

By Drew Forrest

All social democrats, from Schwarz to Slovo?



MIXING IT: Joe Slovo and Harry Schwarz.

THREE contrasting approaches to South Africa's post-apartheid economic problems – a free market, the social market economy and mixed economy – clashed in a widely publicised Idasa-coordinated debate in Johannesburg on January 21.

Squaring up to each other, in a debate on "the role of the state in a post-apartheid economy", were South African Communist Party general secretary Joe Slovo, Democratic Party MP for Yeoville Harry Schwarz and the Deputy Minister of Finance, Org Marais.

Following the collapse of centrally planned economies in Eastern Europe and the failure of traditional socialist remedies in many African countries, Slovo had a hard task defending large-scale state intervention in the economy to an apparently hostile audience.

But he persuasively argued that the market left to its own devices would not correct the gross racial inequalities in South Africa's income distribution. Unless this was achieved, he emphasised, democracy would not flourish on the political terrain.

AS an exposition of the vast problems confronting any incoming state, and of the three basic policy options open to it, the debate was useful. Its main shortcoming, however, was its very high level of generality – Schwarz at one point chided the SACP for its failure to detail its proposals for selective nationalisation.

The broad economic principles of South Africa's political actors are by now quite widely known. It might be more useful in future to focus such public debates on specific aspects of the post-apartheid economy – such as land policy, housing, manpower training and the role of trade unions.

As the speaker in the hot seat, Slovo was given 20 minutes to make his case, as against the 10 minutes given his opponents – prompting Schwarz's quip that he hoped this was no portent of wealth distribution in the future!

Slovo began by stressing that the SACP "did not see the struggle to end apartheid and race domination as co-terminous... If every racist statute was scrapped tomorrow, white domination in its essence would remain intact. For the majority, liberation has little meaning without the redistribution of resources."

What was needed was the transformation, not mere renovation, of the economy, and this could only be achieved with "the state acting as the leading force". Slovo pointed to countries which were "shining examples of capitalist prosperity" – notably France, Italy, West Germany, Japan, Taiwan and South Korea –

where the state had been a key catalyst in massive restructuring, either in the wake of war or to overcome extreme backwardness.

France's post-war economic miracle had been achieved through bank nationalisation and state control of large conglomerates, he said. In South Africa, affirmative action in the form of nationalised industries, the creation of para-statal and land distribution had "enabled the white Afrikaner to climb the economic ladder".

The SACP did not, however, believe in "nationalising everything that moves or grows". Large-scale nationalisation was costly and would lead to a flight of capital and skilled manpower.

But while the private sector had a vital role, it was not on its own capable of generating the required levels of investment. The aim, Slovo concluded, was the "right mix of the market and the plan", not as an abstract formula, but in the context of South Africa's special realities.

SCHWARZ'S response threw into illuminating relief the closing of the ideological divide between the SACP and the economic left of the DP. Essentially the difference is now between right and left-wing strains of social democracy, both recognising a state role in the correction of South Africa's historic economic injustice, but differing on the nature of that role.

Underscoring the point, Schwarz jibed: "This is not a Marxist Joe, believing with Marx and Lenin in state ownership of the means of production – this is a mixed economy Joe."

The state, he said, had a vital task in maintaining law and order, ensuring justice, equal education for all South Africans and the provision of welfare services. It could spend, redistribute money and levy taxes.

One role it could not, however, perform as efficiently as the private sector and this was the creation of wealth. France had, indeed, embarked on an interventionist course, but had now reversed this policy. "(French President Francois) Mitterrand is no longer a doctrinaire socialist. He's more of an advocate of Thatcherism than I am."

Nationalisation did not create wealth and, in the South African context, posed more questions than it answered. "Where will you nationalise? How will you nationalise? Will there be compensation? If you are going to take power, you have to give specifics," Schwarz told Slovo.

Schwarz said the DP looked forward to the creation of "a social market economy", modelled on that of West Germany, which stood for individual participation in the economy through such means as popular share ownership. Its answer to the poser of redistribution was fiscal policy. "There's no better mechanism for the distribution of wealth than taxation," he said.

TAKING up Schwarz's attack on state interventionism, but from a more conventional free market standpoint, deputy finance minister Marais quoted a contrite Mitterrand as saying in 1984: "It is enterprise that creates wealth, creates jobs, determines our standard of living and place in the world."

Conceding that there were market failures in South Africa, which the government was trying to correct through improved education and training, Marais argued that it was wrong to use these as a reason for removing economic functions from the private sector. "You want to hand these function to politicians and civil servants," he said. "But these also have interests. One only has to look at the corruption in Eastern Europe."

Marais also argued that the development of the state sector in South Africa had not been designed solely to serve the interests of Afrikaners. Fifty-five percent of black matriculants were absorbed by the civil service, he said, while homeland governments employed 60 000 blacks.

"We already have a mixed economy; there is already increased social spending. But this country cannot develop by giving welfare assistance – it must also have industry."

Against this, Marais stressed that land would have to be parcelled out to blacks on the basis of private ownership. The government was planning legislation to give black people access to finances for the purchase of land, he said. □

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