

A CRITICAL OPINION: FREE MARKET CAPITALISM OR AUTHORITARIAN DRIFT WITHIN A SOCIALIST AGENDA

Anis Mahomed Karodia; Ayesha Jadwat

Discussion

Free Market Capitalism, it is argued must fulfill and be driven by four defining features, private ownership, competition, the profit motive and capital employing labour. Without the first condition, we could not distinguish between capitalist businesses and commercially structured state owned companies and a similar argument applies to the condition of profit, which includes consumer co – operatives and mutual corporations and farmer co – operatives. Even if the state intervenes in any economy, ownership and control is vested in capital rather than labour. To demonstrate this, we need only to look no further than South Africa, in respect of its state controlled, financed, and loss making public corporations such as Eskom, Denel, SAA and a host of others. Only recently the former Minister of State and Public Enterprises, Barbra Hogan suggested that loss making South African public corporations, be privatized. The minister was seriously criticized and sanctioned by the Secretary General of the political party that appointed her to this powerful position (ANC). This interference by her political party, in democratic South Africa alludes to whether the political party in power overtly controls the state in order to consolidate its power, influence, and intervention strategies in consolidating its socialist agenda for South Africa. Contrary to the above scenario, in the United Kingdom, this is illustrated by the recently privatized gas, water, electricity and telecommunications utilities, in a move to allow market forces to intervene by means of natural free market capitalism and to remove state and bureaucratic inefficiencies. This is not to deny a spontaneous tendency to competition within capitalism because consequently governments' seek to overcome anti – competitive tendencies in capitalism by passing anti – monopoly legislation. In terms of the four features of capitalism, profit is the objective and private ownership and the employment of labour by capital are the means, while competition is merely an obstacle. Unsurprisingly, it is sometimes more advantageous to avoid the obstacle than overcome it.

I might be suggested that the defining characteristics of capitalism are insufficient, in that minimal government intervention is required in running of the economy and that, in terms of what goes on in capitalist countries, this would have to be rejected as false. In practice there is often a great deal of government intervention in the running of capitalist economies and it is certainly always more than any possible minimum. Most importantly there, is micro – economic management through government manipulation of interest rates, tax rates, public expenditure, and public borrowing.

South Africa was poised in the 2009 / 2010 budget, to finance fiscal deficits by borrowing in the region of R179 billion due to state inefficiency, massive corruption at all three spheres of government, wage demands, poor tax collection rates and for spending on infrastructure, and for development initiatives, and also due to the current world economic and fiscal crisis This scenario continues unabated in 2013. Will the government of South Africa, be able to sustain this borrowing imperative or is it the beginning of a downward economic spiral, that future generations of the population will have to endure and service?. In addition, there is frequently, a more direct kind of government

economic intervention through the offering of tax incentives, subsidies, state aid for ailing industries, government rescue packages for bankrupt businesses, and in many cases, a degree of state ownership of businesses. There has undoubtedly been a general decline in this kind of direct intervention in recent years, with a strong trend towards policies of deregulation and privatization in many capitalist countries. Nonetheless, direct intervention by governments still remains a considerable feature of capitalist economies. In any case, the kind of indirect intervention represented by government macro – economic management remains essentially intact and seems to be a permanent part of any modern capitalist economy. Advocates of free market capitalism argue that capitalism is that much more efficient if the economic role of the state is kept to some absolute minimum.

Derek Healey, in a review article on developmental policy concluded that the results of planned development have been “sadly disillusioning for those who believed that planning was the only way.” The widespread rejection of central planning based on poor performance has had a number of practical outcomes, the most important of which is the adoption of a growing number of Less Developed Countries (LDC’s) of a more – free market oriented economic system, and a precipitous decline in development planning. Why then has South Africa, under the Zuma administration chosen a Planning Commission intervention strategy? Cracks in respect of the objection of the planning process is now permeating the discourse between the Minister in the Office of the Presidency (Former Minister of Finance - Trevor Manuel - The architect together with former and ousted President Thabo Mbeki of the Growth, Employment and Redistribution policy – Gear) and the protagonists of the left in South Africa, which wants all economic development to be directed and controlled by the Economic Development Ministry, under the tutelage of its trade union protégé, Minister Ebrahim Patel. This has to do with the control of fundamental issues within the mixed economy of South Africa, in terms of employment creation, rural – urban imbalances and migration, the demand for education, a collapsed health sector, intolerable levels of crime, the HIV AIDS pandemic, the increase in communicable diseases, employment problems, endemic corruption within both the public and private sectors and the structure of the current economy, and a number of other fundamental issues that require direct intervention. In view of this, we may conclude that the gap between theoretical economic benefits of planning and its practical results in most Third World countries has been quite large.

The gap between rhetoric and economic reality has been even greater. While supposedly concerned with eliminating poverty, reducing inequality, and lowering unemployment, many LDC planning policies have in fact unwittingly contributed to their perpetuation. The major explanations for this have to do with failures of the planning process itself and these failures arise out of certain specific problems – deficiencies in plans and their implementation, insufficient and unreliable data, unanticipated economic disturbances, institutional weaknesses and the lack of political will. Is the National Planning Commission a move in the right direction for South Africa? Whether or not, transition from growth – oriented development strategy, to one emphasizing the elimination of poverty, and the reduction of inequality will require major political transformations or whether it can respond to the new environment of South African politics in respect to development, by instituting fundamental institutional and marketing reforms, is the issue at hand, and whether public management will play a commanding role, and as to whether the future will compensate for past inadequacies, remains to be seen.

The debate of the future trajectory of South Africa’s economic policy is about much more than the powers of Trevor Manuel and the Planning Ministry. Bubbling under for the last five years at least has

been an argument within government about trade. Put crudely, the question is whether South Africa is more likely to prosper, if local companies are exposed to global competition and forced to lower their prices, while improving their products, or if, on the contrary, we need to shelter them behind tariff and regulatory barriers that will enable them to grow stronger before they take on the world. Right now this debate is taking place against the backdrop of reforms in the architecture of international finance and a tussle over the future of the World Trade Organization's (WTO) Doha development round. These are discussions that can be easily lost in the technical minutiae of multilateral negotiations and the dry language of economics, but they are crucial to the future shape of our economic policy landscape. Minister of Trade and Industry Rob Davies, is a robust proponent of the view that South Africa needs to protect emerging and strategic industries and is a leading activist among developing countries ministers involved in negotiations at the WTO.

In Venezuela President the late Hugo Chavez was taking the country deeper into repression as he neutralized his foes. General Raul Baduel stayed loyal and tilted the army Chavez's way during the tumultuous days in April 2002, paving the way for his return to power, restoring democracy, and was rewarded by being appointed as defence minister. He was subsequently stripped of power and faced corruption charges. Critics say that Chavez used the courts to neutralize his foes, by manipulating the judiciary. A tougher approach is already visible and 12 municipal workers were arrested during protests over working conditions. And a group of 38 people were jailed for political reasons disguised as corruption or public disorder offences, and a number of opposition politicians have sought or are in exile in Peru.

Critics have called it an imperfect democracy, misguided socialist intervention strategy, to the peril of the country with wholesale nationalization of leading institutions, poorly managed by the state, to an authoritarian regime with some democratic characteristics. Former United States President Jimmy Carter who has praised Chavez's pro – poor policies in the past, and endorsed his electoral victories, recently voiced concern at the authoritarian drift. Chavez had won successive elections and remained popular for spending oil revenue on social programmes. It has been cited by many that he should have abandoned some of his grand socialist programmes that ruined the economy of Venezuela, and should have made concerted attempts to return to free market capitalism. They state if this is not done, it will lead to “structural adjustment programmes” by the World Bank, in the future, because of increased borrowing, and its devastating effects will only be seen long after the exit of Hugo Chavez from the political landscape. The future of Venezuela will be sold to the highest bidder, and this is not only dangerous but a very serious concern to the citizens of this oil rich Latin American country. Increased state repression and greater intervention in the economy seems to be increasing, and any opposition is quelled. His critics stated that his case would have been made much stronger if he went after corruption within his government. Is this the emerging scenario in South Africa, in the years that lie ahead? Are there emerging parallels with Venezuela and South Africa?

In South Africa, the battle lines have been drawn between moderates and leftists as concerns a host of issues. Tensions in the tripartite alliance surfaced after the African National Congress (ANC) executive committee member Billy Masetlha, warned in an interview that the South African Communist Party (SACP), and the Congress of South African Trade Unions (COSATU), should not try to impose their socialist views on the ANC. In what is likely to heighten insecurity among ANC nationalists, Cosatu leaders have told the media of their plan to push for a “socialist” economic policy at the alliance summit.. In the Eastern Cape Province a pamphlet was released setting out the SACP's

plans to clean up corruption in government and make changes in economic policy, particularly using state intervention to create jobs. Concerns have been raised at the growing numbers of SACP members within the ruling party, and within the Cabinets of both Provincial and National government. Is this the beginning of a push for a socialist agenda in the ANC? In an interview Cosatu president Sdumo Dlamini revealed that the federation would propose a new economic growth path at the alliance summit. He warned that unless Zuma's new administration made a significant shift from its policies, the new ANC's priorities would remain a pipe dream. We now find that the Cosatu President has changed tracks and is firmly within the realms of government. "There is no way we can achieve these priorities in the current neo – liberal mode. We need an alternative to Gear (Growth, Employment and Redistribution Policy). For us, socialism is the way to go. The Polokwane Conference signaled a shift from neo – liberal policies." It is understood that Cosatu and the SACP will present a united front at the summit to push for ANC adoption of socialist policies, including the nationalization of strategic assets in critical sectors of the economy, notably in the chemical, energy and mining industries. Companies targeted for nationalization include Sasol and Mittal steel. The left will also push for the establishment of a state bank and mining company to accelerate development.

4.

Cosatu also wants changes in monetary and fiscal policy, including interest rates and with regard to the budget surplus. Dlamini said Cosatu would put pressure on Zuma to amend the Constitution to allow some of the powers vested in the treasury to be shifted to Economic Development Minister Ebrahim Patel. He said Cosatu was worried that Patel has not been given sufficient capacity to develop economic policy. The key elements of Gear, was the attainment of a 6 percent economic growth and privatization of state assets. The government has abandoned this policy, although some facets of Gear remain intact, such as inflation targeting. "The focus now is on addressing persistent realities of underdevelopment and unemployment, which have risen sharply in the past 15 years. In the final analysis and within the ambit of the facts and scenarios presented, there has to be a consensus by the people of South Africa and the political leadership to move away from personalities and engage with strategic planning in the interests of the country, in order to promote the general welfare, consolidate democracy by means of the rule of law, uphold human dignity, attract foreign direct investment, uphold the Constitution of the Republic, and promote sound labour relations and practices, in a quest to improve the lives of all its citizens. To this end, all South Africans have a right to choose the type of economic model they want the country to engage in, and with, and more importantly to rule and govern the country, as custodians of the moral law based on economic growth and increased development, and in defense of the democratic Constitution of the Republic. The choice is between free market capitalism, with sound labour practices and the socialist agenda, as propounded and advocated by the South African Communist Party, and the Congress of South African Trade Unions, as alliance partners of the ruling African National Congress. These choices will be difficult to make for various reasons

- Anis Mahomed Karodia (PhD): Is a senior Faculty member and Researcher at the Regent Business School, Durban, South Africa.
- Ayesha Jadwat: Is a lecturer at the Management College of Southern Africa (MANCOSA), Durban, South Africa.