

‘POLITICS AND ECONOMICS IN ANC ECONOMIC POLICY’: AN ALTERNATIVE ASSESSMENT¹

Ben Fine

Apologetics, Polemics and Scholarship

Over the past year, Nici Nattrass has engaged in something of a one woman crusade in her prolific commentary upon the prospects for the ANC's economic policies and policy making. She has published three papers in different academic journals as well as presenting one at the twentieth anniversary conference of the *Journal of Southern African Studies* at York in September, 1994. In short, she has attempted to locate discussion of contemporary policy making at an academic level, and to an extent that is quite unusual outside the similar attention devoted to the transitions from the formerly socialist economies. Here possibly is a clue as to why her scholarly endeavour has been attracted to relatively infertile conditions. After all, the variations in a government's or an opposition's policies do not generally command an immediate academic response, even if they are the focal point of media attention. Paradoxically, it is the very novelty of the circumstances of societies currently in transition - conditions far from conducive to scholarly enquiry - that also encourages academics to rush in where the media does not fear to tread.

The purpose of this response to Nattrass' work is to engage upon the terrain which it has itself sought to occupy - that of scholarly enquiry. But it can only do so with some difficulty because, whether intended or not, her contributions are best characterised as apologetics on behalf of capital or business. This is a harsh judgement, but one that needs to be justified before any analytical content can be extracted and scrutinised. Although the latter task is the goal of what follows, it is necessary to clear the ground of apologetics - through recognising the following four features of her contributions.

First, Nattrass has a central pre-occupation with encouraging 'business confidence'. This is most apparent in her *Third World Quarterly* article which sees its absence from the Macro-Economic Research Group (MERG) Report as a major weakness.² Note that this is not a point about whether material conditions for business are good or bad, which might be thought to have a major influence upon, or even outweigh the effect of, business confidence. Rather it appears that

business must be made to feel good as a matter of policy itself. Accordingly, any policy that might be construed as bad for business confidence must be open to question. It is a short step, admittedly one not taken by Nattrass herself, to argue that any government that is bad for business confidence is undesirable - an argument that has been applied to the Labour Party in the UK, although fifteen years of secure Tory rule seem to have done little to sustain business confidence. In short, to appeal to the need for business confidence is to apologise to business for the ANC having come into power.

Second, there is a remarkable asymmetry in the focus of Nattrass' contributions. Let the matter be put crudely (and, analytically, incorrectly). It can be argued that business holds economic power due to its power to withhold domestic investment - hence the imperative for business confidence. But, by the same token, (ANC) government holds the key to political and/or social power (the latter subject to COSATU). Hence, the requirement for business is to ensure adequate wages and social provision, or endure the disastrous consequences of social and political instability - the counterpart, by symmetry, of business confidence. The absence of such considerations (no reference to socio-political as opposed to economic constraints) is evidence of apologetics - presumably business, unlike government, does not need to be taught such lessons, or is not open to influence and persuasion because it is impersonal and subject to unmodifiable animal spirits, whether desirable or not. Where, then, is the voice of reason and reasonableness, aimed at business, and imploring it to show a bit of business confidence and, better still, a load of investment, in order to secure social confidence?

Third, without degenerating into a semiotic discourse, it scarcely needs a careful deconstruction of Nattrass' texts to realise how language is employed to denigrate those she perceives to be too radical to support business confidence. Irrespective of the merits of her own arguments about the need to rely upon moderate, social democratic policies, alternatives are to be marginalised by the very terms in which they are expressed, being dubbed militant populist, for example. Many more examples could be given, each of which by itself might appear to be innocuous. But the overall tone is one bordering upon contemptuous dismissal of those who hold to more 'aggressive' policies than her own.³

Fourth, there is the way in which scholarly evidence is itself used. Nattrass has occupied a particular stance, which is arguable, but she merely summons references to her support, generally irrespective of the complexities, ambiguities and the counter-arguments that are to be found in the literature. One of the more remarkable, if not logically necessary, consequences of the way in which she has chosen to present her case is that it is almost entirely free of any roots within the economic and political realities of the South African formation. Indeed, far from

the conditions pertaining in South Africa serving as the starting point from which she may develop her argument, she proceeds in the opposite direction. Her position is already set in stone. Casual reference to South Africa, and a limited range of literature, is the means to confirm her stance, not to interrogate it.⁴ Thus, movements in policy (documents) revolve around her own view as the focal point by which (along with their impact on business confidence) they are judged. Not surprisingly, then, policy documents such as the Reconstruction and Development Programme (RDP) and others that preceded it, are endowed with a scholarly significance and intent that is entirely inappropriate to their content, manner of production, style and purpose.⁵ To parody, it is as if a multiplication table is interrogated for its theory of numbers.

Methodological Considerations

In this light, whether such features of her work justify the label of apologetics or not, it does imply that there is more polemical than analytical content. Further, in so far as the latter can be disentangled, it is open to question methodologically, theoretically, factually and interpretatively. Beginning with method, two very different features of her work can be highlighted.

First, there is the use of (international) comparative material. Overall, Nattrass' stance can be caricatured as follows: South Africa cannot be South Korea, it runs the danger of being Latin America, and it has the potential to become Australia. Now, these are simply empty conclusions, and merely serve the purpose of buttressing the idea that state intervention should be limited along with wage increases, without the necessity of sustaining the argument by reference to South Africa's own economic and political conditions. What is neatly side-stepped, by simple imposition of clichéd illustrations from other countries, is the necessity of addressing how comparative material should be employed.

In particular, it is possible for her to ignore two crucial factors in comparative analysis. On the one hand, the experiences of each individual comparator is open to contested interpretations. Take South Korea, for example. It has taken a decade or more of excellent scholarship, all in opposition to the World Bank, to convince it to modify its view that the country's success is not simply due to the unfettered functioning of market forces, although (once again, unacceptably) it has chosen to interpret South Korea's experience of state intervention as conforming to the market (doing what the market would have done in any case, had it been functioning perfectly).⁶ Whatever the lessons to be learnt about how the South Korean state was able to choose, implement and monitor industrial strategy with some success, they are certainly not simple and uncontroversial. As the literature on South Korea has tirelessly never failed to point out, exactly the same sort of thing was said about that economy before it embarked upon its Asian miracle -

with its steel industry being the most favoured illustration. Much the same applies to the lessons from Latin America and Australia, and the need to reject militant populism and unrestrained wage bargaining. How these have arisen and with what lasting effect are open to dispute. Cast-iron, general conclusions cannot be drawn.

On the other hand, whatever the lessons to be drawn from comparative experience, and however certain it is possible to be about those lessons, the validity of applying them to South Africa remains open to question, because it is a different socio-economic formation, at a different stage of development, with a different economic and political structure, history and current dynamic. Again, this is not to suggest that comparative analysis is worthless because some conditions are always different. But in extrapolating from one or more countries to another, these reservations about what are otherwise sleeping *ceteris paribus* clauses have to be made explicit. Otherwise, it is implicitly assumed that the mode of functioning of one economy is identical in all respects to any other, except for the few factors identified and scrutinised. This is a simple fallacy, compounded in Natrass' contributions by the previously remarked casual attitude both to differences in interpretation of her comparators and to the specification of the unique character of the South African economy - it is not like South Korea, Australia or a (stylised) Latin American country in too many respects for it to be understood as emulating, or not, their experiences.

A completely different, second, methodological fallacy in Natrass' approach concerns how policy documents are to be understood. If it is a caricature, it is only mild to suggest that she simply reads policy documents and statements as if they directly reflect the balance of economic and political power within the issuing organisations, and also as if they have a direct bearing upon what policies will actually be formulated and implemented. This is simply to exaggerate the significance of such documents both in analytical and in policy terms, possibly understandably, if not justifiably, in the light of the limited experience that we have of such documents in the South African context. If we undertake the hypothetical exercise of moving forward five or ten years and look back upon the passage of policy stance and policy making, it is more plausible to suggest that the ANC's documents of the early 1990s, and even the RDP, will pale into insignificance - the latter's fate to be taken up later. If, ironically, some comparative analysis might be suggested, just how often in retrospect do government's or political party's policy documents appear to be of crucial importance in determining the course of events. Consider the experience of other countries in the southern African region or, even closer at hand, the policy documents of the apartheid government in its last decade. At best, these serve as staging posts only by way of points of substantial departure.

A further irony is the extent to which much more moderate readings of the significance of policy documents is even confirmed in a perverse way by the analyses of those policies emanating from the World Bank and the IMF which have been accepted, at least formally, by governments. There is now a healthy literature on the condition of economies 'before' and 'after' structural adjustment, with or without programmes drawn up by the international institutions. Rattled by the ineffectiveness of stabilisation and structural adjustment programmes - indeed, they appear to have little or negative effect on performance on balance - the World Bank/IMF draws back from the natural conclusion that its policies are ineffective or harmful, and concludes that they have not been implemented adequately. There is, then, many a slip twixt cup and lip before socioeconomic forces become reflected in policy documents, and before policy documents become reflected in policy and outcomes. Nattrass' methodology involves placing considerable weight on the limited evidence provided by the tea leaves at the bottom of the policy document cup. By contrast then, we have to exhibit considerable methodological caution in drawing conclusions from policy documents either about the forces that have created them or the impact that they are liable to have. They are, after all, merely pieces of paper, often little more than rhetoric, designed to win elections, appease supporters and even opponents, and, of course, with an eye to the media and business confidence.

This is not to say that policy documents are merely a small craft bobbing on the top of the ocean simply because the idea is rejected that they are the hands on the tiller of a liner. It is, however, essential to uncover the position of policy documents with a greater degree of sophistication than Nattrass even begins to exhibit. At the risk of over-simplification, her analysis is that there is a correct, moderate economic strategy towards which the ANC has substantially moved, dragging COSATU behind it, even if reluctantly in part because of the latter's representation of the special interests of the organised working class.⁷ Hence, ANC policy documents are welcomed for having become increasingly moderate despite COSATU resistance.

Nattrass' assessment of the changing tenor of the documents is not disputed, as they reflect a substantial shift away from the early and heady days of commitment to nationalisation, for example. But, as previously suggested, how significant and deep-rooted are the shifts and, correspondingly, the scope of explanation provided for them remains open to question. In particular, the weakness of Nattrass' account lies in the failure adequately to address both the influence upon the documents of the peculiar circumstances in which they have been produced, and the shifting internal dynamic of the alliance that has made up the democratic movement.

On the latter score, for example, again at the risk of parody, the ANC (plus

SACP) and COSATU are treated almost as homogeneous but separate institutions which may or may not be able to come to a common and sensible view.⁸ Internal differences, structures and activity are reduced to the pronouncements of individuals or to the issue of whether they are more to the left or to the right, or more or less militant (not necessarily the same thing). This is simply not a sound foundation on which to assess the significance of policy documents or the longer term prospects for the evolution of the various organisations involved and the relationships between them.

This would be so for any country, but it is of particular salience in the context of South Africa in a period of transition. The first half of the 1990s can now be seen as having been dominated by the process of rapidly negotiating a constitutional settlement following upon the unbanning of the ANC. But it also has to be set against a longer term period in which COSATU and the UDF had occupied a position of much more decisive importance. Not surprisingly, in the period of negotiations, they have both (especially the new forms of the latter) occupied a less prominent role, and have subordinated activity and organisation to the common goal of negotiated settlement (even if not without tensions). In addition, the 1990s have witnessed a shift in the locus of decision making to a high level in the ANC leadership and negotiating team. Lower level activity has been subdued and displaced.

Further, the position of the SACP has continued to be subordinated to the interests of the alliance. This in part reflects its inability to develop an independent political and ideological position from and within the ANC, for which an explanation is to be sought in the extent to which it has been integrated into the ANC in the past, and how membership of the SACP often served as a credential for position within the movement rather than as an enduring ideological or political stance. These two factors, together with greater commitment to armed struggle and non-racism, are arguably far more important for explaining the past and continuing role of the SACP, as opposed to the more frequent reference to the ideological and political confusion emanating from the collapse of east European socialism (although the latter's material support has been of crucial, if not continuing, significance). In very different ways and from very different historical origins, COSATU has also subordinated its political position to the ANC-led process of negotiation. Most recently, much of its most prominent leadership has been incorporated into government - itself casting considerable doubt over any simplistic account of the relationship and divisions between the ANC and COSATU.

It cannot be pretended that the previous paragraphs are anything more than a contentious and cursory review of the conditions under which policy documents have been produced and used. It suggests that the development of policy

documents has often been gestural, their contents having some momentary public relations importance, without this necessarily having been intended or thought out coherently. In common, then, with the reservations expressed about the methodology employed in using comparative material, it follows that the depth and breadth of the factors considered by Nattrass is unduly narrow in scope. Of course, it may be possible that her conclusions are correct and other influences have been of limited significance or may have netted one another out. This must be doubted and would, in a scholarly analysis, have to be demonstrated. Of course, the implication that COSATU, the SACP, the grass-roots in the ANC, and the Mass Democratic Movement (MDM) (or civics and other organisational forms) may develop a different and more active role in the future - as in the past and outside the context of transitional negotiation - is not entirely palatable to Nattrass, given the conservatism of her economic assessment.

Theoretical Doubts

Now consider what are the two central theoretical propositions informing Nattrass' account. The first concerns the analysis of 'business confidence'. This reduces to dual propositions - that moderate ANC policies and wage increases are positive for business confidence, and that higher business confidence is good for investment and the economy. Both of these propositions are theoretically and empirically questionable - as they are in tandem, that moderate policies etc are necessarily better for the economy.

Business confidence is itself an elusive concept, both theoretically and empirically. If it is reduced to the issue of whether investment will be made or not, then Nattrass' theory borders on the tautologous. If it concerns the more subjective assessments made by fragmented businessmen and the media on the prospects for the economy, then full account must be taken of the influences other than policy which contribute to the formation of business confidence.⁹ This might be thought to include the real prospects for profitability, such as the extent of markets (including those provided by government expenditure and higher black wages), and the longer term prospects for industrial and socioeconomic development. Moreover, in the South African context, it is well-known that the major source of business confidence revolves around the international price of, and prospects for, gold - something that is effectively beyond the direct control of policy. In short, the nature of the link between government policy and business confidence is far from secure, stable and significant. It is also potentially elusive, as the claim continues to be made that a commitment to moderate policies is merely an ideological cover for what is actually intended or likely to materialise.

By the same token, it must be doubted that the link between a higher given level of business confidence and investment, is well-established. Once again, the

role of business confidence has to be set against the other, far more significant, influences on investment of which government policy is again of more direct importance in creating markets and coordination between them. Reference might also be made to Nattrass' own point concerning the global character of capital. Irrespective of the lengths to which the government goes to build business confidence, it might find that it has no impact on levels of inward investment and that it positively enhances the continuing (and often illegal) process of disinvestment that has been at the heart of the investment strategies of much of South Africa's highly concentrated domestic corporate capital. What will make business really confident is the capacity to move its resources out of the country!

It is a huge irony that Nattrass appeals to Keynes' notion of animal spirits to justify policies that promote business confidence. Keynes' central argument is that, whilst such aptly named spirits might allocate finance most effectively to the most profitable outlets, the overall level of investment would be deficient. Hence a need for the state to intervene to guarantee the overall level of investment and neutralise the depressing and immanent effect of a financial system dedicated primarily to speculation (as opposed to productive investments). Leaving aside Keynes' micro-dogma concerning the judgement of entrepreneurs in choosing individual investments appropriately, this might be thought to be highly relevant to the over-bloated South African financial system buttressed, as it is, by excessively conservative macroeconomic policy. This also throws into doubt the frequently favourable assessments of South Africa's macroeconomic policy under the apartheid regime, as made by Terence Moll and referenced by Nattrass. This reflects an unduly narrow pre-occupation with (some of) the standardised targets of policy, such as inflation and the balance of payments; neglects other targets, such as unemployment and equity and welfare; excuses poor performance as due to external shocks, without acknowledging that these were often the consequence of the apartheid regime of which the policy making institutions were a part; and it neglects the extent and institutional structure of the financial system in South Africa, which both reflected the directions taken by the apartheid economy and consolidated its poor overall performance. Thus, conservatism in otherwise neutrally conceived macroeconomic policy as a source of building business confidence follows in part from far too favourable and narrow an understanding of the role of macroeconomic policy and macroeconomic policy making institutions in the past.

In summary, as an economist, Nattrass must know that theoretical and empirical explanations for aggregate domestic investment have proved consistently elusive. For her to pick upon business confidence as a key policy variable is simply a red herring. Ultimately, when interrogated, this simply leads us back to disputes about how the economy functions and how best to intervene within it.

Moreover, it can, given this, be more reasonably argued that the fickle nature of business confidence is the very last factor on which to base policy formulation. And, once again, Nattrass' account is remarkable for being totally insulated from the realities of the South African economy - to what sectors does her argument apply and with what weight? Finally, it is equally telling that the time-scale of her discussion remains unspecified. Over what period must business confidence (what is usually thought of as a short-run, even daily, speculative factor) be sustained and how does this relate to longer term prospects for investment?

By way of digression, for Nattrass herself only refers to the matter obliquely, failing generally to distinguish different types of business (confidence), consider small-scale business. To her credit, Nattrass does not appear to rely upon this 'sector' to guarantee economic progress, and her economic discussion, if only implicitly, appears to recognise that the role of globalised big business will be most crucial. But others have been less cautious, and the role of small business is potentially disproportionately prominent in policy discussion and formulation, particularly when the stance towards the more decisive big business is taken off the agenda (see below).

The discussion here is informed by a number of general points about the variously termed small or black business or informal sector. It is highly heterogeneous and not open to generalisation, ranging from street-hawking, through sweat-shops and taxi-driving, to high-tech services. As such, it is highly dependent to a greater or lesser extent upon an existence within the interstices of large-scale capital - at a micro-level as sub-contractor or customer, at a macro-level upon how well the (large-scale) economy is performing. Thus, at most, it can constitute a side-show in the practical regeneration of the economy. Consequently, it has always theoretically, politically, ideologically and in policy terms, played the role, whether intentionally or not, of displacing attention from central issues. It is variously interpreted as embodying the entrepreneurial spirit, (self-) employment generation, a route to affirmative action, the means of providing training and technological up-grading, etc according to the buzz in vogue at the time. But, in overlooking the determining role of big business, specific sections of small (or black) business become disproportionately powerful in the policy making process and, especially over the narrowed terrain on which policy is discussed (essentially to leave most of big business alone), are unduly influential in promoting their interests whether through fair means or foul.

At this point, the discussion can rejoin that of Nattrass. For, consciously or otherwise, her stance for business confidence, limited state intervention and a moderated and incorporated role for trade unions and low wages, is liable to prove an implicit and complicit charter for particular sections of 'small', black

business to employ state policy to its own advantage (which will almost certainly entail a non-antagonistic and incorporated role relative to big business in practice). Paradoxically, her policies of non-intervention carry the potential for soliciting pervasive 'rent-seeking' activity through the state - exactly what she wishes to deny to trade unionists and 'militant populists'.

The second theoretical pillar to Natrass' account is that there is some sort of inverse relationship between wages and employment. Again, as a trained economist, she must be fully aware that the exact nature of this relationship is theoretically and empirically contentious, and is not reducible to a simple, unmediated and inverse correlation given, for example, the separate formation of money wages and prices. Further, even if the relationship is accepted as having some immediate purchase, its time-scale is open to question. Most formal economic models incorporating this effect do so through netting out the way in which industrial restructuring, investment and increased productivity (and, at times, increased capacity utilisation) underwrite the potential for rising real wages. Turning these observations around, and even leaving aside the potentially positive impact of wage increases on the level of aggregate demand (and investment), it is arguable that rising real wages are a necessary stimulus to lift certain sectors of the economy out of technological backwardness. This does not preclude the danger of wage-price spirals, but priority to wage restraint (with never a mention of price nor profit restraint) and business confidence leaves unaddressed the impetus for transition from a low-wage, low-investment, low productivity, high unemployment economy.¹⁰

Interpretation and Missing Evidence

These theoretical conundrums have little influence, however, on the policy making process except in so far as they are purchased by policy makers in the form of the simple nostrums that Natrass seeks to peddle. There remain factual and interpretative questions over her account of the evolution of policy. At one level, these are simple and easily corrected, such as the attachment of MERG exclusively to the ANC - whereas it was promoted by the ANC, COSATU, the civics and a consortium of participating universities (together with the influences attached to foreign donor funding and academics). This poses a small difficulty in the context of the more significant and previously observed need to untangle the exact and shifting relations between and within these constituencies. But the factual/interpretative content of Natrass' contribution is most deficient in choosing policy documents as a focus without setting them in context - almost as if this were an academic debate in which the documents were themselves a contribution. Whilst herself raising many of the points covered below, and above, Natrass paints a very different picture of their significance.

For, as an active participant myself in the production of many of those documents over the last decade, her account simply does not ring true even from a purely subjective perspective. For example, whatever has been written and carefully argued in the documents, their most prominent impact has always been short-term and dominated by a hostile press, scouring them for the degree of public ownership and expenditure and, more recently, whether the Reserve Bank is to be independent or not. The form and content of the texts has increasingly been bent towards this constituency and reception. 'Do not even mention this issue just to avoid controversy or to allow other policies to be highlighted'. Omission, then, does not necessarily imply change.¹¹ The documents have not reflected nor played the role that she assigns to them. Why is this and how can it be put more objectively and, thereby, open to further scholarly investigation?¹²

The answer is to be found in two central interpretative propositions about what has happened. The first, as already heavily emphasised, is that the policy documents have not been central to the policy making process. This can be highlighted even more strongly by observing that economic policy making has been appropriated at much higher levels than those at which policy documents have been formulated and debated within the movement. Policy making and policy documents have each been negotiated in quite separate sites and through different constituencies. Those making policy have tended to constrain rather than lead the policy debate. Consequently, the development of economic policy documents has been limited, untested by negotiation, let alone application, and despite the lack of encouragement from leadership. It has, accordingly, been complemented by ad hocery and media fire-fighting in policy making and pronouncement.

This opens up the second proposition - that the leadership has not promoted the development of either economic policy or economic debate. This is most apparent in the limited resources, attention and political priority that have been devoted to the ANC's Department of Economic Policy (now Planning) when contrasted to schooling, for example. Thus, no one with at least a fleeting acquaintance with the South African economy can fail to be aware that at the centre of business confidence resides a handful of large-scale domestic conglomerates. Yet, apart from the rapid retreat from a commitment to nationalisation and a shallow, token airing of the issues around competition policy and the unbundling of conglomerates, policy formulation around the state's relationship to these powerful companies has been most notable for its absence. Whilst this means politically crucial issues have been by-passed, since the (re)distribution of wealth and economic power is necessarily involved, the same failure to develop coherent and detailed policy positions, whether for debate, negotiation or implementation, has been characteristic across the range of economic issues.

This might be explained, even justified, by the need to preclude highly sensitive and controversial issues from emerging during the constitutional negotiations and, thereby, forestalling the reaching of a settlement. This would, however, leave unaddressed the weakness of economic policy making in the period prior to negotiations. This might again be explained by the presumed lack of urgency, with an ANC government apparently far off in the future, and even by the wish not to endanger internal unity by engaging in potentially divisive controversies over future economic prospects. Ultimately and increasingly, however, the most direct explanation is the most appealing - that the leadership has been determined to reserve economic policy for itself, whilst arguably lacking the capacity to formulate it either coherently or effectively.

This has had the paradoxical corollary that those who have pushed for economic policy documents to be produced and widely disseminated and debated, have generally been more progressive, or radical, and participatory in principle than is reflected in the stances that have emerged in the documents. They have only succeeded in overcoming the obstacles posed by leadership resistance and inertia by toning down the positions adopted. Consequently, perhaps the most important role played by ANC policy documents has been that they have been a response and stimulus to grass roots debate, even if not always on terms reflecting the outlook of such constituencies.

Future Prospects

Nor is this of mere historical and academic interest. For where, then, does this leave the ANC's RDP? It suggests that the document does not represent the ANC's policy in anything other than a formal sense. Policy making is being made in spite of and outside the context of the RDP. Irrespective of its content, which is relatively weak in any case, the RDP is potentially subject to a process of marginalisation - assigned to a separate ministry, with a limited budget and limited institutional and political power to deliver. It has the prospect of becoming, by analogy, the token talisman of political correctness that has been so frequently observed in the case of issues such as gender, race, the environment, etc. It is likely to be observed more in the breach of its quantitative targets than in their realisation.

This pessimistic scenario may prove unfounded. But, even if it is not, the sort of analysis by which it is informed is essential, one which locates policy documents such as the RDP in a much less prominent role, both as the reflection of balance of forces and as the instigator of material outcomes. For Nattrass, the goals of the RDP are more likely to be achieved if they are supported by moderate macroeconomic policies, limited state intervention, and formalised wage restraint. This case can be made but it is over-stated and under-justified in her

own contributions. Much the same applies, as a corollary, to the stronger proposition that she puts forward - that any other strategy, such as a more 'aggressive' social democratic policy stance, let alone a strategy for some form of socialism, is precluded from success.¹³

In conclusion, it is perhaps worth dwelling upon what is meant by social democracy in this context, and Nattrass has a refreshing honesty about this. For her, a major role of the state is to educate people, and especially workers, into recognising and accepting the logic of her position. This is an implicit, perceptive, but perverse, recognition that the policy documents, that have often been developed and disseminated *despite* the leadership, have been increasingly subverted to this or a similar 'educational' purpose. In other words, because of the need to sustain business confidence, democratic participation by the electorate becomes synonymous with their being persuaded to accept the bulk of inherited disadvantage. In her discussion of corporatism, Nattrass even regrets the proposed restructuring of the labour market institutions inherited from the past. She warns against the dangers of the influence of vested interests arising from democratic participation, but her own stance is one in which those of large-scale capital are secured even before the education in favour of belt-tightening begins.¹⁴ At one point, even the more general 'white fears' are bracketed with 'business confidence' as targets of policy along with growth and job creation, etc. For some, this might be thought to be the antithesis of democracy and democratic participation - the policies are pre-determined, all you have to do is learn to vote for them - and, despite the achievement of a transitional government, it must be recognised that many outcomes were precluded by the negotiated settlement. This is something more than a resumption of polemics in which Nattrass is characterised as an apologist for business, even if she identifies *their* strategy as social democratic and the only feasible and desirable one to be adopted.¹⁵ For it raises the complex issue of what we mean by democratisation and democratic participation, irrespective of the veracity of her own arguments, given the way in which the electorate's choices have been restricted by the economic power of business and the terms of constitutional settlement.

NOTES

1. Thanks to John Sender, Vishnu Padayachee and others for comments and suggestions on an earlier draft.
2. Reference to the term effectively appears four times in the final page of a seven page article!
3. The term 'more aggressive' is applied to the MERG Report. Others might argue that it is conciliatory, ambitious, welfarist, etc. Other terms used are uneven, schizophrenic, unconvincing, scary, nonsense, muddled, simply vacuous, blind - all within the *Third World Quarterly* article alone. Otherwise the ANC softens its position and becomes more sensible and business friendly when it broadens its appeal by rejecting militant populists, radical rhetoric, and distancing itself from the trade union agenda.
4. This is not to suggest that Nattrass is without a detailed and sophisticated knowledge of the South African economy, on which she has made scholarly contributions. But these do not effectively enter her discourse irrespective of the extent to which they may have led her to her current stance.
5. The MERG Report is, however, more substantial analytically.
6. See World Bank (1994). Note that, although the World Bank has been heavily defeated, this has been a Pyrrhic victory in two senses. There is liable to be no change in its policy stance (other countries will not be able to match the special conditions pertaining in the successful NICs), and, defeated or not, the World Bank has set the intellectual agenda in terms of a relatively sterile debate around the state vs the market (rather than how the two are to be integrated).
7. A corollary is that COSATU is misguided even on its own terms for it would do better to accept wage and state restraint in return for business confidence.
8. One of the more remarkable and revealing aspects of Nattrass' self-regarding contributions is that she places her own views as the organising principle of those of others, including policy documents. Thus, from her perspective, positions, often consciously, move towards or away from her view, or neglect its implications whereas, of course, the policy stances may have been constructed on an entirely different basis, together with inconsistency and oversight!
9. In orthodox terms, business confidence is a peculiar term for Nattrass to use as an economist as opposed to the more common notion of expectations (which is usually tied more formally to prospects for profitability).
10. Nattrass' stance on wages and employment is all the more disturbing for its reference for support upon the horrendously unacceptable econometric exercise undertaken by the World Bank.
11. It also means that the content and tone of documents have often become a form of meta-conflict over what policies actually are or may even be addressed. Thus, attempts were made to change, delay (even suppress) the MERG document. On a different tack, the way in which policy documents are produced (who writes them, when, with how much time and consultation, etc) and who receives them seriously at the various levels of leadership and grass-roots is highly variable, and does not correspond to the uniformity nor to the level of significance attached to them by Nattrass. Such factors have also been highly contested along the lines of black versus white, South Africans versus foreigners, institutional, personal and political rivalries - as opposed to, or even inconsistent with, left versus right. Of course, Nattrass might respond that this is to descend to a level of detail in which the wood cannot be seen for the trees. But there is no policy wood, just a sparse scrub.
12. What follows is put forward tentatively as working hypotheses.
13. For a discussion of her arguments in the context of the nature and viability of socialism, see Seal (1994).
14. In one of her few references to what business might be educated to do, she argues they need to be convinced of the virtues of social democracy. In the light of her definition, they must surely be sinking behind their Swiss bank accounts.
15. My suspicion is that big business would be prepared to concede much more than Nattrass allows and, significantly, she does not even raise the issue of the redistribution of wealth. Nor, of course, does this seem to have been negotiated as part of a settlement. Business confidence might, for example, be more settled by a once and for all lump sum transfer of assets to the state.

REFERENCES

- Macroeconomic Research Group (MERG), 1993, *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa*, CDS, Cape Town
- Nattrass N, 1994a, Politics and Economics in ANC Economic Policy, *African Affairs*, 93
- Nattrass N, 1994b, Economic Restructuring in South Africa: The Debate Continues, *Journal of Southern African Studies*, forthcoming, with responses from Sender J and Kaplinsky R
- Nattrass N, 1994c, South Africa: The Economic Restructuring Agenda - A Critique of the MERG Report, *Third World Quarterly*, 15, (2)
- Nattrass N, 1994d, Constrained Choices and Creative Challenges: Strategic Unions and Social Democracy in South Africa, Paper presented at the Journal of Southern African Studies Conference, York University
- Reconstruction and Development Programme (RDP), 1994, *The Reconstruction and Development Programme: A Policy Framework*, Umnyano Publications, Johannesburg
- Saul J, 1994, 'Globalism, Socialism and Democracy in the South African Transition', *Between Globalism and Nationalism*, *Socialist Register*, Miliband and Panitch (eds), Merlin Press, London
- World Bank, 1993, *The East Asian Miracle: Economic Growth and Public Policy*, A World Bank Policy Research Report, Oxford University Press, Oxford