

Economic Policy

16. The economy faces a **structural crisis**.

- a) apartheid is limiting expansion - eg illiteracy is an obstacle to the introduction of technology and technical training;
- b) almost no investment is taking place in the productive sector;
- c) we are still heavily reliant on raw material exports such as gold, coal etc.;
- d) we are still dependent on the importation of heavy machinery;
- e) the quality of many of our manufactured goods is poor and not competitive on world markets;
- f) our agricultural policy is disastrous - food prices are high, land allocation is wasteful and unjust, and subsidies to inefficient farmers are a drain on the economy.

17.1 There is widespread agreement that **our economy needs to be restructured**. The struggle is to determine the agenda of that process.

17.2 The working class must develop an economic policy which provides for a democratically run economy and which ensures that:

- the economy grows and jobs are created;
- the standard of living of the working class is increased;
- the basic needs of the people are met (eg housing, health and education);
- the economy is able to compete internationally;
- the inequalities caused by apartheid are addressed;
- we have a mixed economy with a socialist orientation, and containing private, public and co-operative sectors.

Economic Policy

Cosatu needs not only to understand but also to act to change the deteriorating economic situation. Only with a clear policy framework will we be able to decisively intervene to change present economic initiatives and begin to work now for economic reconstruction.

Our economic policy framework

We need to develop a package of policies that would begin reconstruction of the economy based on:

- * Growth through redistribution.

- * Industrial restructuring that would support the process of growth through redistribution and move our economy towards being able to compete more effectively inside South Africa and in the world markets.
- * The active involvement of democratic mass organisations in the processes of growth and reconstruction.
- * Decisive but well-considered interventions by the state in production and the distribution and consumption of our economy's output. This would include, as a component of our programme, nationalisation as a legitimate and necessary political instrument.

A growth path for reconstruction - growth through redistribution

We need our economy to grow, but to talk of economic growth only is inadequate. The structural problems of the South African economy are so serious that any economic growth within the present structures will worsen the position of the majority of our people.

There are severe structural weaknesses in the economy, but also certain strengths that could be effectively utilised.

The weaknesses are high unemployment, widespread poverty, social disintegration, the lack of basic goods and social services and a very high cost manufacturing sector.

The strengths lie in the relatively large size of the industrial sector and a well developed industrial infrastructure.

We need a growth path that can further strengthen the economy, while at the same time using these strengths to eliminate weaknesses. We believe such a growth path is one of growth through redistribution.

Developing the growth path - the role of PRODUCTION

1. Production needs to be directed towards the provision of basic goods and services

The main focus of redistribution must be towards urban and rural communities that have been impoverished by apartheid capitalism. Communities urgently need to be provided with adequate housing, electricity, water, roads, transportation, education, health, child care, old age care and recreational facilities - i.e. basic goods and services.

The provision of basic goods and services will generate employment and begin the revival of the manufacturing sector.

ISSUES TO CONSIDER

- * How basic goods and services will be financed.
- * How houses, schools, creches, hospitals etc will be built.

- * What land reform is needed allow basic goods and services to be provided and distributed fairly and cheaply.
- * What roles should be played by the community, local government and central state.
- * What roles should be played by the unions.

2. The need to intervene in the capital market

At present the level of investment is too low and directed towards non-growth activities. The level of investment needs to be raised and channelled towards growth activities. These are:

- * Providing basic goods and services
- * Creating employment
- * Developing human resources
- * Setting up an effective development or reconstruction bank.

Ways to achieve this include:

- * Breaking the conglomerate's stranglehold over manufacturing and the financial sector. The separation of ownership of the manufacturing and financial sector will lead to more efficient growth.
- * Legislation to reverse the excessive pyramiding within conglomerates.

ISSUES TO DISCUSS

- * Will the present financial institutions and in particular the banking sector be willing to redirect investment or will a new government need to nationalise all

or part of the banking sector. Other options include setting up competing state institutions or forcing greater competition within banking.

3. Costs need to be lowered

Present costs for basic goods and services are high relative to what people can afford, and relative to our ability to export manufactured goods.

Costs will be lowered if productivity is increased. Productivity could be increased through training and technological changes.

3.1 We need a comprehensive national approach to basic adult education (literacy and numeracy) and skills training.

The following principles should underline a training policy:

- * Trade unions have a central role to play in human resource development or training.
- * Training must address the effects of apartheid. All forms of unfair discrimination must be ended. General education must be provided where the lack of such education is an obstacle to skills development.
- * Employers and the state have a duty to train. Training must form part of unemployment.
- * All workers - not just artisans - must be trained.
- * Training should be linked to industry grading system. Grading should be based on broad skills bands.
- * Training should lay the basis for career paths. Courses should move from broad general skills to specialisation. There should also be career paths for trainers.
- * Training should be modular and competency based within a national and industry framework. There should be flexibility within the framework.
- * There should be recognition for prior learning - however it was acquired.
- * All workers should have a right to paid leave for education and training.
- * Training courses must be updated to meet the needs of a changing economy.
- * Formal education should be free and compulsory to the highest level the economy can afford.
- * There must be clear links and bridges between formal education, and industrial training system and other education and training systems for youth and unemployed.

3.2 Technology

The expenditure in South Africa on research and development is pathetically low, and we face a piecemeal introduction to new technology that destroys jobs, causes wide wage and skill differentials and only benefits profits in the short term.

We need a more effective, coherent and appropriate technology strategy.

ISSUES TO DISCUSS

Will the trade union movement be prepared to work towards a general rise in productivity in industry if it is :

- * within the growth through redistribution growth path
- * it is negotiated with us.

4. Employment needs to be created

This is a critical problem and the whole growth path is necessary for this.

Negotiations at an industry level to achieve industrial restructuring are crucial in employment creation. The following principles need to guide industrial restructuring.

The following principles should guide industrial restructuring.

Restructuring needs to:

- * Be part of a coherent growth path and not continue in the present anarchic capitalist way.
- * Be employment creating.

Industrial restructuring should also be accompanied by:

- * The upgrading of skills, and provision of basic adult education. The work force also needs to be more flexibly skilled for a changing situation.
- * Good industrial relations
- * Affirmative action.
- * Positive environmental policies.
- * A technology strategy.
- * A restructuring process must consider how the goods that are being produced are going to be distributed and to who. The products should be orientated to the poor.
- * Restructuring must develop worker control at all levels of industry.

The state will also need to play a role in restructuring of industries. This is not to support sick industries but to carry out effective and orderly restructuring.

Employment creating schemes will need to be established by the state.

There is a need for the public sector to become active in industrial restructuring.

ISSUES

- * How will employment creation schemes be subsidised?
- * How do we overcome the contradiction between possible low wage employment schemes eg public works programmes and our demand for employment at a living wage?

5. There needs to be active labour market policies

COSATU as a strong and militant trade union federation sees itself as being an active participant in the process of reconstruction. There need to be active labour market policies based on negotiating procedures and institutions in the following areas:

- * Progressive labour legislation
- * Effective tripartite institutions to deal with human resource development
- * Effective wage policies
- * Centralised bargaining
- * Public sector unionism.

Issues

The public sector has a key role to play in a growth through redistribution path. The structure and function of the public sector is crucial and is also linked to our stress on democracy.

6. Moving toward an external orientation in the economy

We need to take our position in the world economy seriously for two reasons:

- * The development of industry in South Africa took place largely behind the protection of tariffs. Along with a number of misguided policies on cheap labour, human resource development and investment policy this protectionism has made South Africa a relatively high cost producer of manufactured products.

We now face a situation where our costs are out of line with world prices. If we continue to protect domestic industry, we will not be able to compete internationally in manufactured products and we will remain dependent on exporting minerals and raw materials.

- * The world economy is being restructured into powerful trading blocks such as the "new Europe", the world economy is becoming more competitive and countries are being urged to remove tariffs. If these pressures were applied to South Africa, with its high costs, our industries could be destroyed by cheaper foreign competition.

We therefore have to develop an economy that can survive and grow within the world economy. We need policies that promote manufacturing exports and bringing down domestic prices - i.e. an external orientation for the economy.

There needs to be a Southern African programme

South Africa's economic power can prevent the growth of manufacturing in Southern African thus keeping our neighbours underdeveloped. This could lead to job seekers and their families coming

to South Africa.

It is in our long term interest to have a developed Southern African economy and we must seek ways of reaching mutually beneficial agreements with our neighbours.

Nationalisation - a necessary and legitimate instrument

Nationalisation is a necessary and legitimate instrument of state policy. As such an instrument it should be used as part of the growth path to achieve the following:

- * The equitable and adequate provision of basic goods and services.
- * Directing strategic production to achieve our growth path objectives.
- * Generating development.
- * Assisting in restructuring production of certain sectors.

Nationalisation is not in itself the solution to all our economic problems and nationalisation itself is not the basis for socialism.

DISCUSS

We need to give thought to what ownership forms would assist and be effective in a socialist economy.

Ownership need to be limited

We have the following suggestions:

- * Conglomerates need to be broken up to achieve greater growth efficiency.
- * A positive **small enterprise** policy needs to be developed that is both growth efficient and redistributive of the means of production.
- * **Land reform** is urgent in both urban and rural areas since this will lead to a more equitable distribution of land and because land reform is the starting point for growth through redistribution.
- * All ownership rights must be limited by a national policy on the **environment** and on the use and extraction of natural resources.

B. Developing the growth path - how we distribute what is produced and how what is produced is consumed

We need to develop policy in the following areas:

Who should provide basic goods and services?

If the market is the only means of distributing goods and services then it is the ability to pay rather than human need that is the deciding factor. This will keep the poor in the same position as they are now and the effects of apartheid will be unchanged.

There must be a process to ensure that basic needs are met - irrespective of whether people can pay or not.

The balance between collective and private consumption.

Let us take the example of beaches to explain what we mean by this. When the beaches are open to all - this is called collective consumption of the beaches. Private consumption of the beaches would be when individuals are charged to use a beach.

Movement from collective to private consumption is happening in many areas in the provision of services. This is often referred to as commercialisation". The ability to pay determines who are the consumers.

This is a very serious problem as it will keep the divisions created by apartheid.

Our ability to ensure an equitable distribution and collective consumption of basic goods and services depends on the strength of democratic mass organisations in civil society.

Growth through redistribution depends on democracy and the survival of democracy depends on growth through redistribution.

Caring for the young and old

The strength of civil society will also be important in determining how much of the benefits of growth will be allocated towards those activities that support the young and old - child care, creches, schooling, recreation, cultural facilities, clinics, hospitals and old age homes. These things are needed to build healthy vibrant communities.

The relationship between central state, local government and the community

ISSUES TO DISCUSS

* In the areas of distribution and collective consumption we need to address the relationship between central state, local government and the community.

* We need to examine the effects of privatisation and commercialisation and how the public sector will need to be restructured in the future.

The relationship between South and Southern Africa

We need to bear in mind that the distribution of the benefits of growth should be throughout Southern Africa and not just South Africa.

C. The role of the state in economic reconstruction

We need a strong state

There is an unbreakable link between political processes and economic reconstruction. Unless the political changes are accompanied by economic reconstruction, then the legacy of apartheid will not be removed. And the success of economic reconstruction will depend on a state that can act decisively and follow a coherent plan.

A weak state pushed around by narrow sectional interests will be less able to carry out a growth through distribution programme. The nature of the political processes during this period of transition are thus vital to the process of economic reconstruction.

ISSUES

To what extent will the political processes we are involved in now - establishing a Broad Patriotic Front, calling for an All Party Congress, demanding a Constituent Assembly, building the Tripartite Alliance etc - have an influence on the strength of a future state.

We need a democratic state and strong civil society

There is an argument that most successful economic reconstructions have been carried out by undemocratic states and that democracy is not compatible with rapid economic growth.

We need to show why:

- *Growth through redistribution both requires democracy and will defend democracy.
- * Industrial restructuring is necessary and can only be based on union and worker involvement.
- * The equitable provision of basic goods and services to all is necessary and needs to be based on democratic mass organisation within civil society.
- * There is a need for a strong democratic and not dictatorial state. A new state needs to be based on strong mass political parties who contest for state power and strong mass organisation in civil society. In this balance lies not only the hope for democracy but the building blocks for a socialist society.

We want a "slim state"

A strong state does not mean a state that aims to control everything by a large bureaucracy. We want a "slim state" which intervenes decisively in clearly defined areas. We do not want a highly centralised commandist state, but a state that participates in the formulation and implementation of plans.

DECIDE

Above are proposals for an economic policy. Most of the proposals come from the COSATU Economic Workshop on 3 - 4 April. Congress needs to endorse an economic policy which we can begin to fight for now.