
Interview: Solomon Terblanche

'New Thatcherite policy cannot relieve poverty'

Dr. Solomon Terblanche, for the past 30 years, has been an economics professor at Stellenbosch University, not far from Cape Town. He is described by other South African economists as one of South Africa's dirigist Afrikaner economists "of a bygone era." He was interviewed on July 31 by telephone, by L. Chamberlain.

EIR: The kind of economic policies now being pushed on the South African government are quite different from South African economic policies of an earlier period, I gather?

Terblanche: When the National Party got into power in 1948, they were very concerned about the poor white problem in Afrikaner ranks; they developed public sector parastatals; they also had a program for lifting this group that some called socialistic. But in the end of the '70s, and '80s, the Afrikaner orientation also became rather free-marketeer.

During the '80s, Mr. [P.K.] Botha, then state President, was very much influenced by the English business sector. At that time, the whole South African economy was in a kind of survival crisis due to the struggle of the ANC, etc. And all kinds of liberalization were started; also privatization, etc.

But from 1990, as you know, the period of negotiation started. Originally, when Mr. Mandela was released from jail, his whole rhetoric was rather socialistic. In his second speech, he said that nationalization is still part of the ANC's policy.

Now, during this long period of negotiations in Pretoria, the ANC leaders rather strangely were wined and dined from morning to night by the businessmen from Johannesburg. And the business people were rather pleased with the learning curve of the ANC.

When they [ANC] took over in 1994 in the Government of National Unity, they were rather moderate and realized the need for economic growth, etc. Now, in the beginning of this year, suddenly, it seemed, the honeymoon of South Africa was over. The external support was not what it was; foreign investment flowed out; the rand tumbled, and we've experienced quite an economic crisis since February.

The government appointed a commission (two of my colleagues were part of it), to formulate a new macro-economic policy. This economic policy, in a sense, features what one can call "Thatcherism." And the ANC accepted it! Realize that it cannot solve our economic problems—more than 40% of the potential labor force is unemployed; it cannot solve our terrible poverty problem: 40% of the population, mainly

blacks, live in absolute poverty.

Now, the ANC—[Deputy President Thabo] Mbeki and the new ANC Finance Minister Trevor Manuel, and Mr. Mandela—have supported it. But now the problem is, the strong black trade union movement, Cosatu, is not prepared to accept it. Part of this new macro-economic framework, as it is called, acknowledged the need for privatization of some of the parastatals. And now there is tension between the ANC government and Cosatu, and last week we had the conference of the South African Communist Party; South Africa's Communist Party is strong in Cosatu and it formally rejected the plan.

EIR: Prime Minister Mahathir Mohamad of Malaysia—who of course is very big on privatization historically—nevertheless recently insisted in a speech that the current push toward "globalism" was the "new colonialism"—that that would be the net effect.

Terblanche: I would *agree* with him. The global economy is a reality, but, in a sense, it is very bad news, especially for the smaller countries and for all developing countries of this world. In the global economy, the power is situated in the major powers. We must try to play the global economy—but we must realize it is not a friendly world; it is not a benevolent world; it is a very *hard*, relentless world, where power is the name of the problem. But we are rather in a corner; we need foreign investment.

EIR: All of this has a lot to do with the fact that the overall international economy is collapsing.

Terblanche: Yes, I know.

I wanted to mention one other aspect. There is another problem with the new global economy. There is a new emerging war between the North and the poor South. If southern countries, the so-called poor South, realize they are always on the losing side in the global economy, that can tear the whole thing apart. It is a risky business.

The major argument of Cosatu and the SACP, is that it can be disastrous to put all our eggs, so to speak, in this global economy.

The problem is, this argument is quite a polarization in South Africa between the ANC and business sector and the old National Party on the one hand, and the trade unions and SACP on the other side. It is not only an ideological argument; it is also a power struggle. Our so-called political shift is more or less completed, but now the economic struggle is going on to determine the future of the South African economy. This economic power struggle will not be completed any time soon. The debate, is, in a sense, only in its beginning. And all of this is not as simple as some people in South Africa want to believe.

EIR: What is the relationship right now between the South African government and the International Monetary Fund and World Bank?

Terblanche: I think they are rather influential here. But you see, what is also important is this bilateral commission between Vice President Gore and Deputy President Mbeki. The United States has been pushing this global economy notion on South Africa very hard.

When this macro-economic policy document was framed, people in the World Bank also played a role in it.

It is the global economy rhetoric that is getting through. We need economic growth; we are in a tight corner. But we also *desperately* need to improve this terrible unequal distribution of income. We need social stability. How to get social stability? You can't get it without doing something about poverty. I have strict reservations with the emphasis being so much on growth—let's have growth, yes, but we cannot neglect our inequality problems. We cannot neglect the problems of instability, the violence, the criminality you see. If you do neglect this, growth will not succeed! I don't think, we, in our terribly difficult condition—we have not yet attained the correct mix.

Sam Shilowa: 'Neo-liberal policies failed elsewhere'

The following is edited from the transcript of a presentation by Sam Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), on July 13 at a Labor Law Conference in South Africa.

I think it was Marx who said something to the effect of "we change the world, but not under conditions of our own choosing." We face a situation in South Africa today where we are attempting to transform our country. Yet we face various constraints, which we did not choose. Neither are they of our own making. They have been thrust upon us by history.

These include: the legacy of apartheid; the debt burden; destruction of our human resources; a deformed public sector; vast unemployment and poverty, marginalization of the majority from economic activity; massive income and social inequalities—the list goes on.

Secondly, the new world situation into which our democracy has been born. Politically, this situation has been characterized as a unipolar one in which there is no serious alternative to the power wielded by the G-7 countries, and their international financial and trade institutions. Economically, the process of globalization has trampled the sovereignty of nation-states. Capital has unprecedented mobility, aided by new technology and the new information age. The world economy has been organized into powerful trading blocs. We are told that those who don't play by the rules of the new

game, will be forever marginalized and fall by the wayside.

The question therefore arises: Is it possible to achieve equity and growth under the constraints inherited from apartheid and imposed by the new world order? . . .

The Reconstruction and Development Program (RDP), and more recently labor's Social Equity document, are an attempt to say, despite all these obstacles, we can take our destiny into our own hands. . . .

As a country, we are today in danger of digging ourselves into a trap which will almost be impossible to escape from. That is, to abandon the path of transformation which we have set ourselves, by relinquishing our national sovereignty in the sphere of economic decision-making and sacrifice them on the altar of profits.

It has become widely accepted that the implementation of the economic policy prescriptions of Thatcher, Reagan, the World Bank and the IMF [International Monetary Fund], have had devastating consequences on countries where they have been imposed. These harsh facts are acknowledged, if not by all economists, then certainly by the vast majority of people living in these countries!

Yet there is enormous pressure on South Africa, not least by "the market," to adopt precisely these policies which failed elsewhere. This neo-liberal framework has by now become familiar. It includes, wholesale privatization; slash state spending; rapid deregulation of the labor, trade, and financial markets; contractionary monetary policies; and export orientation.

While these prescriptions are ideologically driven, and applied regardless of conditions which countries are facing, we do not reject them only on ideological grounds. We rather reject this package because it would be a disaster if applied in our country.

We do not reject opening up our economy, if this is done in a way which promotes our industries. We do not reject fiscal discipline, if it is subsumed to the task of economic development, rather than the other way around, and so on.

The attempt by powerful domestic and international interests to force us to accept *laissez-faire*, unfettered capitalism, flies in the face of the entire developmental experience of the 20th century. All successful examples of reconstruction and development in Europe, America, Japan or East Asia, have entailed massive involvement by the state, the creation of domestic demand, huge investment in human development, and policies to direct investment and industrial activity. Some, if not all, even introduced today's dreaded drastic measures, such as nationalization of key sectors (South Korea), running of massive deficits (e.g., Malaysia, more than 20%) and other measures which we are now told are heresy. None have relied exclusively on the market or attempted to remove the state from leading the development process. . . .

Trade and industry policy

The active involvement of the millions of our people who have been excluded from the mainstream of the economy is