



African Communist

First Quarter 2009

Issue Number 177



**WE NEED A MASSIVE
ANC VICTORY, SO THAT
THE PEOPLE, NOT
BIG BUSINESS, CAN
DIRECT THE ECONOMY!**



African Communist

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The African Communist is published quarterly by the South African Communist Party as a forum for Marxist-Leninist thought

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EDITORIAL NOTES

Global crisis – now more than ever, ensure an overwhelming ANC elections victory

Other parties want to hand our future to the big corporations that control the markets

In the middle of last year, the SACP warned against local complacency about the global economic crisis. At the time, the dominant line from the majority of economic commentators, and even from within government, was that we were “relatively well insulated”. In particular, it was said that our financial sector was well regulated and we were therefore not exposed to the kinds of toxic liability (like sub-prime loans) that had precipitated the crisis.

As the SACP pointed out last year, well ahead of most commentators, this relative complacency was based on at least two major illusions:

Firstly, there are, in fact, serious vulnerabilities in our financial sector. In our case, the vulnerabilities are not so much related to a lack of regulation but, paradoxically, they are the result of active government policies. A key pillar of the 1996 Class Project was to promote a new black capitalist class. But this aspirant capitalist stratum was made up of “capitalists without capital”. And so, with the complicity of established white capital, “highly geared” (i.e. highly indebted) arrangements were made. For example, narrow BEE capitalists were “given” shares in companies on the un-

derstanding that they would repay these loans from the gains that they would make over five or six years on dividends and, especially, on the increased value of their shares. Clearly, this arrangement was based on the assumption that the stock market basically always goes up.

With the global crisis and with billions of rands now wiped off the value of the Johannesburg Securities Exchange, some 80% of these narrow BEE deals are under the water. To cite just one recent example: Late last year, Barloworld announced the “acquisition” of 10% of its share capital by black participants. This involved taking on debt of some R2,4-billion – half of which was debt raised by Barloworld, and half of which was raised by the BEE consortium through local financial houses. At the time of the deal being concluded, Barloworld shares were valued at R83, by the end of March this year they had crashed to under R34.

Government, correctly, has said it will not use public money to bail out the individuals or the companies involved. Most of the companies and banks affected seem to be moving towards “restructuring” arrangements – deferring the repayment of debt, presumably on the assumption that sooner or later the JSE will recover dramatically.

Whatever the eventual fate of these deals, the fact is that there are now billions of rands tied up in debt. This debt is on the books of companies and banks. It is capital that could, otherwise, have been used for productive investment, job creation and development.

If the first illusion prevailing last year in SA was that our financial sector was sound, the second, and even greater, illusion was that we were dealing with a global financial crisis. But it was never just a financial crisis. While financial crashes in the US provided the catalyst, we are dealing with an all-round economic crisis. Predictably (and the SACP predicted it), the financial crisis in US and European banks soon fed into the productive economy not just of those zones, but into the global system as a whole. Already, by the beginning of this year, 20-million migrant workers in China, for instance, had lost their jobs, along with millions more.

By the last quarter of 2008, SA's own GDP growth was in negative territory, and we are now almost certainly in a technical recession. Already tens of thousands of jobs have been lost in the mining, auto and, indeed, virtually all productive sectors of our economy.

While we are in the midst of this crisis, we are also embroiled in an election contest. With the exception of the ANC-led movement, none of the other political parties has much, if anything, to say about the huge economic challenge facing SA and the world.

Opposition parties seem to think that sooner or later things will return to "normal". Meanwhile, government should do as little as possible, leaving the economy to the market – as if the market were an independent natural

force, and not a reality dominated by the rich and powerful.

The ANC-led Alliance's election manifesto commits us to building a more effective, democratic, developmental state. The opposition parties spend all their time pointing to weaknesses in the state (some real, some fabricated), not in order to contribute to correcting these weaknesses, but in order to celebrate them, sow demoralisation and hand over our future to the markets and the big corporations that control them.

While the ANC-led campaign focuses on jobs, health-care, education, rural development and fighting crime and corruption – the opposition campaigns are focused on personalities, celebrating petty scandals, visas for Dalai Lamas, and the general melodramas of palace politics.

Let us ensure, once more, an overwhelming ANC-led election victory on April 22. Responding effectively to the impact on our country of the global crisis requires a concerted, patriotic response. It requires the maximum mobilisation of our people and our resources. Only the ANC-led movement can provide the required leadership and capacity. The larger the ANC electoral victory, the stronger the ANC, the better able it will be to respond effectively to the global crisis.

Now, more than ever, we need an overwhelming ANC election victory on the basis of a clear programme that focuses on a state-led, developmental restructuring of our economy – restructuring that prioritises preservation and creation of decent, sustainable jobs.

Together we can – and must – do more! Forward to an ANC-led election victory on April 22! ★

CC POLITICAL REPORT, FEB 2008

Taking forward the South African road to Socialism

The threats and opportunities facing South Africa post-Polokwane and after the 2009 elections

The primary objectives of this Central Committee is to discuss four interrelated issues and challenges facing our Party now and into the immediate future. These are:

Elections

Tasks post-elections, including our 2009 Programme of Action

Current economic crisis and challenges

Some key transitional issues

On the question of elections we need to emphasise the need to scale up our elections work after this CC in our provinces, districts and branches in order to ensure an overwhelming electoral victory of the ANC in the forthcoming elections. To this end we have a dedicated session to discuss the elections in this CC.



The post-Polokwane challenges and beyond

The 14 months since the watershed ANC Polokwane conference has gone past. It can be argued that for most of our political discussions over the past year we have discussed the many challenges facing the SACP after Polokwane, including threats and opportunities to both the ANC and the SACP.

“Clearly, something potentially deci-

sive occurred at Polokwane. But was it an historical rupture? It is obvious that the Mbeki “political centre” of the 1996 class project has lost its hegemony within the ANC and its broader movement. A spell has been broken. But the actual nature of the rupture and its implications remain a contested reality.

“The dominant contradiction, which immediately rallied together different class forces within the ANC- liberation movement, in the post-2005 conjuncture has been centralisation of power by the state presidency, and a marginalising rather than a uniting style – key pillars **but not the only** pillars of the 1996 class project. Indeed it is rejection of this “political centre” and its style which acted as a magnet to pull together different class and other forces within the movement”.

In that Political Report we continued to pose the challenge for ourselves thus:

“Depending on which class forces are able to build effective organisation, mobilise unifying programmes of action, and present a coherent ideological understanding of our challenges, the movement may begin to take a serious left-turn and/or lay important conditions for such a shift. Or it might stagnate, or even taken a further rightwards shift”.

It is therefore important, especially in

the light of the elections just over 7 weeks from now for this CC to reflect again on where our movement is and the challenges facing the Party after these elections.

Over the last 14 months we can note some important advances that have laid a firm basis for pursuing a working class led, radical national democratic revolution. On the positive side, we can note the two highly successful Alliance summits that also laid the basis for more convergence in producing the ANC's election manifesto. The recall of President Mbeki, in our view, also laid a basis for facilitating a smooth transition between the current and the incoming administration.

The joint development of the ANC's Election Manifesto was a further positive development, including the formal inclusion of alliance partners in the development of the list processes for candidates for parliament and the legislatures. We have also witnessed parliament, albeit unevenly, showing some fresh assertiveness in a number of areas, in a manner that we have not seen for more than a decade, especially in relation to our own movement.

A key challenge for the SACP is to build upon this momentum beyond the election, and ensure that these positive advances are not rolled back.

However, it has not all been plain sailing. The recall of President Mbeki was not as adeptly handled as we would have liked. A lot of gaps emerged, some of whom may still require closer attention. For instance we were coy in fully explaining the reasons for the recall, instead tending to link it to the Nicholson judgment, rather than boldly describing it as a proactive political intervention aimed at breaking what was becoming

an untenable 'two centres of power' arrangement. Further, there were no adequate engagements with our allies and other key role players in the continent and the world to explain this decision.

The development of list processes, especially in provinces, also revealed the persistence of actions not dissimilar to those of the 1996 class project, including tendencies to want to marginalise the allies. This is a reflection of the fact that despite the enormously improved alliance functioning at national level, including the establishment of the Alliance Political Council, the situation remains highly uneven at subnational levels, thus requiring serious attention.

We are still in a highly fluid political situation both inside and outside our movement, including intensifying class struggles about the direction of our movement and the country. The resurgence of 'rooi gevaar' in the media is but one reflection of the extent to which various class forces are positioning themselves to contest the direction of our movement and country. It is important that we pay even more attention to working class mobilisation as these struggles will begin to crystallise once a new government is installed.

Our 2009 PoA, and our activities beyond that, must also locate itself within the context of contemporary domestic and global challenges. The immediate political conjuncture, likely to be dominant scenario for some few years to come, is that of the ANC's commitment to a progressive Election Manifesto, also informed by agreements reached at our two Alliance Summits in 2008, and the current global capitalist meltdown.

It is indeed true that some of the ANC's commitments as contained in its manifesto are liable to be undermined

by the trajectory of the current global capitalist crisis, and therefore a degree of flexibility will be required to ensure that we minimise its negative impact. But at the same time the current global capitalist crisis does provide potential opportunities to drive a radical developmental agenda, especially a progressive industrial policy, state-led investment initiatives into both our infrastructure and into the productive economy – elements that are already contained in the ANC Manifesto.

The improved relations and coherence at alliance level, especially in relation to policy perspectives and immediate challenges place additional responsibilities on the role of the SACP in the current period. In addition the post-electoral period is likely to raise new challenges for the SACP, thus requiring a much more focused attention on *strengthening the SACP as a vanguard party of the working class* in the national democratic revolution.

Building working class hegemony in all key sites of power: Some key challenges for the SACP in 2009 and beyond

Our 2009 Programme of Action (PoA) is informed by, and aims to take forward our 2007 Party Programme – The South African Road to Socialism - and the medium term vision contained therein. Our medium term vision is that of building working class hegemony in all key sites of power, principally in the state, the economy, the workplace, the community, ideologically and in the international sphere.

Given the above realities and challenges our 2009 PoA must assist the SACP to carry out the following key cross-cutting challenges in 2009 and beyond:

Deepen mass work among the people

The SACP must intensify the mass work amongst the workers and the poor of our country, and continue to build on the many campaigns and achievements on this score, especially since 2000. The election campaign will greatly assist us in intensifying mass work and it is also for this reason that we must not completely demobilise our structures after the elections, but redirect these energies towards mass mobilisation during 2009.

An additional task for the SACP is that of contributing towards strengthening the ANC as a mass movement with a working class bias. Priority in this regard is also to ensure that the ANC does not completely demobilise after the elections, as has been the case before, but to use the election campaign as a platform to strengthen the role and capacity of the ANC to lead mass struggles and campaigns on the ground. Therefore it is important to approach elections work not solely for purposes of winning the elections only- important as this is- but to build the mobilisational capacity of our movement as a whole beyond the elections.

But our mass work, in order to be independent, must not be exclusive, but inclusive. This means, amongst other things, that the SACP must seek to work in all our communities, especially within the black majority of the workers and the poor of our country. In carrying out this work we must earnestly work in collaboration with a whole range of (potentially) progressive community organisations and initiatives and seek to provide strategic and programmatic leadership.

Related to the above, it is urgent for the SACP to revisit one of its very important programmes, that of building a vi-

brant, progressive co-operative movement. It is indeed disturbing that the very good work we initiated on this front is now being appropriated by other class forces, who have no interest in building a co-operative movement, but see this as a further site for narrow BEE accumulation.

Perhaps, we need to re-prioritise our work in this front and place the building of a progressive financial co-operative movement as a key foundation for building a broader co-operative movement. In this regard we need to engage with the trade union movement closely, as it is the progressive trade unions that have the muscle and capacity to give content to this programme.

Related to this is the need to incorporate the building of a large co-operative movement at the centre of the current discussions underway in Nedlac about how to respond to the current global capitalist crisis. It is also clear that the building of co-operatives still remains a peripheral matter in the thinking and programmes of government. We need to ensure that in the restructuring of government that is being proposed, including the establishment of a planning commission, the issue of co-operatives is also prioritised. There is truly huge potential to build a co-operative movement to be an important pillar in our economy, and to this end to also call for an immediate establishment of a National Co-operatives Development Agency, as part of harnessing state resources towards our objectives in this regard.

The building of a progressive co-operative movement is a key component of taking forward SACP work amongst the people.

Revolutionary governance

For the SACP to strengthen its vanguard role in our revolution, we perhaps need to pay more attention to matters of governance than we have done before by, amongst other things, building our institutional capacity for policy development and evaluation. We however need to remind ourselves that governance must not be reduced to government 'delivering' services to a passive population, but crucially involves the mass mobilisation of the working class and our people as a whole to drive a revolutionary agenda on governance.

In the past we have tended to be distracted from the centrality of this task post-1994 mainly because of the huge offensive by the 1996 class project to marginalise us from governance matters, often putting us on a defensive mode of engagement with governance and policy issues. With the changed climate within the alliance, there is now an opportunity to be more systematic and aggressive about this.

But even more important is the fact that the spaces that have opened since Polokwane will not, in themselves, mature into a more radical NDR. This therefore requires that we develop our own internal policy capacity in a manner that will advance our goal of building working class hegemony in key sites of power. Strengthening this capacity must of necessity include building some full-time capacity to co-ordinate and drive this work. The most immediate platform for strengthening our policy work must be to track the implementation of the Manifesto and giving policy content to our campaigns.

Later during this CC meeting we will also be raising some of the key transitional issues, as well as matters relating

to deployment, that must be taken into account as we move towards a new administration. We also need to take this opportunity to congratulate Satawu for the initiative it has taken in exposing (possible) corruption at the SAA. This is a role we must seek to foster in the trade union movement if we are to build working class hegemony in all key sites of power, as well as to combat looting and corruption in the state and private sector.

Intensify ideological work

Like never before since 1994, we need to *intensify ideological work, especially in two areas: political education and media*. Once more we need to fully integrate political education and media work in all our activities and programme. Our media work must still be two-pronged; strengthening our internal media (African Communist, Umsebenzi, online publications, etc) and external media work (engaging the public broadcaster, capitalist print media, and ensure that ideas in our own publications are able to reach the broader working class and beyond).

We must congratulate our media team for a highly successful media workshop whose results will hopefully lead to a more systematic approach to our media work. This was by all accounts one of the best workshops the SACP has held in recent years, and a more detailed report will be tabled later on this. We need to build upon the knowledge and insights gained from this workshop to train our own communist 'journalists' and writers, and seek to create appropriate networks with communist and other left wing groups on the media front.

On political education, we need to aim to induct all our members on the SACP

Constitution, *South African Road to Socialism* and on the politics and objectives of our campaigns. Part of our ideological work must centrally be anchored around intensified work in the working class, but also to extend this to identify our attitude and approach towards especially the growing black middle classes, and even how to engage the emerging black sections of the bourgeoisie around a progressive developmental agenda. In other words building the SACP as a vanguard Party also means reaching out beyond our natural constituency into other class forces in society, with a view to making our impact felt even in those.

It is clear that bourgeois media as well as the public broadcaster have adopted an increasingly hostile attitude towards the ANC and the Alliance. This hostility is likely to increase as the election campaign deepens. The media is increasingly becoming a carrier of smear campaigns, principally directed at the leadership of our movement and less about the many policy issues that are on the table at this point in time. This CC might want to reflect on this and come up with appropriate strategies and measures, especially with regard to focusing the attention of our country on key policy issues.

Special Congress and the post-elections terrain

The Politburo proposes that we convene our Special Congress before the end of 2009, as part of undertaking a comprehensive analysis and taking stock of the post-Polokwane and post-electoral realities and the challenges these pose for the SACP. The Special Congress must also be another platform for identifying some of the key immediate challenges in strengthening the vanguard character of

the SACP in the new conditions. Just as we did during our 2005 Special Congress, the 2009 Special Congress must focus on the nature of class struggles taking place in broader society, but understand these within the context of their impact on our own movement, and the challenges all these pose.

Our internationalist tasks

It is also going to be important to aim to *strengthen our capacity to systematically undertake international work*, including strengthening full-time capacity at head office on this work. An immediate challenge is that of taking forward our work on building the African Left Network.

This Central Committee must also reflect on current developments in Zimbabwe and come up with concrete proposals on how to engage with the unfolding situation there. The SACP should support the establishment of a government of national unity as the only way forward towards finding a permanent political solution to that country's problems.

However, supporting this government in Zimbabwe does not mean that we must be blind to the many complex challenges and serious deficiencies in this arrangement. It is completely unacceptable that illegal political detentions and arrests continue whilst at the same time trying to forge a national consensus towards establishment of a democratic order and the reconstruction of Zimbabwe.

Another key challenge in this regard is the type of economic relations we should seek to forge as part of rebuilding the economy of that country. Currently government seems to be engaging on this matter without any involvement of anybody outside government. The SACP

needs to ensure that it advances a perspective on the reconstruction of Zimbabwe that includes an end to political detentions and immediate release of all detainees and others facing trumped up charges; a reconstruction programme located within economic reconstruction and integration in SADC; arresting the predatory intentions of South African capital, including any attempts to slice the Zimbabwean economy between competing BEE interests, thus turning it into some kind of economic colony of South Africa. Most importantly we need to ensure that the region acts together to try and prevent an imperialist economic scramble for Zimbabwe.

Once more this means that we need to increase our solidarity activities and contacts with all the key role-players in that country, with a view to contributing towards a consensus on a progressive programme of reconstruction and development.

The SACP, as a matter of urgency, needs to intensify its work and seek to place on the public arena the clearly deteriorating political situation in Swaziland. We need to openly challenge the Swazi government on its continued attempts to turn Cosatu House as a scapegoat for its own failures to democratise.

It is on this note that we should now turn into the current global capitalist crisis and its implication for our country.

Capitalism's crisis ... but who will pay for it?

We are in the midst of the worst global capitalist crisis since the early 1930s. Banks (like the century-old Lehman Brothers in the United States) that were supposed to be "too big to fail" have evaporated into thin air, leaving behind a trail of toxic debt. Other banks (like

Northern Rock in the UK) have had to be rescued through “nationalisation” bail-outs.

It is a crisis that began in the financial sector of the core economies of global capitalism. But it is no longer only a financial crisis – it is an all-round economic crisis striking at the heart of capitalist production itself. Recession has become the global norm. Tens of thousands of mines and factories are closing down or operating far below capacity. More than twenty million jobs have been shed in the past three months in China alone.

This crisis is not an accident. Nor is it merely the result of capitalist greed, or management corruption, or bad decisions taken by the US Federal Reserve. There has been plenty of greed, corruption, and many bad decisions. But the present crisis has its roots deep in the very nature of capitalism itself.

For more than thirty years, there have been falling rates of profit in the core economies of the capitalist world (notably the US). This has led to growing financialisation of these economies, as capital was taken out of production and into speculative activity.

Over the last decades, world capitalism has been structured around an unsustainable reality:

- the mass production of commodities for export in the key semi-peripheral societies – notably the cheap labour economies of China and India - and reckless oil extraction in Third World states, on the one hand; and

- unsustainable consumption levels in core capitalist countries, propped up by financial bubbles of all kinds, especially in the United States, on the other hand.

This was the global “engine of growth” that we were told (in Gear and else-

where) would catapult the South African economy into sustained 6% growth – provided, of course, we created “an investor friendly climate”. The neo-liberals boasted that capitalism had finally overcome its tendency to have booms and busts. From now on, we were led to believe, it was upwards ever, backwards never.

That bubble has burst. The bottom of the global recession is still far from being reached. Tens of millions of more jobs will be lost around the world. More firms will go belly up. As with all previous global capitalist crises, there will be no recovery until there has been the mass destruction of value. Capitalism can only recover from its serious busts through the wholesale destruction of accumulated capital – the destruction of firms, share-values, savings, and jobs.

It is capitalism’s crisis...but who will pay for it?

In one sense, the whole of humanity is already paying for it. But in the coming weeks, months and years an intensified global class struggle will determine who carries the major burden. Class struggle will also determine the trajectory with which the world finally emerges from this crisis. Will it be a more socialist-oriented and environmentally-friendly trajectory based on human need? Or will it be back to square one, only to repeat the same boom and bust cycle? Will it be a descent into barbarism?

In this regard, we should never forget that capitalism only emerged from the last great global crisis (1929-early 1930s), by plunging the world into war. Faced with deep recession in the early 1930s, many leading capitalist countries chose national re-armament, military expansionism, and fascist barbarism as their “stimulus packages”. It was only out of

the ruins of the ensuing second World War, that a crisis-ridden global capitalism was finally able to embark upon its golden era of sustained growth (1945 - 1973).

The major “stimulus” packages currently being announced in the developed capitalist countries fortunately do not yet show signs of a flirtation with fascist barbarism. They represent, rather, an attempt to rescue national capitalist firms and national living standards. While some of the pain is spread across these societies, the rescue packages are essentially about baling out capitalist companies, while the debt is placed onto the shoulders of the public (and particularly future generations of Americans, etc.) This is the meaning of bank “nationalisations”. They are the socialisation of debt. They are conceived of as temporary interventions to ensure liquidity in the national market. The intention is to hand back these banks to the private sector when profitability is restored.

A second leg of these “stimulus” packages is major national protectionist measures for national industries (and national jobs). Productive investments in the South are being withdrawn, already paltry aid packages are diminishing, and market access for commodities from the South are further restricted.

However, it is doubtful whether these various stimulus packages will actually succeed in restoring profitability to the heartlands of capitalism. They are certainly not addressing the underlying structural problems in the global capitalist economy.

But, while the capitalist class still has the upper-hand in the developed centres of capitalism, popular forces are stirring across the globe. Just in the last several weeks, we have seen major popular un-

rest, protests and mass action in Greece, Russia, Latvia, Great Britain, France, China, South Korea, Guadeloupe (a month-long general strike), Reunion, Madagascar, Mexico and Ireland. In a hitherto slumbering Iceland, popular protests have brought down a neo-liberal government.

What are the threats and challenges we face in SA? How are we responding? Is our recently announced budget an adequate response? And what of the framework plan to confront the international crisis, announced jointly by government, the unions and business?.

One thing, however, is clear. We must vigilantly assert one basic principle: we will not allow the workers and the poor once more to bear the brunt of capitalism’s crisis!

How should SA respond to the capitalist crisis?

Official confirmation that 36,500 jobs have been lost in the mining and auto sectors since last July, and that SA’s economy shrank by 1,8% in the last quarter of 2008 – the biggest drop in 16 years – have underlined the point the SACP has been making consistently. Despite boasts that we were still hearing just a few months ago, SA’s economy is actually very vulnerable to the present global crisis.

It is true no economy in the world is likely to escape the negative effects of the meltdown. It is also true that SA is not the most vulnerable of economies. Nonetheless, we have a degree of exposure that could have been considerably less if correct policies had been pursued after 1994. Much of the blame for our current exposure must lie with the failure to transform the systemic features of SA’s capitalist economy.

For over a hundred years, the SA economy has been excessively dependent on primary commodity exports. This dependence has been driven by (and has resulted in) a very high level of concentration and dominance over our economy by the big mining houses, closely linked to the major financial institutions. This is what we refer to as the domination by the “mineral-energy and finance” complex. This high level of concentration and domination has served, generally, to choke off effective and balanced development in our manufacturing sector. As a result, our economy is also excessively reliant on imports of luxury goods and capital goods (machinery and technology).

Despite SA’s relative levels of development, we have many of the features of a classical neo-colonial economy. We are highly exposed to volatility in the “commodity” markets (i.e. on global demand for our minerals – gold, platinum, iron ore, coal, etc.). When there is global recession, our exports and our job market are heavily hit, as at present. But even when there is a commodity boom (as there has been over the past several years), growth in the SA economy sucks in luxury and capital goods imports. And, since the terms of trade between primary commodities (which we export) and luxury and capital goods (which we tend to import) are largely unfavourable – our trade balance has long been a point of serious vulnerability, even in good times.

To compensate for this balance of payments vulnerability by attracting foreign money into SA, the Reserve Bank and Treasury have maintained relatively high interest rates. But these relatively high interest rates have, in turn, further served to constrain economic develop-

ment in our country, particularly in the critical labour-intensive manufacturing, small-scale farming, and service sectors. What is more, the foreign investments that we have tended to attract have been largely speculative “hot money”. To further create an “investor friendly” climate we have also liberalised our trade regime (far beyond what was required of developing countries), and we have relaxed exchange controls (26 times since 1996), leaving only residual control measures in place.

All of these interventions, which were designed to attract foreign capital into SA, have tended to have the perverse effect of encouraging major SA companies to disinvest out of SA, to de-list from the JSE, or to establish secondary listings in London and New York. At present, the major contributor to our current account imbalance is not so much our imports, but the major outflow of dividend payments to shareholders in the US, UK, Europe, etc. This problem is now being made worse by the outflow of “hot money” from all developing economies (including SA) back to the developed economies. This, too, is perverse. It is, after all, the economies of the advanced capitalist countries that are particularly affected by the present recession. It underlines the fact that, despite all the rhetoric about “free markets”, and global liberalisation, imperialism remains a dominant reality. When the chips are down, the major US and UK financial institutions headquartered in the North pull-back and seek to save their own economies first.

Where does that leave us now?

The very first step is to acknowledge that, despite so-called “unprecedented” and “sustained” growth since 1994, and despite the recent global commodity boom, the growth path upon which our

economy has been located over the past 15 years has failed. It has failed to create jobs in sufficient numbers. And it has failed to dent the legacy of gross inequality in our country. It has left us vulnerable.

Faced with the crisis we have to follow a two-track approach:

- We need to introduce immediate defensive measures; and, linked to these
- We need to pursue an offensive strategy that begins, progressively, to transform our neo-colonial capitalist growth path.

Defensive measures

The Nedlac Task Force's "Framework for a South African response to the international economic crisis" begins to provide an important outline of immediate defensive measures. We will need to consider some financial assistance to key strategic industries, in exchange for firm commitments to job protection. However, we simply do not have the resources to remotely match the scale of bail-outs in the advanced capitalist countries.

Instead, as the Nedlac Task Force recognises, we will need to focus largely on non-financial support measures, among them:

- Trade remedies – tough anti-dumping measures; countervailing duties; judicious application of new tariffs (for which there is space in terms of WTO rules); more vigorous policing of our borders to deal with illegal imports;
- Vigorous promotion of the Proudly SA Campaign – and securing procurement agreements in terms of it.

Offensive measures – transforming our growth path

Fortunately, as a result of protracted struggles from within the ANC-led al-

liance, we have begun to see important policy shifts in government. In particular, there is now an appreciation that the democratic state has to be an active player in the economy – as a planner and as a leader in developing an industrial policy (working together with social partners in what is a mixed economy); as an investor through the budget and through development finance institutions (like the DBSA, Land Bank, and IDC); as a job creator and employer; and as a driver of infrastructure investment through strategic SOEs. Economic development and transformation cannot be abandoned to market whims.

This is what we mean by a democratic developmental state in the South African reality.

And it is this kind of developmental state – that we are now beginning to see in practice – that is protecting the SA economy from the very worst of the global melt-down. It is no accident that the key sector of sustained growth in an otherwise generally gloomy South African picture remains construction – thanks to our massive state-led infrastructure programme.

It is also no accident that this year's budget has a strategic orientation that is different in emphasis from the "stimulus" packages emanating from the US and other developed economies. Our 2009/10 budget seeks to sustain major infrastructure spending over the coming years. It envisages a major increase in public sector employment (teachers, health-workers, police), and the massification of the expanded public works programmes. It also commits to sustaining and extending the already extensive (if patchy) social security net.

In the advanced capitalist countries, the political response to the meltdown is

fundamentally to rescue failing companies by providing greater state-backed liquidity. There, governments are stepping in as “lenders of last resort”. In SA, the emphasis is on the state as a “producer” and even as an “employer of last resort”. For the SACP, we hope to consolidate this trend, pointing out the appropriate lessons to be learnt from the current global capitalist crisis and its impact on our society. In the longer run, only a socialist economy will be able to place SA on a sustainable development path. And a socialist economy is one in which the broad public sector (including cooperatives) is the producer and employer not just of last resort, but increasingly also of FIRST resort.

There are welcome policy shifts, but are they enough?

In generally welcoming the 2009/10 budget, as the SACP has, there are also some flashing red-lights that we need to heed. While Cde Manuel’s budget speech struck many positive notes about getting the productive economy, including agriculture, working more effectively, some of the broad spending trends suggest a different story.

The budget allocation for the Department of Trade and Industry actually decreases (2008/9 – R6,36bn, versus 2009/10 – R5,7bn), and that of agriculture is also marginally down (2009/9 –R2,82bn, 2009/10 – R2,79bn.)

Admittedly, headline figures like these do not necessarily tell the full story. A decrease might mask the reallocation of funding to more strategic programmes within departments. In the case of agriculture, a revamped and dynamised Land Bank should be able to spur transformation with funding that is off the national budget, for instance.

Nonetheless, concern about the degree

of clarity on the transformation of our productive economy is further deepened by some of the more general strategic points announced by cde Manuel in his budget speech. For instance, he said the budget was guided by “five enduring principles” – the fourth of which was: “Addressing the barriers to competitiveness that limit equitable sharing opportunities”. Certainly, the collusive and/or market-dominant, rent-seeking conduct of the big corporations in our country (particularly those in the mining, financial, energy and agro-processing sectors) has reinforced our neo-colonial growth path. This “uncompetitive” behaviour has certainly undermined labour-intensive light manufacturing and small farming, for instance. The work of the Competition Commission is important in this regard. But it would be a grave error to reduce industrial policy to “addressing the barriers to competitiveness” as Treasury sometimes tends to do. It would be an even greater error to imagine that a more competitive environment would somehow create a more equitable and sharing society.

Are we actively transforming our neo-colonial growth path...or getting ready for the next commodity boom?

We have to use the current crisis as an opportunity to place SA on a radically transformed growth path – in which there is:

- A much more balanced development across sectors, with a particular emphasis on labour intensive sectors like light manufacturing, small farming, and low-end services;
- A greater focus on our domestic and regional market;
- A greater focus on South-South trade;
- A preparedness to introduce trade

and financial measures that protect our own key sectors – including tariffs, tighter control over importers, and more effective financial flow controls (including speed-bumps on the movement of hot-money and dividend payouts to foreign shareholders).

- A comprehensive and critical review of the compradorist and parasitic features of narrow BEE. Some 80% of BEE deals are now under the water as projected dividend and share-value earnings have crashed. Many of these deals have the makings of a local sub-prime crisis.

- A macro-economic policy package that supports this overall strategic focus and ensures longer-term sustainability.

In welcoming the many important shifts that have occurred in economic policy, we need to continue coming back to the underlying strategic question – what exactly are we trying to do?

Is our continued commitment, for in-

stance, to state-led infrastructure development fundamentally about the transformation of our historical, neo-colonial growth path? Or are we building rail-lines, airports, freeways, ports, electricity-generation capacity, and publicly-owned oil refineries so that we are ready to offer a “competitive” environment to the same bunch of multi-nationals when the next commodity boom comes around?

It is not clear that a vision of long-term transformation is yet sufficiently shared within our country, or even within our Alliance. The consolidation and implementation of a coherent transformational economic programme has now become the critical challenge of our time.

This is a capitalist crisis – our answer is: together, let us transform SA’s neo-colonial capitalist growth path!

Socialism is the future ... together, let us begin to build it now! ★

CAPITALISM'S CRISIS

The current financial crisis and possibilities for the Left

This paper was presented by **Jeremy Cronin** at the Joe Slovo Memorial Seminar in January 2009

In 1906 a gifted young South African studying in the United States won first prize in a Columbia University debating competition. His speech was entitled “The Regeneration of Africa” and it began with the assertion: “I am an African”. The speech is a remarkable lyrical hymn to progress. It was speaking out of a particular ideological illusion of the early twentieth century. The speech is dizzy with the sense of huge technological advances, rail-lines traversing continents, the telegraph system girdling the planet, steam-ships crossing the oceans. These advances, so the speaker believed, were finally making the world a single and united reality. The speech then called for an “African regeneration” that would ensure Africa was not left behind in this apparently marvellous new era that had opened up.

The prize-winning debater was Pixley ka Isaka Seme, who, less than six years later, was to be one of the founding fathers of the ANC. Re-read more than a century later, the speech remains deeply moving. But, as we can now see with the benefit of hindsight, its hopes were to be shattered and its illusions cruelly exposed by the white minority colonial settlement in SA in 1910, by the outbreak of a vicious intra-imperialist war in 1914, and by the spectacular global capitalist crisis that began in 1929.

The next phase of accelerated imperialist globalisation was to occur in the mid-1970s through to the present. Here in South Africa, in the mid-1990s, towards the tail-end of this next phase, an incumbent ANC leader was to invoke the Seme legacy. Sharing the same fundamental illusions of limitless progress, of a new global dawn, Mbeki was even given to styling much of his own prose on Seme’s youthful speech. Once again, the inability to appreciate the dialectical character of world capitalism’s trajectory, was to lead Thabo Mbeki (like Seme before him) to gravely misread the global situation, to imagine an “African renaissance” based on catching up and aligning ourselves to the “West”, with the promise of an ineluctable, evolutionary way forward – “today is better than yesterday, and tomorrow will be better than today.”

The illusions of a young Seme more than 100 years ago were, perhaps, understandable and forgivable. Can the same be said of the grave strategic misreadings and errors that proliferated within our own country and movement in the past decade? Have we sufficiently appreciated these errors and taken adequate corrective measures?

The world capitalist system is now in the midst of its worst economic crisis since the early 1930s. To be sure, capital-

ism is seldom free of crisis. There have been many crises in the recent past – among them Mexico 1982, Japan 1990, and East Asia 1997/8. But the current crisis is different in many respects. In the first place, its epicentre is in the core zones of capitalist accumulation – the US, continental Europe, the UK, and now, increasingly, Japan. It has struck at the heart of the financial system. Its knock-on impact across the world is, therefore, much more profound. Given the intensified global interconnectivity (compared to the 1930s), the speed and reach of the knock-on impact is also greatly enhanced. While some economies will continue to grow (notably China) but at a much lower rate (now revised down to a possibly optimistic 7,5% for 2009 – the lowest in 19 years), large parts of the world have already entered into recession, or are poised on the brink of recession. Tens if not hundreds of millions of jobs are being lost, homes repossessed, businesses liquidated and value destroyed.

Marx was the first to provide a scientific analysis of the boom-bust cycle in capitalism, which he showed to be endemic to this mode of production. Crises in capitalism can occur as a consequence of factors extraneous to the accumulation process – wars, natural disasters, social upheavals. However, under capitalism (and in contrast to earlier forms of production) wars, natural disasters or social upheavals are more likely to be the consequences of intrinsic crises within capitalism rather than the fundamental causes of its crises.

The cyclical pattern of booms and busts are systemically linked to the fact that capitalism – unlike socialism or pre-capitalist forms of production – is essentially production for exchange (and

therefore private profit) and not for social use. In other forms of production (not least socialism) – over-production of goods would, in principle, usually be a cause for celebration, but under capitalism “over-production” (ie more than the market demands – and more than can profitably be sold) triggers a breakdown in the system – a crisis of over-accumulation. This, in turn, requires a massive wave of destruction of productive capacity (in the form of retrenchments, factory closures, liquidations, and stock exchange collapses), in order to “clear the ground” for the next round of capital accumulation through growth. It must be stressed that under capitalism “over-production” is not the over-production of products that the mass of the world’s population often desperately needs⁴. It is “over-production” relative to “market demand”, i.e relative to what can profitably be sold¹. Capitalism, for all its dynamism and robustness, is a profoundly irrational system.

In recent times, liberal economists have boasted that with effective macro-economic modelling and management, together with some supposedly inherent self-correcting capacity within capitalist accumulation, we have been able to “transcend” the boom-bust cycles of capitalism. Ricardo Hausman, leader of Trevor Manuel’s “Harvard Group”, for instance, presented a celebrated paper in 2005 along with a fellow Harvard luminary. In it, they claimed that financial “dark matter” would prevent a big bang in the world economy. The failure to believe in this “dark matter”, the authors boasted, made “analysts predict crises that, for good reason, remain elusive.” All of these boasts now ring hollow.

Booms and busts

Over the past 500 years of modern capitalism, it is possible to detect three broad (but inter-linked) variants of boom and bust, of cycles of rise and fall: relatively short-term cycles of around a decade or so. In the recent period the global economy has gone into a slump in 1974/5, 1980/2; 1991/3 and 2001/2. In SA the last decade of apartheid corresponded to a domestic downturn/recession and post-1994 we have seen a general economic upturn. This upturn is variously attributed to “sound economic policies”, and the “political miracle”, etc. While subjective factors like policies are not unimportant, and while the political settlement has been a key ingredient in this upturn, it is important to notice that this cyclical upturn has also had an underpinning of objectivity related to our particular capitalist accumulation path. This local upturn is now likely entering into a period of several years of downturn if not actual recession. We obviously make this point to prepare our defences against what is likely to be a political discourse in the coming years – blaming the a largely “objectively” (and externally) determined downturn on “Polokwane populism”.

These shorter term cycles, and their national/regional characteristics are related to the particular features of a national/regional economy, including its positioning and insertion within the global capitalist economy, and, therefore, they are not unrelated to longer-term cycles in the world system. These long-term cycles at a global level are sometimes called “Kondratieff” cycles – after the economist who first noted and analysed them. Over the past 500 years there has been a remarkably consistent cyclical pattern, occurring roughly over

50 year periods – with booms and growing profit occurring over a 25-year period, followed by another 25-year period or so of generally diminishing rates of profit, of deepening crisis and decline. The present long-term cycle in the world capitalist system began in 1945, with the upswing reaching a turning point around 1970/3. Since then, globally, we have been in a long downturn – somewhat longer than normal, partly because capitalist-aligned economists and central banks and multi-lateral institutions (like the IMF), believing that they had finally “beaten” recession forever, introduced a range of interventions which we can now see have simply temporarily displaced the epicentre of crisis into semi-peripheral regions, thus delaying and deepening the full-blown crisis in whose midst we now are. Finally, there is another, often even longer term cyclical (or rather rise and fall) tendency within capitalism:

There is a geographical shift in hegemony. Marx, Lenin and others following them have demonstrated how capitalist development is characterised by high degrees of combined and uneven development. It is a global system characterised by geographical zones of varying importance within the accumulation process – core zones, semi-peripheral zones, and marginal or peripheral zones. Within this hierarchical system there is a tendency for a single zone/region or country to emerge as the dominant hegemon. Over the past 500 years, if we are to begin in what was still largely mercantilistic capitalism, the hegemonic centre of capitalist accumulation has shifted from the Italian city-states (notably Genoa), to the Netherlands (mid-17th century) and to Britain. Since 1870, the US has positioned itself as a chal-

lenger to British hegemonic domination, and since 1945 the US has been the uncontested dominant capitalist power. The emergence of a hegemonic power is usually characterised by a greater productive and technological dynamism than its rivals. In its declining years (and the decline might last for a long period), core centres of production shift to other localities, and the economy of the waning hegemonic power is increasingly characterised by “financialisation” – the increased investment of surplus out of production (and therefore out of job creation and wages) into speculative activity. This pattern is evident in all hegemonic societies, and since the early 1970s, as US hegemonic dominance has begun to wane, a ballooning financialisation process has been evident there, manifest in many things, including a dramatic widening in the gap between the share of surplus going to profits and that going to wages.

In addition to these three rise-and-fall patterns typical of capitalism, there is a fourth factor that needs to be borne in mind when considering the current crisis in the global capitalist system.

Approaching the bio-physical and geographical limits to capitalism?

The capitalist accumulation process is premised on ever-expanding growth and the illusion of limitless resources. However, there are absolute limits to capitalist production and reproduction (and, indeed, to any form of human civilisation). There is now a well-established scientific consensus that our present global economic trajectory is leading human civilisation towards catastrophe – with the depletion of non-renewable natural resources, the destruction of the environment, global warming and, therefore, the bio-physical preconditions

for human survival. Capitalism and formerly existing socialism both shared the illusion of limitless natural resources available for ever-expanding exploitation. Today, socialist Cuba is setting an important example of an entirely different approach to sustainable development. On the other hand, while many leading politicians in capitalist countries are beginning to express grave concern about the future of our planet – denialism; or market mysticism (somehow the hidden hand of the market will find a solution); or a cynical, even genocidal, social Darwinism (“don’t worry there will be losers but there will also be winners”); or hopelessly inadequate piecemeal reforms remain the order of the day.

In addition to the bio-physical limits to capitalism, there are also struggle-determined potential limits to the expanded reproduction of capital. Capital needs constantly to intensify and expand its exploitation of labour power – it does this in several ways, forcing workers to work longer hours; increasing the productivity of labour through technological advances; or attempting to roll back the social wage (for example, the welfare state). The relative success of any of these profit-maximising interventions depends on the ability or otherwise of labour and popular forces in general to resist the intensification of exploitation. Critically in the current era of “globalisation”, various forms of geographical displacement have also been key factors in this pursuit of the expanded reproduction of capital. In particular, in the current era, capital has relied to a considerable extent on lowering the cost (to capital) of the reproduction of labour power by relying on Third World survivalist and peasant

economies to carry much of the burden of this reproduction. Thus we have seen the vast expansion in the last decades of variously coerced and regulated forms of mass migrancy (whether “cheap labour”, or the “brain drain” from the Third World). Or, the flip-side of the latter, through the geographical displacement of production to new localities where labour is “rightless” and “disciplined” in various ways (this happened with the flow of FDI into apartheid SA after 1963, Brazil under the military junta from the mid-1960s, and Chile from 1973 under Pinochet, and, under a somewhat different reality, it has been a key feature of Chinese growth in the last decades).

However, as in South Africa, or Brazil, or South Korea in earlier periods, and as is now happening in China², it tends to take a generation or so for workers to organise (or regroup and re-organise) for better wages, working conditions and social wage measures. In the coming period, the intensifying class struggles unfolding within China, and within the Chinese state and ruling party itself, will have a decisive impact upon the chances of a re-configuration (or otherwise) of the global economy.

The present crisis – a perfect storm

The present global crisis is particularly severe because it involves the confluence in differing degrees of all four of the systemic factors considered above: ? short-term cyclical downturns, converging with ? a longer-term downward trend, coinciding with ? a global hegemony now in full decline; all shadowed by ? the already detectable impact of approaching bio-physical and perhaps social limits to the expanded reproduction of capitalism.

For around 100 years (1870 to 1970) the

US witnessed an unprecedented trend of rising productivity and rising real wages for the working class. This economic reality lies at the basis of the “American dream”, and of the “consumerism” and relative passivity of the US working class – a car and a suburban home being the epitome of the American “way of life”. Since the early 1970s, the US’s hegemonic domination has been challenged by Japan and the Asian Tigers and some key European economies – leap-frogging in terms of technological and industrial plant investments, rendering US industrial plant (fixed investments) increasingly unprofitable. This has led to US capital moving to other locations or moving into increasingly speculative financial activities. At the same time, US mass consumerism has been kept afloat through increasing credit, despite declining real wages since the early 1970s.

Export-oriented Asian (especially Chinese) manufacturers and Third World oil producers became the production sites while US consumption propped up global market demand. The US has been running huge current account deficits – by 2006 the US current account deficit was at \$800-billion (or 6% of GDP). China, conversely, has played a crucial role in financing this US deficit, and therefore US consumption. China has now accumulated the world’s largest foreign exchange reserves (\$1,9-trillion, at least \$650-billion of which is in US treasury bonds). In theory, China could pull the plug on the US economy, but a move to sell these assets would further damage China’s export industries, giving us a situation which some economists have described as a “mutually assured economic destruction” capacity on both sides.

This symbiotic but unsustainable reality premised on growing US consumption was further propped up by a variety of “creative” financial instruments developed largely by the US financial sector. Among these were “sub-prime loans” – housing loans to those who basically could not afford them, in which the initial interest rate was sub-prime, but with the interest rate escalating over the duration of the mortgage on the assumption that as the borrower progressed career-wise so there would be an increased capacity to pay instalments. (Note that this is not very different from many BEE deals – in which black “investors” acquire shares on loan, on the assumption that the shares will always go up and they will be able to repay the loan). These sub-prime loans were then “diced and sliced” (i.e. mixed up with other more viable loans) and sold on by the direct mortgage institutions to banks and other financial institutions.

The collapse of the sub-prime market has been the catalyst of the present all-round crisis. It has seen one of the top four investment banks in the US, the 100-year old Lehman Brothers collapsing, and other banks and the mortgage lenders (Fanny Mae and Freddy Mac) having to be rescued, often through nationalisations. The dicing and slicing of sub-prime and other toxic loans has meant that major financial institutions in the US and Europe, in particular, have no idea of what they are sitting on. This has led to a reluctance of banks to lend to each other, and liquidity in the real economy has dried up. Major global manufacturers (like Nokia, for instance) can still access cash from banks, but their hundreds of small suppliers cannot get loans and production across the

globe is being impacted. On top of this, demand in the US and Europe is in recession, and this is impacting heavily on major global manufacturers, like China where there have already been hundreds of thousands of retrenchments. The Indian government is predicting 10-million job losses in its export industries over the current year.

In many respects we are in uncharted waters, and no-one can say for sure exactly where it is all headed. There are, however, a few basic predictions we can make:

There will not be any significant short-term recovery.

Although the world capitalist system is in a grave crisis – it would be naïve to assume that capitalism will simply collapse, or that the crisis will spontaneously give birth to a better world.

The relative decline of US economic supremacy (which has been slipping since the mid-1970s) has now been greatly accelerated. The US will probably still emerge as the most powerful economy, but the world will have become significantly more multi-polar.

While multi-polarity offers possibilities, potentially more breathing space and alternatives, for the global South, it is the people of the South who will bear the burden of the crisis. For instance, as the core capitalist economies focus on their own crises and their own stimulus packages, already paltry development aid is diminishing; trade protective barriers are going up; FDI is pulling out of much of the South; premiums on international loans have increased; and portfolio investments are even more disinclined to bet on the South. It is not just the core capitalist economies that are retreating out of the South. For instance, more than 60 Chinese mining companies

have left the DRC's Katanga province in the past two months as mineral prices collapse, and 100 small Chinese operators are said to have left Zambian mines (Jeffrey Herbst & Greg Mills, 'Africa's left to face commodity price storm largely on its own', Business Report, Jan 22, 2009).

It is possible that dynamic developing economies like Brazil, India and China may be partially de-linked (de-coupled) from the recession, but none will escape its impact. China, with its US-oriented, export-led growth strategy will face very serious challenges.

South African challenges - From the 'unthinkable' to the 'unmentionable'

The global economic crisis presents the left with major possibilities but also serious challenges. Here in South Africa, transformation of our productive economy has become all the more necessary. But it will also become more difficult as declining global demand for our exports will impact on jobs and on state fiscal resources.

We will also encounter an intensified ideological battle, from those outside of the ANC, and indeed from within the ANC itself. With their backs to the wall, but with massive resources, our resident neo-liberals of all stripes are fighting an ideological battle to prevent any sensible, democratic debate opening up within our country on economic policy evaluation and change.

We have been here before. In the critical 1994-1996 period, a similar ideological battle was waged to capture the new government's economic policy agenda. This included demonising, caricaturing and belittling alternative perspectives, especially when they came from the SACP and Cosatu. It also included constant threats about what "global markets" would do to us if we dared chal-

lenge anything in the neo-liberal gospel. This theme was repeated over and over.

And that is exactly what is now being repeated – except last time, we were being told there were no alternatives to the Washington consensus. Now, we are being told that the crisis of this very same economic agenda is so great, that we had better not risk changing anything.

This was exactly the parting shot from the outgoing deputy finance minister, Jabu Moleketi, speaking in the week before the October 2008 alliance economic summit. He told the London Financial Times that it would be "suicidal" for South Africa to change economic policies: "Any sudden policy shifts by South Africa's new leaders would be suicidal for a country whose economy survives at the mercy of foreign investors, according to one of the architects of the recent years of stability." (October 7, 2008)

Notice the sleight of hand in this sentence. On the one hand, we are told that our economy has achieved "years of stability", and on the other, we are told it "survives at the mercy of foreign investors". What kind of stability is that? But according to one of our architects of stability, cde Moleketi, the seas are so choppy now that we shouldn't try to turn our ship around. Typical of this line of reasoning is a caricature of what we are actually attempting (supposedly "a total U-turn"). What we are arguing for is exaggerated, the better to be able to demonstrate our "lack of wisdom".

We might be inclined to ignore all of this, if it were not likely to impact on parts of the ANC and government. But, unfortunately, this is not something we can take for granted.

Consider an interview with Minister of Finance, cde Trevor Manuel, conducted by the London Financial Times in the imme-

diate aftermath of the same mid-October Alliance economic summit. Clearly referring to the main resolutions from the summit, cde Manuel speaks dismissively: “We need to disabuse people of the notion that we will have a mighty powerful developmental state capable of planning and creating all manner of employment. It may have been on the horizon in 1994 but it could not be delivered now. The next period is likely to see a lot more competitiveness in the global economy. As consumer demand falls off there will be a huge battle between firms and countries to secure access to markets.” (28 October 2008)

Manuel exaggerates and implicitly ridicules the resolutions of Polokwane and the Alliance summit on the developmental state (Interestingly, when talking to the local media, he has been more restrained). He then says that a major job creation programme led by a developmental state “may have been on the horizon in 1994 but it could not be delivered now”. In other words, it is no longer possible to contemplate serious state-led job creation programmes because of the crisis in the global economy.

But what was cde Manuel saying a few years back when there wasn’t the global crisis? In 2000 he told the Sunday Independent: “I want someone to tell me how the government is going to create jobs. It’s a terrible admission, but governments around the world are impotent when it comes to creating jobs” (9 January 2000).

Then it was never possible, now it is no longer possible! A few years ago change of economic policy was supposedly “unthinkable” – now it’s “unmentionable”.

‘But is it affordable?’

A variant of the “unthinkable/unmen-

tionable” argument which was deployed hostilely against the RDP in the mid-1990s and which we are encountering once more in regard to the ANC’s 2009 election manifesto is the tired refrain: “it is all very noble, but is it affordable?” Indeed, the affordability of a strategic programme is not irrelevant. And yes, the global economic crisis will impact on South Africa. There may very well be fewer fiscal resources available to government in the coming years as declining profits hit tax revenue. Our existing social security net, which we are committed to expanding, will likely come under increasing pressure as global recession hits South African jobs³.

We have to be realistic about these and other related challenges. But what we absolutely must not allow this time around is that the “but is it affordable?” refrain should be used to deflect us off our strategic and programmatic direction.

This is what happened in the mid-1990s to the RDP. The affordability argument was used to intimidate comrades in government (and was used, in turn, by some in government). In the name of “finding the resources” to “deliver” on “RDP promises”, the RDP programme was dumbed down into a list of “delivery targets”. Gear effectively replaced developmental transformation as the key priority, making stabilisation and re-stimulation of essentially the same century-long growth path the priority. “Development” was turned into earnest endeavours at re-distribution out of growth, while the stabilised and moderately stimulated growth proceeded to reproduce all the systemic features of racialised underdevelopment that had characterised this growth path for the better part of a century.

This time around we are making it very clear that it is decent work and sustainable livelihoods (and not 6% growth, or some other arbitrary figure) that will be the key indicator of progress or otherwise. This, in turn, will require the marshalling of our resources around a state-led industrial policy that prioritises the transformation of our productive economy. Key features of this industrial policy must include:

Breaking the suffocating grip of private monopoly cartels in the mineral, energy, finance, chemical, and agro-processing sectors –to ensure a more balanced development of small and medium-enterprises with a capacity to create jobs.

Achieving a better balance between production for export and production for our national and regional markets; this will include ensuring that trade policy is governed by industrial policy (and not the other way around).

More effective strategic coordination of energy policy – to ensure greater national energy sovereignty and long-term sustainability, with as rapid as possible greening of our economy.

Paying much greater attention to national (and regional) food security.

The consolidation of our SOEs and Development Finance Institutions, ensuring that their strategic development mandates are aligned and clear.

Reconfiguring the state apparatus to ensure that there is effective (and participatory) planning in all spheres, that budget allocations are determined by strategic and planned priorities, that macro-economic policy is shaped according to our developmental priorities, and that the professionalism and technical capacity of the state is significantly improved.

Our industrial policy and broader de-

velopmental strategy should not just be “national” in character, but it should also deliberately embrace a Southern African regional and even South-South dimension. Many capitalist forces around the world can be expected to respond to the global crisis with a dog-eats-dog mentality, with an each one for themselves approach of the kind that cde Manuel is predicting in his Financial Times interview quoted above (“The next period is likely to see a lot more competitiveness in the global economy. As consumer demand falls off there will be a huge battle between firms and countries to secure access to markets.”). While this trend is already evident, there are also inspiring alternative examples from which we should learn and emulate where possible – foremost among them the ALBA process in Latin America and the Caribbean⁴.

Integral to our developmental agenda, and to buttress the priority of job creation and sustainable livelihoods, we are further identifying four other areas requiring prioritised systemic transformation if we are to ensure sustainable transformation – health-care, education, rural development and community safety. These are not add-ons, but integral components of a developmental path to systemic transformation.

It might be that deepening global recession and its impact upon our own economy will have consequences for the scale and the time-frames for meeting our strategic developmental priorities. As we proceed, we need to monitor and evaluate outcomes and likely forward progress on a continuous basis. And we need to make whatever adjustments might be required. what we absolutely must not do this time around is to compromise on our strategic direction and

on our systemic tranformational objectives

To keep focused on our strategic development agenda, we need also to engage actively in a critique of what remain dominant illusions about our present national reality.

Myths about the South African economy

Central to the neo-liberal campaign to block serious economic debate and policy evaluation in our country is a series of inter-related myths about the state of health of our economy.

Myth number one: Over the last decade South Africa has witnessed 'unprecedented' growth: It is true that since 1994 there have been 14 years of successive growth. Between 1994 and 2003 this growth averaged 3%. Between 2004 and 2007 it averaged 5%. It is now likely to dip again to 1%, if not down to negative growth and recession.

While sustained if moderate growth is not a negligible achievement, we should remember that it is growth relative to the deep ditch into which white minority rule had finally driven the economy by the early 1990s. In the last decade of apartheid, there was either zero or negative growth for most years. To produce growth out of this low-point did not necessarily require rocket science.

Moreover, a decade of growth is far from being "unprecedented" as is so often claimed. Between 1963 and 1973, the apartheid economy grew for a full decade at an average of 7-8%. As this apartheid-era growth should remind us, economic growth on its own doesn't tell us who is benefiting, or even whether a high growth rate is a good or a bad thing for the majority.

Myth number two: We have managed

our economy well since 1994: The last decade and a half has coincided with a huge surge in global growth. In particular, over the last years there has been a major commodity boom that has benefited most of our key exports. With a prolonged global recession now in sight, and with slackening demand for commodities, we have to ask ourselves whether we have used the boom years to place our economy on a sound, sustainable and more equitable basis? Or have we largely squandered the opportunity?

An honest answer would have to admit that, in many respects, we have lost opportunities that may not return. The changed global reality does not make change impossible, it makes it all the more necessary. But transformation will now be more challenging in many respects.

Myth number three: All the basic economic fundamentals are in place ... (and shouldn't be tampered with!): The smug complacency about what has been achieved over the past decade-and-a-half is, basically, a class complacency. For South African monopoly capital in general the past 15 years have been a period of great profitability, of a widening gap between their executive salaries and the wages they pay their workers. It has been a decade of opportunities to disinvest out of SA.

For workers, however, the past 15 years have seen retrenchments initially soar and then level off into largely jobless growth. Unemployment peaked close to 40% and is now stuck around 33-35%. There has also been wide-scale casualisation, so that those in employment often find themselves below the radar screen of progressive labour market legislation. The past 15 years have also seen

widening income inequality, making SA one of the worst performing countries in terms of the GINI coefficient measurement of income inequality. However, important social programmes (including grants, low cost housing and water and electricity provision) have helped to lessen absolute levels of poverty.

The idea that economic “fundamentals” can be reduced to a few macro-economic indicators, while ignoring unsustainable levels of unemployment and inequality, is a class-biased assumption.

Myth number four: Owing to sound economic management, South Africa is a safe haven in the current global turmoil: In its 78th Annual Report, published in June 2008, the Bank of International Settlements rated South Africa (along with Turkey, the Baltic states, Hungary and Romania) as one of the states most at risk in the current turbulent global reality. Of course, the fact that the BIS made this finding should not necessarily lead us to accept it as gospel – the BIS failed to remotely predict the impending scale of bank failure in the US. But the BIS report should certainly give us pause for thought.

The BIS finding was based in particular on SA’s precarious current account situation (the difference between our export earnings and import expenditures). Since the June report, our current account deficit has worsened. In October 2008 our trade deficit widened to R7,1-billion, largely as a result of a R2,2-billion increase in imports of machinery and electrical appliances. On a cumulative basis from January to September the deficit stood at R62-billion compared with R55-billion in the same period last year. The fact that South Africa has become a net food importer for the first time ever is a further aggravating prob-

lem.

It is hard to predict exactly what the short and medium-term global turbulence holds in store for our current account deficit. The rand is tending to depreciate against the dollar and euro and this will improve our export competitiveness – but the global downturn will lessen demand for our exports. The global downturn has brought the price of oil down to levels last seen two years ago, but this decline is partly off-set, in turn, by the declining value of the rand.

In short, our current account deficit – which basically reflects on our failure to drive an aggressive industrial policy programme particularly in manufacturing and agriculture over the last 15-years – will remain a serious point of vulnerability.

Myth number five: Our financial sector is healthy: Although our own financial institutions appear to be well regulated and have not been as severely exposed to toxic loans as their international counterparts, they have not been entirely immune either. Standard Bank has some exposure to derivative shareholdings, and Old Mutual lost over \$1,4-billion when its shares in Bear Sterns turned out to be almost worthless. Hopefully, these remain limited cases.

But can we boast of a healthy financial sector when we have had one of the world’s worst housing price bubbles? When household debt has quadrupled to more than R1,1-trillion in the past five years? When more than 6 million South Africans can’t pay their debts? When, in the first quarter of 2008, South Africans spent 82,3% of their income servicing household debt, compared to 60,2% in 1998? And when 6 000 vehicles and 2 000 homes are now being repossessed every month?

In assessing the health of our financial sector there is another reality that is often politely overlooked – the impact of narrow BEE deals. Many of these deals involved complicated financial gearing, in which an emerging elite (without capital savings) was provided with shares that they would, supposedly, repay out of the gains the shares would “inevitably” make. After all, “the stock market would always travel upwards” in the wonderful new SA and world in which we were now living. According to some sources, around 80% of these BEE deals are now “under the water”. BEE beneficiaries are unable to repay the debt on their shares – at least not within the prescribed time as agreed. This will impact upon the liquidity of firms, and it is debt that will, in many cases, also be passed into our banking sector. If this kind of BEE wheeling and dealing had had any serious transformational impact then, as a country, a deepening debt that will impact upon all of us might be excusable. But narrow BEE has been a deliberate side-tracking of serious transformation.

Myth number six: The choice is between ‘no change’ or imprudent macro-populism: We cannot be imprudent, but nor can we be complacent about where our economy is. We must reject the false choice of either an unsustainable welfareist “macro-populism”, on the one hand, or “no change”, where, supposedly, government continues to implement “prudent macro-economic policies”, while the markets do the rest.

Our problems are structural. We have to transform the systemic features of our persisting growth path that is reproducing the crises of our society – unemployment, poverty, inequality, skills shortages, diminishing food security, exces-

sive and unsustainable energy intensive-ness, and current account vulnerabilities. These crises impact, in turn, on other major headaches, including crime levels and unsustainable household indebtedness.

Too often the debate on economic policy is reduced to the wisdom or otherwise of inflation targeting or a small budget deficit. These are important issues that, no doubt, need prudent handling. But they are subsidiary matters.

At the Alliance economic summit we agreed that our key priorities need to be job creation, major improvements in education, health-care and the criminal justice system, and serious rural transformation. These key priorities must not be handled as trickle-down welfarism, but as integral components of a state-led industrial programme that transforms our excessively commodity-based export-dependent and capital-goods import-dependent growth path. This is neither a dramatic abandonment of macro-economic prudence, nor is it a complacent sitting on our hands, hoping the markets will somehow solve everything.

Myth number seven: Thank God. When South African financial institutions appear to be less vulnerable to the sub-prime crisis than institutions elsewhere, when things are not as bad as they might be, we are asked to believe that something miraculous has occurred. Consider a recent speech delivered at the University of Pretoria by Richemont and Remgro chairperson, Johann Rupert. He told his audience:

“I am a proponent for the abolition of exchange controls but I must agree with finance minister Trevor Manuel that we were saved by foreign exchange controls. Certainly some of my banker

friends and fund managers would also have been seduced by the higher yields available in the sub-prime and other markets. So for once, thank God for foreign exchange controls.” (Business Times, October 26, 2008)

It is possible that we have benefited from divine favours in the recent past. It would be remiss not to acknowledge that cde Manuel has resisted the big-bang removal of exchange controls constantly advocated by the media’s “economic specialists”, by big business circles, and by the DA and IFP in parliament. However, in line with Gear commitments to progressively remove exchange controls, the Minister of Finance has introduced no fewer than 26 relaxations of exchange controls over the past eight years.

The residual presence of some exchange controls in SA isn’t particularly due to divine intervention or to the Minister of Finance. Instead it has a great deal to do with protracted struggles from within the ANC, and especially from the SACP and Cosatu in opposition to the hasty and excessive liberalisation measures that were introduced from the mid-1990s.

In particular, the SACP-led Financial Sector Campaign eventually compelled hostile Treasury Department officials to deal legislatively and otherwise with our financial institutions and their unwise lending inclinations. The Credit Act and the extension of banking to a wider internal market were the results of the campaign.

It is now conceded by many mainstream commentators that both these measures (along with exchange controls) have played a key role in protecting our banks from the global crisis. Thanking God is a way of obscuring the

role of popular mobilisation in impacting positively on economic policy.

Johann Rupert might not want us to remember this fact. But we should never forget. The transformation of our productive economy and broader society cannot depend upon a developmental state alone, it critically requires popular participation, popular mobilisation and popular monitoring and evaluation.

Notes

1. Cf. Marx: “The word over-production in itself leads to error. So long as the most urgent needs of a large part of society are not satisfied, or only the most urgent needs are satisfied, there can of course be absolutely no talk of an over-production of products – in the sense that the amount of products is excessive in relation to the need for them. On the contrary, it must be said that on the basis of capitalist production, there is constant under-production in this sense. The limits to production are set by the profit of the capitalist and in no way by the needs of the producers. But over-production of products and over-production of commodities are two entirely different things.” Marx, *Theories of Surplus Value*.

2. “Unemployment and the economic slowdown could cause massive social turmoil in China, a leading scholar in the Communist Party has said. ‘The redistribution of wealth through theft and robbery could dramatically increase and menaces to social stability will grow,’ Zhou Tianyong, a researcher at the Central Party School in Beijing, wrote in the *China Economic Times*. ‘This is extremely likely to create a reactive situation of mass-scale social turmoil,’ he wrote. His views do not reflect leadership policy but highlight worries in elite

circles about the impact of the economic slowdown. Mr Zhou warned that the real rate of urban joblessness reached 12% this year and could reach 14% next year as the economy slows. China's annual GDP growth has already slowed to 9% in the third quarter, from 10.1% in the second. Some forecasters see growth slowing to 7.5% next year. The government has launched a stimulus package and cut interest rates to boost the economy. Last month, China's top planner warned that the economic slowdown in China could fuel social unrest. Zhang Ping, head of the National Development and Reform Commission, said the impact of the global crisis on China's economy was deepening. 'Excessive bankruptcies and production cuts will lead to massive unemployment and stir social unrest,' he said." ("China 'faces mass social unrest'", BBC News, 5 December 2008 – www/news.bbc.co.uk)

3. "The Unemployment Insurance Fund (UIF) is paying out about R300-million a month to beneficiaries, up from R250-million a month last July, and claim figures are expected to rise by at least 15% this year". ("UIF payouts set to rise", Business Report, Jan 21, 2009).

4. See Shawn Hattingh: "At present, there are four full member states of ALBA: Bolivia, Cuba, Nicaragua, and Venezuela. There are four observer states in ALBA – Ecuador, Uruguay, the Dominican Republic, and St. Kitts – who will become full members in the near fu-

ture. ALBA rejects neo-liberalism and aims to forge a path away from "free" trade. ALBA itself has a wide range of guiding principles and has the following objectives:

To promote trade and investment between member governments, based on cooperation, and with the aim of improving people's lives, not making profits.

For member states to cooperate to provide free healthcare and free education to people across the ALBA states. To integrate the ALBA member's energy sectors to meet people's needs. ? To create alternative media to counterbalance the US and regional neo-liberal media and promote an indigenous Latin American identity.

To ensure land redistribution and food security within the member states.

To develop state-owned corporations.

To develop basic industries so that ALBA member states can become economically independent.

To promote workers' movements, student movements, and social movements.

To ensure that projects under ALBA are environmentally friendly"

(ALBA: Creating a Regional Alternative to Neo-Liberalism?, Feb 2008, www.monthlyreview.org/mrzine/hattingh070208) ★

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COMMENTARY

On Jeremy Cronin's Joe Slovo Memorial Lecture

Patrick Bond reviews Jeremy Cronin's paper and concludes it's 'fantastic' – but could go further

This is a fantastic paper, one of the most coherent and visionary of texts I've read about the contemporary situation, showing full cognizance of the processes of capital accumulation, world system formation and ecological crisis, as well as mapping out some of the implications for South African Left praxis. However, in these brief comments, I hope to contribute to the debate in three ways. First, I do have some minor quibbles with cde Jeremy's analysis; second, I'd like to forcefully agree and extend his description of foundational processes in crisis formation and displacement; and third, there are a few more substantial augmentations to suggest for prescriptions associated with South Africa's independent left.

This text (revised from a version in Umsebenzi last month) follows several from the SACP that appear to be ever stronger in their critiques of capitalism's core processes, of which two are perhaps most important: the 1998 Alliance analysis of the economic crisis in which the deep theory of over-accumulation crisis was flagged; and the 2006 Bua Komunisi analysis of South African capitalism's internal contradictions. In both, the disappointments for diverse independent leftists (of which I count myself a member) were largely in the programmatic arena.

But this was prior to the Polokwane conference at which a few major initiatives of the left were announced as ANC policies, leaving those arguing for a socialist project within the Alliance with increased confidence. Such confidence, as Cronin says, is ebbing because of the drum-beat of fiscal discipline that has accompanied the crisis. In this context, let me begin by taking up just a few points in the text to cajole and to applaud:

What are we up against? Quibbles

JC: "Once again, the inability to appreciate the dialectical character of world capitalism's trajectory, was to lead Mbeki (like Seme before him) to gravely misread the global situation, to imagine an "African renaissance" based on catching-up and aligning ourselves to the "West", with the promise of an ineluctable, evolutionary way forward – "today is better than yesterday, and tomorrow will be better than today."

PB: I imagine the most hostile remark a Marxist given top marks at the Lenin Institute in Moscow could receive is "undialectical". I think there's something worse reflected in Mbeki's analysis though, especially in its full-on endorsement of technology-driven globalisation (of the sort that is found in such a banal form in Nepad for instance, written in

2001, after the East Asian crisis and the quite Marxish 1998 pronouncements by the Alliance on that crisis). That is a return to modernisation theory as the basis for undergirding neoliberalism, as we saw in ASGISA, namely the sense that microfinance is the missing link, the energy that can bring “dead capital” to life in the De Soto sense. In a collection of political economic texts CCS produced last year, you can find David Masondo’s tough critique of the revived modernisation strategy and my own attempt to unpack ASGISA’s faith in finance. (A cheeky query: did the SACP fall for this in some sense, in the promotion of access to capitalist bank credit for a small sliver of the working class, instead of promoting the kind of bank nationalisation as a form of public utility, as some influential voices in the Western left such as Leo Panitch are now doing? The SACP’s Financial Services Charter campaign work and Mzansi bank account victories now deserve a fundamental re-think, with not only regulation but a much more profound attack on financialisation and consumer indebtedness now feasible.)

JC: “To be sure, capitalism is seldom free of crisis.”

PB: Though the word ‘crisis’ is very common among South African activists (just check the names of numerous campaigns and organizations), there is a ‘Chicken Little’ critique leveled against classical Marxism for remarks of this sort (e.g. by Doug Henwood and Sam Gindin against yours truly). So I don’t think this is an appropriate statement if we think of the word “crisis” in terms of a disruption to the reproduction of a social system (the way Robert Cox sometimes put it). In that sense, the self-correcting features of capitalism which

could deal with the ordinary short business cycle run into much more serious problems when the longer K-cycles begin to have an impact. It is here we should reserve our use of the word “crisis”, and acknowledge - as Cronin does - that periods like 1945-73 were not ones of “crisis” at the global scale. Once it destroys enough over-accumulated capital, the system can reassert the underlying dynamics of accumulation and fully “resolve” its crisis tendencies, we have learned again and again. Cronin is correct that we have not witnessed that process since the early 1970s, though with some \$25 trillion in fictitious paper values now wiped off the world’s balance sheet in recent months, at least it’s possible to consider the financialisation displacements now impossible, so that the real work of restructuring underlying systems of industrial production may begin in earnest.

JC: Crises in capitalism can occur as a consequence of factors extraneous to the accumulation process – wars, natural disasters, social upheavals.

PB: Ah, but which of these is truly extraneous to capital accumulation? (Ok, many natural disasters like the 2004 Tsunami – but as Naomi Klein points out, ‘disaster capitalism’ is able to profit from such events, not just face destruction.) The challenge is to identify ways that the uneven/combined nature of the capitalist system pushes and pulls capital accumulation into different circuits and spaces of capital, a huge undertaking. (For this task, I especially recommend recent books by John Bellamy Foster and Fred Magdoff, David Harvey, Robert Brenner, Ellen Meiksins Wood and Joel Kovel, to name a few.) At that stage it should become possible to connect the dots, and show how World War

1 and World War 2 were geopolitical reactions to capitalist crisis, and how Katrina and Africa's worsening drought/flood cycle are internal (not exogenous) reflections of accumulation dynamics.

JC: ... under capitalism "over-production" (i.e. more than the market demands – i.e. more than can profitably be sold) triggers a break-down in the system – a crisis of over-accumulation. This, in turn, requires a massive wave of destruction of productive capacity (in the form of retrenchments, factory closures, liquidations, and stock exchange collapses), in order to "clear the ground" for the next round of capital accumulation through growth. It must be stressed that under capitalism "over-production" is not the over-production of products that the mass of the world's population often desperately needs. It is "over-production" relative to "market demand", i.e. relative to what can profitably be sold. Capitalism, for all its dynamism and robustness, is a profoundly irrational system.

PB: Well said. The implications of this analysis go very far in taking us away from mere Keynesianism - the Northern elite's momentary current ideology of rhetorical preference (even if not yet the ideology of practice), though apparently not feasible in the South, if Trevor Manuel is to be believed. There is some discussion at the global scale - perhaps best articulated in the January 2009 issue of Development Dialogue journal issued by the Dag Hammarskjold Foundation - about "post-neoliberalism", but I don't see it yet, for the reasons that Cronin has specified. The deeper crisis of capitalism we face will require much more than what Walden Bello has overgenerously labeled "Global Social Democracy" (I believe Bello incorrect in

suggesting we have passed through the neoliberal stage - that extremist version of macro and micro economic policy will continue to return to haunt the world's poor and working people, and environment.) If we pose the problem in these deep-rooted ways (Cronin's description is excellent), then we see that the way out of overproduction is in the first instance deflection of the inevitable devaluation of overaccumulation of capital (defensive manoeuvres) combined with the socialisation of markets (our Left offense, as we have accomplished through brilliant social struggles with respect to anti-retroviral medicines in SA and to some extent water in Johannesburg). This is the agenda of the SACP, reflected in the wonderful slogan "Socialism is the Future, Build it Today". But is that slogan truly informed by a deep-seated critique of capitalist market irrationalities? This is the opportunity to declare socialisation not only desirable in "the Future" but absolutely necessary "Today", because of capitalist crisis tendencies.

JC: In SA the last decade of apartheid corresponded to a domestic downturn/recession and post-1994 we have seen a general economic upturn.

PB: A quite complex process was underway from 1984-94 that no one has properly dissected, in my view (though Charles Meth made a good start in the early 1990s in his debates with the SA Regulation School, and Martin Legassick's excellent contemporary economic analysis has a fine historical sweep). There were far too many political interventions from above and below to characterise it as easily as does Cronin, especially given that from 1989-93 we witnessed the longest depression in SA's history. The factors we need to better incorporate and that cannot be summed

up in a sentence would include:

- sustained overproduction especially for white consumer markets by the early 1970s;
- the range of labour-related rigidities and social irrationalities that SA capitalism suffered because of its apartheid shell;
- the desire of English-speaking capital (and the Ruperts too!) to escape SA, which they did through capital flight and overseas purchases until September 1985 when it became more difficult and expensive in part because of exchange controls and in part because of international opprobrium against SA capital; and certainly not least, resurgent class and community struggles from below.

If these factors are at the core of our analysis, it becomes easier to see how an unsustainable accumulation process has occurred from 1999 to present, based largely upon expansion of the credit system and momentarily-successful commodity exports which together began to generate the fabled 5% GDP growth rates of the 2000s. But at the same time, with this foundation, we can see how the underlying problems of the SA economic structure worsened throughout the period of “general economic upturn”. Macroeconomic policies (as well as micro-developmental strategies which emphasised markets) here were central, reflecting a power shift to capital (“the 1996 class project”). Another important factor in the recent “upturn” has been the bubbling of real estate prices, which from 1997-2004 grew more than three times faster than the US, including in our own ‘subprime’ township markets. This in turn reflects an uncomfortable fact we cannot but mention in this room today: Joe Slovo’s housing policies (designed by Billy Cobbett with

important pressures from the old Urban Foundation and the World Bank) explicitly recommodified township housing (“normalisation of the markets” in the words of the 1994 Housing White Paper), so that the Kuznets real estate cycle went into hyperactive mode once the earlier round of housing devalorisation (1989-98) had played itself out.

JC: [we are entering] a period of several years of downturn if not actual recession. We obviously make this point, in order to prepare our defences against what is likely to be a political discourse in the coming years – blame a largely “objectively” (and externally) determined downturn on “Polokwane populism”.

PB: This is a point that needs to be defended in much greater detail, especially with the resurgent hype about Trevor Manuel’s successes in macroeconomic management (in Financial Mail and M&G reviews of Pippa Green’s new biography, but more generally).

JC: myths about the South African economy

PB: I have a few more quibbles:

Myth one: Did “growth” really occur? If it had been measured correctly, in a way that calculates the depletion of natural resources, then no. Correcting SA GDP in this way, even the World Bank acknowledges that the economy - including its stock of nonrenewable natural assets (mainly minerals) - actually shrinks each year.

Myth two: The massive upturn in commodity prices from 2001-08 was not simply a missed opportunity, it is extraordinary how little the mining houses here reflected the huge profits on their books and in GDP contributions. This is probably a result of the way they were allowed to internationalise their opera-

tions starting with DeBeers in the early 1990s but accelerating with so many other offshore deals done since 1994.

Myth three: If we measure profits properly within economic fundamentals, we'd see a major increase in financial activity and decline in manufacturing activity, which is one of the most important problems in capitalism globally.

Myth four: On current account vulnerability, the crucial factor Cronin neglects is the outflow of capital to London thanks to the 1999-2001 permissions that Manuel gave to Anglo, DeBeers, Old Mutual, SAB, Didata, Mondi and other corporations to externalise their financial headquarters. That is a critical area for reversal, via exchange controls.

Myth five: On the health of the financial sector, would this not be a good chance to ask auto-critically about SACP theory/practice in relation to access by the black working class to credit? What, indeed, is the basis for an appropriate system of capitalist credit flows to townships and rural areas, given that finance invariably amplifies uneven/combined development? Each circumstance is different, but some guidance on how we might turn the myth upside down by socialising finance would be welcome.

Myth six: Why not embrace the choice: "between 'no change' or imprudent macro-populism", and then re-define macro-populism to incorporate the kinds of policies we want on the Left, and turn away from the Gono-style policies we don't? Why not take advantage of the way that the beastly Lawrence Summers now must confess "We are all Keynesians" and then establish the controls necessary to have a major upsurge of state spending without either inflationary damage to poor people's budgets and capital flight?

Myth seven: No quibbles here...

Uniting on analysis

The words below are powerful and deserve amplification. I have no real quibbles, aside from desiring more detail about "combined and uneven development", that evocative phrase (of the unmentionable Leon Trotsky in his 1906 work on permanent revolution). This is for the simple reason that what David Harvey terms "accumulation by dispossession" - which in our SA phraseology corresponds to the "articulation of modes of production" (popularized by SACP theorist Harold Wolpe) in which capitalism superexploits precapitalist social relations - is an ever more important part of profitability, a factor not disturbed much by the current capitalist crisis (even if the commodity price collapse has slowed dispossession in some sites, like the Copperbelt, as Cronin observes). Our rereading of the works of Rosa Luxemburg is especially useful, as her SA and African analysis holds up well today (Jeff Guy pointed out in a CCS seminar in 2006), and the Luxemburgist analysis is also the best South-North rendition on the question of imperialism.

JC: The present long-term cycle in the world capitalist system began in 1945, with the upswing reaching a turning point around 1970/3. Since then, globally, we have been in a long downturn - somewhat longer than normal, partly because capitalist-aligned economists and central banks and multi-lateral institutions (like the IMF), believing that they had finally "beaten" recession forever, introduced a range of interventions which we can now see have simply temporarily displaced the epicentre of crisis into semi-peripheral regions, thus delay-

ing and deepening the full-blown crisis in whose midst we now are... while many leading politicians in capitalist countries are beginning to express grave concern about the future of our planet – denialism; or market mysticism (somehow the hidden hand of the market will find a solution); or a cynical, even genocidal, social Darwinism (“don’t worry there will be losers but there will also be winners”); or hopelessly inadequate piecemeal reforms remain the order of the day... The geographical shift in hegemony. Marx, Lenin and others following them have demonstrated how capitalist development is characterised by high degrees of combined and uneven development. It is a global system characterised by geographical zones of various importance within the accumulation process – core zones, semi-peripheral zones, and marginal or peripheral zones. Within this hierarchical system there is a tendency for a single zone/region or country to emerge as the dominant hegemon... it is the people of the South who will bear the burden of the crisis. For instance, as the core capitalist economies focus on their own crises and their own stimulus packages, already paltry development aid is diminishing; trade protective barriers are going up; FDI is pulling out of much of the South; premiums on international loans have increased; and portfolio investments are even more disinclined to bet on the South.

South African challenges

PB: I think Cronin misses two essential challenges for the SA left: withstanding the particular pressures of the Bretton Woods Institutions, now resurgent with ‘Washington Consensus’ logic thanks to their relegitimation in South Africa (a

R50 billion Eskom loan for coal-fired power plants) and probably globally in coming weeks thanks to Barack Obama; and the inability of SA’s neoliberal bloc to change world conditions (as witnessed today in Davos where president Kgalema Motlanthe and Trevor Manuel will again exert zero pressure for genuine global financial governance, in the wake of their apathetic role in the G20 in Washington).

The first pressure was felt on October 22, when hundreds of pages of IMF reports were dumped on South Africa, overwhelming our slovenly business press corps. The five key points made in the most important report, the Article 4 Consultation, are:

- The SA government should run a budget surplus.
- SA government should adopt privatisation for “infrastructure and social needs” including electricity and transport.
- SA Reserve Bank should maintain existing inflation-targeting and raise interest rates.
- SA Treasury and Trade Ministry should remove protections against international economic volatility, especially financial and trade rules.
- SA Labour Ministry should remove worker rights in labour markets, including “backward-looking wage indexation” to protect against inflation.

Reports from Davos today already mirror the sense we have from the November meeting of the G20 (the major financial economies): SA will play deaf and dumb to the needs of Africa, for massive debt cancellation, reparations and an end to capital flight. Those needs cannot be doubted, yet the only real pressure SA is known for applying is to extend African membership on the

boards of the Bretton Woods Institutions. This has been an extremely difficult job, even though the IMF and Bank desperately relegitimation, and the main question to be asked is, “so what if Africa gets another seat or two?” (especially if the likes of Manuel and his allies across Africa determine the agenda.)

In contrast, showing genuine Third World financial leadership, the Ecuadorian government recently led the world with a debt default based on the premise of Odious Debt (SA remains in conflict with Jubilee SA and Khulumani over precisely the same principle in the US apartheid reparations lawsuits). And the Venezuelan government has called for the closure of the IMF (as did Joseph Stiglitz in 2002) and has catalysed a Bank of the South to operate outside the logic of “sound banking principles” (meanwhile in mid-January, Manuel agreed on a 17.5% ownership in a \$25 billion “African Investment Bank” destined to run precisely on “sound banking principles”, according to the founding documents). Our economy lost \$6 billion when the currency crashed in October 2008 after Mbeki’s office released Manuel’s resignation letter, so once again SA’s vulnerability to world finance – and so far untried ability to reverse this through tightened exchange controls – was revealed as a huge challenge, which the left has not really joined so far. In other countries, excellent protests have been recorded against the neoliberal project that has intensified because of the world financial crisis (most recently in Iceland of all places), while South Africans retain what I believe to be the world’s highest protest rate per capita (far higher than China’s) yet have not connected the dots between their micro problems and the ongoing influ-

ence of IMF logic. Booting out the IMF consultants who make Article 4 recommendations in direct contradiction to what their boss, Dominique Strauss-Kahn, has been saying (he advocates a 2% increase in deficit spending ‘everywhere’), would be a good first step.

JC: [critique of Moleketi] Typical of this line of reasoning is a caricature of what we are actually attempting (supposedly “a total U-turn”). What we are arguing for is exaggerated, the better to be able to demonstrate our “lack of wisdom”.

PB: But why not a total U-turn? Why not the demands of Keynesianism as against neoliberalism and monetarism? Why not a (non-subimperialist) African continental orientation and major inward push to change wealth and income relationships so as to revive markets for basic-need goods and services? Why not a full U-turn on the kinds of international relations - free trade, repayment of apartheid debt, inviting TNC direct investment - that made SA so vulnerable over the years? Why not a U-turn on unemployment and inequality, and on reliance upon the market in so many ways?

JC: We have to be realistic about these and other related challenges. But what we absolutely must not allow this time around is that the “but is it affordable?” refrain should be used to deflect us off our strategic and programmatic direction.

PB: Affordability is a factor in the ideological debates with Treasury and the bourgeois press. But I think it will be in the micro interventions - of which probably the National Health Insurance proposal will be most contested - that the Left must firm up its critique of market processes and outcomes. On anti-retro-

viral medicines and water, we have come a very long way from a decade ago, when insisting upon locally-produced, decommodified AIDS drugs and Free Basic Water supplied by a municipality (not a Paris company) were sacrilege.

JC: ... it is decent work and sustainable livelihoods (and not 6% growth, or some other arbitrary figure) that will be the key indicator of progress or otherwise. This, in turn, will require the marshalling of our resources around a state-led industrial policy that prioritises the transformation of our productive economy.

PB: All of these strategies are excellent as transitional demands but hang on, there are just as rich a set of economic strategies emanating from the radical social movements and labour that deserve building upon, in addition to the AIDS medicines and deprivatised water that the Treatment Action Campaign and Anti-Privatisation Forum have won. What about land? Housing? Free education? Larger quantities of free municipal services with greater local and national cross-subsidies? A Basic Income Grant? Radical changes to the SA state's pro-corporate environmental policies on bio-fuels, biopiracy, timber, fishing and especially climate? And reparations for

apartheid debt? These are all the actually existing campaigns by social movements, churches and labour which we need to promote and support where appropriate. The Party has been weak in its acknowledgement much less solidarity with these campaigns (and vice versa), so let's figure out ways to reverse our lack of unity in the crucial period ahead.

In addition, we need to always get back to a Left programmatic synthesis and, of course, to analysis. With the SACP and Diakonia, our Centre is now discussing how to generate a reading circle beginning next month, to tackle Capital, Luxemburg's Accumulation of Capital and contemporary texts. I will propose to the broad church of comrades from the Party, the liberation wing of the faith/justice movement and our independent left community and intellectual stalwarts who take part, that this text of comrade Jeremy is our first read. Thanks very much for it, and for the chance to comment on it with the full respect it deserves. ★

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CAPITALISM'S CRISIS

South Africa's collective response

Nedlac's four constituencies provide the consensus framework for a national response to the crisis

In January and February the Government, Business, Labour and Community constituencies in the National Economic Development and Labour Council (Nedlac) prepared a national framework document outlining South Africa's planned response to the crisis in global capitalism. The document, titled *Framework for South Africa's response to the international economic crisis*, was released on 19 February 2009

Statement of joint purpose

In December 2008 the social partners that comprise the Presidential Economic Joint Working Group, namely organised Labour, Business and Government, met to consider how South Africans should respond collectively to the more difficult economic conditions we now face, largely as a result of the international economic crisis.

We met subsequently in a forum convened by Nedlac, in partnership with the Presidency, now also including the Nedlac Community constituency, and have agreed on a collective response to the challenge facing us today. We agree that the economic situation requires an effective collective response, and have set out that response here.

Impact of the crisis on South Africa

B1. All countries across the world are affected by the deepest and most serious economic crisis in at least the last 80 years.

The crisis - caused by a range of factors including gross imbalances and inequities in the global economic system, the impact of the financialisation of economies, ineffectual regulation in several of the major world economies and poor business practices - has resulted in significant asset depreciation, closures of companies, rising unemployment and a sharp slowing down of economic growth, with most highly industrialised countries entering a recession.

Like other developing countries which are strongly integrated into the world economy and significantly dependent on its good health, South Africa has been affected by the sharp fall in demand for its export products and the fall in prices of key export commodities. In addition, the international credit crisis has meant that funds have become scarce and expensive and that portfolio investors are wary of emerging markets, including South Africa.

The result is that our growth expectations had to be sharply revised, downwards. The duration and depth of the



downturn cannot be forecast with certainty, but growth is likely to be lower than previously expected at least in 2009, and 2010. This has potential implications for incomes, employment, and investment; and on social programmes partly through the slowdown's effect on tax revenues for government.

In the difficult circumstances that we face, we can utilise our strengths, in fiscal space, the financial regulatory framework, and the resourcefulness of our people and institutions, to develop a response to the crisis and to commit to work together in addressing its impact on South Africa.

We need social solidarity between all South Africans to ensure that the crisis does not damage the fabric of our society. Those with greater means have a responsibility to those without such means. Our collective responsibility is to work together to withstand the crisis and ensure that the poor and the most vulnerable are protected as far as possible from its impact. We must also ensure that the economy is ready to take advantage of the next upturn and that the benefits of such growth are shared by all our people.

Broad principles governing our response

The first principle of our approach to the downturn is that low income workers, the unemployed and the vulnerable groups can lose much through even a relatively brief economic shock, and the risk of unfairly placing the burden of the downturn on the poor and the vulnerable must be avoided. The potential of economic shocks to destabilise the welfare of the vulnerable, including their jobs, health and education, and to increase inequality and poverty, is widely

recognised, is our first concern and will require active steps to ensure these outcomes are avoided.

Our second principle is to ensure that all of our activities that are aimed at strengthening the capacity of the economy to grow and create decent jobs in the future, are protected and supported as far as possible. By decent work we mean the need to increase the level of employment as well as improve the quality of jobs. We agree on the need to address the constraints to growth and development through programmes: to increase public investment in economic infrastructure; to deepen the joint stakeholder commitment to skills development; to act urgently on the commitment to introduce effective industrial or sector strategies, or strengthen existing strategies, and to ensure higher levels of private sector investment and entrepreneurship; to pursue the transformation of informal economy activities and its integration into the formal economy; to improve and streamline government delivery and regulation; to improve economic efficiency; and to commit to macroeconomic policies that support decent work and sustainable growth

We are also committed to maintaining the planned high levels of investment in public sector infrastructure and to encourage the private sector to maintain and improve wherever possible their levels of fixed direct investment and continue with corporate social investment programmes.

Interventions must be timely, tailored and targeted as is appropriate. Actions to counteract the downturn must be reviewed periodically, and removed when they are no longer effective or appropriate. We are conscious of the risk of developing interventions that have short

term benefits but that have the potential for detrimental long-term social or economic effects.

C5 In line with the principles outlined above, we are convinced of the need for a bold intervention in the form of a broad stimulus package, as signalled in the recent budget, that has economic and social components, and we set out herein the measures that we commit to implement.

Investment in public infrastructure

Significant levels of public investment in infrastructure are one key means of responding to the downturn in the economy. This public investment programme will include expanding and improving the road and rail networks, public transport, and port operations, dams, water and sanitation infrastructure, housing construction including low-income housing and publicly owned rental stock, information and communications technology and energy generation capacity as well as education and health infrastructure, and in the process create additional decent work opportunities whilst meeting the basic needs of the society. Activities will include maintenance of current infrastructure using labour intensive approaches wherever possible.

Infrastructure investment should ensure the best possible social, employment and economic return to the society. This programme will be spread across both urban and rural areas. Rural development should include programmes to create employment, alleviate poverty, and improve access to health and education.

SA has announced a major public investments programme of approximately R787bn over the three financial years to March 2012. We believe this programme

must be maintained even in the midst of the current challenges, and that it should be implemented on an expedited basis where possible.

At the same time, further efforts will be made by the parties to secure additional resources to expand this programme in the light of current conditions. Social partners, particularly the business and trade union sectors, commit themselves to identify mechanisms of supporting the public investment programme including considering ways in which the implementation of public infrastructure projects can be fast tracked. A task team will be set up to consider how to give effect to this.

These investments are intended to encourage private job creating investments, from large industrial projects encouraged by more efficient railroads and ports to small rural projects made possible by better rural roads or access to electrical power.

Development Finance Institutions will provide financial and technical support for public sector investment projects taking into account both immediate and long term needs.

We recommend that all projects be evaluated to ensure appropriate prioritisation, and that new ways be found to address financing and capacity constraints.

Macro economic policy response

Against the background of the Budget introduced into Parliament by the Minister of Finance, parties agree that fiscal and monetary measures are necessary and should be used aggressively where required to address the crisis. They should be used in combination and be aligned to each other in order to have the required impact. Significant re-

sources should be provided for industrial policy interventions together with strong, robust use of accepted trade measures, to ensure that the crisis does not cause job losses in the real economy.

It is agreed that appropriate counter-cyclical measures should be used to stave off a recession and job losses and that the specific fiscal measures to do so should as far as possible be coordinated with the other measures set out in this framework and be sustainable over the longer-term.

The parties recognise the role and constitutional mandate of the SARB in the conduct of monetary policy. The social partners will use the mechanism of Nedlac to interact with the monetary authorities, to discuss the interest rate regime as well as ways of lowering the cost of capital and significantly reducing the real interest rate gap between SA and key trading partners as part of responding to the global economic crisis.

The parties recognise the value of a competitive exchange rate. In current circumstances where the Rand has depreciated, there are opportunities to increase employment-generating exports as well as to decrease the level of imports of light-consumer goods that can be produced locally. This can assist with addressing the trade deficit and have a positive impact on employment and local economic activity. The parties will use appropriate sector-level forums to develop concrete proposals on an expedited basis. These proposals will include consideration of industrial policy and incentive measures to create and increase local manufacturing capacity to utilise the opportunities of a more competitive exchange rate.

Labour, Business and Community have tabled various proposals in regard

to tax relief targeted at low-income workers, the poor and companies in distress. Parties acknowledge that certain of these areas are addressed in the National Budget tabled on 11 February 2009 in Parliament. The parties will facilitate discussions on an urgent basis to consider these proposals and their implications for the package as a whole.

Industrial and trade policy measures

A significant part of the national response to the global economic slowdown should be to rebuild local industrial capacity and avoid de-industrialisation during the period ahead. Critical to such a strategy is the need to improve the competitiveness and performance of key local industries, particularly vulnerable sectors and of small businesses.

Vulnerable sectors are those sectors with significant employment and labour intensity and where there are currently large planned or actual job losses and company closures as a result of the crisis. The parties have identified the sectors referred to below as an initial list of vulnerable sectors. Parties recognise that this list does not constitute a full list of affected sectors and sectors may need to be added or subtracted based on developments in the real economy. Sector specific strategies to address vulnerable sectors, such as clothing, textiles and footwear, mining and the auto and capital equipment sectors, will be set up, with the urgent and focussed use of a combination of trade, industrial and social policy measures to prevent job losses and regain jobs and productive capacity lost in the recent past, and to promote employment creation. In addition to these sectors, other parts of the economy with high levels of employment are also affected by the slowdown,

such as retail, housing construction, and private services. Government will develop proposals together with Labour and Business in these sectors within four weeks to provide a rescue package to the affected industries. Such packages will include reciprocal commitments by companies of what they will contribute to turnaround strategies. Attention will also be given to those sectors where there are early signs of job losses and distress, such as the electrical and electronics sectors, engineering and the building materials industry.

The parties agree that special consideration must be given to measures to address the specific needs of SMMEs in this crisis.

A special National Jobs Initiative, led by the Presidency that brings together a range of new and revamped separately administered programmes will be launched. The value of the new and revamped schemes is estimated at about R10 billion over the three year Medium Term Expenditure Framework. This will draw on resources in the IDC, the Department of Public Works, Department of Labour, the dti, the Department of Minerals and Energy and other departments. We agree to identify the extent of resources required as well as additional sources of funding that can be made available to increase the impact of the National Jobs Initiative in response to the crisis. The National Jobs Initiative will have as its mandate the coordinated and accelerated financing of industrial and special employment measures as well as social measures to avoid job losses and to actively increase the number of employed persons.

To these ends, the following additional measures are currently agreed;

The IDC will increase the level of its

equity exposure in these sectors where possible and will make increased working capital available to firms in large, labour-intensive sectors.

Government will convene urgent meetings with representatives of business and labour in distressed sectors to develop appropriate support measures, drawing on resources in the National Jobs Initiative as well as in the IDC.

Skills development and the promotion of Learnerships and high-level skills will be an essential part of all sector recovery programmes.

The parties recognise the opportunities in industries that combat the negative effects of climate change and believe that South Africa should develop strong capacity in these green technologies and industries. Accordingly it is agreed to develop incentives for investment in a programme to create large numbers of 'green jobs', namely employment in industries and facilities that are designed to mitigate the effects of climate change. Government will be asked to develop a proposal for consideration by the parties. This proposal will, where appropriate, build on current initiatives of greening existing manufacturing and service activities.

All the social partners, including parastatals, will encourage local procurement of supplies, services and other requirements wherever possible in order to maintain and increase local output and employment levels. This applies particularly to the large procurement programmes attached to major public and private investment projects where cooperation amongst social partners can be employed to promote local suppliers. This will also include procurement of pharmaceuticals and medical supplies, clothing and textile products, food and

perishables, stationary, computers, office equipment and consumables, automobiles and transport services, consulting services and printing. The review of preferential procurement legislation should be undertaken with urgency.

The parties recognise existing commitments in respect of international sporting events. They commit to interact with the sport authorities to ensure that a buy local policy be followed for the Confederation Cup and the 2010 Fifa World Cup. We undertake to intensify the Proudly South African campaign so that the message to 'buy local' reaches more consumers.

The parties acknowledge the problem of customs fraud and illegal imports and are concerned that as a result of the global economic crisis, the level of illegal imports may increase. They recognise the progress made in building an effective enforcement mechanism. They agree that urgent attention should be given and additional capacity be devoted to official enforcement capacity, including SARS, to further improve their effectiveness and impact. To this end, it is agreed to strengthen risk management and invoice-analysis systems, set up dedicated units for vulnerable sectors (commencing with the clothing sector) and support high-profile arrests and prosecutions of offenders to combat lawlessness within the import regime.

Trade measures will be used to address import surges, dumping and to address the short-term crisis of vulnerable sectors. These will include fast-tracking of investigations and recommendations by ITAC, and that ITAC initiates more investigations.

Development finance institutions need to place the promotion of productive employment and decent work opportu-

nities at the centre of their investment mandates and to mobilise their available funds for the retention of employment and the creation of the largest number of jobs per unit of capital invested. They will be asked to place rescue package proposals to government and the Task team within 4 weeks, to give effect to the proposals contained herein. DFIs could provide preferential funding to firms under distress to offset short-term funding pressures that are the result of the global economic context- for instance through working-capital solutions.

The parties recognise that the proposed mandatory rationing of electricity may have a negative impact on employment and therefore agree that the proposed approach be revisited in a way that addresses any negative impact on job retention.

The parties recognise the need for adequate infrastructure to lay the basis for growth and development. At the same time, the parties agree that excessive increases in administered prices may exacerbate the negative impacts of the current situation and agree that increases in administered prices should carefully balance these different considerations.

The parties agree that the availability and flow of credit are vital to the functioning of a modern economy. To this end they agree that Nedlac should urgently engage with the financial sector to discuss ways to promote a continued flow of investment finance to the real economy.

Employment measures

Retaining and increasing employment will be at the centre of our coordination and efforts in the period ahead. We believe that a combination of measures on

public employment, private sector initiatives as well as training can complement the other elements of this joint commitment and can ensure that we avoid massive job losses in the period ahead. These measures include the R10 billion National Employment Initiative mentioned previously.

Organised business and its affiliates undertake to urge and encourage CEOs of companies to do everything in their power to avoid retrenchments as a result of the global economic crisis, and to instead invest in their people and modernise their productive capacity in order to avoid job losses and in anticipation of the opportunities that will emerge after the global economic recovery. At the same time we expect that policies on executive remuneration will show appropriate restraint .

The parties commit to a jobs strategy that seeks to respond to any contemplated large retrenchment in the economy, i.e. affecting more than 50 workers or those in vulnerable sectors, through a mix of support offered by the DTI and other government agencies as envisaged in different parts of this document.

Employers and Labour will be encouraged to explore all possible alternatives to retrenchments. They will be encouraged to utilise facilitation by the CCMA as provided for in section 189 and 189A of the LRA. The parties agree to explore ways to strengthen the CCMA in regard to its role in avoiding retrenchments.

4.5. Public sector employment: it is agreed there is scope for improving the employment intake by the public sector in the process of strengthening the education, health and social work sectors and criminal-justice system in SA and filling departmental vacancies at national, provincial and municipal levels.

In addition, there are opportunities to create stable employment through the public service employing people for certain tasks that are currently outsourced or casual. Government will do a review of its outsourcing practices to improve the conditions of work.

The expanded public works programme (EPWP) is an important part of government's capacity to provide employment to those who are not absorbed into the labour market. While the first generation Expanded Public Works Programme exceeded its target of 1 million work opportunities in 5 years, many of the jobs were short term and had limited positive impact on the lives of the targeted unemployed people. This will now be scaled up and improved so that the total number of jobs days offered will be ten times higher than the EPWP Phase 1, at 2 million one year full time equivalents. The work days will be distributed amongst 4.5 million recipients over the five year period between 2009 and 2014. We agree to the following commitments regarding the next phase of the expanded public works programme (EPWP II):

EPWP phase 2 will create a cumulative total of 2 million full time equivalent (FTE) jobs for poor and unemployed people in South Africa so as to contribute to halving unemployment by 2014, through the delivery of public and community services. One FTE is equal to one full time job per year. This will scale up from 210,000 FTEs per year in 2009/10 to 610 000 FTE jobs in 2013/14, averaging about 400 000 FTEs per year. The 2 million full time equivalents will be created through the creation of a cumulative total of 4.5 million work opportunities from 2009/10 to 2013/14 financial year.

More efforts will be undertaken to

mobilise all spheres of government and public bodies to contribute to the EPWP outputs.

Training will be offered in appropriate forms in the different areas of public sector work and the training programmes will be accredited by the relevant authorities.

The EPWP Phase II will be implemented with urgency in light of current conditions;

The average duration of the jobs be considerably longer than in EPWP I;

A central fund in government be used to stimulate a greater take-up and impact;

The role of communities in developing their own local employment schemes and the role of NGOs, trade unions and CBOs in offering advice on priorities and in administering resources for and in running them will be promoted through Community Work Programmes;

Partnerships with the Business Trust and organised labour's Job Creation Trust will be strengthened and expanded.

One million unemployed youths, women and disabled people will be targeted in public employment programmes directed at socially useful activities, including home-based care, crèches, school cleaning and renovation, community gardens, removal of alien vegetation, tree planting and school feeding.

Government will increase its contribution beyond the new R4.1bn commitment to the first three years of EPWP II if the programmes exceed expectations, and

The social partners agree to update the public works framework agreement achieved after the Jobs Summit in 1998/99, cognisant of the critical impor-

tance of public works programmes in combating poverty.

4.8 Training and skills development need to be prioritised, quality improved and the learnership programmes enhanced. In addition to other measures to avoid retrenchment, one further option that the parties will consider is training layoffs, financed by the NSF and SETAs, for workers whose employers would ordinarily retrench them and which can be introduced on terms that would keep them in employment during the economic downturn but re-skill them as an investment for the future economic recovery.

The parties agree that the NSF and SETA grant disbursement administration will be streamlined to increase efficiencies.

SETAs that are connected to the same supply-chain will be encouraged to work together and where feasible, to merge, to ensure that funds are utilised in the most labour-absorbing parts of a supply-chain and to reduce administration costs.

All parties will use their best endeavours to encourage additional funding for the National Jobs Initiative, to enable it to increase the spending on special projects that are aimed at absorbing unemployed persons into gainful employment.

We agree to ensure full respect for and observance of fair labour standards and national legislation, in responding to the economic crisis.

We have taken note of the concern by organised labour that there is an increasing trend in the use of outsourcing and labour brokers and a rise in non-compliant practices in labour broking and agree that Nedlac should on an expedited basis, discuss outsourcing and

labour broking with a view to addressing labour's concerns.

Social measures

We recognise the need to scale up the social interventions to address the jobs challenge. One means of doing so is through developing effective social plans at industry and company level in order to ensure that job losses are avoided, workers are retrained and communities are cushioned from the effects of the economic crisis. This requires additional resources as well as other mechanisms to improve the development and utilisation of social plans. These issues are currently the subject of a review of the social plan policy framework and the parties will finalise their proposals through NEDLAC on an expedited basis.

The parties commit to improving benefits through the Unemployment Insurance Fund, subject to regular review and annual actuarial valuation of the fund, and will review its policies to ensure that it is providing an effective response to the prevailing conditions.

The Parties agree to a targeted Emergency Food Relief Programme that will enhance food accessibility and affordability to the poorest communities experiencing difficulty as a result of the economic crisis, targeting families in distress. The programme will be underpinned by a food distribution strategy. The programme will be supported through partnership with the private sector, NGOs and community based organisations. It will be aligned to existing initiatives such as Social Relief of Distress Fund and other food security strategies.

The parties agree on the need for special measures to ensure that the global economic crisis does not lead to in-

creases in the level of hunger in SA. It is agreed to work on an implementation plan, including timeframes and institutional arrangements, for a Food for All programme to procure and distribute basic foods at affordable prices to poor households and communities.

The Parties agree to investigate the cost drivers in the food value chain in order to develop measures that will be taken to improve the logistics of food distribution such as transportation, warehousing, and procurement in order to reduce food prices in the long term.

Strengthened enforcement of competition measures will be used to act against food cartels and collusion, which inflate food prices. It is agreed that government will encourage and support food production schemes in rural and peri-urban areas for households to grow their own food and that support in the form of seeds, fertilizers and pesticides will be provided.

Other government measures will support existing community schemes, which utilise land for food production in schools, health facilities, religious institutions and urban and traditional authority areas.

In spite of fiscal pressures currently faced because of lower than expected revenues, Government will maintain social transfers and other key social expenditures, including increasing access to free basic services such as water and electricity, to the poor. Government will also progressively and steadily, starting in 2009, extend the Child Support Grant to age 18 and reduce the men's age requirement for the social old age pension to 60 years.

The parties recognise the important role that cooperatives can play in absorbing the unemployed and the poor

into employment as well as in providing services in poor communities. Accordingly the parties agree to promote the establishment and funding of cooperatives including housing cooperatives and to ensure proper support for and regulation of the cooperative sector.

Global coordination

The parties recognise that the global economic crisis has shown deep weaknesses in the governance of globalisation and that, in an era of connected economies, all countries pay a high price when systemic weaknesses manifest themselves. They agree that it is necessary to respond to the crisis at a global level, in collaboration with other economies, with immediate initiatives and also with measures that address the underlying weaknesses.

One common objective that the parties will pursue in different global forums, including the G20, is to have a more equitable, balanced model of global economic cooperation. This includes the need for bold changes to the global financial and social architecture to respond to the current crisis and avoid future crises caused by inadequate regulation of critical markets and economic activity as well as insufficient global collaboration with respect to balanced development and to ensure fair, just and equitable outcomes to all, particularly the poor in the developing world.

Effective capital markets are critical to the performance of all economies. The parties support the prudent regulation of SA capital markets and the retention of appropriate capital controls.

Parties agree that SA should introduce further discussions at the G20 level on measures to enhance stability in finan-

cial markets, and discourage and penalise predatory and risky behaviour. Measures to be considered include discouraging short-term, speculative investment behaviour and other practices which contributed to the recent economic shocks.

As part of the need for comprehensive reform of International Financial Institutions (the World Bank and the International Monetary Funds families of institutions) to meet the challenges of the 21st century, we will seek to ensure that developing countries in general and those in Africa in particular, are better represented in the international financial institutions. The revision of the mandates of IFIs should better reflect developmental objectives, including decent work.

The parties recognise that the WTO Doha Round outcomes should be developmental in character. The parties agree to pursue a country position that maximises South Africa's developmental objectives. We will seek to positively influence the outcome so that it leaves SA with policy space for new industrial development; supports employment in vulnerable sectors and expands decent work opportunities in the local economy.

The ILO should be strengthened at global and field structure level, including through modalities to ensure full and universal observance by all countries of the core labour standards on freedom of association, the right to collective bargaining, non-discrimination, no forced labour and no child labour. We will call on all member-states to fully implement the Declaration on Social Justice for a fair globalisation.

South Africa's approach in engaging in the G20 summit process is driven by the

desire to ensure that the trajectory of global growth and development that emerges from the current crisis is not subject to the instability brought about by the large global macro-economic imbalances that characterised growth in the last decade. This will require greater efforts at macro-economic collaboration and coordination. Of critical importance in the current environment is to sustain growth in developing countries where access to capital markets for financing counter cyclical policies has effectively been closed. This will require the extensive use of the balance sheets of IFIs as well as measures to improve sustained growth in domestic demand in developing countries. We agree that the stimulus packages of developed countries should reflect the commitment to ensure that vulnerable people in developing countries with weak balance sheets are not unfairly penalised by the crisis. At the same time, we need to ensure that development assistance to developing countries is not scaled down.

The South African government will ensure full consultation and collaboration with its social partners on the positions it takes in future G-20 Summits and meetings of Finance Ministers, including through briefings and updates to Nedlac and the circulation of position papers. We will ensure that social partners are enabled to participate in the G20 process in whatever ways are practicable. South Africa will also call on the G-20 to ensure much stronger consultation with social partners in its future processes. South Africans also recognise their responsibilities as the only Africans at the G-20 table to ensure much greater collaboration with intuitions such as the AU.

Social partnership in response to the crisis

South Africa faces very significant challenges in the period ahead, as do countries across the world. There are a number of positives that we can build on. We have regulation in place on banking and credit that can be of help in the turmoil in financial markets. We have the capacity to use counter-cyclical fiscal policy to counteract the slowdown in the economy. We have a well-developed and advanced system of social dialogue, a strong institution in the form of Nedlac and a tradition of working together as constituents to address the social challenges. These strengths will be drawn on as we continue to develop and adjust our response to the global economic crisis and in the implementation of the various commitments.

We are particularly concerned about the impact of the slowdown on the poor and the most vulnerable. It is for this reason that we have agreed to the measures outlined in this statement. The measures embrace elements that seek to promote economic growth and sustainable businesses, assist and protect workers and the vulnerable and help our country to meet its developmental objectives.

Protecting and expanding decent work is at the core of our programmes. For this reason we are committed to various measures to reduce the possibility of retrenchments. Nevertheless, with existing high levels of unemployment and poverty, though they have reduced in recent years, the condition of the poor and the vulnerable have to be addressed directly and in the shorter run, through employment creation programmes, promoting sustainable livelihoods, public investment, and effective social relief

and support.

Increasing levels of investment and ensuring that we develop a strong and competitive economy are key imperatives in addressing the challenge of the global economic crisis and therefore remain important objectives in this period, as we prepare for takeoff beyond the economic crisis.

The measures that have been developed are intended to be an immediate and urgent intervention to ensure that South Africa responds before the local economic and social situation deteriorates. The implementation of the commitments will be monitored in follow up engagements of Nedlac and with the Presidency.

The parties agree to develop Action Plans to ensure timely implementation of the above actions and monitoring and evaluation thereof.

The following Task Teams have been established to give effect to this:

- Leadership Team
- Investment and Financing Task Team
- Social Interventions Task Team
- Employment Task Team
- Distressed Sectors Task Team.

We are all committed to the programmes contained in the document, and we will articulate this commitment and ensure that our constituencies understand and implement the actions in the plans that are relevant to them. ★

CAPITALISM'S CRISIS

Key challenges facing the working class movement and our government

The conflict between capital's 'hostile brothers' offers opportunities for the working class, argues **Rob Davies**

The capitalist world economy is in the midst of a serious crisis – certainly the most serious since that of the late 1960s and early 1970s, and threatens to become the most serious since the Great Depression of the late 1920s and 1930s. The current crisis is clearly much more than the “credit crunch”, or “financial crisis” as it manifest itself. Its impact is being seen in a recession (contracting production) in the advanced industrialised countries and sharply reduced growth rates in developing countries. Global trade has contracted sharply. Commodity prices have tumbled. Stock piles of unsold and unsaleable commodities are being observed across the world, and important industrial sectors are in deep trouble. All of this is being accompanied by lay-offs of workers. In the case of South Africa, job lay-offs have thus far been most notable in the mining sector and in the motor industry, where 36 500 jobs were wiped out between July 2008 and February this year.

The Central Committee has already examined the causes and dimensions of the current crisis of capital. On the basis of this, a document adopted at the Central Committee meeting held late last year cautioned against any notions

that this will be a mere short term hiccup that will allow an early return to business as usual for global capitalism.

A question that is fast becoming central and urgent in such circumstances is how should the working class movement and our government respond – both to the immediate prospects of declining production and job losses and to longer term challenges posed by this crisis?

An appropriate response requires, in the first instance, understanding critical elements of the phase that we are now in. The current crisis of global capitalism has features both specific to the particular stage of capitalist development we are now in, and also generic characteristics common to all periods of capitalist crisis. The specific features arise, inter alia from:

- the globalised character of contemporary capitalism, where transnational economic activity driven by transnational corporations, has emerged as the dominant and dynamic activity;
- the “financialisation” of investment that has seen the rise of massive “securities” and “derivatative” trading that created a huge bubble that partly masked the onset of the current crisis; and

- the increasing ecological unsustainability of the current trajectory of capital accumulation (the looming climate change crisis).

The generic features common to all periods of capitalist crisis were analysed by Marx in volume III of *Capital*. Marx explained that because of its anarchic nature, capitalism is inherently unable to develop along a path of uninterrupted growth and development. The system periodically confronts crises arising fundamentally from over-production of capital. This does not mean over-production of products relative to human need. In this sense there is always under-production. Rather capitalist crises of over-production need to be recognised as over-production of capital (in the form of capitalist commodities) compared to the possibilities of realising profit on that capital. In a system where it is profit rather than social need that drives economic activity, this is fundamental.

Capital needs also to be recognised as existing in various forms, corresponding to what Marx called the circuit of capital. These include

- money or financial capital seeking investment opportunities;
- capital invested in means of production and employing labour power;
- commodities produced as a result of the application of labour power and the means of production that are awaiting sale, and finally;
- money capital realised from the sale of commodities which is available to seek new investment opportunities in the next circuit.

A period of capitalist crisis is a period which necessarily sees a destruction of capital existing in some or all of those forms. The current global economic cri-

sis first became manifest as a crisis affecting financial capital and financial sectors. This was because the “financialisation” of investment that emerged as a key feature of contemporary globalisation had spawned a massive bubble of trading in financial assets more and more removed from the performance of the “real economy”. This bubble partly masked the underlying over-production of capital in the real economy of production, and arguably partly delayed the onset of the crisis. With that bubble now having burst it is clear that the current crisis is global, affecting all parts of the capitalist world; and that it is very significant in extent, in the sense that the bottom of the cycle is still nowhere in sight. It has already seen a very significant destruction of assets in the hands of banks and financial institutions, particularly in the advanced industrialised centres of capitalist power, but it has now clearly moved way beyond that to include destruction of capital existing in the real economy of factories, machinery, employed labour power, as well as stockpiles of unsold finished commodities which can no longer be profitably realised.

A time of capitalist crisis inevitably brings about a fierce competitive struggle to determine which capitals are going to bear the brunt of the destruction of capital necessary to create the conditions for the system once again to grow and develop. Marx described this as follows: “...as soon as it is no longer a question of sharing profits, but of sharing losses, everyone tries to reduce his own share to a minimum and to shove it off on another. The class, as such, must inevitably lose. How much the individual capitalist must bear of the loss ie: to what extent he must share in it at all is

decided by strength and cunning, and competition then it becomes a fight among hostile brothers.” (*Capital Vol III Chapter XV*).

Positioning ourselves to respond to the current global crisis means, among other things, recognising that we are in the midst of “a fight among hostile brothers”. In the current phase of capitalist globalisation this fight of “hostile brothers” takes place not just between capitals in different firms located in specific countries, but between transnational capitals spanning several countries and even between branches of the same transnational corporation located in different countries. Put concretely, it is not just a question of whether General Motors bears more of the losses arising from the necessary destruction of capital in the motor industry than Toyota, but whether it is the Toyota or General Motors plants in the capitalist centres or those in the periphery that will bear the brunt.

In recent months we have witnessed governments of the advanced capitalist countries deploying massive sums of money, in what have variously been called “bail outs” or “stimulus packages”. These have been widely described as a return to Keynesian deficit financing and a retreat from the neo-liberal macro economic orthodoxy which prevailed until recently. There is, no doubt, an element of truth in this. Clearly, had neo-liberal hardliners won the debates in the US and elsewhere and there had been no “stimulus packages” the likelihood is that, as in the 1920s and 1930s, the current recession would have been tilted much further towards a full on depression. However, there is also another element that we need to understand. The “bail outs” and “stimulus packages”

emerging now have not just involved, as was the case with classical Keynesian measures, deficit funding of infrastructure programmes or government public works, they have also included very significant funding of “rescue packages” directed at strategically important capitalist enterprises, sometimes even involving taking some degree of state ownership in them. Initially these “bail outs” were directed at failing banks and financial institutions but are now also involving significant subsidies to the motor industry with other distressed industrial sectors likely to follow as the crisis deepens.

What we are now seeing could even be described as some form of defensive industrial policy. Governments of the advanced capitalist countries are pumping large sums of money, precisely to ensure that in the battle of “hostile brothers” it is not flagship companies from their own countries that go to the wall. Moreover, in cases where it is clear that particular transnational corporations will have to contract their operations, subsidies and incentives are being deployed to try to ensure that it is not plants and jobs located in their own countries that bear the brunt. Sometimes, too, these efforts are being complemented by “buy local” campaigns involving even precise instructions to institutions receiving government support to procure locally. This is all happening despite lofty pronouncements in summits and multi-lateral institutions by these same governments that they are committed to working against any “resurgent protectionism”.

Unless we recognise that we are in the midst of a fierce competitive struggle between hostile capitalist brothers to determine which capital will be destroyed, and where, we will not be able to re-

spond adequately to the threat this poses to jobs and incomes of working people and the poor in South Africa.

What then would constitute the elements of such a response? The Nedlac task force that produced the recently adopted *Framework for a South African Response to the International Economic Crisis* has, in my view, begun to sketch out some of the key elements of an appropriate work programme. First, we need to accelerate industrial policy work across our industrial sectors with a particular focus on those most vulnerable to job losses. This must identify new challenges such sectors are facing as a result of the global economic crisis. From this, we need to identify particular responses. Some of these clearly will have to involve the deployment of government financial resources to support and sustain jobs. However, where we provide such support, it must be conditional on specific defined undertakings by capital, particularly and immediately in respect of undertakings on refraining from, or at least moderating, job layoffs. But we need also to recognise that the sums deployed in the United States alone are several times the gross domestic product of South Africa, and that we will never be able to match those levels of support. There is, thus, a premium on us also identifying non-financial support measures. These must include “trade remedies” such as anti-dumping and countervailing duties, the judicious application of new tariffs where we have space under WTO rules to do this, and the more vigorous policing of our borders to deal with cases of illegal imports. At the same time we need to push forward much more earnestly and vigorously the Proudly South African campaign – particularly taking this into the area of pro-

urement commitments.

A feature of many of the financial support packages that have been deployed in the advanced capitalist countries is that they are not strictly speaking WTO incompatible in that they do not involve the deployment of subsidies directly on trade. They do, however, tilt the balance much more strongly in favour of the survival of the hostile brothers located in their own countries. In such circumstances, we need to ensure that we do not disadvantage ourselves by buying into calls to preserve “free trade” and renounce “protectionism”. Such calls I have suggested already, are being belied by the practice of intervening on behalf of particular capitals in the form of financial bailouts. Moreover, in circumstances where developing countries cannot deploy these levels of financial resources, we need to make sure that we do not disarm ourselves by unthinkingly giving up the non-financial defensive measures available to us as these are likely to become even more important as the crisis deepens.

A further element of the response must be, as the Nedlac task team concluded, to defend the infrastructure investment programme, on which we have already embarked. This will require considerable effort and creativity in a context where market financial mechanisms are unlikely to provide financial resources at least on the same terms as originally anticipated when a number of these projects were launched. Maintaining the infrastructure investment programme and indeed complementing this with an enhanced public works programme is fundamental to defending work opportunities in this time of capitalist crisis. Finally the response requires a series of specific “employment” and

“social security” measures, some of which were outlined in the Framework document.

In the medium term we need a much deeper reflection on how we move to a more labour-absorbing growth path. The growth path that we have been on since 1994 has not been able to deliver a sufficient reduction in poverty, inequality and unemployment even at a time when growth rates were high. It will certainly not be able to do so with growth rates much lower. We must therefore re-orientate our focus much more towards the domestic, regional and south-south markets. With a global economy in decline, and with the advanced industrialised countries in recession, the domestic, regional and south-south markets are the only real prospects for us to experience any growth. This does not mean of course that we should not try to take advantage of a more competitive exchange rate to expand exports throughout the world, but we need to recognise that there is a sharply reduced demand in the advanced industrialised countries to which much of our trade has thus far been directed.

In the longer term the challenge facing the working class and the poor in our own country and across the world is this: how we move ourselves beyond the system of capitalism, which is incapable of guaranteeing even basic conditions of economic security to working people and the poor across the world.

The current crisis is, as indicated earlier, already the most serious since the 1970s and could well become the most severe since the Great Depression of the 1920s and 1930s. The crisis of the 1970s saw a massive leap forward in working class organisation in South Africa. Under

the pressure of that crisis, workers took part in the famous Durban strikes and from this began to reorganise a democratic trade union movement after the repression of the 1950s. This period of our history is now recognisable as the moment in which the balance of forces between the apartheid oppressors and oppressed began to change in favour of the oppressed. The 1920s and 30s also saw a significant advance in the working class organisation at both trade union and political level in many countries of the world. However, faced with the threat of a significant advance of labour and communist parties in countries like Italy and Germany, capital chose to unleash the forces of the most reactionary elements of fascism and Nazism. In those days the countries of Europe faced a stark choice between socialism and barbarism. Capitalism opted for barbarism.

In many respects, the challenge facing the working class in South Africa today can be summed up as: can it make a great leap forward in terms of the advancing working class influence in all sites of power, similar in dimension to the great leap forward in working class organisation what occurred during the last big capitalist global crisis of the 1970s? If not, we may yet find, especially if the crisis deepens, that we face on a global scale a stark choice between socialism and barbarism.

Of course, the issues and challenges facing the working class in today's crisis are very different from those in the past. The immediate challenge today is: Can working class power and influence be built in such a way that it leads and hegemonises a recovery programme? Can conditionalities imposed on support programmes to distressed capitalist con-

cerns be structured in such a way that they lead incrementally to enhancing working class influence over the economic growth path of our country? Can the crisis lead also to building working class power and influence at the point of production? If we can devise strategies to answer those questions in the affir-

mative, we may yet find that the current crisis of capitalism becomes a period of opportunity for the working class and the socialist project. ★

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CAPITALISM'S CRISIS

We were equally ill-prepared for the crisis

Ben Turok says that Marxist theorists were lulled into lethargy by the appearance of perpetual growth

Although Karl Marx warned long ago that financial crisis was inevitable in capitalism, communists around the world have been taken by surprise by the current crisis. It seems that the boom in the developed countries, and to some extent in the rest of the world, has lulled everyone into some kind of lethargy that everything will be alright. After all there have been major economic advances in China, India and other developing countries, and even Africa has shown signs of GDP growth, even if it was based on higher prices for mineral exports.

But these improvements are not enough to explain the complacency about economic prospects to be found in many countries. There has also been a huge deficiency in theoretical work about the fundamentals of capitalist economics and the possibilities offered by Marxism. Theoretical work has focused on the nuts and bolts of capitalist economics, for instance a critique of macroeconomic stabilisation, to the great neglect of fundamental theory. We are paying quite heavily for this neglect, in that as the crisis hits, alternatives are few. If capitalist theorists are unarmed presently, and resort to Keynes as a last resort, Marxists are equally disarmed, including in South Africa.

Part of the reason for our own complacency is that we have been persuaded by government spokesmen that South Africa has followed prudent financial policies and so we are cushioned from crisis. It may be that our regulators of financial institutions, banks, etc have not been allowed to go into spectacular gambling with hedge funds and derivatives on the scale in the US and Europe, but our bankers are no angels, and contagion reaches everywhere. Our real economy is also not as strong as we imagine.

It should be noted that the current crisis emerged not in the sphere of production but in the financial sphere. The critical issue is that what started as a financial crisis in the US, spread throughout the world's financial institutions, soon impacting on the real economy. This has now become a cyclical phenomenon. South Africa, which has a relatively efficient financial sector, cannot be complacent. Jobs are being lost, businesses closed down, and living standards affected.

The evidence is mounting daily that we are being affected substantially. Our gross domestic product (GDP) dropped 1,8 % in the fourth quarter of 2008. There are major contractions in retail, manufacturing and mining. The private sector is suspending or cancelling fixed invest-

ment projects. In January 2009 factory output plunged a record of 11% compared to Jan 2008, and manufacturing production fell 1.2% in January, the seventh month of falling output. There were huge contractions in S A's motor vehicle and iron, steel and machinery industries which shrank 50% and 27 % respectively during the month. Mining output tumbled 11 % too and the top mining companies say they may have to cut between 20 000 to 50 000 jobs this year. There was a dramatic plunge in our exports which took the trade deficit to a record R17,4-billion. This figure is particularly important since it shows that our exports are not paying for our imports. The difference can only be covered by an inflow of foreign capital but this has slowed down substantially and is unreliable since most of it is hot speculative capital.

The stock exchange has lost half its value. This has hit BEE beneficiaries particularly hard because their growth was mostly based on the market value of the shares given them. They incurred large debts to obtain these shares, which were supposed to be paid for from the increased value of the same shares and from dividends. These people are now stranded with large debts. As the stock exchange crashed, Patrice Motsepe lost \$1,1-billion of his fortune, Oppenheimer \$700-million and Johann Rupert \$ 2,6-billion, revealing once again how well the rich have done under our democratic government and how unequal is our society. There is no shortage in our country of the attitudes that created the financial crisis in the US – unrestrained greed and rising cronyism. .

For the less privileged members of our society, credit has tightened, banks are more risk averse, and so those who de-

pend on credit for their businesses or for ordinary consumption goods, are in for a hard time. Of course, the working class is the first to suffer. Layoffs are substantial, labour agencies are very busy, and outsourcing and casualisation are growing.

Much has been published in the daily press about the scale of meltdown in the US and EU. What started as a subprime crisis in US banks soon spread to other institutions and into Europe, so those governments are in a huge scare about where it will end. The political implications are as interesting as the economic effects. This was revealed at a special conference of the United Nations General Assembly in Doha on 29 September 2008 attended by most finance ministers and international agencies. The conference was supposed to deal with "Financing for Development", but what surfaced was a serious concern for the world economy.

The background to this event lies in 2002, when the United Nations General Assembly convened a conference in Monterrey, Mexico, which adopted a document on "Financing for Development", called the Monterrey Consensus. This document was a comprehensive and extremely favourable analysis of the development needs of the South, though it was couched in somewhat idealistic terms. Many other conferences followed with similar sentiments such as the "Paris Declaration on Aid Effectiveness" in 2005 and the Accra conference on the same theme in 2008. It is clear that the governments of the North feel the need to articulate a vision of a fairer world order even while they pursue narrow self-serving interest, as in the World Trade Organisation.

Of considerable interest at the Doha

conference was the unexpected plea by leaders of the North for joint international action to solve the current financial crisis. They conceded that the source of the crisis is bad governance in the financial institutions of the North, and that it led to contagion in the South. This is perhaps the first time that the North accepts this kind of responsibility for a global problem. Paradoxically they also seem to look to economic growth in the South as part of the solution for all. This is because growth has turned negative in the North, while there is still sound growth in most parts of the South. President Sarkozy of France, representing the European Union, declared that Europe cannot solve the financial crisis without India, China and Latin America. This amounts to an admission of a new balance of power internationally, reflected at the conference, in the economic power of China, India and Brazil, plus the oil power of the Middle East.

The head of the OECD stated that this was an emergency conference and marked a turning point in international relations. He argued that there had been a failure in the financial regulatory environment leading to the crisis and it was urgent for major public interventions and a review of the global financial architecture. Interestingly, the US stalled proceedings throughout, moved 17 amendments, and strongly resisted any discussion of reform of the financial and trade architecture.

In the side seminars, the causes of the crisis received detailed attention with the main conclusion that it arose due to catastrophic market failure and the total failure of the regulatory systems of the financial sector in the North, especially the US. The IMF had failed to do its

work of surveillance in the North. All agreed that totally new measures are needed to regulate the financial sector.

Because of the failure of monitoring and regulation worldwide, there is now a call for the reform of the IMF, including the removal of the US veto power; that the head of the IMF and World Bank should not be confined to candidates from the North; and that representation should reflect the diversity of the world.

The financial crisis has shown how dysfunctional is the current international financial architecture. The main problem lies with the financial regulatory system which wholly ignored what was going on with hedge funds and derivatives, (which rose to \$600 trillion by 2007) especially in the US but not only there. There was a clearly inadequate regulation and supervision of banks and financial markets. So even if there were discrepancies in many countries in properly managing their financial systems, the problem lay in the US and Europe, not in the developing countries. In other words, the heart of advanced capitalism has a cancer which was ignored. Even a month before the crisis the IMF was unaware of the problem.

Since then, there have been a series of meetings at the highest levels to discuss financial regulation and reform of the global financial architecture with little agreement on what needs to be done. The G20 has established working groups dealing with accounting regulations and transparency, international cooperation on financial regulation, reforming the IMF, and reforming the World Bank and other multilateral development banks. A parallel process has been started by the UN General Assembly under the leadership of Joe Stiglitz with much emphasis

on reforming the global financial architecture. This activity has much support from civil society organisations which are keeping a close eye on the debate.

Leaders of the North often say that the “emerging markets” (developing countries) will lead the way out of the recession, and they hope that particularly China and India will continue to grow their economies thereby sustaining demand for goods and services from the developed countries. Also, China owns a huge slice of the foreign debt of the US, which is now dependent on China’s support.

On the other hand, the panic in the North has led to large capital outflows from the South, including South Africa, which has led to the collapse of stock markets, exchange rates and quite a large loss of reserves, despite the prudent policies pursued for some years. Commodity prices have plunged and volumes of demand for exports are being cut everywhere.

We must recognise that what started as a financial crisis has now turned into a total economic crisis with serious effects on the real economy. This means that fixing the IMF and World Bank, and indeed the whole banking sector will not be enough. The consequences of economic decline will be with us for some time, globally and in South Africa.

This means that the constant refrain that the crisis was “not of our making”, and that “we are less vulnerable than others” does not really help those who lose their jobs. So, while the global perspective is very important, since it reveals the crisis of international capitalism, we have to pay attention to our own backyard.

We have to re-examine our own fiscal and monetary policies since 1994 to see

whether we have built a strong economy able to withstand international and local crisis. Several questions come to mind.

Do we have a clear understanding of the structure of our economy? Do we know where real power in decision-making lies? Do we understand the balance of class forces in the economy, in the sense of the power of the private sector in relation to the state sector? Do we fully appreciate how capital is reproduced in our system and who benefits? What is our view of an economic strategy which has been based on supporting the private sector to the point where it is more profitable than ever before? Have we focused too much on the financial sector to the neglect of industry? Have we relied too much on export-led growth by a narrow sector of the economy while neglecting to build the domestic economy?

On the social side, why have we failed to substantially reduce the huge number of unemployed? Is our welfare response to poverty correct and is it sustainable, given the cost to the fiscus? Do we want a welfare state rather than a productive developmental state?

Finally can it be correct that a movement that was built on the vision in the Freedom Charter of sharing the country’s wealth has one of the highest inequality ratios in the world, and this after 15 years in power? I am sure a Marxist analysis could answer these questions. Perhaps the African Communist ought to start doing this. ★

Cde Turok is the author of the recently-published “From the Freedom Charter to Polokwane; the Evolution of ANC Economic Policy”, and editor of New Agenda, a Journal of Social and Economic Policy

KZN PEC REPORT

The global crisis proves Socialism's relevance today

These are edited extracts from the KZN SACP PEC Report to the February Provincial Council Meeting, presented by the Provincial Secretary, Cde **Themba Mthembu**

As part of the ANC-led alliance we have agreed to energetically pursue economic transformation in order to create more jobs and opportunities for sustainable livelihoods for the masses. This requires the development of an industrial strategy that will primarily focus on investment in infrastructure and the productive economy. Our macro-economic policies (whether it be budget deficit, budget surpluses, inflation targeting, etc) must be guided by such industrial strategy rather than the other way round.

In addition we have identified the building of a large, progressive co-operative sector, including co-operative banks, as an essential component of building sustainable livelihoods for the majority of the people of our country. Indeed we are proud that as the SACP, through our financial sector campaign, we have ensured that there is indeed now progressive legislation on co-operatives and co-operative banks. Our branches have a huge responsibility to bring energy into these endeavours.

For the SACP it is going to be very important that as part of transforming the current economic trajectory and driving an industrial strategy, we particularly focus on the transformation of the finan-

cial sector, both the public developmental financial institutions and the private financial sector.

In so far as the developmental financial institutions (DFIs – eg. Ithala, IDC, DBSA, Mafisa, etc) are concerned we have two critical tasks. The first is that of ensuring that the financial resources in the hands of these institutions are invested in our developmental priorities, infrastructure and job creation. The second is that of ensuring that the boards of these DFIs are substantially representative of the working class and poor communities, rather than be populated by narrow BEE types, who often use them to support their selfish accumulation interests, outside of the broader developmental mandate, as we have seen with the IDC and Ithala lately.

To reposition these DFIs, we will ask the incoming government after the 2009 elections to undertake a comprehensive review of the role of these institutions, as well as all state-owned enterprises, including a comprehensive forensic audit to identify where these have been used for corrupt purposes.

It is also very clear that the banking and insurance capitalists are hell-bent on reversing the very many advances we have made, through our financial sector campaign, towards the transformation

of these institutions. We need to resuscitate our financial sector campaign to deepen the struggles for creating a private financial sector that serves our overall developmental agenda

The current capitalist global financial and economic meltdown

Socialism remains relevant today, as is shown by the current global capitalist crisis. It shows that capitalism is incapable of addressing problems confronting humanity today, and that it is the persistent source of global human misery. Recently we have learnt that 40 million more people have been added to the starving and the poor of the world.

The current global capitalist crisis is the worst since the late 1920s. Whilst it started as a crisis of the global financial sector, especially in the United States, it is now seriously beginning to affect productive economy. Its source is the increasing financialisation of the capitalist system, with increasing speculative activity by the capitalist class, away from investing in the productive economy. Cde Fidel Castro has correctly characterised contemporary capitalism as more of a casino rather than a productive economy.

The impact of the current global crisis is already beginning to have enormous negative effects on our economy. We are beginning to see job losses and loss of income for the working class through long shut downs by sections of manufacturing and mining. This shows that it is a myth to say that our economic fundamentals are in place and have helped us to weather this global capitalist storm. Instead, our government's neoliberal economic policies have made us more vulnerable.

We have pursued macro-economic

stability at the expense of an industrial policy that will develop domestic productive capacity in our economy, thus making us less vulnerable to financial speculative activity. We have also squandered the opportunities brought about by the demand for commodities by not directing the profits into domestic productive activity. Instead we have embarked on narrow BEE, and wasted billions of rands on mega projects like the Gautrain, the Arms Deal, Coega, the Dube Trade Port and the Pebble Bed Modular Reactor.

The bourgeois media has also fostered the myth that since 1996 our country has embarked on fiscal discipline thus creating better conditions for growth. But this `fiscal discipline` is a lie given the wasteful expenditure on the projects mentioned above. In so far as there has been fiscal discipline it has been in relation to the lack of productive investment in the economy, lack of an aggressive approach towards skills development and inadequate resources in education and health. Instead of dealing with some of the pressing social problems we have been consumed by aids denialism peddled from the highest office in the land, and ameliorative, albeit necessary, welfarist measures that have not been accompanied by a developmental industrial strategy.

Instead of approaching our state-owned enterprises as a resource for driving a developmental agenda, we have sold and/or run down some of them, notably Telkom, sold to some of those who proudly tell us that `they did not join the struggle to be poor`. The latest of this saga is the scandalous sale of Vodacom, the cash cow of Telkom, to British Vodafone, without any regard to the implications of this for the totality of our IT

strategy to serve the workers and the poor.

We have mindlessly pursued an inflation-targeting strategy that is a blunt instrument and completely oblivious to the developmental and job-creating imperatives for our country. Reduction of the interest rate by 1%, welcome as it is, is yet another missed opportunity for higher interest rate cuts in order to create better conditions to protect workers' jobs and incentivise more investment in our economy.

All the above realities are proof that capitalism is not in the interests of the people of our country, and instead the struggle for socialism is as relevant as ever. Our own homegrown neo-liberal economic strategy has been pursued under the rubric the '1996 class project' – an alliance between sections of our cadre within the state and movement, elements of domestic and global capital, and sections of an emergent BEE elite which has also captured sections of state-owned enterprises like the Public Investment Corporation and the Industrial Development Corporation.

We are heartened by the realisation of the ANC's Polokwane Conference of some of the serious shortcomings of the 1996 class project. The Polokwane Conference has re-affirmed the centrality of the state in economic development and the need for a state-led industrial strategy, to which our macro-economic policies must be subject. The Polokwane Conference has re-affirmed the centrality of the ANC-led alliance in driving a radical national democratic revolution. The branches of the Party have an important role to play in ensuring that these Polokwane resolutions become a reality.

One of the key challenges since the

Polokwane advances is how to completely rout the 1996 class project in the state and our movement to re-position ourselves to drive a developmental agenda beneficial to the majority of our people, especially black working class youth. The SACP remains central in achieving these objectives.

The global financial crisis: will South Africa be unscathed?

For the last several months, headlines about the global financial crisis have regularly made the front pages of international newspapers. Europe and the US have come to realise that corporations are facing the worst economic crisis since the 1929 crash. In South Africa, for the last 17 months economic analysts, as well as the Reserve Bank Governor and the Finance Minister, have insisted that we will remain largely unaffected by the crisis. This was because South African banks were not exposed to the US sub-prime loan market. Indeed. South African mainstream analysts have continued to drum on about the supposed innate virtue of the unfettered free market. It is this unflinching faith in the 'free' market that has totally blinded them to the reality.

The reality is that every single economy in the world will be affected in some way or another. This is because the economies of every single country are now interconnected – through the spread of neo-liberal globalisation. Linked to this, all economies in the world, including South Africa's, have been restructured through a process that has become known as financialisation. It is the financialisation of the global economy that has made the current global crisis possible, and it is the financialisation of the South African

economy that makes it almost impossible for our country to escape the fall out of the current global crisis.

Financialisation and the current crisis

The origins of the current financial crisis can be traced back to the global capitalist crisis that erupted in the late 1970s. It was during this period that the post-war boom started to come to an end and the global economy began to stagnate. With this, manufacturing and service companies began to experience declining profit rates as their markets shrunk and their capacity far outstripped demand for their products. By the late 1970s, therefore, it was becoming less and less profitable for companies to re-invest in manufacturing and the service sector. As a result companies started looking for new ways of making profits and states assisted them by deregulating the financial and insurance sectors along with liberalising exchange controls. Once the financial sector had been deregulated across the globe, first in the North and then through Structural Adjustment Programmes in the South, companies could speculate on any stock market, bond or currency in the world. This provided them with new investment opportunities and a more profitable outlet for their capital.

As part of the deregulation process, banks, pension fund companies and mutual funds from across the world were also allowed to begin speculating on currencies, bonds and shares. With this massive expansion of the financial markets, including in South Africa, the value of a companies' stock became far more important than in the past. Companies wanted their shares to be valued higher to attract investors, like banks and pension funds. In the case of South Africa, our largest companies, such as Anglo-

American and Old Mutual, shifted their primary listings to the London Stock Exchange. They did this to raise the prices of their shares through becoming part of the Financial Times Stock Exchange 100, in which international tracker funds automatically invest.

To boost share values most of the biggest companies also borrowed massive amounts of money to buy back their own shares and thereby inflate the prices. Even companies that were traditionally manufacturers restructured their operations to become partial investment vehicles and often borrowed colossal amounts of capital to speculate on financial markets and in real estate. They would then use the money made on these investments to cover the repayments on their loans and make a profit. Thus, capitalism became increasingly dependent on the credit system to escape the worst effects of stagnation in the 'real' productive economy. The manner in which corporate executives were, and are, remunerated has also changed since the 1970s. Most executives started to receive payments in share options, meaning that they also had an interest in boosting share prices. By the 1990s, the value of a company's shares became more important than the actual profit prospects of the company. With this, the financial sector of the economy became dominant over the productive sector, and the two sectors became disconnected. This meant that the prices of stocks and bonds were, and are, set independently through speculation and not through their real underlying value, which has made the system volatile. This whole process has become known as financialisation.

With financialisation, manufacturing companies – including those in South

Africa - also became involved in providing loans to consumers to purchase their goods. For example, most of General Motors' profits derive from loans made to consumers at high interest rates to purchase the cars they produce. As such, the financialisation of the economy has created new types of consumer credit in the form of credit cards, hire purchase schemes and sub-prime loans. To continue to maintain their standard of living the working poor, who have not received real wage increases since the 1970s, began to rely more and more on these forms of credit. This saw personal debt balloon in countries like the US and South Africa. With money pouring into the financial markets, these markets also responded by expanding their capacity by creating new kinds of financial instruments for investors to speculate on. These new financial instruments included futures, options, and importantly for the current financial crisis, credit derivatives.

Financialisation increases the frequency of crises

Speculators have made massive profits out of the financialisation of the economy. However, financialisation has increased the frequency of economic bubbles and crises. There have been over 100 economic crises in different parts of the world, including in South Africa, since financialisation began. The last major crisis, before the current one, erupted on Wall Street between 1999 and 2002 and was linked to the bursting of the technology bubble during which over \$7 trillion was lost. To overcome that crisis, interest rates were lowered in the US so that consumers would spend, the economy would be stimulated and the crisis displaced. People and speculators used

these lower interest rates to borrow large sums of money to speculate on, amongst other things, real estate. Homeowners also used the lower interest rates to borrow against the value of their homes to purchase a wide array of consumer goods. In a bid to cash in on this, banks, corporations and mortgage lenders provided loans to all and sundry – loans were even provided to individuals with appalling credit records.

As part of the financialisation process, and the creation of new investment instruments, the corporations that were involved in making these loans began pooling them along with corporate and credit card debts into credit derivatives, such as Collateralised Debt Obligations (CDOs). These corporations then sold these credit derivatives to other companies. The idea was to offer some protection to the companies that were making these loans. Other banks and speculators bought these credit derivatives. These banks and speculators received cash flows and interest from the derivatives they bought, but they also had to accept the risk if the debt - that was bundled into credit derivatives - was not paid back. For as long as people paid their bonds and credit card debt, the holders of these credit derivatives made massive amounts of money: by 2007 the derivatives market was estimated to be worth as much as \$ 180 trillion. Insurance companies, like AIG, also became involved in the credit derivatives market by offering insurance against the non-payment of debt that backed up these derivatives. For as long as people and companies paid their debt, insurance corporations such as AIG made large profits.

In 2004 the seed was sown that led to the unravelling of this system and the

credit derivatives market. In that year, the US government started raising interest rates and continued to do so for the next two years. The low interest rates that had been used to lure people into taking out sub-prime loans were also deliberately and drastically increased by the companies involved in making these loans. The result was that by 2006, millions and millions of people started to find that they could no longer pay their loans back. With this, the debts that gave credit derivatives their 'value' were no longer being paid. Companies like Lehman Brothers, Citibank, Morgan Stanley, Fanny Mae, Freddie Mac, Northern Rock, and Bear Stearns - who had been speculating on these derivatives - suddenly found that the value of these plummeted, and they were burdened with the bad debts that were part and parcel of these derivatives.

The result so far has been that over 80 mortgage lenders, numerous hedge funds and many municipalities (that were also speculating on the derivatives market) went bankrupt along with some of the biggest investment banks in the world. Insurance companies, like AIG, that offered insurance against the non-payment of the debt - which been bundled into derivatives - also started to face thousands of claims from speculators that were holding these derivatives. AIG simply did not have the money to pay all of these claims and they too went bankrupt. With so many companies holding credit derivatives, which contained bad debts, banks became scared of lending for fear that these new loans would not be re-paid if the companies borrowing went bankrupt. Due to this, credit started becoming scarce, which has created a real possibility that the global financial system could com-

pletely collapse. All of this has also led to massive volatility on international stock markets - in early October the Wall Street stock market plunged by 25% in one week.

Governments have stepped in to save the rich

Various governments around the world have taken drastic measures to try and address the current financial crisis and protect the interests of the rich. The US government has partially or fully nationalised most of its banks and insurance companies, including Fannie Mae, Freddie Mac, and AIG to save them from collapse. Other governments, such as the UK and Iceland, have also been nationalising banks to save them. The fact that governments, who for years have promoted the 'free' market and the privatisation of services, resorted to nationalising banks highlights the extent of the crisis. The problem with these nationalisations, however, is that they were not progressive nor were they aimed at benefiting the poor. Rather governments have used public money to take over these banks along with all of their debts. Vast amounts of money have been spent to protect the rich; while the debts of these companies have been socialised. Since September last year, the US, UK, Germany and Japan have been regularly pumping hundreds of billions of dollars into stock and money markets to keep private companies afloat. The US and UK governments have also started buying the bad debts and credit derivatives that banks and investment companies have in order to save them.

In September and October last year, the US made \$700-billion available to buy these bad debts; while the UK made almost \$1-trillion available to do

the same thing. Such vast amounts of money could have been used to provide the poor with free healthcare, education, food and other social services; but governments have rather spent this money on trying to bail out an elite group of speculators. What we have been witnessing, even if only temporarily, is a new form of capitalism whereby wealth is being directed towards the rich even more ruthlessly than under neo-liberalism. The end result is that in the coming years it is going to be the poor who are going to have to bear the brunt of this bail-out for the rich. In fact, there is a very real possibility that many of the countries of the South, including South Africa, could see their entire economies collapse because of the fall-out of the financial crisis in the US and Europe.

Why South Africa's economy is in danger

The fact that the South African economy has also undergone financialisation - and has become intertwined in the global economy - means that we will not escape the fall-out of the current crisis. Some South African banks, like Standard Bank, have been involved in speculating on the global credit derivatives market, and have incurred losses. Old Mutual, lost over \$ 1.4 billion when it found that its shares in Bear Sterns were almost worthless because of the current crisis. These losses on their own, nonetheless, may not be enough to destroy these banks - which have led people, such as the Finance Minister, to falsely assure South Africans that we are safe. The problem, however, is that there are many more dangers linked to the current crisis, other than being exposed to the derivatives market, which could

cripple South Africa's economy.

The real danger that South Africa faces, due to financial deregulation, is that many of the American and European corporations that have been hit hard by the financial crisis own substantial shares in the corporations that are listed on South Africa's Johannesburg Stock Exchange (JSE). For example, the biggest traders on the JSE are JP Morgan, Merrill Lynch, Morgan Stanley, the Deutsche Bank, Citibank and the Northern Trust Company - all of whom have been severely affected by the crisis. In fact, these companies along with other foreign investors, own half of all JSE listed shares. Due to the current global crisis, these companies have been withdrawing their money rapidly from the JSE to move it into safer havens, such as gold and US Treasury Bonds. This has seen the average share value of JSE listed companies decline by almost 30%. These massive outflows of money have caused the value of the South African currency to plummet.

The real danger that South Africa now faces is that with so much money flowing out of the borders, the country could begin to experience massive problems covering the cost of its trade deficit. If this occurs, and it is very likely it will, the country could experience a massive problem with its balance of payments. The end result of this could be that South Africa could experience a financial meltdown. Indeed, numerous progressive analysts, along with the Bank for International Settlements, have warned that such a dire crisis in South Africa is a very real possibility. Of course, like in the US and Europe, it is the poor in South Africa who will be forced to bear the brunt of this should it occur. ★

CAPITALISM'S CRISIS

World capitalism poses greatest threat, says US spy chief

This article, drawn from the "World Socialist Website" was provided as an addendum to the KZN SACP PEC Report to its February Provincial Council meeting

In testimony before the Senate Committee on Intelligence Washington's new director of national intelligence, Dennis Blair, warned that the deepening world capitalist crisis posed the paramount threat to US national security and warned that its continuation could trigger a return to the "violent extremism" of the 1920s and 1930s.

This frank assessment, contained in the unclassified version of the "annual threat assessment" presented by Blair on behalf of 16 separate US intelligence agencies, represented a striking departure from earlier years, in which a supposedly ubiquitous threat from Al Qaeda terrorism and the two wars launched under the Bush administration topped the list of concerns.

Clearly underlying his remarks are fears within the massive US intelligence apparatus as well as among more conscious layers of the American ruling elite that a protracted economic crisis accompanied by rising unemployment and reduced social spending will trigger a global eruption of the class struggle and the threat of social revolution.

The presentation was not only the first for Blair, a former Navy admiral who took over as director of national intelligence, but also marked the first detailed

elaboration of the perspective of the US intelligence apparatus since the inauguration of President Barack Obama.

"The primary near-term security concern of the United States is the global economic crisis and its geopolitical implications," Blair declared in his opening remarks. He continued: "The crisis has been ongoing for over a year, and economists are divided over whether and when we could hit bottom. Some even fear that the recession could further deepen and reach the level of the Great Depression. Of course, all of us recall the dramatic political consequences wrought by the economic turmoil of the 1920s and 1930s in Europe, the instability, and high levels of violent extremism."

Blair described the ongoing financial and economic meltdown as "the most serious one in decades, if not in centuries."

"Time is probably our greatest threat," he said. "The longer it takes for the recovery to begin, the greater the likelihood of serious damage to US strategic interests."

The intelligence chief noted that "roughly a quarter of the countries in the world have already experienced low-level instability such as government changes because of the current slowdown." He added that the "bulk of anti-

state demonstrations” internationally have been seen in Europe and the former Soviet Union.

But Blair stressed that the threat that the crisis will produce revolutionary upheavals is global. The financial meltdown, he said, is “likely to produce a wave of economic crises in emerging market nations over the next year.” He added that “much of Latin America, former Soviet Union states and sub-Saharan Africa lack sufficient cash reserves, access to international aid or credit, or other coping mechanism.”

Noting that economic growth in these regions of the globe had fallen dramatically in recent months, Blair stated, “When those growth rates go down, my gut tells me that there are going to be problems coming out of that, and we’re looking for that.” He cited “statistical modeling” showing that “economic crises increase the risk of regime-threatening instability if they persist over a one to two year period.”

In another parallel to the 1930s, the US intelligence director pointed to the implications of the crisis for world trade and relations between national capitalist economies. “The globally synchronized nature of this slowdown means that countries will not be able to export their way out of this recession,” he said. “Indeed, policies designed to promote domestic export industries—so-called beggar-thy-neighbor policies such as competitive currency devaluations, import tariffs, and/or export subsidies—risk unleashing a wave of destructive protectionism.”

It was precisely such policies pursued in the 1930s that set the stage for the eruption of the Second World War.

Blair also raised the damage that the crisis has done to the global credibility of

American capitalism, declaring that the “widely held perception that excesses in US financial markets and inadequate regulation were responsible has increased criticism about free market policies, which may make it difficult to achieve long-time US objectives.” The collapse of Wall Street, he added, “has increased questioning of US stewardship of the global economy and the international financial structure.”

The threat assessment also included evaluations of potential terrorist threats, the “arc of instability” stretching from the Middle East to South Asia, conditions in Latin America and Africa and strategic challenges from both China and Russia, centering in Eurasia. It likewise dealt with the war in Afghanistan, which the Obama administration is preparing to escalate, providing a scathing assessment of the Karzai regime in Kabul and the familiar demand for an escalation of the intervention in Pakistan. Nonetheless, the report’s undeniable focus was on the danger that economic turmoil will ignite revolutionary challenges on a world scale.

Blair’s emphasis on the global capitalist crisis as the overriding national security concern for American imperialism seemed to have taken aback some of the Senate intelligence panel’s members. They have been accustomed over the last seven years to having all US national security issues subsumed in the “global war on terrorism,” a propaganda catch-all used to justify US aggression abroad while papering over the immense contradictions underlying Washington’s global position.

The committee’s Republican vice chairman, Senator Christopher Bond of Missouri, expressed his concern that

Blair was making the “conditions in the country” and the global economic crisis “the primary focus of the intelligence community.”

Blair responded that he was “trying to act as your intelligence officer today, telling you what I thought the Senate ought to be caring about.” It sounded like a rebuke and a warning to the senators that it is high time to ditch the ideological baggage of the past several years and confront the real and growing threat to capitalist rule posed by the crisis and the resulting radicalization of the masses in country after country.

It may have been lost on some of those sitting at the dais in the Senate hearing room, but when Blair referred to a return to the conditions of “violent extremism” of the 1920s and 1930s, he was warning that American and world capitalism once again faces the specter of a revolutionary challenge by the working class.

There is no doubt that behind the façade of Obama, the US national security apparatus is making its counter-revolutionary preparations accordingly.

Including Blair, Obama has named three recently retired four-star military officers to serve in his cabinet. The other two are former Marine Gen. James Jones, his national security adviser, and former Army chief of staff Gen. Erik Shinseki, his secretary of veteran’s affairs. This unprecedented representation of the senior officer corps within the new Democratic administration is indicative of a growth in the political power of the US military that poses a serious threat to basic democratic rights.

A report that appeared in a magazine published by the US Army War College last November, just weeks after the election, indicates that the Pentagon and the US intelligence establishment are

preparing for what they see as a historic crisis of the existing order that could require the use of armed force to quell social struggles at home.

Entitled *Known Unknowns: Unconventional ‘Strategic Shocks’ in Defense Strategy Development*, the monograph insists that one of the key contingencies for which the US military must prepare is a “violent, strategic dislocation inside the United States,” which could be provoked by “unforeseen economic collapse” or “loss of functioning political and legal order.”

The report states: “Widespread civil violence inside the United States would force the defense establishment to reorient priorities in extremis to defend basic domestic order... An American government and defense establishment lulled into complacency by a long-secure domestic order would be forced to rapidly divest some or most external security commitments in order to address rapidly expanding human insecurity at home.”

In other words, a sharp intensification of the unfolding capitalist crisis accompanied by an eruption of class struggle and the threat of social revolution in the US itself could force the Pentagon to call back its expeditionary armies from Iraq and Afghanistan for use against American workers.

The document continues: “Under the most extreme circumstances, this might include use of military force against hostile groups inside the United States. Further, DoD [the Department of Defense] would be, by necessity, an essential enabling hub for the continuity of political authority in a multi-state or nationwide civil conflict or disturbance.” The phrase “an essential enabling hub for continuity of authority” is a euphemism for military dictatorship.

BOOK REVIEW

Timeless, instructive intervention in the economic policy debate

Oupa Bodibe reviews Ben Turok's 50-year outline of the evolution of our movement's policies

Cde Ben Turok's *From the Freedom Charter to Polokwane* is well timed. First, it is published amid global financial turmoil, affecting mostly developed economies, heralding state intervention in the US, such as has not occurred for decades. Secondly, it comes as South Africa is poised for general and provincial elections on 22 April 2009.

The book is a useful contribution to the management of economic policy during these turbulent and interesting times. Cde Turok must be congratulated for taking the time to chronicle, in a single book, ANC economic thought from the struggle years, the transition and the first decade and half of post-apartheid South Africa. He has unintentionally repeated the feat accomplished with the publication of *Revolutionary Thoughts of the Twentieth Century*, the anthology of major thinkers and revolutionaries on the subject in one book. For many activists the compendium is a useful and easy reference in one place.

I have no doubt that *From the Freedom Charter to Polokwane* will also be considered in that light – a compendium of ANC economic thought in one book. The difference is that in this current installment, cde Turok brings his enormous experience to bear. The book is also a collection of his various reflections on the question of development garnered through his many years as an activist, academic and more recently as a member of parliament. He also brings

his practical experiences of post-colonial Africa to the project, probably explaining the inordinate amount of time devoted to the pitfalls of BEE and neo-colonialism. The book is accessible and engaging and written not only for specialists in the field or those with extensive knowledge of ANC policies and development studies. It is not necessary to read it in full: the chapters are relatively self-contained. Anyone wanting to understand the evolution of ANC economic thinking from the rudimentary “African claims” through to the Freedom Charter, RDP and



**FROM THE FREEDOM
CHARTER TO POLOKWANE**
**The Evolution of ANC
Economic Policy**
by Ben Turok

**Publisher: NEW AGENDA
(SA)**

ISBN: 978-0-620-42565-0
Price R150,00

Gear, must read the book.

The book deals with many themes, difficult to evaluate in such a short review, which addresses three of the more crucial: how ANC economic thinking can be characterised; the relation between Gear and previous ANC economic positions; and finally the way forward.

On the first theme, the book goes beyond the unhelpful characterisation of the ANC as neither capitalist nor socialist, discourse that characterised debates in the 1990s. Though cde Turok avoids using 'isms' it is clear that ANC economic policy can be characterised as a hybrid of radical African nationalism; social democracy and socialist ideals. Even if one were to accept the various interpretations of ANC economic policy, nobody can with a straight face argue that the ANC stood for *laissez faire* capitalism. The chief concern that has driven the ANC is building an inclusive, prosperous and equitable society. Historically, and as explained in the book, the ANC sought to avoid the low-intensity democracy that characterised many post-colonial societies in Africa.

From Morogoro to the more recent pronouncements, the ANC sought to avoid the revolution stalling at the installation of a popularly elected government while the material basis of oppression remained intact. The ANC project is intended to empower the masses of our people and overcome the schisms of race, class, gender and space: the ANC's project is aimed at avoiding elite capture of the transformation project akin to many projects in post-colonial Africa. The book's scathing argument that the post-1994 project has been more 'reformist than revolutionary' will undoubtedly generate debate within and

outside the ranks of the ANC. Debates have already been raging post-Polokwane as to whether the ANC will change its overall approach to the economy after the April elections. The ANC leadership has also displayed enormous caution by suggesting that there will be "continuity and change" without spelling out clearly what will change.

In relation to the second theme, cde Turok dispels the myth, assiduously cultivated by some of our cadres who propounded economic orthodoxy, that there is a linear progression from the Freedom Charter, to the RDP to Gear. Much has been written and said on the subject and the intention here is not to rehash the debate. However, the argument boils down to this: Gear might contain social objectives embodied in the Charter and RDP, but it represented a major departure from the developmental approach contained in the RDP and that has influenced the movement for decades. The outcome was to stabilise government finances by reducing fiscal deficit and by radically bringing down inflation. This was however achieved at a major cost to the transformation project as a whole. In the first instance, developmental goals were subordinated to the goal of fiscal rectitude and there was a stubborn refusal to consider alternatives. Elevating financial products, coupled with other packages, like rapid trade liberalisation, privatisation ("restructuring") clearly hobbled the capacity of the state to lead transformation. The task was given to private capital or, more specifically, to foreign direct investment. But an export-led strategy did not take off outside of autos, heavy chemicals and minerals, and the South Africa's productive capacity was severely undermined by rapid opening

up of the economy.

The beneficiaries of fiscal and monetary conservatism have been white capital, especially interests located in finance and globally connected corporations. A smattering of black individuals as capitalists or the middle class have also reaped the benefits of post-apartheid South Africa. Neo-liberal orthodoxy has rewarded those with endowments at the expense of the masses. This does not mean to say that the welfare and social service measures were not important. But these pale into significant when compared to the wealth amassed by a few white and black capitalists

This raises a strategic question not fully addressed in the book. Can the ANC tame capital, including the minority black capitalist class, to support its economic vision of building the productive base of the economy and realising mass empowerment? The searching open-ended question in the book is whether the black bourgeoisie can be relied upon to build new site of accumulation to challenge the entrenched power of white monopoly capital, or has it been co-opted or simply powerless in the bigger scheme of things.

Finally, looking ahead.. Cde Turok more-or-less argues for a return to an RDP project with a strong emphasis on the developmental state. However, there is no clear account of whether the current balance of forces will make such a project viable. What is equally missing is what should be the strategy for the region. South Africa alone will not be able to carry forward a project that under-

mines the neo-liberal orthodoxy without carrying with it the rest of the SADC and the African region. Nepad has proven ineffectual and also not appropriate to a regional development strategy.

Although cde Turok writes primarily about the ANC, the inescapable question that the left confronts today, in the midst of the global financial crisis, is for how long will we be trapped in a Keynesian box? I have no doubt that if Keynesian policies that have suddenly found favour were implemented in South Africa, they will go a long way in improving the lot our people, but the properly relations will be largely undisturbed. Is it not time that the 'S-word' come back in the equation. However, it must not be some antiquated notion of socialism but a vision that serves as a pole of attraction for those seeking a new vision and society, be it environmentalist, gender or other activists.

Still cde Turok must be congratulated for putting the issues on the table, and I urge that the terms of reference of the debate be expanded. Otherwise we run the risk of navel-gazing while the world passes by. In essence I am challenging socialists to start putting content to the task of laying the foundations of socialist transition. Otherwise once this crisis eases, it will be back to business as usual as occurred in other recent global economic crises. ★

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THE MEDIA

Too many capitalist voices, no working class voices

David Niddrie sets out the inevitable consequence of newspaper ownership by one class

Current debates on how best to address abuse by various newspaper journalists of South Africans' hard-won right of freedom of expression focus on the symptoms rather than the causes of a major failing of South Africa's post-1994 democratic system.

Section 16 of the South African constitution grants 'everyone ... the right to freedom of expression, which includes ... freedom of the press and other media ... freedom to receive or impart information or ideas ...'¹

These rights are explicitly intended to protect the media against the kind of draconian censorship imposed on pre-democracy generations of South Africa's journalists. The current generation, including those on the left, jealously guard against any infringement of what is one of the freest publishing regimes in the world. For many of the journalists continuing this country's proud tradition of exposing abuse and exploitation, the constitutional rights provide a bulwark against those who might otherwise have the economic or political power to silence them.

But the right of freedom of expression has in the 15 years of South Africa's freedom been used to justify retention of massively skewed and increasingly partisan information media, and to protect

an ever less professional willingness to rush into print gross and damaging inaccuracies; unverified allegations; and righteous mediocrity and jaundiced bourgeois opinion masquerading as fact and logical deduction.

The bizarre story by journalist Fiona Forde, headlined 'All the President's women' and blazed across the front page of the *Sunday Independent* in January this year is the most immediate and obvious example²: an untested and baseless allegation that the President of the country was engaged in an intimate relationship with a 24-year-old Lut-huli House clerk while continuing a relationship with his permanent partner. Two weeks after publication of the original inaccuracies the *Sunday Independent* retracted it and acknowledged that its only source – the young woman allegedly intimately involved with the President – had lied. When asked why she had done so, she gave an instructive response: 'I told you what you wanted to hear.'

A month earlier the *Sunday Independent* ran another front-page lead to the effect that SACP General Secretary Blade Nzimande was responsible for spreading allegations of the President's private life to undermine his political prospects³. Faced with a similar lack of credible sources, the paper ran a grudge-

ing and almost invisible acknowledgment a week later that Nzimande was not behind the allegations. But it did so in one paragraph at the bottom of page 2. Few saw it, and most readers will remain with the impression that Nzimande was responsible for using smear tactics to attack a political opponent (several newspapers – notably *City Press*, routinely inaccurate on the subject of the ruling party – continue to insist, without any visible evidence, that Nzimande is seeking the deputy presidency and views Motlanthe as a rival for the position).

Stories like these leave South African readers, dependent on newspapers for information enabling them to interpret and understand events around them, with an impression that is inaccurate, unfounded and provided as ‘fact’ simply because many journalists are predisposed to believe anything that fits a particular – and usually anti-Alliance – perspective, and to impose it on their readers.

Another example, also featuring Nzimande and Luthuli House, comes from the *Mail and Guardian*⁴: an equally untested and unsustainable allegation that he heads a non-existent ANC ‘war-room’ located in Luthuli House, whose task is to work out ways to smear Cope leaders. The story was remarkable for containing not a single verified fact. It was entirely untrue, as a glance at the meetings’ schedule and attendance register at ANC headquarters would have demonstrated.

Barely a week goes by without similarly inaccurate and unverified stories in South Africa’s newspapers. The targets are normally, but not inevitably, on the left of the Alliance.

Thus former professional rugby player

Joost van der Westhuizen is currently suing Afrikaans Sunday Newspaper *Rapport* and check-out counter magazine *Heat* over publication of stills from a video apparently showing him semi-naked with a woman who is not his wife, and apparently snorting some sort of drug⁵. Why either publication is entitled to intrude on Van der Westhuizen’s right to privacy (protected under Section 14 of the constitution) in this way is unclear – assuming he is the male in the video, which he denies. *Heat* offers the video on its website.

This level of invasion of privacy and personal – to say nothing of routinely inaccurate – pillorying of public and semi-public figures is a relatively new phenomenon to the South African press, raising the questions: Why? Why now? and: Why are so many journalists predisposed to believe sources making often ridiculous allegations, and to rush into print without establishing even the probability of truth, much less truth itself?

It is useful to recall how South Africa’s newspapers ostracised veteran journalist Max du Preez for suggesting in 2001 it would be in the public interest to report on the private life of Motlanthe’s predecessor. Many of those, editors included, who cut Du Preez dead on the basis of one President’s right to privacy, argued equally strongly this year in favour of the *Sunday Independent*’s right to invade another’s – on the basis of an entirely inaccurate allegation.

This change has been driven by a range of objective and subjective factors.

Newspapers traditionally viewed themselves as conduits for information which enabled their readers to understand, and make informed decisions about the world, in which they lived.

The test for most stories, but particularly controversial stories, was whether they were true and in the public interest; with 'public interest' meaning that it was important and to the benefit of the broader society that the facts presented became generally known (rather than simply being gossip-level 'interesting'). This is a complex issue with vast grey areas. But none of the examples used above passes the test of being both true and in the public interest.

The economics of the newspaper industry have played a key role in the move away from this role. The challenge of commercial television to newspapers' established advertising revenues increasingly exposed the profit motive underlying the provision of information. Newspapers responded in two ways:

To get advertising, newspapers needed to get readers (media broadly works on the equation of the more readers, the more advertising), and the 'true and public interest' imperative has increasingly given way to winning readers by whatever means – competitions, giveaways and, increasingly, stories that are 'interesting' rather than 'in the public interest'. With this imperative, accuracy has become less central than marketability. This leads inevitably to the Van der Westhuizen video-tape approach.

While chasing readership helped retain or increase revenues, maximisation of profit also required trimming the cost side of the commercial equation – steadily lowering costs, and specifically staff costs, one of the three major cost items in newspaper publishing (along with printing and distribution, neither of which lend themselves easily to slashing savings).

The 1980s, 1990s and the first years of

this millennium thus saw a steady erosion of newsroom staffing levels and a steady decline in journalists' relative income levels. The average newsroom age has dropped consistently over the period, with less and less experienced journalists being responsible for decisions over what could legitimately be published. This process was compounded, ironically, by the democratic breakthrough of 1990-1994. Literally dozens of journalists who had learned their trade (and their understanding of the complex and nuanced reality of South African politics) covering the intense struggles of the 1970s and 1980s departed en masse in the first half of 1994 for public sector posts, stripping newsrooms of some of their most experienced – and, importantly, progressive – personnel. The result was newsroom – and, increasingly, editorial executive positions – primarily staffed by relatively young journalists with little experience or understanding of the complex interplay of race, class, culture and ideology that had moulded the emerging and formally democratic society which it was their task to accurately record.

They did so in a world rapidly remaking itself after Francis Fukuyama's 'end of history'⁶ into a uni-polar, neoliberal and globalised economy in which American held hegemonic sway; vast wealth accumulated through the virtual economy was 'aspirational'; and the expectations of the 'South African miracle' encouraged the educated middle classes (journalists among them) to believe they were part of a global cycle of perpetual growth and conspicuous brand-name consumption. South Africa's macroeconomic stabilisation, the conservative economic approach this required and the appearance of economic growth

overlaid with the 'two economies' rationalisation for the growing disparities in society combined to create a newsroom perception of centre-right policies and thinly disguised greed as politically and socially 'normal', 'right', 'natural' and inevitable. Differing views were deviant, 'populist', 'ultra-left' and generally contemptible. The Mbeki decade of increasingly centralised government ever-more intolerant of debate (much less criticism) has reinforced this view of 'normality'.

The consequences of 'cost-efficiencies' and 'down-sizing' have been most vividly witnessed in the Independent Group of newspapers (publishers of the *Sunday Independent*, *The Star*, *The Argus*, *The Daily News* and others). Once South Africa's biggest newspaper group (called the Argus group), controlled by mining capital, the group was acquired by Irish media owner Tony O'Reilly literally days before South Africa's first democratic election – and with the unfortunate blessing of the ANC because it represented the biggest foreign investment in South Africa post-1990. O'Reilly, notorious elsewhere as a penny-pinching, profits-first-last-and-always proprietor, showed his intentions early, restructuring to such an extent that the group's most senior editorial executive quit within the year, prompting a warning from the Freedom of Expression Institute that 'the (new) management of the company is more interested in profits than in protecting free and independent speech'. Massive 'rationalisation' of the South African operation followed, cutting swathes through the group's editorial personnel, substantially narrowing down the range of perspectives ? by consolidating political coverage into a single political bureau serving all newspapers in the group. O'Reilly (who

served on Mbeki's international investment council) has continued unabated since, particularly as his Irish and other titles battled to maintain revenues and 'repatriated' profits from the South African operation were used to cushion the blow. His most recent rationalisation in December has seen more than 50 journalists axed from the South African operation. This is no mean feat in a group already dangerously understaffed as a result of earlier rounds of rationalisation.

At the same time, the combination of South Africa's already highly concentrated media ownership and control contracted further in the face of competition for revenues from television and elsewhere – outdoor advertising, commercial radio and so on – to the extent that, today, a single company owns and controls not only South Africa's pay-television operation, DSTv, but also:

More than 40% of newspapers sold daily – with more than half the newspaper readers;

More than 60% of South African magazines sales (5,9-million individual sales a month); and

Nearly a quarter of community and local newspapers⁷.

The company that owns these, Naspers, has its foundations in Nasionale Pers, the formal media mouthpiece of the Cape-based National Party of PW Botha. Naspers today dwarfs its original incarnation, but remains essentially untransformed. Some BEE ownership has been grafted uncomfortably on to some elements of its local and global operations (now stretching across four continents). Naspers remains a highly conservative entity generally antagonistic to anything but the most business friendly political environment.

This level of concentrated media power is unprecedented in a democracy, even in Silvio Berlusconi's Italy and Margaret Thatcher's Britain, but has passed virtually without comment in South Africa – or serious examination by the Competition Commission. And the bulk of South Africa's print media – with more titles per capita than are available in the USA – are directed at a comparatively tiny middle-class audience. The massively successful *Daily Sun* (a Naspers title) is the only daily title aimed explicitly at the working class – known in the trade as 'the mass market'.

Media owners' obsession with middle class readership is at the heart of the tragic story of the *Sowetan*. The paper entered the 1990s as the media success story in South Africa, with daily sales routinely around 250 000. Under apartheid it had been the poor relation of the Argus group, as South Africa's only daily targeting black readers. Political optimism and a dynamic and uncertain social environment encourage newspaper sales, and the *Sowetan* was set for a glorious future as the doyen of black-read newspapers. The *Sowetan* was not part of the O'Reilly package. It was sold separately to BEE company, Nail. Under orders from Nail chief executive Saki Macozoma it moved upmarket to serve black readers in the top two income brackets – the BMW class that had moved out of the townships and into the historically white suburbs. The BMW drivers ignored it in favour of papers other (white) middle class readers supported, while its loyal working class, township readers abandoned the upmarket *Sowetan* in their thousands. The *Sowetan* lost half its sales in less than a year, leaving working class readers wide open for the *Daily Sun* and never fully

recovering. Now owned by Avusa (which also owns the *Sunday Times*, its daily offshoot *The Times* and half of *Business Day*) the *Sowetan* limps along as a pale imitation of the *Daily Sun*, no longer haemorrhaging money, but literally hundreds of thousands in sales and millions in readers behind its competitor.

Whatever criticisms of the *Daily Sun* there may be – and any paper willing to run 'Tokolosh ate my grandmother' as a front page headline will have many critics – its tearaway success has turned conventional wisdom among media strategists on its head, demonstrating that the chronically over-saturated middle-class market has little potential future growth. New readers are to be found in the working class and in the denizens of the 'second economy' the mainstream press continues to regard as a separate and not-too-interesting society:

The working class is a vast and barely tapped market that wants to read newspapers – the *Daily Sun's* readership after less than a decade in the field is almost the same size as that of all other South African dailies combined – and is still growing.

Working class readers may want newspapers, but they are discriminating: they consistently don't buy newspapers with which they can't identify – witness the *Sowetan's* sad history under Macozoma and the fact that more than 15% of *Daily Sun* readers today had never bought a newspaper before they bought their first copies of the *Daily Sun*. They don't buy newspapers targeting the middle-class readers, even when those papers attempt to broaden their appeal (as is the case with the Independent Group papers) by attempting to visually

and in terms of their content to 'popularise' their images.

A final factor in answering the question 'why?' has been the slow-burning political contest within the ANC and the broader Alliance over the ANC's policy direction and the attempt to streamline accountability in both the party and the government. Opposition to the manifestations of the 1996 Class Project in government and the ANC were slow to coalesce, and remained largely unrecognised by South African newspapers until shortly before they culminated in the breakthrough at Polokwane.

The newspapers' response to the sharpening contest within the Alliance, a contest with clear ideological overtones and an explicit class character, was unsurprising.

Their owners had increasingly cast aside the covering of 'independence' in their drive for profit; their newspapers were and remain commodities for consumption by the middle-classes and accordingly reflect the world from a middle class perspective; their editorial staff had been subject to a sustained juniorisation and 'downsizing' leaving them less competent than in the past to accurately assess and record the process unfolding before them and the claims and counter-claims of different players; newsrooms and editors' offices were also witnessing a growing challenge to policies and practices they had been acclimatised into accepting as 'natural', 'normal' and 'right'. They responded, perhaps understandably, initially with bewilderment and subsequently with disapproval, and in some cases with outright hostility.

This has been less a conspiracy than the logical outcome of the 1996 Class Project – a hegemonic initiative which

has literally characterised the South African majority (whose representatives played such a central role at Polokwane) as being a separate society, a 'second economy' which was not part of the us for whom the newspapers are produced and by whom they are written. Looked at over a longer period, it is the inevitable outcome of the failure of the Alliance to drive its original media objective, reflected in the original Reconstruction and Development Programme (RDP), of facilitating diversity in the media⁸. The removal of any class component in the thinking of the ANC in the formative years of the democratic era distorted achievement of 'diversity' into a vulgar racial numbers game. 'Diversity' was assessed by the number of black journalists, of black managers and of black shareholders. The result was a decrease in diversity.

Of more immediate significance, it has demonstrated that media owned by the bourgeoisie, and operated by middle-class functionaries in the thrall of bourgeois ideology will ultimately respond as the voice of the bourgeoisie if its dominance is challenged.

There may be merit to the Polokwane resolution for a state-run media tribunal rather than the current self-regulatory system – it is useful to note the views of Commissioner of the Competition Commission Shan Ramburuth, who has some experience in matters of regulation. He believes that 'self-regulation is to regulation what self-interest is to interest'. And the current press ombud system has manifestly failed. But whatever the merits of the Polokwane position, there is little prospect that state-mandated regulation will fundamentally change the perspective of currently published newspapers. While the extremes

of journalistic irresponsibility referred to above may be curbed by a more rigorous system of regulation, newspapers will continue to disapprove of much of what the ANC and the Alliance stand for, and will continue to exercise their right of freedom of expression to articulate that disapproval and opposition. They will continue to reflect the norms and standards of their economic and social base, owned by capital and operated by middle classes subject to capital's hegemony. These norms and standards overlap only partly with those of the working class and related classes. It is in these areas of divergence (ranging from views on state involvement in the economy to attitudes towards foreign residents in South Africa – as demonstrated in the Daily Sun in April 2008) that the complete absence of diversity of perspective is felt most strongly.

The solution, if South Africa is to achieve the right of freedom of expression for all sectors of society rather than just for the owners of the media (freedom, that is, to express their collective interests and perspectives), is to revert to the RDP objective of diversifying ownership and control of the media.

The need for diversification is clear and recognised through the near-constant refrain from the ANC communication's department that the print media is hostile to the organisation. This recognition is backed by resolutions from the most recent national congresses of all three partners in the Alliance for the establishment of popular newspapers. Which makes it all the more surprising that 18 months after the ANC's 52nd national conference at Polokwane and nearly three years after Cosatu's Midrand congress, the ANC manifesto is entirely silent on the question of diver-

sification of media control and on broadening access to the media, and the organisation has taken no steps towards investigating the establishment of a medium reflecting events from the perspectives of its overwhelmingly working class support base.

Its own publication, *Umrabulo*, theoretically published quarterly, managed just one edition in 2008 and none at all this year. Alarming the ANC has opted instead to direct its energies at publication of what spokesperson Jesse Duarte refers to as 'newsletters aimed at particular communities', in practice, occasional publications directed at sympathisers in the business community and at racial minority communities – in other words, to provide additional media to those communities already saturated by other media. ★

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Notes

1 Section 16 (1)(a) and Section 16 (1)(b), Constitution of the Republic of South Africa Act, 2006

2 Sunday Independent, 25 January 2009: All the President's women

3 Sunday Independent, 21 December 2008: Knives out for Motlanthe

4 Mail and Guardian, 27 February 2009: ANC's dirty war on Ope

5 News24.com, 24 February 2009: Joost in seks-video

6 Fukuyama F, *The end of history*, 1989, *The National Interest*. The title is a play on Marx's references to 'the end of pre-history' and to 'all previously recorded history (being) the history of class struggle'.

7 Audit Bureau of Circulation, *Naspers Annual report 2007*, South African Info

8 The Media Development and Diversity Agency (MDDA), established under the MDDA Act in 2002 exists to assist 'historically disadvantaged communities and persons not adequately served by the media' to gain access to the media. In practice it focuses primarily on com-

munity media – effectively media through which communities speak to themselves – and does not have the resources to contribute to national media, much less to facilitate diversification of what is currently a closed shop of bourgeois media.

COPE

The unusual life of Mr Terror Lekota

Dan Sechaba Montsitsi tracks support for Cope to shallow roots in the Congress Movement

Through our participation in political structures for the liberation of our country, or currently for the transformation of our country towards a non-racial, non-sexist, united and democratic South Africa, we inevitably and unconsciously write a political history of our lives. The history that we carve through our actions has the tendency of following us.

Unfortunately for some leaders, their history comes back to haunt them. There are certainly aspects of Mr Mosiuoa Terror Lekota's history he would not wish to recall. In the process of our political development, we commit errors, most of which would be pardonable given our lack of experience. Have some of us – including Mr Lekota – reached the level of maturity where we are capable of pinpointing some of our errors and begin to have a hearty laugh about them. Cde Nelson Mandela recalled how he had challenged and mobilised against a correct view held by former ANC NEC member Cde ZK Matthews. Cde Mandela's view, incorrect as it was, won the day. On reflection, he jokes and laughs about this and other matters when he recalls these and other stories.

Let us begin with Mr Lekota as part of the Black Consciousness Movement in

the 70s. He was a member of the South African Students organisation (Saso), which organised at tertiary institutions. It was formed in 1968. The leadership of Saso constituted important intellectuals who preached the philosophy of Black Consciousness. At the time, we were the young student activists of the South African Student Movement (Sasm), organising in high schools. Sasm was formed around 1970. The National Youth Organisation (Nayo) and Transvaal Youth Organisation (Tryo) catered for youth who were not in school. Many community organisations, trade unions and other organisations, operated under the umbrella of the Black Consciousness Movement (BCM).

Missed opportunity with the ANC underground

The aftermath of the Sharpeville massacre saw both the ANC and PAC banned. The National Party regime was convinced that it had cut off the head of the snake and destroyed the ANC. It followed up its offensive strategy by uprooting residents of townships like Alexander, Sophiatown, Sharpeville and others, to crushing any attempt to regroup and reorganise.

Months after the bannings the ANC leadership convened its underground conference at the Orlando Community

Hall in Orlando East. Shortly thereafter, another meeting took place in Pietermaritzburg. Both meetings were charged with the responsibility to consult broadly with members of the ANC and communities about the road ahead given the banning orders. The question on the agenda was to surrender or soldier on. Comrade President Oliver Tambo delivered his opening address to the first ANC Conference since the unbanning in Durban on 1 July 1991 and elaborated on the challenge that faced the ANC then and said;

“It must be remembered that the fundamental question that we then had to resolve was how to transform our movement to meet the new situation in South Africa. The choice confronting us by the vicious and violent regime was, ‘to submit or fight’. Rather than surrender we chose the path of armed struggle. Our role outside was to prepare conditions for the politico-military training of Umkhonto we Sizwe. Here at home the leadership was recruiting cadres to go for military training as well as building the underground.”

Both these duties were accomplished with distinction notwithstanding the challenges encountered and the problems which were overcome. We have become wiser and more informed about these events. Few can now dispute that the ANC underground structures were alive and kicking during the period 1966-1976 and later. The early and mid 60s were obviously most challenging as the ANC began the process of acquainting itself with new forms of struggle, establishing itself underground. During this period of reorganisation and realignment of structures, some leaders of the BCM organisations, in particular the youth, became aware of this initiative.

They seized every opportunity they could to learn about the history of struggle, receive and distribute political material and carry out certain assignments on behalf of the structures. It was common knowledge then that within the womb of the BCM, the heart-beat of both the ANC and the PAC could be heard. It is therefore not an understatement to assert that some debates about the definition of Black Consciousness as a philosophy were in essence debates of the battles of ideas between proponents of the Freedom Charter and those of the Pan-Africanists.

Mr Lekota and others form BPC

The BCM had come of age. It had become a formidable force in the tertiary institutions across the country; the break away from Nusas by black students ensured a focused approach to problems confronting them and their community in general; the philosophy united all sectors involved in the struggle for liberation. The workers’ strike in 1973, the formation of the Omanyano Woman’s organisation, the activities of Sasm and youth organisations Nayo and Tryo – all these activities provided an overt political platform for organisations to flourish and express themselves. In the period 1972-1978, the BCM had reached its peak. Morale was high, mass political activity was the order of the day; fear of the security police and arrests had dissipated.

It was this electrifying environment that prompted the BCM leadership to call for the formation of a political party, namely BPC, the Black People’s Convention. When Mr Lekota and others vigorously pushed for the forming of an independent and unique political party, it was we, the youth, who remonstrated.

They had to justify their ascension to power. They argued that the people in the country were ready to be led by another political force; that an alternative political voice, to replace the banned political organisations, was imminent; that a legitimate people's organisation to champion their cause as reflected in the events of the 70s was overdue. They challenged us to point out mass activities which had been organised by the ANC and the PAC since their banning in 1961. We were all impatient with the slow pace of struggle, and wanted the ANC to speed up its activities. But none of us had ever thought of a new political party. The idea then was to us very weird and difficult to comprehend.

It was clear to us that Mr Lekota and his colleagues were bent on pulling the carpet from under the feet of what we perceived as the legitimate, tried and tested political organisations of our people. We demanded to know if the ANC and PAC were suddenly wished away as though they did not exist. They replied they "cannot speak on behalf of the ANC and PAC". We charged that the BCM was a caretaker formation to keep the home fires burning. They detested this analogy, and we used it to provoke them. They retorted "not anymore". In their quest to replace the ANC and PAC, they had hoped that these two organisations would soon fade away in the minds of our people. History proved how wrong they were...

In his new book, *The ANC Underground in South Africa*, Professor Raymond Suttner alluded to some of these arguments: "Some BC leaders dismissed the ANC and the PAC and regarded themselves as the vanguard of the struggle or were ignorant of the history of struggle or the continued existence of

the ANC. Some of those then involved in BC were clear that this was a trend that was not shared by the general membership."

It was fortunate that the ANC was still respected, loved and recognised by other leaders of the BPC, despite its right wing off-shoot of Mr Lekota and others. The scepticism which concerned the ANC was dealt with by Ray Alexander in Vivien Taylor's book, *Social Mobilisation: "The BCM, Saso, BPC and other organisations must be regarded as important tributaries to the great river of the Liberation Movement headed by the ANC, tributaries which will tap new resources and add new strength to the mainstream, help to swell it into an irresistible force capable of overthrowing the white racist regime and winning the National Democratic Revolution which will bring freedom and democracy to the people of South Africa."* It is obvious that the ANC was at this stage confident of its underground potential to keep checks on this new structure.

BPC could not constitute that political force and vehicle that could have embraced the campaign to call for the release of Nelson Mandela and other political prisoners; it would not also call for the un-banning of all banned political organisations. It was therefore the task of the youth formations of the BCM (who kept in contact with the banned underground operatives and veterans of the ANC) who led the June 16, 1976 unrest; and who championed the campaign for the release of Nelson Mandela and other political prisoners. It was not surprising therefore that when this crop of youth leaders was detained, we faced security police interrogation centred around our association with the ANC, not BPC. When we faced trial in the

Kempton Park Supreme Court in 1978, the state tried to associate us with the ANC, and as sentenced political prisoners we arrived on Robben Island, and reported to the leadership of the ANC, not BPC. Mr Lekota was part of the BPC leadership when we arrived on Robben Island.

As the third president of the Soweto Student's Representative Council (SSRC) in 1976, together with my comrades, I led the march on the morning of the 16 June with placards calling for the un-banning of political parties, and the scrapping of apartheid, Bantu Education, Afrikaans as medium of instruction in schools, and, of course, the release of Nelson Mandela. Apart from the fact that we took up the campaign out of conviction, it was also a snub to the leadership of the BPC.

Mr Lekota was one of the accused in the Black Consciousness trial that took place in 1975. They were sentenced to Robben Island. Mr Lekota was a staunch member of the BCM, not a member of the ANC! He has no roots in the ANC. He did not grow up in the Congress tradition and customs. He never interacted or learnt from the underground activists of the ANC.

Mr Lekota's political development on the Island

Mr Lekota's six years on Robben Island helped him to catch up with the political training he missed out on. It is amazing that it took the Robben Island leadership of the ANC to convert him into a member, while the underground leadership was just under his nose.

The gate was later opened between the B and A Sections of Robben Island. Cdes Nelson Mandela, Walter Sisulu, Govan Mbeki, Amhed Kathrada and

other ANC leaders were staying in B Section. Mr Lekota, who was then staying in A Section, began to have access to wisdom he had never been exposed to before. He finally stayed permanently in B Section, with the assistance of comrade Nelson Mandela, and the years he spent with the leadership must have been the most memorable years of his political life.

In the eyes of the leadership, he was this bright, young man, daring, fearless, eager to learn, and for whom a bright political future lay ahead. They invested their energy their time, their soul to build a political cadre and revolutionary in him. The leadership was mindful of the fact that he had very little time left before his release, hence the urgency with which they treated his political development.

Our Black Consciousness hero came out of B Section after spending four years with the ANC leadership a "transformed cadre and leader of the ANC" to join other political prisoners in the general sections of F and G in 1981. Without any waste of time, he joined the Political School (Umrabulo) classes, not as a student, but as a political tutor. Only Mr Lekota would have the "guts" to teach ANC politics to veteran comrades who had been in the ANC for the past 30 years.

Comrade Kgalema Motlanthe, who had been an underground operative of the ANC and was sentenced to Robben Island headed ANC leadership structures in the general section with comrade Curnick Ndlovu, Stanley Nkosi, Sibusiso Ndebele, Mjombe and the late Mpanza (Gizenga). The two latter comrades were veterans of the Umkhonto we Sizwe and trained in the 1960s. Mr Lekota reckoned he belonged to this

layer of leadership and thus worked with them.

The leadership in B section agreed that he should be given more political responsibility so that he should speak and engage in more ANC structures. They hoped that this would assist him in accelerating his understanding of the organisational culture, customs, traditions and values of the ANC. It was however too little, too late. The leadership had tried everything in their power to help him.

The late cde Mpanza, an MK combatant of the Wankie operation in 1969, said of Mr Lekota when we were still on the Island in 1982: “Your leader (referring to my association with Lekota in the BCM) reached the ranks of the ANC leadership too quickly. This does not usually happen in the movement. He must be very careful not to cut corners, otherwise he’ll blow his fuse very quickly.” Mr Lekota was released from Robben Island in 1982.

The Robben Island community was proud of the heritage that resided in B section – the best political brains the country and the African continent has produced. They were the cream of the South African leadership in Nelson Mandela, Walter Sisulu, Govan Mbeki, Harry Gwala, Ahmed Kathrada, Laloo Chiba, Andrew Mlangeni and others. This leadership spent sleepless nights to ensure the transfer of political knowledge took place; that ordinary political activists were transformed into political catalysts for change. Their investment in cadres like the current President of the country, cde Motlanthe, and other political prisoners, down to the former young generation of stone-throwers in 1976, became a true, living testimony and embodiment of ANC cadreship. It was

cadreship that would continuously learn, listen, engages politically and serve their people until they also reached the afternoon and sunset of their lives.

It depends on the type of soil a farmer is using to sow his good seeds. If the soil is not in the first place fertile and well treated, or if the PH count of the soil is too alkaline or too acidic, the harvest at the end of the season will definitely be poor. Our leadership therefore, cannot be held responsible for any “factory fault” that may have occurred as a result.

Participation in UDF

The majority of comrades who were released from Robben Island were deployed by the ANC leadership in various sectors. So was Mr Lekota. He was deployed to join the internal leadership who had been tasked with the responsibility of building the United Democratic Front (UDF), formed on 20 August 1983 in Mitchell’s Plain.

Mr Lekota was elected its national publicity secretary, and this saw his stature grow. As soon as campaigns were launched by the UDF, the National Party government pounced on him again, and he was detained and charged with 22 other political activists in the now-famous Delmas Treason Trial which begun in November 1985 and ended in November 1988. The state targeted four political prisoners and sentenced them to Robben Island: Popo Molefe, Thomas Manthata, Moss Chikane and Mosiuoa Lekota. They were all released in 1989 after serving only one year, through a successful appeal process.

At that stage, the UDF had survived four states of emergencies imposed by

the state.

Among the campaigns waged by the UDF were rent boycotts, stay-aways, the million signature campaign, “Black Christmas” against the detentions and banning of activists, boycott of white shops and the campaign to popularise the Freedom Charter. During much of this period Mr Lekota was in prison.

With the release of leaders like cde Govan Mbeki, and later Walter Sisulu, Elias Motsoaledi, Andrew Mlangeni, Amhed Kathrada and others, the UDF structures formed Local Reception Committees to receive and integrate the leaders into communities.

UDF to continue as political party?

Mr Lekota was released from prison before cde Mandela. The infrastructure for the reception of leaders was established. The release of the leaders and the unbanning of political organisations took a lot of UDF activists by surprise. Suddenly there were leaders of the ANC from exile and prison, and leaders of the Mass Democratic Movement in the country. To ordinary members this was not an issue. To ordinary South Africans, the atmosphere was electrifying. South Africans citizens walked kilometres to see cde Nelson Mandela when he spoke across the country. A festive and jubilant mood filled the air.

As the country experienced holiday fever with the release of former President Mandela, a few leaders worried silently and spoke in murmurs. We were about to experience the recurrence of what transpired in 1975 with the formation of BPC. Mr Lekota reckoned with a few leaders that it was not yet opportune for the UDF to dissolve and give way to the ANC structures to be established.

The agenda of the meeting of the NEC of the UDF on 29 April 1990 indicates that no strategy was being put into place to assist with plans to establish units of the ANC on the ground. The responsibility of establishing ANC structures rested squarely on the shoulders of the ANC. But it was the internal leadership of the Mass Democratic Movement who understood the terrain and were best placed to make proposals.

A UDF General Council Report of 22 April 1990 reports as follows on the phasing out of the National Reception Committee: “The decision to phase out the National Reception Committee does not affect local reception committees. It was communicated to Cosatu and it has agreed to this position.” It was easy to dissolve the NRC but not the UDF.

During a national workshop on the Programme of Action on 6-7 April 1990 in Cape Town, a Satco activist from the Western Cape asked when the UDF was going to disband. Mr Lekota responded, “Disband the UDF? What do you mean just disband the UDF? This thing is huge, and it can stand on its own. It does not need to lean on anything or anybody. You are too fast comrade, we are not discussing that issue here. . . .” It is these views of the UDF standing alone (against what? Or in opposition to what?) that prompted mostly comrades from the youth movement to develop a negative attitude to the leadership of the UDF, particularly, Mr Lekota.

A month before the National General Conference of March 1991, in his secretarial report, Mr Lekota did not pull punches. He quoted from an earlier conference report: “Since the National Conference debates are taking place in the UDF regarding its future and role. Some thoughts are beginning to crystallise ...

yet there are also strong views that the UDF should dissolve completely.”

There was impatience amongst youth activists, like in the 1970s when Mr Lekota and others decided to form BPC. The youth in the 1990s were not impressed by his statements. He nevertheless continued: “The perception is crucial in our discussion of the future of the UDF and the National Civic Organisation. We need to assess whether it was strategically correct to have adopted the Freedom Charter. To what extent have we made any strategic advances by adopting the Charter?”

The ANC was unbanned. He was still worried about the UDF and the affiliates! When the Freedom Charter was adopted during the 30th anniversary campaign in 1985, he was in prison and comrades did not keen to open discussions on the pros and cons of the adoption of the Freedom Charter by the UDF. He couldn't have succeeded in diverting the UDF and channeling it to any direction he wished. Most youth and student organisations were from the Congress tradition. The ANC and its leaders were extremely popular. Nobody or anything could have swayed South Africans away from the ANC during that period.

Mr Lekota today

It is unfortunate that Mr Lekota has now decided to abandon the organisation to which he belonged and contributed so much. The ANC cherishes all its members without exception. Losing one member is something not taken lightly within the ranks of the movement, in particular during the period of struggle. Mr Lekota and other members who left the organisation should have used all available avenues to address

their problems. In the process of doing our political work in the various provinces we see there are comrades who are walking back into the ANC after a spell of confusion, a promise of lucrative positions and the incentive of a good bank balance. Genuinely confused members would always come back to their movement, and the door will remain open, especially for those comrades who might have been wronged in one way or another. The challenge is those who are lying low in our organisation with the intension of jumping ship later. The ANC will continue to urge them to leave without any waste of time. They constitute an unprincipled, uncommitted, opportunistic and unreliable membership, the kind that would have sold you for a song during the heavy repression of the apartheid regime.

In 1985 Cde Mandela responded to the offer of conditional release from prison by PW Botha by issuing a statement, part of which read: “I am a member of the African National Congress. I have always been a member of the African National Congress and I will remain a member of the African National Congress until the day I die.” It is by this yardstick that we will always judge a true cadre of the movement and distinguish the cadre from the one who only seeks glory and opportunities in the struggle and only favours from the ANC.

Having lost elections in Polokwane cannot thus constitute a valid reason for Mr Lekota and others leaving the ANC and mobilising against the liberation movement that built and groomed him into a leader. It is a snub for the loyalty and benevolence with which the leadership treated him. To some, it is in keeping with his tradition of founding new

political parties to rival the ANC when it suits him. This is old habits rearing its head or rather refusing to die!

The youth of 16 June, 1976, would forever be grateful to the stalwarts of the ANC underground structures - including Albertina Sisulu, Nthato Motlana, Joe Qwabi, Winnie Mandela, Mthenjane, Spider, Beyers Naude, Cedric Mayson, Thenjiwe Mthintso, Paul Langa and many others who politically guided us and continuously cared for the emotional and political development of the

class of the 70s of Soweto

We are coming of age, and can pronounce as Madiba did: "We are members of the African National Congress. We have always been members of the African National Congress and will remain members of the African National Congress until we die." ★

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