

Radical Economic Transformation in a Lopsided Economy

EMPLOYMENT EQUITY: QUOTAS OR TARGETS

What they said at Davos

ISSN 1607-2820

RSA R30 (incl VAT)
Other countries R26.31 (excl tax)

PROFESSOR JOSEPH ASIWE OF THE UNIVERSITY OF LIMPOPO, DEPARTMENT OF PLANT PRODUCTION, SOIL SCIENCE AND AGRICULTURAL ENGINEERING SHARES HIS RESEARCH DELIGHT ON COWPEA

The Crop Cowpea: a crop we must all know, produce and eat in this millennium. Cowpea [*Vigna unguiculata* (L.)], known as blackeye pea or Dinawa (in the local Sepedi language), is an important food legume crop. Cowpea is an excellent source of proteins (24-30%), minerals and antioxidants, as well as a major food security and cash crop for many smallholder farmers. It also a good source of animal fodder. Nutritionally, cowpea menus are high priority diets for all, and is often recommended for diabetic patients because it stabilizes their blood sugar, improves bowel movement and alleviates constipation problems because of its high fibre content. Furthermore, cowpea fixes atmospheric nitrogen hence, it is intercropped with cereals. It is drought tolerant and has a short life cycle (70 – 80 days). Cowpea is believed to have originated from South Africa and is well-adapted to the dry conditions in South Africa, thus making it a suitable crop for rural households. Despite all the good attributes of cowpea, its production in South Africa is limited by lack of improved high yielding and pest resistant varieties as well as poor agronomic practices. Local varieties are pest-susceptible, day length sensitive and low yielding (250-500 kg/ha). Well-articulated breeding efforts are needed to address these problems.

How can we address the afore-stated problems through breeding?

Breeding is the manipulation of genes or genetic resources for man's benefit. The first step is to evaluate the existing cowpea genetic resources to determine their economic traits or their characters. We have done this through systematic crop evaluations at different locations in Limpopo and North-West Provinces. We have also introduced improved cowpea varieties from international research organizations around the world notably, A&M University, Texas USA and International Institute of Tropical Agriculture, Nigeria. The purpose was to fast track the development of adapted varieties with good grain characteristics to meet the immediate needs of South African markets. Selections from the introduced varieties are crossed to well-adapted South African local varieties to incorporate the exotic genes (such as pest resistance, early maturity and high yielding traits) into the emerging hybrids. Available results have shown that the University of Limpopo has developed promising genotypes that are globally competitive with yield potentials of 2-3 tons/ha. Through these efforts, the University of Limpopo is also curating the best world cowpea germplasm collections in its genebank. We have acquired an ultra-modern cold storage facility for genetic resources that has the capability of maintaining viability of seeds forover 50 years.

Prof. J.A.N Asiwe

How can these varieties reach the farming communities?

One of our project activities is to train community farmers on how to produce cowpea with improved cultural practices, prepare different cowpea menus and entrepreneurial skills. Some farmers in Ga-Thaba and Bela-Bela are receiving these trainings. The training is to empower them and sustain their production in their communities. This is coupled with seed production programme to meet the seed demand by the agro-processing. The programme is also in the process of registering some of the promising varieties for a release and commercialization.

Group photo of Professors J.A.N Asiwe and Oluwatayo IB (4th& 5th from right) with some of the participating students in the cowpea research projects

Are students being trained in your breeding programme?

Some of the projects are student-based with bursaries. Two MSc students and 11 under graduated have benefited from my supervision since 2013, and currently six MSc students and 13 undergraduate students are participating in different projects in my cowpea research activities. Two of the graduates are working in Seed Company-Sakata.

Who is financing your cowpea programme?

The cowpea breeding activities is currently being financed through NRF, Water Research Commission, Pretoria, Technology Innovation Agency, A&M University, Texas, USA, University of Missouri, USA. Funds were received from these agencies for different cowpea research objectives.

What next?

My passion is to develop new cowpea germplasm which are resource use efficient, expand seed production programme to have enough seed to promote the production and utilization of cowpea in rural communities, train more farmers and students with core competence for global competeveness, as well as bringing the research activities to public domain through farmers' days, workshops and conferences.

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New Agenda is a publication of the **Institute for African Alternatives (IFAA)**

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Layout
Amazon Media

Printing
Formeset Print (Pty) Ltd

ROSA LUXEMBURG FOUNDATION
Supported by Rosa Luxemburg Foundation

New Agenda **is accredited with the Department of Higher Education and Training.**

New Agenda annual subscriptions
South Africa R150 (incl. postage)
Abroad US$55
New Agenda is sold at CNA and Exclusive Books

FIRST BIOENERGY ATLAS FOR SOUTH AFRICA

In support of efforts to increase South Africa's energy-generation capacity, the Department of Science and Technology developed a Bioenergy Atlas to use as a decision-support tool in both energy policy formulation, as well as to guide investments in bioenergy technologies.

The atlas, launched in March 2017, provides information on potential energy resources, their geographic spread, their proximity to infrastructure, and potential end users. The atlas looks at different categories of bioenergy resources like lignocellulose, organic waste and purposely cultivated feedstock.

In an effort to improve the cost competitiveness of delivering alternative energy solutions, the atlas assesses different bioenergy conversion technology pathways. This will enable researchers to prioritise investigations into cost-reduction options in technologies applicable to dominant South African feedstock.

The National Development Plan calls for adequate investment in energy infrastructure so that by 2030 South Africa will have an energy sector that promotes economic growth and development. The plan also envisages that by 2030 South Africa will have a sufficient supply of electricity and liquid fuels to ensure that economic activity and welfare are not disrupted, and that at least 95% of the population have access to grid or off-grid electricity.

The plan envisages that gas and other renewable resources such as the sun, wind and water, as viable alternatives to coal, will supply at least 20 000 MW of the additional 29 000 MW of electricity that will be needed by 2030.

The government aims to ensure that the energy supply is secure and demand is well managed, and that there is an efficient and diverse energy mix for universal access within a transformed energy sector. It will also implement policies that help South Africa adapt to climate change and mitigate its effects.

In developing the atlas, the DST held discussions with relevant institutions which included universities, government departments, science councils and Eskom before a draft framework was adopted. The framework focused on providing a holistic view of resources that might be used for bioenergy.

KwaZulu-Natal and Mpumalanga could contribute approximately 2 800 MW annually by converting lignocellulose

into electricity with an additional 1 400 MW generated using organic waste from serviced households. Lignocellulosic biomass in KwaZulu-Natal and Mpumalanga includes forestry and agricultural residues, whilein the Eastern Cape it comes mostly from invasive alien species.

With respect to biofuels, the Eastern Cape and KwaZulu-Natal could produce about 570 million litres of biofuel per annum from land used for subsistence farming and from degraded land. The energy generated from these resources could have an impact on both energy access and job creation in the targeted areas. The atlas is able to provide details of available resources at a resolution of 5 km by 5 km, thus assisting local governments with feasibility assessments for energy projects.

The proximity and ability of various kinds of energy infrastructure (decommissioned, operational and planned) to service the target markets was also evaluated. The findings indicate that most of the current energy infrastructure deployment focuses on supporting economic activity/sectors, and limited attention is given to addressing social challenges such as energy access. Additional infrastructure will be required to provide more rural communities with electricity.

There is good infrastructure cover in areas where biomass production is high and most biomass potential is within the reach of existing and planned energy or agricultural infrastructure. However, some biomass resources in rural areas will require new infrastructure, particularly in the Eastern Cape, KwaZulu-Natal and Limpopo.

The Eastern Cape has the potential to contribute approximately 500 MW of additional electricity-generation capacity and approximately 150 million litres of biofuels.The province of KwaZulu-Natal could contribute about 600 MW of additional electricity and 200 million litres of biodiesel capacity, and Limpopo could contribute approximately 100 MW from Polokwane.

The atlas projections regarding the number of people in low-income groups that could benefit from access to modern energy services is 125 000 in the Eastern Cape, 365 000 in KwaZulu-Natal, 268 000 in Limpopo, and 106 000 in the North West.

In addition, the people who might benefit from job creation in the biomass cultivation or harvesting sectors could be as many as 60 000 in the Eastern Cape, 35 000 in KwaZulu-Natal, and 30 000 in Limpopo. However, these jobs are seasonal and, in the case of invasive species eradication, will be for a period of two to five years only.

The estimates for manufacturing and processing jobs that could result in major rural areas are approximately 2 000 in the Eastern Cape, 700 in KwaZulu-Natal, and 300 in Limpopo.

The atlas provides a comparative analysis of different conversion processes in terms of efficiency and viability. It uses models to forecast estimated yields or production, determine feedstock properties (including calorific values), and the full value chain impact of bioenergy resources.

The DST will share the Bioenergy Atlas with the rest of government, particularly the Department of Energy and the Department of Cooperative Governance and Traditional Affairs, to ensure that the atlas influences energy planning in all spheres of government. The atlas can be used to enhance decision making around key programmes such as the Working for Energy programme, the National Biogas Platform and the Rural Electrification Programme, which deploy energy technologies to deal with the triple challenge of unemployment, inequality and poverty.

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Contents

Issue 65

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TRIBUTE TO AHMED KATHRADA

Ahmed Kathrada (Source: http://www.wfuv.org)

By ***Ben Turok***

Whenever I think of Ahmed Kathrada I cannot avoid recalling the stormy 1950s when the ANC became a mass movement. His personality, of fearlessness and public spiritedness, was so much part of the mood of the times- of the Defiance Campaign, the Congress of the People, Freedom Charter, Treason Trial, Sophiatown removals and so many more mass campaigns.

Unfortunately his activities were brought to halt a by the Rivonia Trial when he and others were sentenced to life. Thus began many years of campaigning here and internationally for their release which was ignored for so long by the apartheid government.

It was a strange period in which Mandela and his comrades had to endure immense deprivation and overt humiliation. Yet it was the very manner in which they endured their punishment that released waves of solidarity around the world.

Prison was no place for opposition to authority and yet retaining personal dignity and insisting on the basic rights of all prisoners are necessary.

It was in this environment that Kathrada developed a new maturity and depth of thought. His letters reveal an inner calm, a contemplative trait which was so evident on his release. For some years he chose to stay in the background supporting Mandela as he prepared to take on national leadership and then as President. I met Kathy on several occasions and he seemed quite fulfilled in that role. No one anticipated the kind of profound address he delivered at the Mandela funeral. It was as if he had found new strength and a new mission.

In the last few years of his life of extraordinary sacrifice he found it necessary to speak out against wrongdoing at the highest levels of the state. We shall cherish those remarks forever as the moral high ground by a man who had seen the depths of humanity.

May we all rise to play our part in rebuilding that moral high ground. NA

SOUTH AFRICA'S LOPSIDED ECONOMY

By **Ben Turok**

The author is an economist, former ANC member of parliament and the editor of New Agenda

Ben Turok

State capture may have dominated the headlines this past year but the legacy of an unequal society with an in coherent economic policy and a toxic brand of patronage are far more serious problems that plague our country.

> *"The share of South Africa's wealth owned by the top 1% of earners has doubled since the late 1970s"* (World Wealth and Income Database created by Thomas Piketty and Emmanuel Saez)

South Africa is a country of so many contrasts that it is perfectly possible to create a convincing portrait of success and prosperity since the transition.

> **"A major factor in the continuing distortions in our system is the inadequate performance of the state, including the limited power of the state**

Unfortunately it is equally possible to create a negative portrait of a country in trouble. This paper leans in the latter direction since it is necessary to try to explain the deep sense of despondency that seems to have overtaken so many of our people. This is not to dismiss some of the material improvements achieved such as in housing, water, electricity provision for the poor, which have been provided for those sections of the population previously denied, but we do need to focus on understanding our present crisis of political turmoil, economic stagnation and social unrest.

The 101 stalwarts grouping has focused on ensuring a cleansing of the prominent ANC structures to overcome the failings within the organization which have become intolerable. This process must go beyond moral exhortations and should deal specifically with what has gone wrong and how it can be corrected.

Furthermore, it cannot be confined to governance issues since there are fundamental problems in South Africa's political economy deserving attention. Not only is our economy highly unequal, but it is structurally distorted with strong and successful sectors side by side with deeply underdeveloped and developed sectors. This demands urgent attention.

It is often argued that a major factor in the continuing distortions in our system is the inadequate performance of the state, including the limited power of the state. The discussion about state capture has necessarily been focused on specific business interests. However, there is a need to broaden the scope to include the role of capital generally. (see Zalk 2016 in New Agenda no 64)

State capture is not simply about enrichment of corrupt individuals, it is also about polluting state institutions such as SABC, SARS, Eskom, and other state owned enterprises and agencies which inhibit the proper functioning of the economy by virtue of their size and importance. These malpractices have impacted on the performance of the economy as a whole and government is now seen as being indecisive and ineffective. What is more, the distortions and injustices of the past are able to continue to plague the country unhindered, including gross enrichment of the few and devastating impoverishment of the majority.

This condition has been highlighted by The Rich List Survey published in the Sunday Times (Dec 11 2016) which showed that the top 10 own business interests worth R240 billion (R240,000,000,000) in 2016 (excluding fixed assets such as houses, farms, cars etc).

- The top 10 earners got R292 million (R292,000,000) in salaries plus R 339 million in bonuses in 2015 making a total of R631 m.
- The next 10 earners got R453 million showing that the pyramid is not that steep. This group all got over R40 m a year. (Sunday Times 11 Dec 2016)

Yet 1 million people live below the food poverty line of R445 a month. The unemployment rate is 35% (if we include those who have stopped looking for work). It reached its highest level since 2004 in September 2015 due to 500 000 matriculants and university graduates joining the labour force as well as job losses in mining, manufacturing and private household industries. (Wittles, Mail and Guradian 6 Jan 2016).

Among the poorest households only 1 in 5 have a job. Of those who are employed 47 % (6.2 Million) earn less than R3,500 a month.

These stark inequalities represent the continuing legacy of the old order and are exacerbated by a lopsided and poor performing economy. Nowadays this poor performance is attributed to the global downturn which is undoubtedly a factor, but what is concerning is that we are performing worse than other countries in the same category which indicates more intrinsic problems. South Africa's poverty rates are high compared with other countries at the same level of development.

Growth is stagnant and is lower than population growth which means that nationally we are getting poorer every year. Moreover, since the transition, the rich, especially the super-rich, have largely captured the benefits of whatever growth that has been achieved.

Our national debt is rising fast and debt repayment costs are high. Our imports cost more than export revenues so we depend on inflows of foreign capital to pay for imports.

Investment, both public and private, is insufficient for employment generation and is often directed to non-productive and non-developmental activities.

For ordinary people fees for state services have risen faster than private prices for most of the past 20 years- electricity rose 140% education 90% and water 30% above the consumer price index. (Neva Makgetla, Business Day 6 Dec 2016)

We are generally able to claim credit for building houses, providing water and electricity,etc. for the black poor and are justified to do so. But it is remarkably easy to find negative factors which have undermined the creation of a developmental state inclusive of all our people.

Clearly the ANC government has fallen short in addressing these fundamental economic problems. There seems to be no short term solutions on the way as the prospects set out by the Minister of Finance for the next period is a significant reduction in government spending which will affect all departments.

IS THEAPARTHEID LEGACY TO BLAME?

The most frequent explanation for poor economic performance offered by the ANC and the government is that we are still trying to overcome the distortions of apartheid or that we are still constrained by the compromises

> **The top 10 own business interests worth R240 billion (R240,000,000,000) in 2016**

struck in 1994. Looking back to the transition period it must be accepted that the deal with De Klerk was probably the best we could get, although some argue that these distortions were dealt with inappropriately.

But what followed post apartheid has to be seriously questioned. Neva Makgetla has described this succinctly: "the democratic state accepted the unaccountable, hierarchical and arbitrary power system entrenched under apartheid." (Business Day 25 Nov 2016). Perhaps this was because the ANC was not actually prepared to take over government, and did not have the capabilities to run such a complex machine. Furthermore the compromises imposed by the government of national unity included a continuing role of apartheid public servants in the Reserve Bank, Treasury and other branches of government.

- We acknowledge that the apartheid economy was built behind protectionist walls. But did we have to move so speedily to integrate into a competitive world economy?
- Did we have to reduce import tariffs faster than any other country in the world thereby allowing imports to undermine manufacturing before it could adjust to new challenges?
- Did we have to abandon the RDP, the route to development?
- Did we have to adopt GEAR, a self-imposed structural adjustment program with its severe financial measures? »

- Did we have to close down nursing and teacher training colleges, and run down technical colleges?
- Did we have to introduce welfarism as the key measure to alleviate poverty?
- Was there no way we could create jobs to increase demand in the economy as we were advised by many international and local economists?
- Was there really nothing we could do to undercut the system of super-exploitation of workers?
- Could we not adopt a more progressive land reform policy which did not entrench the powers of traditional leaders ?
- Some of the choices made during the transition and early years of rule were contrary to the basic policies set out in the Freedom Charter and the resolutions of the 1969 Morogoro Conference. Both these documents asserted that seizing political power without economic power did not amount to liberation. Real redistribution had to take place.

THE LOPSIDED ECONOMY

Our present condition is marked by several serious contradictory factors.

1. It is argued that we have a small tax base. But the rich list shows that the rich are creaming off massive wealth.
2. State employment is crucial for a developing economy. Yet is our public service of perhaps 2 million in all spheres of government the correct size? Is merit the primary criterion in appointments? Can we not do more to improve their performance and planning capabilities? Salaries and bonuses are generous with even councillors being paid for informal duties which were previously done voluntarily as a public service.
3. The state is a necessary enabler of development. Yet state corruption is widespread and sometimes associated with state capture of critical state owned enterprises and agencies.
4. Redistribution is needed, yet the focus of much redistributive effort has been on BEE. Deals made on the basis of BEE often involve the creation of parasitic "suitcase business people" the so-called "tenderpreneurs". Many are not involved in the productive economy with some doing import/export business which undermines local manufacturing. Moreover, the black middle class remains a small proportion of the total black population.

In short we have allowed the emergence of a system which includes corrupt crony networks syphoning off surpluses generated by the productive economy. Compounding this is the massive amounts of profits that are transferred to offshore locations by companies with multinational ownership structures. This process has gone unchecked by virtue of paralysis in the ANC thereby also allowing a powerful enclave of monopoly to continue reaping super profits as shown in the Sunday Times survey quoted above.

The traditional view in Left literature is that the role of social democratic governments, as opposed to revolutionary governments, is to maintain the existing capitalist system by managing dissent among the masses. It does so partly by exercising the power of the state to control protests but also by introducing a range of reforms to alleviate poverty and provide safety valves for political pressure. In other words the state exercises a degree of "relative autonomy" to distance itself in language and style from monopoly capital while preserving the conditions for capital to survive in a system of social democracy.

How does the ANC government compare to the traditional view in left literature on the nature of a social-democratic state? Does the continued use of terms like the National Democratic Revolution and claims that the ANC remains a liberation movement, not a conventional political party, mean that the objectives remain the political and economic emancipation of the masses? If we do not have firm answers to these questions there is no hope of an economic transformation.

CORRECTIVE ACTIONS

It is generally agreed that the essential architecture of the economy has not changed since 1994. Ownership of the principal means of production, mines, large industry and farms has remained with the previous owning class. Nationalisation has not happened, for reasons that are well understood. Perhaps the most disappointing part of the story is that the state owned enterprises have become a serious drain on the states resources and a burden on the private sector due to high administered prices instead of acting as a mechanism to lubricate the economy. SOE's have become a burden on the private sector due to high administered prices such as rail costs, electricity prices etc.

This situation leaves the government with some tough choices. Real planning with time frames should be introduced setting out immediate measures, medium term and long term goals. It is essential that we rigorously identify the blockages in our economy and the waste of resources.

1. The enormous private wealth at the top of the tree by those who built their wealth under apartheid clearly provides scope for substantial tax increases, especially through capital gains tax.
2. This revenue must be used to boost the productive sectors of the economy, particularly

manufacturing, including small enterprises. The state clearly has a major role, including state owned enterprises, but clear mechanisms have to be spelled out. This requires rigorous analysis of value chains so that only appropriate actions are taken. Suppliers of products to industry should be induced to source locally made goods, not imports.

3. A systematic review of CEO and top executive remuneration is needed. The present ratios are clearly a manifestation of obscene inequality.
4. We need to reduce the legislative impediments and burdensome costs of doing business, especially for small firms
5. We need to review policies on import tariffs and subsidies to provide better support for our producers while not ignoring the dangers of closing the economy.
6. The performance of the public service needs great improvement. Increases in salaries in the public service and political institutions should be reduced.
7. The ANC and all components of the democratic movement should introduce monitoring of corrupt practices and effective counter measures.
8. We need a massive skills development programme at all levels, particularly in vocational training. Only 1.12% of the working age population are in possession of an N (N1 to N6) qualification indicating a desperate deficit of technical skills (Philippe Berger, forthcoming publication)
9. The education system is clearly dysfunctional and not meeting the needs of the economy.The crisis in higher education needs to be resolved and the government should continue in its efforts to fund millions of students unfairly barred from university for lack of funds. Basic education needs serious attention with much better provision of all facilities.
10. We need to revisit what we mean by bottom up development and peoples participation because it is not happening. Civil society needs to be mobilised to engage in grassroots activities and local development programmes.
11. There needs to be strong efforts to increase real economic linkages with regional partners in Africa. South Africa can play a vital part in the continent's economic transformation if the right attitude and political will is developed. A Southern and Eastern Africa economic community integrated into a single market with the free flow of goods and services, capital and skilled people would do much to benefit all countries in the region.

"For ordinary people fees for state services have risen faster than private prices for most of the past 20 years

In the various documents and meetings of the 101 Stalwarts and the Umkhonto we Sizwe Council there was a universal appreciation of the serious condition of the movement and the economy. The renewal of each is dependent on the other.What is also evident from the experiences of the rest of Africa and indeed the whole world is that a country's performance depends as much on intangible factors as on concrete measures. Among the most important intangibles is a nation's morale, its sense that all is well. In South Africa there is instead an overwhelming despondency across all sectors: labour, business, universities and civil society, which makes efforts at renewal difficult.

The "disinfection" of the ANC, to use Netshitenze's phrase, is an essential element of renewal. But we also need a larger view about our whole political economy. Perhaps it is a time for a "historic compromise" to borrow from the old Italian Communist Party, whereby all our social forces, particularly government, business and labour agree on immediate measures to pull our economy out of the quagmire. Only thus can we hope to begin to rectify our inherited lopsided economy. We understand that the distance between the government and big business is substantial, and that big business may not be willing to make substantial concessions which would eat into their generous returns. But the crisis in the country requires just that and more.

Finally, in the struggle years the movement correctly identified apartheid as colonialism of a special type. This was because the colonial oppressor was internal. In general, colonialism is characterized as a system that is based on political control by an alien power, naked coercion,discrimination by race or nationality and legitimated by cultural norms, and economic exploitation.

In South Africa, since 1994, political control has passed to the ANC, coercion in the form of pass laws and colour bars have been abolished, but racial discrimination and economic exploitation still have colonialist features. Indeed, race remains salient, though class relations become increasingly prominent. We seem to now need a more appropriate characterisation of our system with an appropriate analysis to follow.

Perhaps the following will serve as a good analytical starting point. "*South Africa has a grossly unequal and unstable capitalist system with persisting colonial-type race relations under a democratic political superstructure*." NA

FINANCIALISATION AND THE FINANCIAL AND ECONOMIC CRISIS
THE CASE OF SOUTH AFRICA

By **Susan Newman**

The Author is affiliated with the University of West England, Bristol and University of the Witwatersrand and University of Johannesburg.

Susan Newman

The Nature and Form of Financialisation in South Africa is conditioned by industrial and financial developments before 1994. This is an edited abridgement from a paper produced by the Financialisation, Economy, Society and Sustainable Development (FESSUD) project, an extensive EU-funded research programme.

Over the past three decades studies on financialisation have rightly focused on the emergence of the financial sector as the new economic vortex in advanced industrial societies. Like a veritable centre of gravity, it has sucked capital investment from other sectors and re-calibrated their orbits to the point that some resemble dying stars. Financialisation marks a turning point in advanced capitalism: from a base of production to the stratosphere of speculation. It manifests the choices that owners/investors make about their preference for what to do with the profits they earn. The effects of this shift from a production economy to a casino economy are now well documented and more popularly understood, thanks to the financial crisis of 2007 – 8. What is less known are the welter of effects financialisation has had on a number of other spheres of social and economic life in emerging economies.

Financialisation is generally traced back to the 1980s when a wave of conservatism swept across some advanced industrial countries, in particular the United States and the United Kingdom. However, the ideological father of this conservatism, which became known as neoliberalism, penned his ideas in 1960 (see the article by George Monbiot in this edition). Its effect has been wide and deep across the globe, and particularly devastating for the socio-economic development of the poor in countries of both the north and south. But what are the specific effects of financialisation in an emerging industrial country like South Africa? How exactly can we assess its impact? This is an aspect of the casino economy that has only recently been given serious attention. Newman's study analyses some key financialisation indicators for South Africa across the areas of: financialisation and distribution; financialisation and consumption; financialisation and investment in the capital stock; and financialisation and the current account to aid comparison across country case studies.

> “
> **It might be argued that neoliberalism and financialised accumulation have replaced the system of apartheid as the drivers of inequality in South Africa**

While a global process, the form that financialisation has taken in South Africa and its implications on distribution and unemployment is conditioned upon the specific nature of industrialisation and economic development that extends further back in time then the era of financialisation often identified as beginning around 1980. It is the particular industrial and economic structure that was built during this period that laid the foundations for the rapid financialisation and deindustrialisation of the economy from the early 1990s.

As we will see below, financialisation of the South African economy has led to the reproduction of apartheid patterns of investment and thus the persistence of its skewed industrial structure with serious implications for employment and inequality. The period from the mid-1980s until the early 1990s saw persistently large financial surpluses as a share of GDP in the domestic economy. This led to an increase in acquisition of financial assets by non-financial corporations throughout the 1980s that fuelled the rapid expansion of, and developments in, the financial sector made possible by a series of financial sector reforms.

> **The most dramatic increase in income has been experienced by the top 10% of the population who saw an increase of 4.2 percentage points in their share of total income.**

From 1994 onwards the economy went from being a net lender to a net borrower from the rest of the world. These (largely short-term) inflows fuelled financialisation of the domestic economy and the further expansion of the financial sector.

The form that financialisation has taken in South Africa is conditioned upon the historical development of finance and industry during the period of apartheid and shaped by the macroeconomic policies of the post-liberation era. In this way, the long-run development trajectory of South Africa does not conform to one of the four dominant types: (a) debt-driven consumption boom; (b) domestic demand-led; (c) weakly export-led; or (d) export-led mercantilist). Rather, South Africa's growth trajectory is characterised by a combination of these processes that differ in relative importance at different times. Growth in the 1960s and 70s was largely driven by domestic investment and consumption. The crisis of the 1980s saw considerable divestment and an overall reduction in investment. The 1990s saw an increase in the importance of exports as a key driver of growth and the period since 2000 has seen consumption led growth driven by debt and an increasing significance in gross capital formation attached to large infrastructural investment programmes.

FINANCIALISATION AND DISTRIBUTION

Paradoxically, the period of majority rule has seen worsening inequality in the income and wealth distributions. At the top of the income distribution this is driven in part by the increased income derived from financial assets and asset inflation and the highly unequal distribution of financial assets across income groups. Unemployment is a major factor for income inequality and this has its roots in the structure of the economy and de-industrialisation associated with financialisation. Wage inequality is the main driver of inequality in South Africa. Again, its association with financialisation comes from corporate restructuring associated with financialisation, namely downsizing and outsourcing of non-key functions and increasingly precarious employment standards and high levels of informality that place downward pressures on wages for low-skilled jobs.

There have been significant changes in the composition of racial inequality in that income inequality within racial groups has become increasingly more significant than inequality between racial groups. (Leibbrant et al. 2010) It might be argued that neoliberalism and financialised accumulation have replaced the system of apartheid as the drivers of inequality in South Africa.

Income inequality, as measured by the inverted Pareto-Lorenz coefficient is higher today than for any time during National Party rule. The most dramatic increase in income has been experienced by the top 10% of the population who saw an increase of 4.2 percentage points in their share of total income between 1993 and 2008. The income share of the bottom 10% increased by 1.36 percentage points. The income share of the second to ninth deciles each saw a reduction in income share. Changes in the distribution of income and patterns of income growth mirror the distribution of financial assets held by households across the income distribution.

Moreover, the effect of financialisation on inequality has largely occurred via its effect on employment and has its roots in the industrial structure which is heavily skewed towards capital intensive industries connected to extractive industries. The wage share of GDP fluctuated around 55% from the 1940s until late 1970s. From the early 1980s a downward trend in the wage share of »

GDP can be discerned. This downward trend mirrors the upward trend in the profit share of GDP over the same period.

Non-financial corporations in South Africa have been acquiring high levels of financial assets in lieu of productive investment since the 1980s, prior to the period of financialisation, as a result of political and economic uncertainty. Since 1994, fixed investment has recovered somewhat but with no commensurate reduction in financial investment. Non-financial corporations in South Africa use banks and capital markets to increase their financial and speculative positions. Evidence presented suggests that the share-holder preference channel is relatively weak. There is an evident preference by firms for financial investments generating short- term returns.

FINANCIALISATION AND CONSUMPTION

The relationship between financialisation and consumption varies across income groups. In aggregate, consumption as a share of GDP has been relatively stable, fluctuating between 60 and 65%t. At the same time, household disposable income, as a share, has been declining dramatically. There has been increasing levels of indebtedness at all levels of income distribution. At the upper deciles of the income distribution this is related to mortgage and consumption loans. The poor have also increased their reliance on credit for consumption but this has been driven by high levels of unemployment, precarious employment relations and unstable incomes.

Consumption as a share of GDP fell throughout the apartheid period until 1980 when the trend turned positive until the early 1990s when consumption as a percentage of GDP stabilises at around 64 per cent. Between 2000 and 2007, domestic consumption was the strongest driver of growth year on year. Debt driven consumption in South Africa is concentrated in the relatively wealthy sections of society and has facilitated the increased acquisition of financial assets by some households without an associated fall in consumption.

The savings and investment behaviour of households has changed profoundly since the 1970s. Data shows

> **Since 2006, the ratio of net savings to disposable income for households has been below zero, representing dissaving**

a long-run declining trend in the aggregate propensity of households to save out of disposable income since 1960. Since 2006, the ratio of net savings to disposable income for households has been below zero, representing dissaving, which has occurred as a result of growing indebtedness (increased incurrence of financial liabilities) and not a fall in the acquisition of financial assets by households.

Households receive around 50% of total credit extended to the private sector each year. The bulk of credit received by households has been in mortgages. Mortgage lending has been increasing as a share of GDP since the early 1990s.

Consumption credit allowed households in aggregate to expand their acquisition of financial assets without forgoing current consumption. The period from 1995 to 2007 saw a fall in the share of wages to household disposable income that resulted in the growing significance of property income. The post financial crisis period has seen wages increase in importance as a source of household income..

Amongst the components of assets and debts, financial asset are the most unequally distributed. The top decile in the wealth distribution own 85& of all assets and the top 5% hold 75% (Finn, Leibbrandt & Levinsohn 2012).

Financialisation has led to changes in the savings and investment behaviour of the 25% of households at the top of the income and wealth distribution. For these households, future income and consumption have become highly integrated with capital markets as they increasingly depend upon dividend and interest payments and stock prices. This, together with the lack of access to financial assets and credit for the majority has profound implications on income and wealth inequality. (Ashman, Mohamed & Newman 2013). The project of 'financial inclusion' has also seen increasing indebtedness in the lower deciles of the income distribution.

FINANCIALISATION AND INVESTMENT IN THE CAPITAL STOCK

Because of its lack of integration with econ omic activities more broadly, expansion of the MEC-core (Minerals –Energy Complex) has occurred in relative isolation from, and at the expense of, non- MEC sectors, in particular labour intensive manufacturing of consumer goods. A major corollary of this has been an industrial structure skewed in favour of capital intensive, heavy, industries with limited labour absorption that have made up between 50 and 62 per cent of total manufacturing output since the 1970s.

MEC sectors continued to dominate in domestic value-addition until the 2000s when finance and business services took over as the largest contributor to domestic GVA. The late 1980s and the 1990s saw the rapid divestment and decline of non-MEC manufacturing sectors. Economic growth since 1994 has been driven by financial and business service sectors.

Investment in the capital stock stagnated in the 1980s as the debt crisis, the crisis of apartheid and economic sanctions culminated into a situation where domestic capital was reluctant to invest. But despite the transition to democracy in 1994, investment in the capital stock did not pick up until 2002. This increase in investment has been highly uneven in terms of its distribution across industrial sectors, and has largely been driven by state sanctioned infrastructure mega projects that include provisions for the 2010 Soccer World Cup, energy and port expansion. In 2013, the country planned to spend close to R1trillion on infrastructure (KPMG 2013). If one was to net out the infrastructure spends from fixed capital stock, we would show a picture of stagnant investment. In the section that follows, the evolution of the investment behaviour of non-financial corporations will be discussed.

Traditionally, under a 'productionist' model, firms reinvested significant portions of the surplus obtained from production to increase the capital stock and thus the productive base of the firm. The 'productionist' model saw firms as the core site of capital accumulation. By contrast, the process of financialisation, or a 'financialised' business model, sees an increase in firms' financial operations and motives. The financialised firm has a very different relationship with the financial sector, itself transformed from simple intermediary between households' savings and firms' investment into regulator of firm and household behaviour. (Froud et al. 2002) One dimension of this is the tying together of firm performance with performance of its stocks and shares on capital markets associated with the shareholder value movement.

> **Income from financial investments increased from around R750,000 million to around R1.1trillion between 2006 and 2007, and continues to increase thereafter**

Financial assets as a percentage of fixed capital stock has been increasing since the 1980s. Rather than signalling the onset of financialisation, the increase between 1980 and the early 1990s should be interpreted as the consequence of economic sanctions, tight capital controls and keeping capital within the country together with the reluctance to invest in physical investments for fear of seizure in the case of the political transition. This period also saw an increase in the share of income from financial investment.

We now look at the evolution of the retention ratio for non-financial corporations listed on the JSE. Higher retention ratios are suggestive of investment by firms which fits with rapid increases in the capital stock since the mid-2000s. We should be cautious at drawing such a conclusion, however, without a closer look at the way in which firms finance investment and the types of investment that they finance. As we have already seen, the increase in capital expenditures by firms was not accompanied by a commensurate decrease in the acquisition of financial assets. Income from financial investments increased from around R750,000 million to around R1.1trillion between 2006 and 2007, and continues to increase thereafter.

FINANCIALISATION AND THE CURRENT ACCOUNT

South Africa has been running a persistently large current account deficit since the late 1990s which has been financed by massive capital inflows attracted by high domestic interest rates. Capital account liberalisation in South Africa has resulted in capital flight and the expansion of short-term portfolio inflows that have financed short-term credit expansion by the banking sector.

The global financial crisis had the initial effect of a contraction in export value, but more importantly a sharp contraction in portfolio inflows and hence a squeeze on credit that had the immediate impact of contraction in manufacturing and wholesale and retail trade sectors. While further relaxing of capital controls saw rapid recovery in financial flows, manufacturing has not recovered. This has had the effect of shifting the distribution of employment for low and medium skilled workers towards lower paid service sectors. South Africa did not suffer the contagion effects owing to its relatively low exposure to toxic US assets and low levels of securitisation.

South Africa ran a current account surplus from 1985 until 1993. During this period there was a sustained outflow of capital seeking a safe haven from the political and economic instability and uncertainty that pervaded South Africa.

In addition to official outflows of capital, capital flight has been a constant feature in South Africa's » capital flows. Mohamed and Finnoff (2005) estimated that capital flight as percentage of GDP increased from an average of 5.4 per cent a year between 1980 and 1993 to 9.2 per cent between 1994 and 2000. Ashman et al. (2011) calculated that there was a further increase in capital flight as percentage of GDP to 12 per cent on average between 2001 and 2007. Net exports peaked in 2001, following a contraction in imports in 1999 and little growth in 2000. Since then, net exports has been in decline, becoming negative from 2004. Imports have continued to be greater than exports since 2004.

High interest rates in South Africa have attracted substantial short-term inflows as part of an increasing trend in carry-trade from advanced economies where interest rates have been low.

In addition to financing of the current account deficit, the rapid and extensive liberalisation of exchange controls have in essence regularised much of the illegal outflow of capital from the South African Economy which was estimated to be as much as 20% of GDP in 2007 (Ashman et al. 2011).

Unlike the financialised economies of the global north, the financial sector hardly took a hit. The South African economy has relatively little exposure to US toxic assets. There has been little securitisation of banking sector assets - in 2007, only 3% of mortgages were securitised.

By contrast, manufacturing took a much harder hit and has failed to recover. As already discussed above, financialisation contributed to the long-run decline in manufacturing in South Africa. Manufacturing output in the first quarter of 2009 declined by 12.8 per cent (compared with a 6.8 per cent decline in GDP overall). Other sectors that saw similar contractions included retail and wholesale trade. 484,000 workers lost their jobs in the third quarter of 2009, 150,000 of these were from manufacturing. Employment in manufacturing has not recovered since.

“In addition to official outflows of capital, capital flight has been a constant feature in South Africa’s capital flows

To summarise, the relatively low levels of securitisation and limited exposure to toxic US assets meant that contagion effects from international financial markets were few. The main transmission mechanisms have been through a contraction of export value from falling commodity prices and a contraction in portfolio inflows that led to a credit squeeze that had a disproportionately negative effect on manufacturing industries that have on the whole failed to recover. The financial sector benefited from further capital account liberalisation that financed a rapid recovery in credit extension that has led to a recovery in consumption and therefore wholesale and retail sectors. Overall aggregate performance was supported by on-going large infrastructure spend. In a sense, economic policies have dampened the crisis at the macro level but has further cemented the process of financialisation and its implications for domestic investment and inequality. NA

The complete study on Financialisation in South Africa by Susan Newman can be obtained from FESSUD: www.fessud.eu

AVERTING SOUTH AFRICA'S LOOMING FISCAL CLIFF

By Jannie Rossouw and Carina Rossouw

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This paper considers possible responses to the danger of South Africa facing a looming fiscal cliff (Rossouw, Joubert and Breytenbach, 2014; see also Meyer, 2015) owing to substantial growth in civil service remuneration expenditure and social grants since 2008. These two expenditure items currently account for some 58 per cent of annual government revenue.

The Irish Republic is an example of a country that faced the edge of the fiscal cliff after the international financial crisis of 2008, but returned from the precipice through the adoption of a combination of drastic expenditure cuts and tax increases (Watt, 2015). Between 2009 and 2014,government expenditure was reduced by approximately R19bn (Watt, 2015). This was achieved, among other things, by means of expenditure reprioritisation and pay cuts for civil servants. The remuneration of Senior Public Sector Managers was reduced by 28 per cent per annum, while the remuneration of an "average" public sector employee was reduced by 19 per cent per annum(Watt, 2015).The Irish example holds an important lesson for South Africa: a fiscal cliff must be averted before the precipice is reached.

In reprioritising expenditure, South Africa can also learn from the example of Tanzania, where President John Magufuli has implemented a series of austerity steps since being sworn in on 5 November 2015. Among others, he ordered that " ... the sum of about US$100 000 that had been set aside for a party to mark the opening of parliament should be used instead to buy hospital beds at Tanzania's main hospital, after he found patients sleeping on the floor" (Reuters Africa, 2015: [S.a.]).

South Africa faces tough choices in its quest to avert a fiscal cliff. This implies a combination of expenditure cuts and a reprioritisation of expenditure. Civil service remuneration and social grants are two major expenditure items of the South African government and therefore obvious candidates for expenditure cuts. However, as the latter is the South African government's single most effective poverty reduction strategy, it is not a preferred choice for reduced expenditure.

This leaves civil service remuneration as an obvious area for consideration. Civil service employment grew rapidly since 2008, while annual remuneration adjustments since 2008 were well above the average rate of inflation.South Africa needs a moratorium on any further growth in civil service employment. It is also necessary for the government as employer to convince civil servants and their trade unions that generous general adjustments have to be curtailed. Owing to affordability constraints, such adjustments cannot be repeated, also in view of the cost of annual notch increases of civil servants (see Breytenbach and Rossouw, 2013 on this matter).

This paper highlights easy and obvious choices in the quest to reprioritise government expenditure. The cancellation of the order for a new »

Presidential jet is an obvious choice, as it is no longer affordable. It is rumoured that the cost of this jet will amount to R4 billion (see for instance Gibson and Nhlabathi, 2015).This is only the purchase price and does not include any operational costs. In terms of reprioritisation, the cancellation of this order is quick and easy, with a substantial saving. Its cancellation will also send an important message to South Africans: that their government is indeed serious about austerity measures, as was the case when the Irish Republic and Tanzania announced their austerity measures.

Another area where the government can show that it is serious about austerity and stimulating economic activity, is in the purchase(at central and provincial government level) of vehicle fleets. These two levels of government purchase about 25 000 vehicles annually, including: passenger cars; pick-up trucks; light, medium and heavy commercial vehicles; and buses. About 25 per cent of these vehicles are imported with the balance manufactured locally (Naamsa, [S.a.]). The local automotive manufacturing sector is the largest in the South African economy and when the wider impact of the sector is taken into consideration, it contributed some 7,2 per cent to GDP in 2014 (Department of Trade and Industry, 2015, see also Automechanika, 2015:2). The average value added for all vehicles manufactured in South Africa was 35 per cent of the retail price in 2011 (Pitot, 2011). However, there are considerable exceptions to this average: The Volkswagen Polo and Volkswagen Vivo, both of which are manufactured in South Africa,have local content of 73 per cent and 72 per cent, respectively (Financial Mail, 2015:13).

The central and provincial governments annually spend some R5 billion on locally manufactured vehicles and some R3 billion on imported vehicles, measured at retail prices. This does not take into consideration any possible government discounts. If the central and provincial governments were to refrain from purchasing imported vehicles, an amount of R3 billion could be spent domestically. Even if we assume that not all this money will remain in South Africa, at least 35 per cent will be retained, given the local value-add of the industry. This will add at least R1 billion annually to domestic expenditure. Through the government expenditure multiplier, this could add some R40 billion per annum to gross domestic expenditure.

> **South Africa needs a moratorium on any further growth in civil service employment.**

It is reassuring to see that the looming danger of a fiscal cliff has received some attention at provincial government level. Unfortunately, there is as yet no sign that this is happening at central government level. In the Medium Term Budget Speech of the Western Cape Government on 20 November 2015, Dr Ivan Meyer, the Provincial Minister of Finance, stated that "(l)eading South African economists have warned that South Africa is facing a fiscal cliff if it does not change its fiscal policy" (Meyer, 2015).

With respect to making fiscal adjustments of matters within its control, central government should lead by example, rather than leave provincial governments to show the way, if we are to follow the example of Ireland. This includes a moratorium on civil service employment and reduced general adjustments for civil servants. The proposal to procure a new Presidential Jet should be shelved.

Lastly, the central and provincial governments should only procure vehicles manufactured in South Africa. This will have a positive effect on the balance of payments and stimulate domestic vehicle demand. Through the multiplier, it will increase domestic economic activity and encourage more vehicle manufacturers to invest in South Africa. NA

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A QUESTION OF QUOTAS

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A strict allocation of appointments in accordance with race and gender, which are arbitrary, capricious and display naked preference is prohibited by s 9(3) of the Constitution.

Countries with a history of racial, religious, ethnic and/or gender discrimination can expect to face the thorny issues of correcting their historically unfair employment practices when a point of transition arrives. This can be a hornet's nest for employers and legal practitioners as they try to reconcile redress with the fundamental principles of rights embodied in the constitution. In South Africa these issues reached a high point in 2016 when two superior courts ruled respectively on two cases involving disputes on the appointment of staff. The courts framed the questions of employment or promotion of previously disadvantaged persons in terms of two specific parameters: quotas and targets. The former, the court argued, is rigid and, as such, may fail to take into account the demographic conditions of a particular locality which is germane to representivity. The latter, on the other hand, is flexible and thereby allows for changes in the appointment of staff as and when necessary to achieve the goals of employment equity. The judgements are particularly relevant to government departments and other employers for whom quotas and targets have been a grey area since employment equity legislation was introduced.

2016 Has been an interesting and prominent year for the affirmation of a working democracy in South Africa. The superior courts have inspired much public confidence by reaffirming the independence and authority of the judiciary in relation to and over other arms of state. In so doing, decisions and conduct of the Legislature and the Executive have come under close scrutiny by the courts with unlawful actions effectively set aside. Through these robust court interventions, other institutions supporting and advancing democracy have become eminently prominent in the daily discourse of ordinary South Africans (such as the Office of the Public Protector[1]).

In asserting constitutionally protected rights, individuals have turned to these courts to resolve disputes. One such dispute that came to the fore was the vexing issue that permeates government policy in the context of appointments: *whether s9 of the Constitution*[2] *permits the redress of past discrimination by introducing quotas in workplace/employment policies. Or put differently, how do policies that must ensure representivity of previously disadvantaged persons do so without offending the constitutionally protected right to equality*[3]*?*

On 2 December 2016, the Supreme Court of Appeal handed down judgment in *Minister of Justice v The SA Restructuring & Insolvency Practitioners Association*[4] *(Insolvency Practitioners)*. This follows less than six months after the seminal judgment by the Constitutional Court in *Solidarity and Others v Department of Correctional Services and Others*[5].

These two judgments are particularly important because they-

1. effectively interrogate government policy pursuant to statutory enablers aimed at promoting substantive equality, in relation to s9 of the Constitution; and
2. settle the question of whether quotas are permissible in formulating policies on affirmative action.

SOLIDARITY AND OTHERS v DEPARTMENT OF CORRECTIONAL SERVICES AND OTHERS

The Department of Correctional Services (Department) refused to promote or employ individuals who did not meet its prescribed targets, based on national demographics,as provided for in the Department's Employment Equity Plan (Plan).

In terms of s21 (1) of the Employment Equity Act[6] (Act), affected employers are required to, among others, "prepare and implement an employment equity Plan which will achieve reasonable progress towards employment equity in that employer's workforce".

The 2010 Plan of the Department contained numerical targets based on national demographics to be achieved by the Department within a five year period. The Department implemented its recruitment and promotion policies which prescribed these "ideal racial and gender targets" as formulated in the Plan:

"9.3% for White males and females;
79.3% for African males and females;
8.8% for Coloured males and females;
2.5% for Indian males and females."

In 2011, the Department advertised vacant posts in the Western Cape. There were 10 applicants for these posts (five coloured women, four coloured men and one white male). Nine of the 10 were recommended for appointment but eight were not appointed due to the prescribed targets.

The unsuccessful applicants launched a challenge in the Labour Court based on unfair discrimination. The Court ruled that the Plan was non-compliant with s42[7] of the Act in that it failed to take into account both regional and national demographics.

The applicants appealed to the Labour Appeal Court (LAC) against the Labour Court's decision because it did not grant the individual applicants any relief and/or declare the Plan invalid. The LAC held that insofar as the Plan was not rigid, it was lawful. Therefore, according to the Court, the deviations permitted in the Plan which rendered the numerical targets flexible did not constitute quotas.

The LAC applied the "Barnard principle" set out by the Constitutional Court in *South African Police Service v Solidarity obo Barnard*[8] which states that an employer may refuse to appoint a candidate who falls within a category of persons that is already adequately represented at a certain occupational level. In the present case, the court had to consider whether the application of the Barnard principle is applicable to white people only and whether it can also be applied in respect of gender. It ruled that the principle is not limited to white people but rather to all candidates irrespective of race or gender.

> **". . . the policy was unconstitutional and irrational in that quotas in any form for the purpose of affirmative action are unconstitutional**

The submission that the Department's Plan be declared null and void due to its non-compliance with s42(a) was dismissed by the court because the Plan had already run its course at that stage (rendering it moot), and therefore there was no need for an order declaring its invalidity.

However, the court did confirm that 'quotas', are not permitted under the Act, reiterating the distinctions, set out in Barnard, that a quota is 'rigid' as opposed to numerical targets, which are flexible. Because the Plan made provision for deviations from the set targets, the targets could not be said to be rigid and therefore did not constitute quotas.

Most importantly, the court held that the Department acted unlawfully and in breach of its obligations under s42 of the Act insofar as it failed to consider regional demographics in assessing the levels of representation. The court confirmed that s42 (a) does not exclude national departments from its application.

MINISTER OF JUSTICE V THE SA RESTRUCTURING & INSOLVENCY PRACTITIONERS ASSOCIATION[9]

The issue of quotas once again came under scrutiny by the Supreme Court of Appeal (SCA) in the appointment of provisional liquidators by the Minister of Justice and Constitutional Development (Minister).

The Western Cape High Court, as court a quo, had ruled[10] that the new policy issued by the Minister on the appointment of provisional liquidators amounts to a quota system and is therefore unconstitutional.

The Applicants (the Minister and the Chief Master of the High Court of South Africa), had argued that the new appointment policy aims to promote the representivity of previously disadvantaged persons in the profession of Insolvency Practitioners. Implementation would have meant that 40% of appointments would be allocated to African, Coloured, Indian and Chinese females; 30% to African, Coloured, Indian and Chinese males; 20% to white females and 10% to white males.

The SCA placed reliance on the test formulated by the Constitutional Court in *Minister of Finance & Another v Van Heerden*[11]: In essence, the"defender" of a policy must show that "the measure is contemplated by s 9(2) in that it promotes the achievement of equality and is designed to protect and advance persons disadvantaged by unfair discrimination. The enquiry is threefold. The first yardstick relates to whether the measure targets persons or categories of persons who have been disadvantaged by unfair discrimination; the second is whether the measure is designed to protect or advance such persons or categories of persons; and the third requirement is whether the measure promotes the achievement of equality."

The court accepted that the policy was aimed at protecting and developing previously disadvantaged practitioners who suffered under the previous system which was skewed in favour of previously advantaged practitioners.

However, it found that the policy was unconstitutional and irrational in that quotas in any form for the purpose of affirmative action are unconstitutional. Remedial action, it states, must operate in a progressive manner so as not only to benefit those practitioners who were disadvantaged in the past but such remedial action must not trump the rights of previously advantaged practitioners. The SCA also relied on the Barnard case which ruled that remedial measures must be implemented in a way that advances the position of people who have suffered past discrimination but equally they must not unduly invade the human dignity of those affected by them. Thus the court had regard for the proposition that "when dealing with remedial measures, it is not sufficient that they may work to the benefit of the previously disadvantaged."[12]

The court held that the impugned policy embodied strict allocation of appointments in accordance with race and gender, which were"arbitrary, capricious and displayed naked preference, which is prohibited by s 9(3) of the Constitution"[13]. It stated that the policy's arbitrariness is borne out by the requirement that the Master must make appointments in accordance with a rigid quota.

On the issue of the rationality of the policy, the SCA was not convinced that there was a rational basis upon which the policy was formulated. No proper explanation regarding how the ratio in the policy was determined, and no reliable figures were presented to show the number of practitioners in each category. There was also no consideration for the nature, value or complexity of an estate, for the demographic of practitioners or for their knowledge or skills. In these circumstances the policy was not formulated,"on a rational basis properly directed at the legitimate goal of removing the effects of past discrimination and furthering the advancement of persons from previously disadvantaged groups."[14]

The concurring judgment[15] held that, given the purpose of the insolvency legislation, the actions of the Minister in determining the policy, and the actions that the Master must undertake in terms of that policy, must be in accordance with the interests of creditors.

As the policy had no regard for this purpose, and on its face does not recognize or serve the interest of creditors, it was outside the legitimate powers vested in the Minister, and in breach of the principle of legality. In any event, the court confirmed that, the implementation of race-based quotas is not a legitimate affirmative action criterion, and is in fact prohibited.

This ruling confirms that the policy, as formulated, would have deprived competent provisional liquidators with requisite expertise and experience, of their rights on the basis of race.

This case thus settles the issue: **"s15 (3) of the Employment Equity Act 55 of 1998 permits preferential treatment and numerical goals, but disallows quotas."**[16] NA

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2 Equality
  1. Everyone is equal before the law and has the right to equal protection and benefit of the law.
  2. Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken.
  3. The state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.
  4. No person may unfairly discriminate directly or indirectly against anyone on one or more grounds in terms of subs (3). National legislation must be enacted to prevent or prohibit unfair discrimination.
  5. Discrimination on one or more of the grounds listed in subs (3) is unfair unless it is established that the discrimination is fair.

3 Section 9 of the Constitution supra

4 (693/15) [2016] ZASCA

5 CCT 78/15; [2016] ZACC

6 No 55 of 1998

7 42. In determining whether a designated employer is implementing employment equity in compliance with this Act, the Director-General or any person or body applying this Act must, in addition to the factors stated in section 15, take into account all of the following:
  (a) The extent to which suitably qualified people from and amongst the different designated groups are equitably represented within each occupational category and level in that employer's workforce in relation to the-
    (i) demographic profile of the national and regional economically active population;
    (ii) pool of suitably qualified people from designated groups from which the employer may reasonably be expected to promote or appoint employees;
    (iii) economic and financial factors relevant to the sector in which the employer operates;
    (iv) present and anticipated economic and financial circumstances of the employer; and
    (v) the number of present and planned vacancies that exist in the various categories and levels, and the employer's labour turnover;
  (b) progress made in implementing employment equity by other designated employers operating under comparable circumstances and within the same sector;
  (c) reasonable efforts made by a designated employer to implement its employment equity Plan;
  (d) the extent to which the designated employer has made progress in eliminating employment barriers that adversely affect people from designated groups; and
  (e) any other prescribed factor.

8 [2014] ZACC 23

9 (693/15) [2016] ZASCA 196 (2 December 2016)

10 South African Restructuring And Insolvency Practitioners Association v Minister of Justice And Constitutional Development and Others; InRe: Concerned Insolvency Practitioners Association NPC and Others v Minister of Justice And Constitutional Development and Others (4314/2014, 17327/2014) [2015] ZAWCHC 1; [2015] 1 All SA 589 (WCC); 2015 (2) SA 430 (WCC); 2015 (4) BCLR 447 (WCC); [2015] 4 BLLR 329 (WCC)

11 [2004] ZACC 3; 2004(6) SA 121 (CC) para 137

12 Para 32

13 Para 32

14 Para 47

15 Wallis JA (Mpati P, Swain and Mathopo JJA concurring)

16 Para 32(sic)

THE INNOVATIONS IN SMALLHOLDER AGRICULTURE IN SOUTH AFRICA FOR CLIMATE CHANGE RESILIENCE (ISASAR) PROJECT

The Innovations in Smallholder Agriculture in South Africa for Climate Change Resilience (ISASAR) Project contract was concluded between the International Fund for Agricultural Development (IFAD) and the Nelson Mandela University (NMU) in May 2015 and is scheduled to close in December 2017.

This is the first IFAD supported project in South Africa. The project, which is executed through a partnership between NMU (Unit for Economic Development & Tourism), the Fort Hare Institute for Social & Economic Research (FHISER) and the University of the Western Cape (UWC) School of Governance, is an action research initiative that aims to assist emerging farmers to operate more effectively and to build their resilience to the impacts of Climate Change. It seeks to do this through investigating the challenges facing the emerging small scale and household farmers (SSHFs) and to work with them to address these. ISASAR, in line with the approach of both IFAD and the Government of South Africa, approaches the challenges facing the SSHFs in an holistic way, in the context of rural development, rather than agriculture in isolation.

The ISASAR is a pilot initiative located in the Amathole and Sarah Baartman districts of the Eastern Cape Province. The project is supported by DAFF, DEA, DST, DRDLR, the Eastern Cape DRDAR, the Cacadu Development Agency for the Sarah Baartman District Municipality and the Eastern Cape Rural Development Agency (ECRDA). In addition farmer groups, AgriSA and AgriEastern Cape have also supported the project. ISASAR has three outcomes:

1) Knowledge building on Climate Change Adaptation;
2) Mainstreaming Climate Change into agricultural and rural development research;
3) Partnerships within the agricultural sector.

Outcome 1 covers elements like management approaches and technology to build resilience and deriving key lessons related to climate change resilience within the sub-regional context. Outcome 2 explores to what extent climate change is mainstreamed in the research agendas of four tertiary institutions and how to support research that includes addressing Climate Change impacts. Outcome 3 addresses different forms of partnerships and collaboration between SSHFs themselves and between them and larger, more established commercial farmers. International experience of these forms of association including cooperatives, is combined with local experience.

Several technical papers related to these outcomes have been completed or are currently being researched. Under the knowledge building outcome, papers include: Addressing definitional issues; climate change impacts and resilience globally and locally; socio-economic forces on SSHFs; appropriate sub-sectors and niche markets for SSHFs; appropriate technologies to build Climate Change resilience; the role of migrant farmers; the situation of resettled SSHFs; communication with SSHFs; 'green' niche market opportunities for SSHFs; the challenges and enabling factors for production success on the part of decision makers at local, provincial and national level; how to release the production potential of SSHFs; and deriving and consolidating key lessons that can inform policy formulation from the papers. The forms of partnerships, their advantages and challenges have also been addressed in two papers under outcome 3. In all between 17 and 20 papers will be produced.

ISASAR supports an approach that builds climate change resilience while supporting farming approaches that limit Green House Gas emissions and are therefore positioned to take advantage of market opportunities associated with 'green' production. In this regard, biodiversity also forms an important consideration in farming approaches supported by ISASAR. ISASAR is seeking to engage with policy makers in South Africa with a view to contributing towards policy formulation aimed at realising the goal of successful rural development through inclusive rural transformation and low-impact high return sustainable development.

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MINERALS ARE NOT FOREVER
IFAA STUDY FOR THE UNITED NATIONS ECONOMIC COMMISSSION FOR AFRICA

In 2016 IFAA was commissioned to do a study on mineral value chains in South Africa and Africa. The study was done by Ben Turok (lead consultant) with chapters by Anthony Black, Michael Kahn, Chris Callaghan, Pundy Pillay and Richard Levin, supported by IFAA staff.

We reproduce parts of the final chapter since the findings, conclusions and recommendations reflect a great deal of thinking by the authors which we consider relevant to our current policy choices in South Africa, and indeed the rest of the continent.

Africa has vast natural resources, with minerals topping the list. At present most of these are mined by foreign companies with little benefit to the host country. This can be changed incrementally with step by step interventions by the host country using legislation to introduce conditionalities. Of course the host country needs to upgrade its own capabilities such as the institutional mechanisms required for facilitating mining operations.

> **The linkages between mining and manufacturing have weakened**

The policy interventions necessary for industrialisation include training, localization, procurement and many other considerations. Here political will is essential, not as a battering ram on powerful interests, but in ongoing negotiations based on the host's national interest. The potential of industrialisation and an inclusive development trajectory can be realized in every African country.

One of the paramount questions of this study is this:

Why is the South African economy performing so poorly even though the country is blessed with the world's most abundant deposits of mineral resources?

In other parts of this paper we demonstrated that South Africa has been de-industrializing for several decades. While South African manufacturers were once crucial in the production of machinery and equipment for the mining industry, these materials are now mostly imported. In addition, much of the minerals produced by the mining industry is exported rather than used in local manufacturing. The linkages between mining and manufacturing have weakened over this period, with dire consequences for the South African economy and its population. A necessary first step is to engage the stakeholders in this industry to resuscitate the interface between mining and manufacturing by stimulating and deepening it. This is crucial to the country's long-term prosperity.

Africa as a whole suffers from the constraints we outlined in the study, albeit in varying degrees. It is thus necessary to ask what the prospects are for introducing an industrialisation drive that would add value to the continent's minerals? This potential

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It is not clear why developing countries are deindustrialising so early in their growth trajectories

needs to be realized if we are to achieve the inclusive growth necessary to lift millions out of poverty and achieve the goals of Africa's liberation movements. This study has been an effort towards this objective.

In summary, we have found three major constraints to achieving rapid industrialisation in South Africa. Similar constraints are found across the continent.

First, the South African state is uncoordinated both on substantive programs and on practical issues. Interdepartmental collaboration and unity of outlook and action are sorely lacking. This is a major hindrance to the country's efforts to industrialise.

Second, the relationship between the private sector and the state in South Africa is fraught with distrust and animosity. Much of this has to do with the private sector's reluctance to accept developmental goals, but it also stems from the state's internal struggles as identified in the study. This will need to be addressed and resolved if there is to be progress on industrialisation. There has to be an acceptance by the main players that South Africa has a mixed economy.

Third, and related to the above, the mining sector specifically seems unwilling to accept the need to deepen its domestic linkages, arguing instead that it should not be required to alter its business practices to serve other interests. The Chamber of Mines, for example, has expressed reservations about downstream beneficiation in particular and has a sophisticated intellectual cover for this view. These will need to be aired and critiqued if common ground with the state is to be found. This will of course need to be supplemented by resolving the two previous issues cited earlier.

CAN BENEFICIATION PLAY A ROLE IN AFRICA'S INDUSTRIALISATION?

While he was President, Thabo Mbeki invited a team of Harvard economists led by Ricardo Hausmann and Dani Rodrik for an extended visit during which they had unparalleled access to Ministers and officials in the economic cluster. The team produced 22 research papers which advised against pursuing beneficiation. A press statement by National Treasury on the proposals of the Harvard Panel said quite emphatically: “Beneficiation should not be used as a basis for selective intervention and industrial promotion.” (National Treasury, 2008)

This position is in line with the general view of a number of conservative and (often) Western economists that the comparative advantage which developing countries possess in terms of their mineral endowment does not necessarily translate into a competitive advantage through industrialisation.

Indeed, more recently Rodrik has argued that industrialisation may not be possible for developing countries in the near future. He states that all developed economies have gone through a cycle of industrialisation followed by deindustrialisation and he gives data of percentages of the workforce employed by manufacturing to show that in the early stages these percentages grew significantly but then tailed off as de-industrialisation set in. He writes:

“Only a few developing countries, typically in East Asia, have been able to emulate this pattern. Thanks to export markets, South Korea industrialised exceptionally rapidly. With manufacturing's share of employment rising from low single figure digits in the 1950s to a high of 28% in 1989 (it has since fallen by ten percentage points). South Korea underwent in three decades a transformation that took a century or longer in the early industrialisers.

> “But the developing world's pattern of industrialisation has been different. Not only has the pattern been slow, but deindustrialisation has begun to set in much sooner.”

Rodrik goes on to examine the Brazilian and Indian cases which both experienced industrialisation growth but where manufacturing employment peaked at a meagre 13% in 2002 and has since trended down. The same is true for East Asian countries and China, whose shares of manufacturing employment and per capita incomes are declining and remain relatively low compared to the developed countries.

In order to explain this Rodrik continues:

> “It is not clear why developing countries are deindustrialising so early in their growth trajectories. One obvious culprit may be globalisation and economic openness. But global competitiveness cannot be the main story.”

Rodrik concedes that this does not bode well economically or socially:

> “The economic, social and political consequences of premature industrialisation have yet to be analysed in full. On the economic front, it is clear that early deindustrialisation impedes growth and delays convergence with the advanced economies...The social and political consequences...

could be momentous…today's developing countries will have to travel different, as yet unknown, and possibly bumpier paths to democracy and good governance." (Rodrik, 2013)

In a major study on industrial policy Arkebe Oqubay, Minister of Trade and Industry in Ethiopia agrees that deindustrialisation has been a feature of Sub Saharan Africa, including South Africa. However, unlike Rodrik he rejects the view that this is inescapable (Oqubay, 2015). He agrees that globalization has contributed to deindustrialization but notes that this was as a result of certain policy choices. He writes:

"…mainstream economic theories emphasise that there is no case for active industrial policies and that free markets and trade are superior to interventionism in terms of economic growth." (Okubay, 2015)…"Industrial policy can be effective in Africa, notwithstanding the conventional wisdom among development agencies, economists and IFI s" (Okubay, 2015).

He is also critical of "advice from development economists and aid organisations that interventions should be tailored to current "capacity." (Okubay, 2015).

Okubay's view is

"…active industrial policies and an activist state go hand in hand, and that an active industrial policy must essentially focus on manufacturing and exports (because of the dynamics of increasing returns, learning by doing, spill-over and linkages)" (Okubay, 2015)

He argues that the strategic orientation to exports and accumulation of technological capabilities are essential as are the productive use of rents through reciprocal control and mechanisms. (Okubay, 2015). However, in some sectors, e.g. cement, the domestic market is the primary driver of performance (Okubay, 2015). In others, attracting foreign firms that are key players in global value chains is important (Okubay, 2015). This perspective is in accordance with the findings of this study.

In the same paper cited above Okubay notes that successful industrialisation will require the emergence in each African country of a developmental state that is "based on development projects that have the potential to organize society around its vision, and the autonomy to insulate itself against the narrow interests of specific actors and to secure the support of all social forces (Okubay, 2015).

The evidence gathered in this study also suggests that Africa will not industrialise through market forces operating in the mineral value chain alone. If Africa is serious about industrialisation governments will have to take deliberate measures to move in that direction. This requires political will and determination and the introduction of effective governance systems that will deliver different outcomes from the present. It will require new relationships with capital, domestic and foreign. It will have to find a delicate balance between firm government and participatory democracy. It will have to have confidence in its own policy making capabilities and treat external influences with caution.

Yet the foundation of the country's real economy - mining, manufacturing and agriculture - is experiencing zero growth. The message of this chapter, and indeed this study as a whole, is that while excellent policy documents are essential, and good institutions are vital, what matters ultimately is the outcome of all these efforts. Has it led to higher growth through increased value addition with the consequent benefits shared proportionally throughout the society?

The evidence indicates that although South Africa has developed a great deal of policy on how to benefit from mineral value chains the outcomes have not been proportional to expectations. Yet outcomes are the only true measure of success.

Across Africa there are debates about how to leapfrog out of underdevelopment. Though this study has focused on the mineral value chain, there are also champions of agriculture and of manufacturing. It may be mistaken to focus on any one sector in isolation, and examine instead a whole value chain which may include agriculture and manufacture, from its beginning to the final market. Such an approach has also been included in this study which at times seeks to identify the whole process in the mineral value chain from exploration to the creation and sale of final products. Intervention by the host country can then be assessed according to available and potential capabilities anywhere along that value chain.

This study opened with the problematic of "intangibles" that are critical for successful development of mineral value chains. Peter Evans puts it this way:

"The question is whether there are plausible paths for the emergence of states with the institutional capacity and political character that will enable them to play the role required for development success… only aggressive and efficient entrepreneurial engagement by public institutions can deliver what is needed…. The most obvious starting point .. is ramping up the effective delivery of capability-expanding services" (Evans quoted in Williams 2014)

In this and other essays by Evans and the eminent theorist Amartya Sen emphasis is made on the development on human capabilities including public participation in decision-making in a new state-society relationship which will "generate new skills, knowledge and ideas and the networks needed to diffuse and take advantage of them" (Okubay, 2015). Whether the emphasis is on individual capabilities or on systemic capabilities, it is evident that rapid increase of capabilities is the responsibility primarily of the state and a priority of developmental states in partnership with the private sector. "States that manage to move in the direction of capability expansion will be rewarded with more productive and dynamic economies" (Okubay, 2015)

This chapter concludes with the following set of recommendations, starting with the South African case before moving to the continent at large.

SOUTH AFRICA

1. South Africa needs a Minister of Industrial Development responsible for mining and manufacture. This Minister should have senior status in the Cabinet, equal to the Minister of Finance, with whom the Minister should have specified coordination functions.
2. The Minister should be responsible for annual, three and five year plans and the Director General should operate as a leader for the economic cluster of Ministers and Directors General which should meet regularly to oversee implementation.
3. A special structure is needed to involve state-owned entities, mining and manufacturing companies, labour, and experts, with obligations to make inputs to the plans and report on outcomes in their specific areas.
4. The slide to de-industrialisation can be reversed by state support to critical industries, including light manufacturing which has large employment creating potential expanding domestic demand for goods and services.
5. The state must use its licencing power to impose conditionalities requiring a degree of localisation and local procurement
6. State interventions should focus on production more than consumption, on promoting industry rather than services.
7. Measures need to be taken to counter import parity pricing, high costs for energy and other state provided services.
8. Management and professionals costs need to kept within a reasonable ratio to other salaries.
9. The inherent comparative advantage of mineral wealth should be used to build national physical infrastructure and manufacturing capabilities.
10. The increased supply of energy is critical.
11. Trade inhibitors with the rest of Africa should be discouraged and deeper regional integration needs to be pursued as a basis for industrialisation in South African and across the continent.

> **Africa will not industrialise through market forces operating in the mineral value chain alone**

AFRICA

1. Conduct studies and surveys of existing value chains for each mineral
2. Undertake surveys of skills and capabilities and suggest programs for upskilling in appropriate fields
3. On the basis of the above, take steps to intervene at the appropriate level in order to establish a foothold for local participation in each value chain. Where multinational companies are brought in as lead firms, they must be required to make provision for local participation and procurement. MNC's should also be encouraged to engage in skills transfer.
4. Establish a formal structure for implementation, preferably a senior Ministry on Mineral Value Chains with special powers of coordination. This Ministry should be charged with:
   a. Produce one year, five year and ten year implementation plans;
   b. Create mechanisms for regulating multinational corporations, reviewing licensing procedures, taxation and other conditionalities such as local procurement and localization of value addition in whole or in part;
   c. Establish agencies for monitoring and evaluating the human and environmental impact of mining on communities and prescribing remedies.
   d. Establish an oversight agency for effective governance as a whole. This must include emphasis on intra-governmental coordination, mechanisms to counter rent-seeking, and means to foster a socially optimal relationship between the state and private sector.
   e. Explore possibilities of domestic industrialization through deeper regional integration across the continent. UNECA should evaluate obstacles and prospects for this.
   f. UNECA should create a special agency/department for reporting on the above. NA

Nervousness in Davos

An interview with Dr Rob Davies, Minister of Trade and Industry

Ben Turok spoke to Dr. Davies who attended the World Economic Forum in Davos, Switzerland in January 2017 as part of the South African delegation.

Rob Davies

BEN TUROK: Did anything particularly interesting come out of the recent World Economic Forum meeting in Davos? Quite a big delegation from South Africa attended.

ROB DAVIES: The World Economic Forum is a big gathering of the business and economic establishments of the world and there were many, many things going on, but there is never anything you could call a conclusion at these meetings. However, there were a number of rather important matters that arose. Firstly, there was a lot of talk about major technological developments, known by some as the 4th Industrial Revolution, and the likely outcomes. Secondly, there was considerable angst about the backlash against the global order established in the 1990s.

BT: I read a statement by Dr Schwab (founder and CEO of the WTF) setting out some questions about global capitalism. Did this feature at the meeting?

RD: Some of the debates I got involved in concerned technological changes such as the acceleration of digitization. The movement to 5G is imminent and will enlarge the volume and scope of data transfers and the advance of artificial intelligence linked to robotics which is moving fast. The introduction of these technologies will have a major impact on labour absorption. E-commerce will lead to a shift away from physical shops. The outcome is what some people call winner takes all markets. The innovators and leaders of these technologies will reap huge rewards but other people will be negatively affected.

BT: In fact Dr Schwab was talking about the challenges to the existence of capitalism which the technological revolution represents.

RD: It will bring very substantial changes to the social base. Firstly there could be millions of job losses worldwide but also the acceleration of inequality. Every year at the time of the WEF, Oxfam presents their study which shows how many people own as much wealth as the poorest half of the world and the number of owners shrinks each year. This is the picture we're getting. While everyone says there needs to be inclusive growth, the talk about technology is both disruptive and revolutionary. This is the contradiction. A person from the U.S. said that in the past you would expect that the next generation to have to absorb a technology that was significantly different to the previous one. Now people will have to absorb four to five different technologies in their working lives. With the new technology there is the potential to reduce working hours across the board. This could be the beginning of huge change.

There is a little discussion on income which suggested that something like a basic income grant would mean your income and consumption were not totally destroyed if you lost your job. This is one of the big social questions that cannot be solved at country level, only at a global level. If done at the country level, the first comer will lose » out competitively, especially if it is not one of the strongest economies in the world.

A further point is that a number of these technologies are likely to produce what they call "reshoring", that is bringing production closer to where consumers are. This could improve the chances of industrialisation in developing countries. Here in South Africa, we need to industrialise and increase jobs but manufacturing has had a patchy performance and does not have the traction it needs. Production output always exceeds job growth. Not just in South Africa, but around the world. If you go to factories in South Africa, as I do quite often, you will see that the number of people doing heavy lifting, wearing overalls, is declining whereas the number of people wearing white coats and pressing buttons is increasing. The good news it that our people, young people, women as well as men, are quite capable of leading these production systems. The challenge is that all of these people have got some kind of engineering ICT qualification.

BT: What was the reaction of African delegates to all this?

RD: Some countries are trying to innovate and adopt new technologies, Rwanda and Kenya, for example. Mauritius is setting themselves up as a major place for block chain technology. We have some of these technologies being adopted in South Africa but these are largely other people' technologies with a little bit of adaptation and driven largely by developments in the United States. We need to look at new technologies with a view to the niches we can occupy, the benefits we can gain by job creation and at how to minimize the negative impacts.

Some people say that these changes will come in a major way by the mid-2020s way and they will be disruptive.

"

. . . what we need to do is pursue developmental integration across the continent.

Others say: "we want to be disrupted, come and disrupt us, make us more competitive based on the introduction of all these technologies."Leading companies, many of them in the United States, are going to benefit from the major reindustrialization effort. They will be the global leaders once again, technologically speaking.

BT: Where does China's President Xi fit into all this? He came to the WEF meeting, according to reports, as the arbiter of globalisation, isn't that a strange contradiction?

RD: This is where the political backlash comes in. At trade ministers' meetings people have been gravely concerned because of the political backlash against globalization, regionalism and free trade, against what is called the Washington Consensus or neo-liberalism. It takes different forms in different parts of the world. In the developed world, for example, the IMF has pointed out that in the United States from the 1970s to the late 1990s, if you were in the middle class, which includes the better off parts of the working class, your expectation was that your sons and daughters would be better off than you were. That is the American dream. However, from the 1990s onwards, the opposite has been the case: less security, less chance to educate yourself out of it, borrowing money, taking two or three jobs. The jobs that were created were ICT technicians and burger flippers but not much in between. The backlash says: the past was better than the present, let's go back to the past, hence Trump, hence Brexit. On free trade there is the likelihood of some form of protectionism. It is no accident that Trump has highlighted China as the main adversary. China is the most competitive country, producing imports into the United States. The Chinese are gravely concerned that they will be at the receiving end of trade policy which will reduce their access. So President Xi comes in as a defender of open trade.

BT: Having emerged from protectionism. How did he go down politically?

RD: Very well among many of the people at the WTO meeting. This was a surprise.

BT: Did he replace the United States in terms of prominence?

RD: Well his was the first speech by a Chinese leader at Davos and he articulated what many people wanted. But the Davos meeting was before the election of Trump and the change of administration in the US. What happened subsequently, like the cancelation of the TPP was not evident at that point. President Xi spoke in favour of the globalised world and this is the discourse I sometimes have with the Chinese. I say, we are not where you are and we need to learn some of the lessons from what you did and how you got there.

A high degree of nervousness was evident in the trade policy community about what will happen under the new US administration. In my estimation it signals a shift away from free trade to mercantilism: what is good for me is what counts and you accommodate it or there will be consequences. They probably see the World Trade Organisation as creating barriers to their own trade remedies. The immediate targets of the US are evidently Mexico » and China, where they are looking for American industries that have relocated and trying them to come back and at goods coming from China. Already, in the WTO in Nairobi in 2015, a number of countries were no longer willing to pledge allegiance to the Doha round although the majority still think that the principles are valid.

BT: What does this do to your hopes of BEE based on relatively small industry and for industries in the rest of Africa? What impact will this have on your hopes of industrialisation and black empowerment?

RD: Africa has got to continue to pursue industrialisation. Empowerment is part of it. By empowerment we mean not shares in someone's company but actually real opportunities to be real players, real leaders in productive enterprises, black industrialists. Already things are more difficult in manufacturing. We have less jobs than we used to, even when we are doing well, and nobody is investing. I think the conclusion is that we need to pick out and target support for those sectors that are most labour-absorbing: agriculture, the agri-processing value chain, clothing and textiles and component manufacture. We need to deepen the level of industrialisation around components with small businesses coming in. We have to move forward and create policy space for ourselves as Africans against demands and pressures that will come from the world outside. I don't think that a world multilateral trading system will make a huge difference. It is not that we are going to advance our positions; it is to make sure that those processes don't complicate what we need to do. And what we need to do is pursue developmental integration across the continent. We have an informal group which is called KENSA, Kenya, Egypt, Nigeria and South Africa and we have been meeting and trying to coordinate our positions and to do things that will advance the agenda.

BT: Is this public?

RD: We have agreed that we will accelerate the work of the tariff schedule negotiations between SARCU and the East African Community. We have a framework agreement that we trumpet with a lot of fanfare and it is an important step forward. But the tariff schedules have not yet been concluded. If we start to crack a few of them like the East African Community and SARCU (Egypt is not far behind) this would make quite a difference. We've been talking with Nigeria about an Auto Agreement. At the same time we have to defend the integrity of this process against intrusions from the outside. We have to be very careful that, if markets from the United States or the European Union are to be less open, we don't become the place where all those final products end up. If we don't do this we will remain as we are producers and exporters of primary products.

> **A high degree of nervousness was evident in the trade policy community about what will happen under the new US administration.**

BT: Will tariffs help industrialisation? You have always argued that tariffs are a weak instrument? What about infrastructure?

RD: The main barrier to inter-regional trade (which is quite low in Africa, 12-14% at most) is not tariffs. It is more often productive capacity in hard and soft infrastructure. This is what development integration is about. In SADC we have to ensure we have a decent product. A special summit is planned in March this year where we are supposed to adopt the Regional Industrialisation Framework. Regional integration will allow for regional value chains. Already as the Department of Trade and Industry (dti), Africa is our critical market for value added products but we will not be putting finished products into the rest of Africa. As the continent industrialises, we will move into trade and intermediate products. We already have an institution called Invest and Trade Africa looking at investment led trade. If, for example, South Africa is designated for railway manufacture, there will be some components manufactured in other countries. We won't just put ready made railway locomotives on the boat and send them off.

BT: Presumably there will be capability in the host countries?

RD: Yes, regional value chains and opportunities will need to be identified and executed. This will be the case in Nigerian automotive project. South Africa can support them at least in developing their programme so that we get some advantage for kits manufactured in South Africa and assembled there. This comes with taking some of their products. Those are the kinds of agreements we want to put in place.

BT: As you know, we at IFAA are doing some research for TIPS and have been asked by the DBSA to do some work on continental infrastructure.

RD: That is extremely important. It is clear from the PICC that the » existing infrastructure programme saved South Africa from going into recession last year. Infrastructure is a driver of industrialisation and needs to become such on the continent. Continental industrialisation efforts are critical.

BT: Can you say something about the impact of this on BEE.

RD: For some years we have been saying that we need to accelerate BEE and address the concentration of ownership in the South African economy which offers too few opportunities to new companies and new entrants. What has passed as BEE has often only been a share transaction deal. New Legislation in 2013 put in place a BEE commissioner following up complaints. Many concern deals with conditions in small print that mean you don't even get any dividends. Even if you do get your dividends, you are not represented on the Board and you do not learn what business is all about. If you are in the leadership of a company you are likely to be in public relations. If you have a BEE company it's probably dealing with the financial flows around share deals. Too few newcomers are becoming involved in the real economy. We need to become much more assertive about this. Small enterprises have not grown as they should have. The 2013 BEE legislation no longer says organs of state must implement the codes "as far as is reasonably possible". Now BEE has become an imperative. In the dti, we say if you want a manufacturing competitive enhancement programme incentive, you need to hit BEE level 4. You need to address ownership but also supplier development and skills development. We need to do this on a much larger scale than we have. The dti's Black Industrialist Programme has 27 owners doing serious, quality manufacturing. The criterion is quite tight.

BT: Are these manufacturers owners?

RD: Yes, and another 50 are supported by the IDC. But we need to scale this up. It comes back to what we call radical economic transformation. It is about changing the productive base of the economy and creating a more inclusive economy.

BT: The media don't understand what you are doing. They write about the programme of black industrialists in a very negative way, giving the impression that it is some sort of subsidised hand-out to black people. Many people are getting the wrong impression.

RD: Yes they are. We should be pointing out that there are a lot of tax incentives going into white owned companies in South Africa. And a lot of incentives that go to multinationals.

BT: Are these incentives from DTI?

RD: Yes.Black industrialists are not getting something that others do not already have access to. In the course of this year we want to visit a few black owned companies and show case them. We did go to Gastro last year where we launched IPAP. It is a company which was taken over by a black industrialist who took some of our money and IDC money and has renovated the smelting facility and is making castings for railway locomotive wheels, also wagon wheels. Another gentleman is making filled syringes which is technologically advanced. The criteria for dti funding are quite tight. Someone who is a passive shareholder in a manufacturing company would not qualify. You actually have to be leading the company and as the phrase goes have 'skin in the game' i.e. be taking personal risk.

BT: Ivan was telling me about an NGO that is doing research on business in townships and he says that what is going on is a massive disincentive and discouragement of any small enterprise. If a black business man makes a bit of cash, he doesn't invest in his own business; he sends it out because he doesn't want to concentrate. Are dti and Lindiwe Zulu aware of this?

> **"Africa is our critical market for value added products but we will not be putting finished products into the rest of Africa**

RD: I think they are.

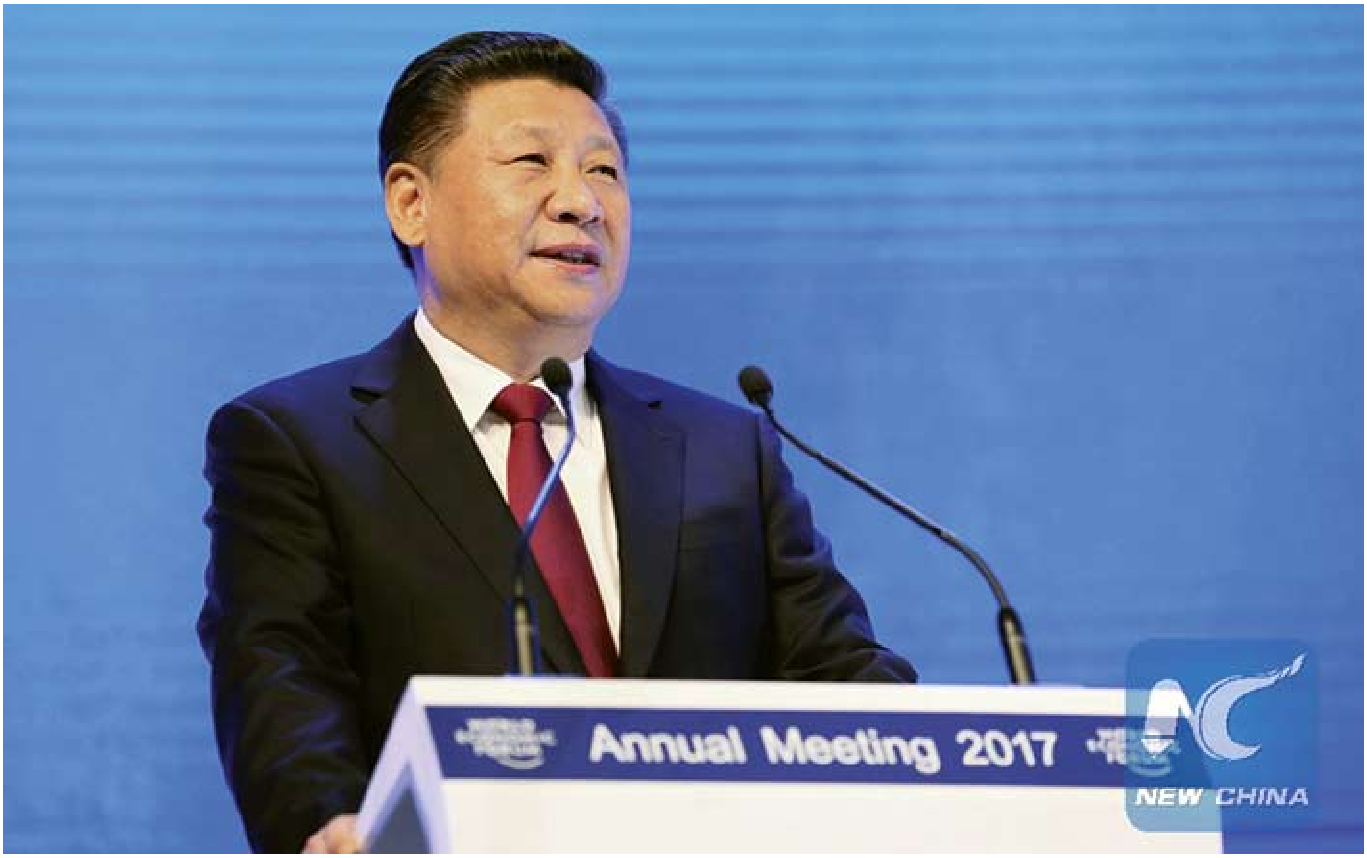
BT: This means the foundation is not growing.

RD: Exactly, they have taken over the Informal Business Upliftment Strategy which starts off with infrastructure and eventually moves towards supporting enterprises but does not demand that they are formalised and registered but that they are in the process of getting there. The research shows that 70% of informal businesses in townships are in trade but there were a number of others, backyard mechanics and people like that. It is clear that a lot more is needed.

BT: Are they being regulated?

RD: One of the objectives is to reduce the regulatory red tape but also to increase the opportunities in terms of access to markets and finance. I think those three objectives will probably receive priority attention in the State of the Nation Address. NA

CHINA COMES TO DAVOS



President Xi Jinping

Davos 2017 saw the President Xi Jinping of China became the first Chinese President to address the WEF.

I'm delighted to come to beautiful Davos. Though just a small town in the Alps, Davos is an important window for taking the pulse of the global economy. People from around the world come here to exchange ideas and insights, which broaden their vision. This makes the WEF annual meeting a cost-effective brainstorming event, which I would call "Schwab economics".

Today, we live in a world of contradictions. On the one hand, with growing material wealth and advances in science and technology, human civilization has developed as never before. On the other hand, frequent regional conflicts, global challenges like terrorism and refugees, as well as poverty, unemployment and widening income gap have all added to the uncertainties of the world.

Many people feel bewildered and wonder: What has gone wrong with the world?

To answer this question, one must first track the source of the problem. Some blame economic globalization for the chaos in the world. The international community finds itself in a heated debate on economic globalization.

Today, I wish to address the global economy in the context of economic globalization.

The point I want to make is that many of the problems troubling the world are not caused by economic globalization. For instance, the refugee waves from the Middle East and North Africa in recent years have become a global concern. The international financial crisis is another example. It is not an inevitable outcome of economic globalization; rather, it is the consequence of the excessive pursuit of profit by financial capital and grave failure of financial regulation. Just blaming economic globalization for the world's problems is inconsistent with reality, and it will not help solve the problems.

From the historical perspective, economic globalization resulted from growing social productivity, and is a natural outcome of scientific and technological progress, not something created by any individuals or any countries. Economic globalization has powered global growth and facilitated movement of goods and capital, advances in science, technology and civilization, and interactions among peoples.

But we should also recognize that economic globalization is a double-edged sword. When the global economy is under downward pressure, it is hard to make the cake of global economy bigger. It may even shrink, which will strain the relations between growth and distribution, between capital and labor, and between efficiency and equity. Both developed and developing countries have felt the punch. Voices against globalization have laid bare pitfalls in the process of economic globalization that we need to take seriously.

It is true that economic globalization has created new problems, but this is no justification to write economic globalization off completely. Rather, we should adapt to and guide economic globalization, cushion its negative impact, and deliver its benefits to all countries and all nations.

There was a time when China also had doubts about economic globalization, and was not sure whether it should join the World Trade Organization. But we came to the conclusion that integration into the global economy is a historical trend. To grow its economy, China must have the courage to swim in the vast ocean of the global market. If one is always afraid of bracing the storm and exploring the new world, he will sooner or later get drowned in the ocean. Therefore, China took a brave step to embrace the global market. We have had our fair share of choking in the water and encountered whirlpools and choppy waves, but we have learned how to swim in this process. It has proved to be a right strategic choice.

At the APEC Economic Leaders' Meeting in late 2016, I spoke about the necessity to make the process of economic globalization more invigorated, more inclusive and more sustainable. We should act pro-actively and manage economic globalization as appropriate so as to release its positive impact and rebalance the process of economic globalization. We should follow the general trend, proceed from our respective national conditions and embark on the right pathway of integrating into economic globalization with the right pace. We should strike a balance between efficiency and equity to ensure that different countries, different social strata and different groups of people all share in the benefits of economic globalization. The people of all countries expect nothing less from us, and this is our unshirkable responsibility as leaders of our times.

At present, the most pressing task before us is to steer the global economy out of difficulty. The global economy has remained sluggish for quite some time. The gap between the poor and the rich and between the South and the North is widening. The root cause is that the three critical issues in the economic sphere have not been effectively addressed.

First, lack of robust driving forces for global growth makes it difficult to sustain the steady growth of the global economy. The growth of the global economy is now at its slowest pace in seven years. Growth of global trade has been slower than global GDP growth. Short-term policy stimuli are ineffective. Fundamental structural reform is just unfolding. A new path for the global economy remains elusive.

Second, inadequate global economic governance makes it difficult to adapt to new developments in the global economy. Madame Christine Lagarde recently told me that emerging markets and developing countries already contribute to 80 percent of the growth of the global economy. The global economic landscape has changed profoundly in the past few decades. However, the global governance system has not embraced those new changes and is therefore inadequate in terms of representation and inclusiveness. The global industrial landscape is changing and new industrial chains, value chains and supply chains are taking shape. However, trade and investment rules have not kept pace with these developments, resulting in acute problems such as closed mechanisms and fragmentation of rules. The global financial market needs to be more resilient against risks, but the global financial governance mechanism fails to meet the new requirement and is thus unable to effectively resolve problems such as frequent international financial market volatility and the build-up of asset bubbles.

Third, uneven global development makes it difficult to meet people's expectations for better lives. Dr. Schwab has observed in his book The Fourth Industrial Revolution that this round of industrial revolution will produce extensive and far-reaching impacts such as growing inequality, particularly the possible widening gap between return on capital and return on labor. The richest one percent of the world's population own more wealth than the remaining 99 percent. Inequality in income distribution and uneven development space are worrying. Over 700 million people in the world are still living in extreme poverty. For many families, to have warm houses, enough food and secure jobs is still a distant dream. This is the biggest challenge facing the world today. It is also what is behind the social turmoil in some countries.

First, we should develop a dynamic, innovation-driven growth model. With this in mind, G-20 leaders reached an important consensus at the Hangzhou Summit, which is to take innovation as a key driver and foster new driving force of growth for both individual countries and the global economy.

Second, we should pursue a well-coordinated and inter-connected approach to develop a model of open and win-win cooperation. We should commit ourselves to growing an open global economy to share opportunities and interests through opening-up and achieve win-win outcomes. Pursuing protectionism is like locking oneself in a dark room. While wind and rain may be kept outside, that dark room will also block light and air. No one will emerge as a winner in a trade war.

Third, we should develop a model of fair and equitable governance in keeping with the trend of the times. There is a growing call from the international community for reforming the global economic governance system, which is a pressing task for us. Only when it adapts to new dynamics in the international economic architecture can the global governance system sustain global growth.

Fourth, we should develop a balanced, equitable and inclusive development model. To achieve more balanced development and ensure that the people have equal access to opportunities and share in the benefits of development, it is crucial to have a sound development philosophy and model and make development equitable, effective and balanced.

We should foster a culture that values diligence, frugality and enterprise and respects the fruits of hard work of all. Priority should be given to addressing poverty, unemployment, the widening income gap and the concerns of the disadvantaged to promote social equity and justice. It is important to protect the environment while pursuing economic and social progress so as to achieve harmony between man and nature and between man and society.

China has in the past years succeeded in embarking on a development path that suits itself by drawing on both the wisdom of its civilization and the practices of other countries in both East and West. In exploring this path, China refuses to stay insensitive to the changing times or to blindly follow in others' footsteps.

Between 1950 and 2016, despite its modest level of development and living standard, China provided more than 400 billion yuan of foreign assistance, undertook over 5,000 foreign assistance projects, including nearly 3,000 complete projects, and held over 11,000 training workshops in China for over 260,000 personnel from other developing countries. Since it launched reform and opening-up, China has attracted over $1.7 trillion of foreign investment and made over $1.2 trillion of direct outbound investment, making huge contribution to global economic development. In the years following the outbreak of the international financial crisis, China contributed to over 30 percent of global growth every year on average. All these figures are among the highest in the world.

China's economy has entered what we call a new normal, in which major changes are taking place in terms of growth rate, development model, economic structure and drivers of growth. But the economic fundamentals sustaining sound development remain unchanged.

China will foster an enabling and orderly environment for investment. We will expand market access for foreign investors, build high-standard pilot free trade zones, strengthen protection of property rights, and level the playing field to make China's market more transparent and better regulated. In the coming five years, China is expected to import $8 trillion of goods, attract $600 billion of foreign investment and make $750 billion of outbound investment. Chinese tourists will make 700 million overseas visits. All this will create a bigger market, more capital, more products and more business opportunities for other countries. China's development will continue to offer opportunities to business communities in other countries. China will keep its door wide open and not close it. An open door allows both other countries to access the Chinese market and China itself to integrate with the world. And we hope that other countries will also keep their door open to Chinese investors and keep the playing field level for us.

World history shows that the road of human civilization has never been a smooth one, and that mankind has made progress by surmounting difficulties. No difficulty, however daunting, will stop mankind from advancing. When encountering difficulties, we should not complain about ourselves, blame others, lose confidence or run away from responsibilities. We should join hands and rise to the challenge. History is created by the brave. Let us boost confidence, take actions and march arm-in-arm toward a bright future. NA

FIVE KEY CHALLENGES FACING LEADERS TODAY

The WEF made Responsive and Responsible Leadership the theme for its annual January meeting in Davos. WEF Executive Chair, Klaus Schwab, outlined five key challenges that will warrant their attention.

As the past year has demonstrated, leaders must be responsive to the demands of the people who have entrusted them to lead, while also providing a vision and a way forward, so that people can imagine a better future. As they do so, they will have to measure up against the following five challenges:

Firstly, they will have to come to grips with the Fourth Industrial Revolution, which is redefining entire industries, and creating new ones from scratch, owing to groundbreaking advances in artificial intelligence, robotics, the Internet of Things, self-driving vehicles, 3D-printing, nanotechnology, biotechnology, and quantum computing. These technologies have only begun to show their full potential; in 2017, we will increasingly see what used to be science fiction become reality. But, while the Fourth Industrial Revolution could help us solve some of our most pressing problems, it is also dividing societies into those who embrace change and those who do not. And that threatens our wellbeing in ways that will have to be identified and addressed.

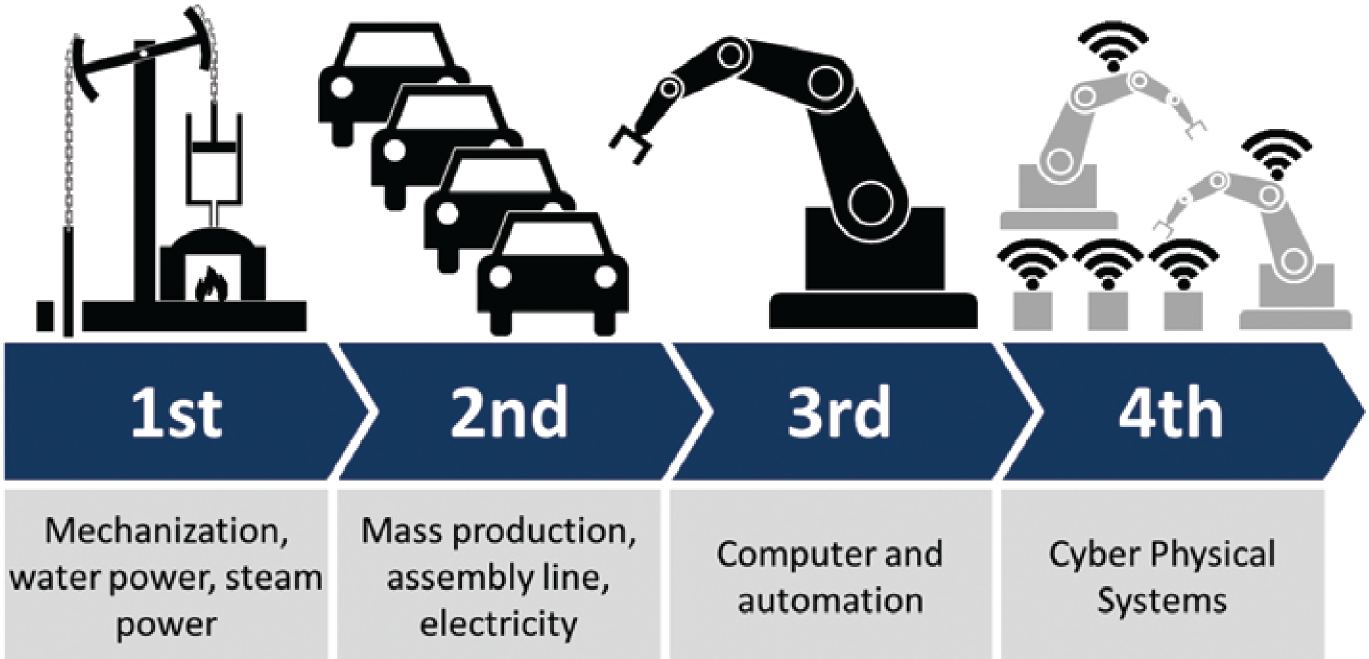
> **leaders will have to come to grips with the Fourth Industrial Revolution, which is redefining entire industries**

Secondly, leaders will have to build a dynamic, inclusive multi-stakeholder global-governance system. Today's economic, technological, environmental, and social challenges can be addressed only through global public-private collaboration; but our current framework for international cooperation was designed for the post-war era, when nation-states were the key actors. At the same time, geopolitical shifts have made today's world truly multipolar. As new global players bring new ideas about how to shape national systems and the international order, the existing order is becoming more fragile. So long as countries interact on the basis of shared interests, rather than shared values, the extent to which they will be able to cooperate will be limited. Moreover, non-state actors are now capable of disrupting national and global systems, not least through cyber-attacks. To withstand this threat, countries cannot simply close themselves off. The only way forward is to make sure that globalization is benefiting everyone.

A *third* challenge for leaders will be to restore global economic growth. Permanently diminished growth translates into permanently lower living standards: with 5% annual growth, it takes just 14 years to double a country's GDP; with 3% growth, it takes 24 years. If our current stagnation persists, our children and grandchildren might be worse off than their predecessors. Even without today's technologically driven structural unemployment, the global economy would have to create billions of jobs to accommodate a growing population, which is forecast to reach 9.7 billion by 2050, from 7.4 billion today. Thus, 2017 will be a year in which social inclusion and youth unemployment become critical global and national issues.

A *fourth* challenge will be to reform market capitalism, and to restore the compact between business and society. Free markets and globalization have improved living standards and lifted people out of poverty for decades. But their structural flaws – myopic short-termism, increasing wealth inequality, and cronyism – have fuelled the political backlash of recent years, in turn highlighting the need to create permanent structures for balancing economic incentives with social wellbeing.

Finally, leaders will need to address the pervasive crisis in identity formation that has resulted from the erosion of traditional norms over the



Source: www.commons.wikimedia.org

> **If our current stagnation persists, our children and grandchildren might be worse off than their predecessors**

past two decades. Globalization has made the world smaller but more complex, and many people have lost confidence in institutions. Many people now fear for their future, and they are searching for shared but distinct beliefs that can furnish a sense of purpose and continuity. Identity formation is not a rational process; it is deeply emotional and often characterized by high levels of anxiety, dissatisfaction, and anger. Politics is also driven by emotion: leaders attract votes not by addressing needs or presenting long-term visions, but rather by offering a sense of belonging, nostalgia for simpler times, or a return to national roots. We witnessed this in 2016, as populists made gains by fostering reactionary and extreme beliefs. Responsible leaders, for their part, must recognize people's fears and anger as legitimate, while providing inspiration and constructive plans for building a better future.But how? The world today seems to be engulfed in a sea of pessimism, negativity, and cynicism. And yet, we have an opportunity to lift millions more people out of poverty, so that they can lead healthier and more meaningful lives. And we have a duty to work together toward a greener, more inclusive, and peaceful world. Whether we succeed will not depend on some external event, but rather on the choices our leaders make.

The coming year will be a critical test for all stakeholders in global society. More than ever, we will need responsive and responsible leadership to address our collective challenges, and to restore people's trust in institutions and in one another. We

> **Many people now fear for their future, and they are searching for shared but distinct beliefs**

do not lack the means to make the world a better place. But to do so, we must look past our own narrow interests and attend to the interests of our global society. That duty begins with our leaders, who must begin to engage in open dialogue and a common search for solutions to the five major challenges on the horizon. If they acknowledge that ours is a global community with a shared destiny, they will have made a first – albeit modest – step in the right direction. NA

SOURCE

https://www.weforum.org/agenda/2017/01/five-leadership-priorities-for-2017

Neoliberalism: the deep story that lies beneath Donald Trump's triumph

By ***George Monbiot***

George Monbiot is a British writer known for his environmental and political activism.

George Monbiot

> **But the real triumph of this network was not its capture of the right, but its colonisation of parties that once stood for everything Hayek detested.**

The events that led to Donald Trump's election started in England in 1975. At a meeting a few months after Margaret Thatcher became leader of the Conservative party, one of her colleagues, or so the story goes, was explaining what he saw as the core beliefs of conservatism. She snapped open her handbag, pulled out a dog-eared book, and slammed it on the table. "This is what we believe", she said. A political revolution that would sweep the world had begun.

The book was *The Constitution of Liberty* by Frederick Hayek. Its publication, in 1960, marked the transition from an honest, if extreme philosophy, to an outright racket. The philosophy was called neoliberalism. It saw competition as the defining characteristic of human relations. The market would discover a natural hierarchy of winners and losers, creating a more efficient system than could ever be devised through planning or by design. Anything that impeded this process, such as significant tax, regulation, trade union activity or state provision, was counter-productive. Unrestricted entrepreneurs would create the wealth that would trickle down to everyone.

This, at any rate, is how it was originally conceived. But by the time Hayek came to write *The Constitution of Liberty*, the network of lobbyists and thinkers he had founded was being lavishly funded by multimillionaires who saw the doctrine as a means of defending themselves against democracy. Not every aspect of the neoliberal programme advanced their interests. Hayek, it seems, set out to close the gap.

He begins the book by advancing the narrowest possible conception of liberty: an absence of coercion. He rejects such notions as political freedom, universal rights, human equality and the distribution of wealth, all of which, by restricting the behaviour of the wealthy and powerful intrude on the absolute freedom from coercion he demands. Democracy, by contrast, "is not an ultimate or absolute value". In fact liberty depends on preventing the majority from exercising choice over the direction that politics and society might.

He justifies this position by creating a heroic narrative of extreme wealth. He conflates the economic elite, spending their money in new ways, with philosophical and scientific pioneers. Just as the political philosopher should be free to think the unthinkable, so the very rich should be free to do the undoable, without constraint by public interest or public opinion.

The ultra rich are "scouts", "experimenting with new styles of living", who blaze the trails that the rest of society will follow. The progress of society depends on the liberty of these "independents" to gain as much money as they want and spend it how they wish. All that is good and useful, therefore, arises from inequality. There should be no connection between merit and reward, no distinction made between earned and unearned income, and no limit to the rents they can charge.

Inherited wealth is more socially useful than earned wealth: "the idle rich", who don't have to work for their money, can devote themselves to influencing "fields of thought and opinion, of tastes and beliefs". Even when they seem to be spending money on nothing but "aimless display", they are in fact acting as society's vanguard. Hayek softened his opposition to monopolies and hardened his opposition to trade unions. He lambasted progressive taxation and attempts by the state to raise the general welfare of citizens. He insisted that there is "an overwhelming case against a free health service for all" and dismissed the conservation of natural resources. It should come as no surprise to those who follow such matters that he was awarded the Nobel prize for economics.

By the time Thatcher slammed his book on the table, a lively network of think tanks, lobbyists and academics promoting Hayek's doctrines had been established on both sides of the Atlantic, abundantly financed by some of the world's richest people and businesses, including DuPont, General Electric, the Coors brewing company, Charles Koch, Richard Mellon Scaife, Lawrence Fertig, the William Volker Fund and the Earhart Foundation. Using psychology and linguistics to brilliant effect, the thinkers these people sponsored found the words and arguments required to turn Hayek's anthem to the elite into a plausible political programme.

Thatcherism and Reaganism were not ideologies in their own right: they were just two faces of neoliberalism. Their massive tax cuts for the rich, crushing of trade unions, reduction in public housing, deregulation, privatisation, outsourcing and competition in public services were all proposed by Hayek and his disciples. But the real triumph of this network was not its capture of the right, but its colonisation of parties that once stood for everything Hayek detested.

> **"The atomisation and self-interested behaviour neoliberalism promotes run counter to much of what comprises human nature.**

Bill Clinton and Tony Blair did not possess a narrative of their own. Rather than develop a new political story, they thought it was sufficient to triangulate. In other words, they extracted a few elements of what their parties had once believed, mixed them with elements of what their opponents believed, and developed from this unlikely combination a "third way".

It was inevitable that the blazing, insurrectionary confidence of neoliberalism would exert a stronger gravitational pull than the dying star of social democracy. Hayek's triumph could be witnessed everywhere from Blair's expansion of the private finance initiative to Clinton's repeal of the Glass-Steagal Act, which had regulated the financial sector. For all his grace and touch, Barack Obama, who didn't possess a narrative either (except "hope"), was slowly reeled in by those who owned the means of persuasion.

As I warned in April, the result is first disempowerment then disenfranchisement. If the dominant ideology stops governments from changing social outcomes, they can no longer respond to the needs of the electorate. Politics becomes irrelevant to people's lives; debate is reduced to the jabber of a remote elite. The disenfranchised turn instead to a virulent anti-politics in which facts and arguments are replaced by slogans, symbols and sensation. The man who sank Hillary Clinton's bid for the presidency was not Donald Trump. It was her husband.

The paradoxical result is that the backlash against neoliberalism's crushing of political choice has elevated just the kind of man that Hayek worshipped. Trump, who has no coherent politics, is not a classic neoliberal. But he is the perfect representation of Hayek's "independent"; the beneficiary of inherited wealth, unconstrained by common morality, whose gross predilections strike a new path that others may follow. The neoliberal think tankers are now swarming round this hollow man, this empty vessel waiting to be filled by those who know what they want. The likely result is the demolition of our remaining decencies, beginning with the agreement to limit global warming. Those who tell the stories run the world. Politics has failed through a lack of competing narratives. The key task now to tell a new story of what it is to be a human in the 21st century. It must be as appealing to some who have voted for Trump and Ukip as it is to the supporters of Clinton, Bernie Sanders or Jeremy Corbyn.

A few of us have been working on this, and can discern what may be the beginning of a story. It's too early to say much yet, but at its core is the recognition that - as modern psychology and neuroscience make abundantly clear - human beings, by comparison with any other animals, are both remarkably social and remarkably unselfish. The atomisation and self-interested behaviour neoliberalism promotes run counter to much of what comprises human nature.

Hayek told us who we are, and he was wrong. Our first step is to reclaim our humanity. NA

Marxism in Africa: Past and Present

By ***Michael Nassen Smith***

This essay was written for the IFAA Student and Youth Department's upcoming publication on the history of liberation politics in the Global South.

Michael Nassen Smith

> "Many of us have raised before the question of the relevance of Marxism to this or that. Its relevance to Europe; many European intellectuals debated its relevance to their own society. Its relevance to Asia was debated by Asians. Its relevance to Latin America was debated by Latin Americans…I will suggest that African people, like other Third World people, have virtually a vested interest in Scientific Socialism [Marxism], because it offers itself to them as a weapon of theory."
> *Walter Rodney, Marx and African Liberation*

There was once a time that Marxism dominated global politics and academia. At the midway point of the 20th century, one third of the world population lived under self-proclaimed Marxist governments. In Africa, many anti-colonial revolutionaries embraced it as their guiding ideology. In contemporary South Africa, and indeed across the continent and globe, we see a resurgence of political thinking and movements calling for decolonisation. In this new context, we think it is useful to gain some understanding of what Marxism is and consider its historical relevance to liberation politics in the Global South.

WHAT IS MARXISM?

Marxism is not a doctrine, although a number of people, both academics and political leaders, have treated it that way. Marx himself developed his opinions and views over time and famously rejected the label "Marxist". Since the publication of his Communist Manifesto and the three volumes of Capital, however, many interpretations of Marxism emerged, each of which took on distinct aspects of Marxist thought. Some emphasise the young and humanist Marx of the "Paris Manuscripts of 1844." Others prefer his more mature and scientific analysis of capitalism in Das Kapital. While the differences between Marxists have enriched his body of work, we should resist the temptation to view Marxism as complete and immutable. Rather, it is the distinctive methodology and political world view of his work that we should seek to grasp.

MARX'S METHOD

Marxism presents us with a means to study and understand the nature and development of society. For Marx, all societies are defined principally by their mode of production i.e. how men and women produce the means of their own subsistence in community with one another. This materialism is to be distinguished from idealism, which holds that people's ideas determine the nature of society. For Marxists, people may believe a variety of things and may hold interesting ideas about morality, culture, cosmology and so on. But what allows them to reproduce, prosper and live is their work with nature and the technology they create to mediate that work. Descartes said, "I think therefore I am." Marx might have said "I produce therefore I am." And what "I think" is also often times conditioned by what I need to do in order to produce.

What is crucial for Marxists is that each system of production is in flux, in movement, as society evolves into different relationships with the natural world and with others in community. This movement constitutes the second aspect of his distinctive methodology. For Marxists, then, it is not only necessary to undertake the scientific study of society, but also to illuminate the latent potential for change within that society. For Marx, societal change occurs when an antagonism or contradiction between two classes, between people with unequal relationships to the fruits production, becomes untenable. As Marx wrote, "the history of all hitherto societies is the history of class struggle (Marx and Engels, 1959)."

For long periods in human history, people produced items for use. In Marx's time, however, people in Europe, and increasingly across the globe, organized production for profit and exchange. This new system of production came to be known as capitalism. Marx analyzed capitalism and argued that it consists of two antagonistic classes namely, the bourgeoisie, who own the means of production (land, factories, finance) and the proletariat who have to sell their labour to the bourgeoisie in order to survive. Production under this system thrives off the surplus value or profit thus created. Marx called this the bourgeoisie's exploitation of the proletariat which becomes the fuel for capitalism's dynamism and innovation, but is also the seeds of its own destruction.

Capitalism is an inherently unstable and volatile system because of the exploitation of labour and the resultant tension it generates between the class of owners and non-owners. Mainstream economists bemoan periods of economic crises and argue that the causes lie with something outside of capitalism itself e.g. government policy, natural disaster, war etc. For Marxists on the other hand, the essence of capitalism is crisis. And as capitalism stumbles from crisis to crisis it leads to the increasing enrichment of the bourgeoisie and the impoverishment of the proletariat, laying the material grounds for a proletarian revolution and societal change. This is how, in Marx's terms, capitalism creates its own gravediggers.

> **What is crucial for Marxists is that each system of production is in flux, in movement, as society evolves into different relationships with the natural world and with others in community**

Marx believed that socialism is the unrealized potential of capitalist development itself. This is what he meant by having a dialectical view of change. Socialism is not imposed on capitalism from outside it; rather, socialism is conditioned by capitalism itself. Marx wrote very sparingly on what a socialist society would look like, but stressed that in it the proletariat would come to own the means of production and lay the foundation for a communist and classless society free from exploitation. Moreover, Marx believed that capitalism was a world-historic mode of production. Its insatiable thirst for expanding markets and more labour to exploit propels it to spread across the globe, settling in Kolkata as it does in New York, "creating a world out of its own image (Marx and Engels, 1959)." As such, for Marx, the socialist revolution would be a worldwide phenomenon. This is what is meant by Marxist internationalism.

ANTI-CAPITALIST POLITICS

"Philosophers have hitherto only interpreted the world... The point, however, is to change it! (Marx,1976)." It is important to emphasise that Marx did not support a naïve materialism where thought is a mere reflection of matter. Rather, human beings are for Marx conscious and creative agents, shaping the world and history. As Lenin wrote, stressing the dialectical interconnection between thought and material reality in Marxism: "Man's consciousness not only reflects the objective world, but creates it (Lenin, 1972)."

This call by Marx and Lenin for an engaged and politically active philosophy is what differentiates Marxism from other political ideologies. It is what characterizes Marxists of all persuasions. Since the days of Marx himself, Marxists have championed working class struggle in factories, in parliaments, in social movements and even through open revolutionary war. Marxists have also made it a priority to fight for all progressive struggles including anti-racism, anti-sexism and anti-colonial struggles. This is not to say that Marxists have always agreed on political strategy and priorities. Some Marxists advocate for slow reform of capitalism and the parliamentary road to socialism, others argue that socialism can only come from open revolutionary conflict. Nonetheless, no other political philosophy can claim for itself the proud history that Marxism has in being engaged in the struggles of ordinary people across the globe. As Marx said "[people] make history," and it is people that must translate the potential of socialism within capitalism into reality.

MARXISM AND AFRICA

It is true that Marxism has its roots in Europe and that Marx based his analysis of capitalism on the advanced countries of Western Europe in the mid to late 19th century. This has led some African academics and political activists to »

> **Marx believed that socialism is the unrealized potential of capitalist development itself**

argue that Marxism bears no relevance to struggles in the non-Western world. This is a mistaken view.

Marx wrote sparingly about the nature of colonialism in Africa. Yet he did see the intimate connection between slavery, colonization and capitalism. For Marx, the European bourgeoisie were prompted to seek cheap labour and valuable commodities in the colonies and then set out to construct a whole ideological system of racial/national/cultural superiority to justify what was an essentially naked economic interest. With the European bourgeoisies thirst for expansion, capitalism stretched its tentacles to Africa. Any analysis of African societies thus has to take account of the change in this material base and develop a corresponding anti-capitalist political platform for change.

To underscore the point about the relevance of Marxism in Africa, we can say that Marxism goes where capitalism goes. It is transportable across time and space, producing different results and different political outcomes depending on the context. To illustrate: Russia was not as industrially advanced as Western European countries but this did not stop Lenin from developing a Marxist understanding of his society. The Russian Revolution would have been impossible to justify save for this. Moreover, after the success of the revolution the Bolsheviks immediately turned to theorizing, with their counterparts from the Third World, about the relationship between national independence, anti-colonial and anti-capitalist struggle within a Marxist framework. These efforts continued in the years that followed. The World Systems and Dependency theories, for example, are 20th century Marxist paradigms that attempt to understand capitalism in the age of neo-imperialism and neocolonialism.

AFRICAN MARXIST THEORY AND PRAXIS

A number of African revolutionaries turned to Marxism to guide them in their anti-colonial struggles. Yet as Amilcar Cabral noted: "We will use the Marxian method. [But] We will not be tied by concepts which arose historically in Western Europe when Marx was studying that society (Cabral, 1966)."

African Marxists like Cabral took Marx's method and applied it to their own history and society as it evolved in the wake of colonial capitalism. They developed their own Marxist revolutionary theories and political praxis which did not always use the same concepts as Marx's analysis of advanced Western societies. For example, Cabral only used class when it was empirically suitable for Guinea-Bissau. Revolutionary strategy and tactics also differed as they needed to incorporate anti-racist and anti-colonial imperatives into and outside of the class struggle.

Despite the ideas of revolutionaries such as Cabral, several African leaders rejected embracing Marxism in African society. Julius Nyerere and, for a time Kwame Nkrumah, advanced a distinctive African socialism that attempted to plot a third way between European capitalism and socialism. Others were committed nationalists and racial puritans who saw colonial exploitation to be rooted, not so much in capitalism, but rather in the cultural domination of Africa by "Europeans." As such, Marxism's European origins condemned it as part of colonialism itself! Walter Rodney argued, however, that such mistrust of Marxism was misguided and the power of Marxist analysis in far flung regions such as China and Latin America was inspirational to all colonized people across the globe. Nkrumah, once he had abandoned African socialism for Marxism, was more direct when he wrote:"To suppose that there are tribal, national, or racial socialisms is to abandon objectivity in favour of chauvinism (Nkrumah, 1967)."

THE RETREAT OF MARXISM

Since the collapse of the Soviet Union and the rise of neoliberalism in the early 1990's, Marxism has been in retreat. Where Orthodox Marxist-Leninists governments came to power in Africa in the 20th century- Congo-Brazzaville, Mozambique, Angola, Somalia, Dahomeny (Benin), Ethiopia, Madagascar and Burkina Faso- they failed to create a prosperous socialist society. This was due to a combination of factors, from the consolidation of new national elites (so well described in Fanon's "Pitfalls of National consciousness" in the "Wretched of the Earth"), state corruption, authoritarianism, disruption by Western imperial powers as well as the often times corrupting influence of the Soviet Union. Though the Russian Revolution was initially a great achievement, the gains made by the Bolsheviks were slowly eroded by Stalin and the Soviet bureaucracy which promoted a totalitarian and doctrinaire Marxism. This model was also adopted by a number of revolutionary movements and parties in the Third World.

It is important to note that Marxism has faced serious criticism from within the broader left too. Postcolonial theory and a trenchant identity politics dominates left wing scholarship and activism in modern times. Repeating arguments of old, a number of

modern scholars and activists accuse Marxism of Eurocentrism and/or class reductionism. Marxists have generally responded by rejecting these charges and turning the tables, arguing that the post-modern left is guilty of relativism, identity essentialisms and culturalism, supporting either liberal or nationalist and chauvinist politics. Vivek Chibber's critique of sub-altern studies in "Postcolonial Theory and the Specter of Capital" and Samir Amin's "Eurocentrism" are crucial readings for anyone interested in understanding fissures on the contemporary left.

Although Marxism is nowhere near as popular and influential as in the past, new economic and political crises have led to its resurgence in academia and political organizations. In South Africa, Marxism still has its champions. The South African Communist Party (SACP), certain members of the African National Congress (ANC), COSATU, NUMSA, the EFF and a number of other political organizations and social movements all embrace, to varying degrees, Marxist analysis and its political ideology. In academia there are a number of South African and African scholars adapting Marxism to deal with changes in social, economic and political conditions. What appears to guide these adherents is a deeply held conviction that as long as capitalism exists, and continues to stumble from crisis to crisis, Marxists and Marxism will be a necessary component of progressive politics. NA

> **Marx wrote sparingly about the nature of colonialism in Africa yet he did see the intimate connection between slavery, colonization and capitalism**

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Notable African Marxists include:
Kwame Nkrumah, Amilcar Cabral, SamoraMachel, Govan Mbeki, Neville Alexander, Moses Kotane, Samir Amin, Chris Hani, Joe Slovo

GROWTH VERSUS REDISTRIBUTION

By ***Prabhat Patnaik***

Prabhat Patnaik was Professor Emeritus at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi until his retirement in 2010.

Prabhat Patnaik

The argument that redistribution should be put on hold until a "specified" level of growth has been achieved has long been a topic of debate among economists. The author asserts that the argument makes little sense.

A curious debate has arisen in the country of late which has gained importance in the context of the proposed food security legislation, though this legislation itself is not being explicitly debated. Two Columbia University economists, Jagdish Bhagwati and Arvind Panagariya, have argued that attempts at redistribution

> **the argument that redistribution should wait and growth must take priority . . . can be made at every point of time.**

must come only after a period of sustained high growth, for otherwise there will be too little to distribute; hence all efforts must be concentrated now on achieving growth. Though their case has been spoilt somewhat by one of them making personal broadsides against Amartya Sen, who is alleged to hold a contrary view (more on this later), this argument itself merits discussion.

The first question that arises is the following: the argument that redistribution should wait and growth must take priority, for then the cake to be distributed will be even larger, can be made at every point of time. It can be made ten years from now, or twenty years from now, just as it is being made now. Hence this argument, without the specification of some objective criteria on the basis of which it can be said that the day of redistribution has 'finally arrived, makes little sense. And the Columbia professors specify no such criteria.

They must either argue therefore that as the economy grows, a time comes when the demand on the State exchequer (whose size too would be growing in a growing economy) by expenditure items that are essential for sustaining growth (or tax concessions that may be deemed necessary for doing so), automatically taper off , so that more funds become automatically available for redistribution without in any way disturbing the growth momentum; or else they would be open to the accusation that they are opposed to any deliberate attempt at redistribution ever.

Since they do not advance the first argument, for which in any case there is little basis in reality, they cannot escape the charge that while they talk as if growth should be a prelude to redistribution, what they are really concerned with is growth per se which they believe can spontaneously cause an improvement in people's lives. In other words what we have here is the thoroughly discredited "trickle down" theory being brought back into respectability.

Let us however, for argument's sake, ignore this first question. Let us assume that they actually have some time-frame, such that we pursue growth until then and attempt redistribution thereafter.

That brings us to the second question. To believe that the State can pursue growth-promoting policies till a certain date and then suddenly switch redistributive policies after that date, is to believe in the absolute autonomy of the State in a capitalist society, which is naive in the extreme.The very pursuit of growth-promoting policies in such a society entails the strengthening of certain social groups, an increase in their wealth, incomes, and economic, social and political influence, including influence over the State. Hence the State that pursues growth-promoting policies under capitalism cannot be expected to switch suddenly to re-distribution one fine morning.

Such a switch of course may happen if the earlier State is overthrown and replaced by a different kind of State (even if this is not yet a socialist State); but such replacement requires massive militant act ion on the part of the people. To exacerbate the people's misery through a strict adherence to growth promotion, to the exclusion of any policy of redistribution, in order to provoke them into such militant action cannot possible anybody's recommendation; and such militant popular action surely is far from what the Columbia professors have in mind.

This naive belief in the absolute autonomy of the State becomes even more incredible when we are talking of a country tied to the vortex of global capital flows. The capacity of the nation-State to pursue policies of its choice, even assuming that its intended policies are informed by the best interests of the people, gets undermined when the economy over which it presides is open to global financial flows. India, no doubt, does not have a convertible currency, and has some restrictions on cross border financial flows (which may be construed as giving its State a certain degree of autonomy); but it is still sufficiently open to capital flows to impose restrictions on the capacity of the State to pursue policies relating to redistribution.\

This is so obvious a point, and so heavily underscored by what is happening at this very moment in the Indian economy, where a desperate effort is on to make India attractive to globally-mobile capital in order to halt the slide in the rupee, claiming, even if implicitly, that the State has the absolute autonomy to pursue one kind of policy now and another kind later, and that too when the latter kind of policy is specifically disliked by globalized finance capital, cannot but be an act of dissembling.

“This naive belief in the absolute autonomy of the State becomes even more incredible when we are talking of a country tied to the vortex of global capital flows

Globalized finance capital will be happy when the so-called growth-promoting policies are pursued, but when the time for a switch from growth-promotion to redistribution comes, if it does come at all, i.e. if all prior efforts of finance capital to scuttle such a switch have been defeated, it will quit the country en masse precipitating a financial crisis, until either a stop is put to such attempted redistribution or the country imposes capital controls and de- links itself from the process of “globalization”.

“The present debate . . . pushes us into a conceptual universe where categories like capital, finance capital, international finance capital, do not exist.

This is where one must also join issue with those who are advocating redistribution now. Our sympathies obviously lie with them, but they show, neither implicitly nor explicitly, any awareness of the constraints, upon the policies of the nation-State, of the economy's being caught in the vortex of global financial flows. Many of them in fact, Amartya Sen included, have been votaries of “globalization” (whose essence in today's context is getting caught in the process of globalization of finance).

To be sure, one can have a different theoretical understanding where one believes that, the constraints, imposed upon the policies of the State by the fact of the economy's being open to globalized finance, are not serious enough, that the Left exaggerates these constraints.

But the fact that there is some constraint surely cannot be denied, especially if the attempt at redistribution on the part of the State amounts to more than a trifle. And yet there is no explicit awareness of this fact among the advocates of redistribution, and no suggestion of what the State should do, if the globalization favoured by them stands in the way of the redistribution which they also advocate.

The present debate in short, pushes us into a conceptual universe where categories like capital, finance capital, international finance capital, do not exist.The Left cannot become a part of this conceptual universe, notwithstanding its preference for one side in this debate over the other, and even while adding its weight to »

> **Those advocating redistribution argue that education, nutrition and health for the people is essential, but essential for achieving growth.**

the demand for redistribution as a transitional demand.

There is a second, and even more basic reason, for the Left's remaining outside the terrain of discourse where this debate is being carried out. That is an epistemological reason, and it arises because all participants in the debate, again Amartya Sen included, are agreed that at low levels of per capita income growth must have priority. True, those advocating redistribution argue that education, nutrition and health for the people is essential, but essential for achieving growth. While we may agree with them that a sustainable strategy for growth must be one that should be inclusive in this sense, it still amounts to arguing for education, health and nutrition for the people in instrumental terms, only because it is conducive to growth, not because it must be mandatory in a democracy per se. And if it is mandatory in a democracy, then it must be provided to all no matter what the level of per capita income, no matter how "poor" the country may be.

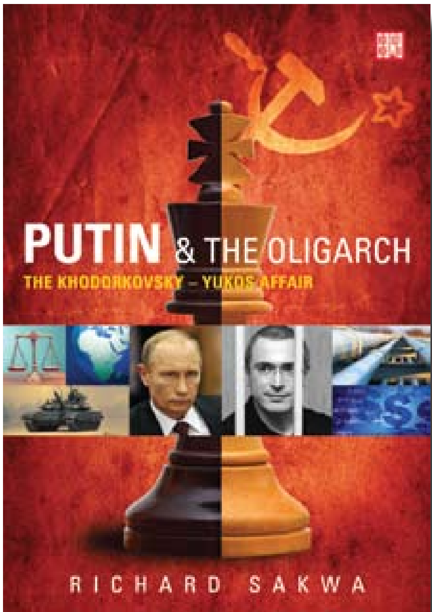
In a democracy the people are supposed to be "subjects" and not "objects". As "subjects" they have an absolute and inalienable right in normal circumstances to certain mi'n. imum levels of health, nutrition and education, which are essential for them to play their "subject" role. Even above this bare minimum, for which there are certain objective norms (which certainly can be fulfilled in India today), what actual level of redistribution should be effected must be decided by them.

For making this decision they need inputs that economists must provide, but it is not for the economists, or the media or the State to decide what is good for them, to decide whether to have growth or redistribution. Even if, for argument's sake, we assume that the provision of the minimum levels of nutrition, health and education to the entire population of the country, would create a situation where the growth rate of the GDP would drop to zero, then that cannot be an argument against the provision of this minimum. Such a situation, of growth rate dropping to zero if redistribution is undertaken, would not of course arise, and this fact must be emphasized, but this cannot be the argument for the provision of such a minimum.
The argument for providing this minimum, in short, transcends all such considerations.

The epistemological objection from the Left to the present debate consists in the fact that both sides in it privilege "growth" without taking cognizance of the sovereignty of the people. The debate smacks too much of "we", the economists, deciding what is good for "them", the people, and telling the State accordingly; it should instead have been "we" the economists aiding the "subject" role of the people.\

Put differently, the first question that should have been posed to the Columbia professors when they argued that growth should take precedence over redistribution, is: "who are you to say so?", and not "yes we agree with you over growth, but redistribution will also help growth."

** This article was originally published in People's Democracy, Vol. XXXVII, No. 33, August 8, 2013.* NA



Putin and the Oligarch

The Khodorkovsky –Yukos Affair

Richard Sakwa

HSRC Press, 2015

Reviewed by ***Daniel Plaatjies (PhD) (School of Business Administration, University of Free State, Republic of South Africa***

The 1990s collapse and dismantling of the communist system in the Union of Soviet Socialist Republics (USSR) produced new sovereign and independent states. Russia experienced a combination of continuity, instability and uncertainty as it went through its transition. The evolving new governance model led by the perestroika and glasnost policies of Mikhail Gorbachev spurred a process towards parliamentary democracy and capitalism, though lacking clarity and fraught with contradictions and inconsistencies.

Richard Sakwa in *Putin and the Oligarch: The Khodorkovsky–Yukos Affair* provides an evidence-based analysis of a corrupt and dangerous political, economic and social oligarchy with the support of security machinery. They reduced the role of society, state and its institutions to mere properties, platforms and instruments of capital accumulation. The Russian state, Sakwa claims, was polarised between dangerous and powerful forces. To be successful, states require a rule-bound system of formal and informal rules and institutions that comprise predictability and effectiveness of law and order as well as checks and balances across various components of society. These include the judicial system, protection of public goods and property, openness and transparency on the part of public administration and its role in state-market regulations, and the level of error, fraud and corruption.

Sakwa shows that the Russian transition to democracy was beset by multiple sets of rules, formal and not articulated and supported by competing interest-holders that pervade relations between state, society and the vicious battle for access to capital resources. Powerful networks formed corrupt and collusive relations that influenced the crafting of laws, regulations, rules and decrees of state institutions and compromised propriety (Plaatjies, 2013), creating conditions for rampant fraud and corruption. This transition from communism to parliamentary democracy and capitalism, given the instability and discontinuity in parts of the Russian society, led to contradictions and contesting interests in consolidating power in the state. Many state institutions such as the bureaucracy, military, intelligence and secret police continued in weakened forms the consequence of which was to provide functionaries inside the state and opportunists inside and outside state enterprises to seize state assets in the uncoordinated transition.

State-owned enterprises are the driving forces of the Russian state-economy given their comprehensive hold of natural resources such as within the oil and fuel industry. During the transition, the political support of the state bureaucracy was critical in all its forms. These conditions created fertile ground for seizure of state assets by at least seven oligarchs to control around 50% of the Russian economy. In fact, Mikhail Khodorkovsky confirms in Sakwa (2015) that "... [p]olitics is the most lucrative field of business in Russia. And it will be this way forever." During the 1990s to early 2000s a parallel corporatist state emerged with powerful economic assets and interests such as control of the oil industry. Together with the support »

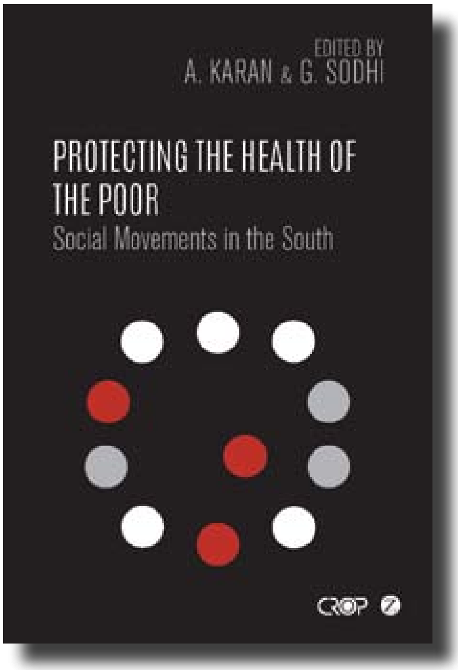
> **Sakwa shows that the Russian transition to democracy was beset by multiple sets of rules, formal and not articulated and supported by competing interest-holders that pervade relations between state, society and the vicious battle for access to capital resources**

of political elites and kleptocrats, this corporatist state gained control of the levers of the state. The transitional state of Russia was captured. These elites with full state security support, controlled vast economic assets which had serious implications for economic and fiscal resource management.
At a macroeconomic level, the new oligarchy, given their large bribery and corrupting influence, were able to exercise direct and indirect power over the structures of government and its business dealings. This included public policies, decisions on access to and distribution of state assets. The power of politics and broader uncertainty in the interaction of the economic and political system during Boris Yeltsin's regime were motive forces of un-coordination and imperfect economic policy shifts from state-controlled, centralised decision-making and resource allocation to market-driven, decentralised decision-making and resource allocation. Undoubtedly, markets and industries in Russia's transition needed strong political control and legal support from state institutions to protect properties and competition. However, given the chaos that emerged and the instability in all facets of Russian society, some of the consequences were conditions for rising corruption, rampant fraud and crime. The economic consequences to transition also led to high social costs to society, deepening poverty levels and disintegration of social protection systems.

The transition through political, economic and social reforms, overlaid by the corrupt relationships between political, economic and social elites within the government and business, took place in conditions of instability. The processes of accumulation and concentration of wealth among the oligarchs contributed to an environment of greed and corruption and efforts by corporations to avoid tax liabilities through under reporting of business and financial transactions. The oligarchs and state officials used the collapse of the communist system to benefit from distorted state regulations such as multiple exchange rates, multiple prices, rent-seeking rewards of subsidised credits, export and import subsidies. The transition bred racketeering, an arbitrary tax system and unregulated and nepotistic licensing of businesses and tax dodging.

Mikhail Khodorkovsky and his Yukos Corporation emerged as the central protagonist of privatisation through auctions and shares for loans of state assets. The imperfect transition, with an absence of rules as it moved from communism to capitalism, spurred the stripping of state asset rather than wealth creation and redistribution of economic resources. Putin cracked down on Khodorkovsky, Chief Executive Officer and main owner of Yukos Oil, Russia's most valuable company. Khodorkovsky was imprisoned on charges of tax evasion exceeding billions of US dollars, allegedly after backing Putin's political opponents. There are also claims that Putin's associates and Yukos adversaries wanted Yukos' wealth, which was confiscated by the state oil company through dubious taxation, leaving Putin's tax reform and judicial reform in tatters and severely undermining property rights. Following his arrest, the state also seized and unbundled the Yukos' assets, including several other private-owned companies.

The close and incestuous relationships between the new captains of industry and the state bureaucracy have successfully trumped the law. Moreover, those in charge of the Russian transition, actively exploited gaps in the ambiguity, uncertainty and absence of clarity of a constitutional and regulatory framework for transition, thereby favouring private and personal interests over the public goods and interests. This book is a powerful exposition of corruption of state assets and institutions, rugged competition and conflict of interests – political, economic and social – and the networks of capital linking the concentration of natural resources and wealth, financial markets and state-owned enterprises in the transition from communism to capitalism. Through historic and regional state networks, Sakwa shows how Putin has used the state machinery to forcefully remove all corruptly acquired assets from Mikhail Khodorkovsky and his Yukos Corporation, but also to push all opposition into absolute silence and nothingness. Riveting! NA



Protecting the Health of the Poor

Social Movements in the South

Abraar Karan & Geeta Sodhi (eds)

Zed books: United Kingdom,2015. 312pp

Reviewed by ***Dr. Priya Buldeo (Population Health, Health Systems and Innovation, Human Sciences Research Council, Cape Town)***

Poverty alleviation and poverty reduction remains one of the greatest global challenges. *Protecting the Health of the Poor: Social Movements in the South* by Abraar Karan and Geeta Sodhi is a four part edited collection on legal movements; political movements; interventional approaches; and multi-faceted movements. Each part 'contributes to a diagnosis of the problem in focus: why does a health deficit persist?' (p. xv). The health of the poor (referred to as civil society in the book) and the coexistence of poverty and inequality is common across developing and developed nations where focus has recently shifted to the geo-political differences in the burdens of diseases and experiences of adverse health outcomes.

The volume combines expert voices and case studies from sub-Saharan Africa, Asia and Latin America to unpack fundamental questions of global health; what is 'health', who or what institutions are responsible for health and how can the provision of health be best achieved. It examines

"The volume combines expert voices and case studies from sub-Saharan Africa, Asia and Latin America to unpack fundamental questions of global health; what is 'health', who or what institutions are responsible for health and how can the provision of health be best achieved

the dynamics of 'health' across disciplines such as medicine, public policy, human rights, development and economics. Researchers, academics and activists provide viewpoints on whom or what institutions ought to provide healthcare: government, private sector or the public itself. The central principle is the relation between poverty and health. Its interrogation lies in how poverty interrelates with health to impact social, economic and cultural differences in life expectancy. This is discussed according to disease causation, for instance, HIV/AIDS, diabetes, cancer, cardiovascular diseases, malnutrition, H1N1 and 'type III diseases' (p. 105) such as tuberculosis, malaria and schistosomiasis. It offers a cyclical idea that 'poverty infringes on the right to health, which in turn causes poverty' (p. 3). This is 'clearly violated in contexts characterized by high rates of hunger and maternal and child mortality'(p. 183).

No doubt, challenges pose a threat for measuring development which complicates reflections on what an equitable state or governance really is. The collection aptly mirrors the nuances within healthcare systems where each case study provides »

It advocates for reduction in inequalities through policy changes amidst the widening gaps within and between countries that disempower, exclude and marginalize civil society

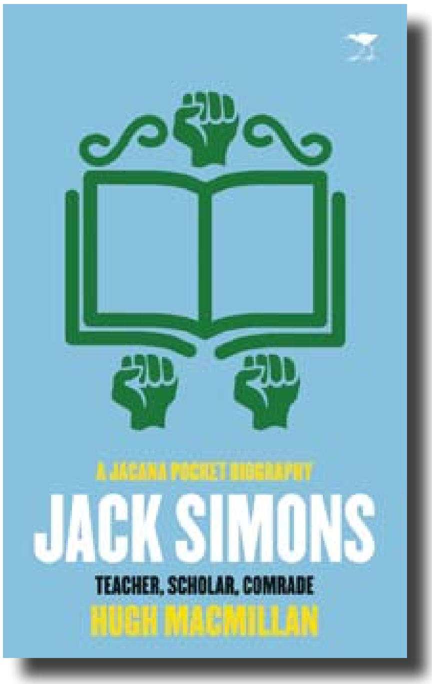
perspectives on the dynamic pathways and factors that influence health outcomes. It advocates for reduction in inequalities through policy changes amidst the widening gaps within and between countries that disempower, exclude and marginalize civil society. The volume illuminates and reinforces debates on how social, economic and cultural barriers impact how care is accessed and delivered and the ways in which care is received. In the African context, for example, the health of the poor is deeply entrenched in cultural beliefs that are often inconsistent with the Western treatment paradigm which further complicates treatment and intervention strategies. In other regions, there is emphasis on why lived realities need to be considered alongside poverty as it is 'the larger sociocultural context that influences decision-making behaviours, political and economic environments' (p. 2).

The book is meticulously structured to raise pertinent questions on how innovation is regulated, the right to health claims and the role of multinational organizations and its socio-political contributions to health care. It systematically frames the complexities of poverty that go beyond fiscal disparities between rich and poor nations and advocates for 'people around the world to come together and set a comprehensive agenda to fight against poverty and to protect the health of the poor' (p. 13). It reflects how 'bad health is morally undesirable' (p. xvi) and why more must be done to dismantle oppressive institutions that exploit people who are suffering from, and who are vulnerable to, health-related conditions and diseases. It provides an excellent discussion of the social determinants of health and the interrelatedness with poverty and inequality.

Overall, the book is absorbing and compelling because of its wide-ranging and invaluable addition to

The book is meticulously structured to raise pertinent questions on how innovation is regulated, the right to health claims and the role of multinational organizations and its socio-political contributions to health care

current debates on global health and the public and private sector interactions with civil society. It calls for transformation that extends past moral questions concerning the persistence of poverty to addressing why 'change is badly needed' (p. xviii). The book is strongly recommended to researchers, policy analysts, academics, activists and those with interests in health, politics, social and economic policy and development. NA



Jack Simons: Teacher, Scholar, Comrade

A Jacana Pocket Biography

Hugh Macmillan

Jacana: Auckland Park, 2016. 167 pp

Reviewed by ***Howard Smith (Jack Simons Branch, South African Communist Party)***

This is Hugh Macmillan's second book in the Jacana Pocket Biographies series, following his 2014 *Chris Hani* (reviewed in New Agenda (60) in 2015.) A research historian and author of *The Lusaka Years: The ANC in Exile in Zambia 1963–1994* (2013), Macmillan also knew Jack Simons well in Lusaka: "It was my privilege to walk and talk with him about once a week for 12 years, from 1978 to 1990."

Born in 1907, Jack's life spanned the rise and fall of racist rule in South Africa: he was six when the Natives Land Act was introduced and died a year after the 1994 elections. Throughout, Jack believed in the common history and destiny of all the peoples of South Africa and contributed his intellect and commitment to the realisation of a democratic inclusive South Africa, in the course of which he suffered bannings, imprisonment and enforced exile.

The bannings interrupted and then ended his academic career at the University of Cape Town, to that institution's and the country's loss. He followed his calling after leaving South Africa in 1965, first for two years in Manchester, England – where he and his wife, Ray Alexander, completed their *Class and Colour in South Africa* – and then in Lusaka. From there, he spent time in the ANC/MK camps in Angola, leading political education for the youthful post-1976 exiles.

First and foremost a teacher, Jack believed that the "object of a class is to get the students to study, and not to give the teacher an opportunity to exhibit his wisdom and eloquence. The students, not the teacher, should do most of the talking." His style of classroom engagement proved extremely popular with his students at UCT, in the camps, and with activists attending political education classes based on his published lectures.

Jack was always enquiring and never doctrinaire. He wrote that Marxism "was, and will remain, a great liberating force, an analytical tool for dissecting social structures and exposing the realities of the bourgeois, capitalist mode of production. Marxism-Leninism will survive the blunders and crimes committed in its name."

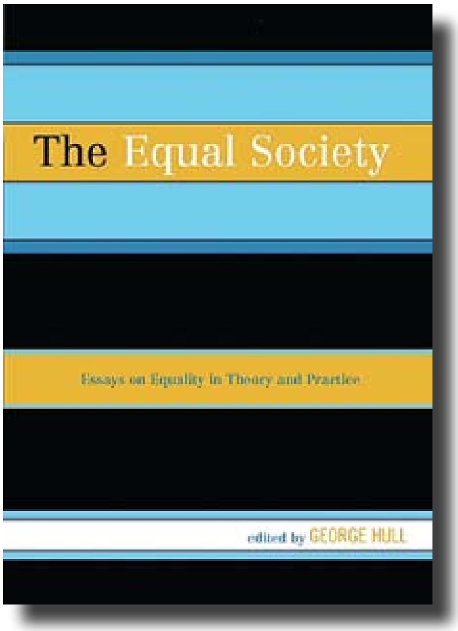
A short review can't include the many political issues on which Jack expressed thoughts or contested the views of others in the liberation movement over decades: the collapse of the Soviet Union, the position of the coloured community taken as a whole in relation to the ANC, the Black Consciousness Movement, and the political – as distinct from military – role he held should be adopted by MK cadres.

Macmillan acknowledges his sources as primarily the Simons papers at UCT and the ANC and Tambo archives at the University of Fort Hare. My one criticism of this publication is that the often extensive quotations are not referenced, leaving the reader in the dark about when the views were expressed and how to access the originals.

I did look for one aspect of Jack's life and thought that might have value for the challenges we face today, as I imagine he would wish. In the late 1930s, he initiated a course on comparative African government and law at UCT. In 1965, he wrote,

> I thought the subject should be made to correct the dominant bias at all South African universities towards Europe and western civilisation, by giving students a thorough grounding in the history, traditions and problems of Africa. The focus therefore shifted from the purely administrative process to a sociological examination of colonial systems, the related political and economic institutions and the emergence of independent African states.

That approach may, I think, somehow contain what remains lacking in the transformation of curricula today. NA



The Equal Society: Essays on Equality in Theory and Practice

George Hull (ed.)

Lexington Books: Lanham, 2015. 354 pp

Reviewed by ***Robert Schrire (Political Studies, University of Cape Town)***

Issues around equality have become of critical importance in our globalised world. Thomas Piketty in France and Paul Krugman in the United States are among many contemporary economists who have stressed the centrality of the impact of inequality on the welfare of nations and peoples. The rise of right- and left-wing populists like Donald Trump and Bernie Sanders is a visible manifestation of the political impact of inequality.

This volume therefore comes at a propitious time. The product of an international conference of philosophers held in Cape Town in late 2014, its 14 contributors examine a wide range of practical and epistemic issues related to equality and inequality.

It is clear that the concept is contested. Part One, which is devoted to theories and approaches, asks many important questions: What does equality mean? Is it a pattern of the distribution of goods and services or is it a set of relationships? What is to be distributed? How is it to be distributed? Is equality an individualistic matter or can it be applied to gender and racial categories?

> **What does equality mean? Is it a pattern of the distribution of goods and services or is it a set of relationships? What is to be distributed? How is it to be distributed? Is equality an individualistic matter or can it be applied to gender and racial categories?**

The authors, all leading experts, discuss traditional theories, such as those of Immanuel Kant and John Rawls, and explore the insights of contemporary theorists including Christian Schemmel and Amartya Sen. In today's world of "winner-takes-all" and the "global village", these are vital issues.

Unfortunately, the authors make little contribution to public policy or contemporary political debates. Although Part Two is titled "Putting equality into practice", the chapters are largely conceptual, theoretical, and argued at a high level of generality. The book thus represents a dialogue between philosophers. For policy-makers and the general reader, alas, the discussions will have limited relevance. I would argue that the context within which inequality is created and perpetuated is critical to understanding and that purely theoretical analyses have limited practical value. For this we will have to wait for the publication of a more policy-oriented study that locates key issues within the context of political choices and technological change. NA

NEW AGENDA: SOUTH AFRICAN JOURNAL OF SOCIAL AND ECONOMIC POLICY

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Articles should be under 3000 words. They should be clearly written and broadly accessible. Please keep jargon, references, notes and graphs to a minimum. Writers are responsible for the accuracy of their citations and for following "fair use" principles. The author's name, contact details and a brief biographical statement should appear only on the title page.

Articles and inquiries may be directed to Zunaid Moola, Deputy Editor at newagenda01@gmail.com .

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We carry brief informative reviews (+/-500 words), and occasional longer review articles of 1000-1500 words. Reviews should include full title and author information, plus publisher, date of publication and number of pages. We often receive review copies of new books. Please contact us for available titles.

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