

Wanted: An Economic System for South Africa*

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ABSTRACT

At present, South Africa's economic system has no name and is under a cloud of confusion. This has been caused by the concurrence of two major political events: the collapse of the Soviet bloc and South Africa's changeover from an oligarchic to a democratic form of government. In the field of economics, the immediate result has been a system where two rather contradictory institutions coexist, namely, private property rights and centralised decision-taking. This institutional blend, however, represented the core of the National Socialist economy in Germany between 1933 and 1945. The multiplicity of controls by means of which such a system is operated, strongly appeals to the authoritarian bent of the South African government. Controls and dirigisme are, however, out of keeping with the present international trend of greater economic freedom.'

Pli: Then said Pliable, Ah, Neighbour Christian, where are you now?

Chr: Truly, said Christian, I do not know.

*John Bunyan - The Pilgrim's Progress from
this World to that which is to come.*

INTRODUCTION

The current (1996) edition of the World Bank's *World Development Report* (WDR) has the additional title "From Plan to Market", a subject seemingly outside the traditional range of third-world issues. It is, rather, a topic that belongs to the systemic transition from second-world (real) socialism to first-world (mixed) capitalism. The alternative view is that the classification of the world into three mutually exclusive parts has become obsolete today. For example, Marie Lavigne writes (1995:xii): "Now there is just an economic division between rich and poor countries. There is no longer a systemic

* In memoriam G.L. de Wet.

division. The market economy has won." (See also the paper by Tosovsky in this journal.)

The authors of the WDR make the point that "many developing countries have a stronger base for a market economy than do most transition economies at similar levels of income" (1996:139). South Africa is surely one such developing country, with an advanced- albeit imperfect - market system and per capita income exceeded by few transition economies. It does, however, not follow that economic policy in South Africa is aimed at the improvement of its existing market-supporting institutions. In fact, the opposite seems to be happening. This observation prompts the question: what kind of economic system are South Africa's policy-makers causing to develop? The attempt to find an answer may conveniently begin by making reference to the political credentials of the country's government.

POLITICAL BACKGROUND

The South African Government is, effectively speaking, constituted from a tripartite alliance with intermingled membership, namely, the African National Congress (ANC), the South African Communist Party (SACP) and the Congress of South African Trade Unions (Cosatu). While still in exile, the ANC and SACP were described as "the mailed fists of a single force" in the SACP's London-based journal, *The African Communist* (First quarter 1987:34). In its turn, the ANC's *Sechaba* (Nation) called the ANC-SACP relation an "unbreakable alliance" (June 1987:21). The coalition was provided with training, weaponry and funds from Moscow, and closely followed the benefactor's line of Marxist-Leninist politics and economics. The third alliance partner, Cosatu, was founded towards the end of 1985. It adopted the same politico-economic position as the ANC and SACP; delegates actually wore red shirts at the inaugural meeting. (Prior to Cosatu, similar trade-union cadres had been affiliated with the ANC - SACP liberation movement.) Cracks in the alliance there may be, but so far it has stood the test of time.

At the end of 1991, the USSR disintegrated, the Communist Party lost its political monopoly (it was even banned for a while in Russia), and the economic system of planned socialism was abandoned practically everywhere. This also marked the start of the transition to a market economy by the fifteen states that had previously made up the USSR. A similar transition process in central and eastern Europe had been launched in 1989, and China had started its own quest for a market economy already in 1978. The end of the cold war

left the ANC-SACP-Cosatu alliance something of a political orphan. Moreover, when the alliance acceded to power in South Africa in 1994, its economic world of planned socialism had all but disappeared. It was therefore expedient to seek another economic blueprint for the new South Africa. One must, however, realise that if a particular economic system fails, there is not a large choice of alternative systems that can be substituted in its place.

THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP)

The alliance had in the past subscribed to the *Freedom Charter* of 1955, which *inter alia* envisaged the immediate nationalisation of South Africa's mineral resources, banks and industrial monopolies, to be followed by a redistribution of agricultural land. While "building on the tradition of the Freedom Charter" (RDP, BD:Preface), the Charter itself was superseded by the alliance's new *Reconstruction and Development Programme (RDP)* in 1994. The social (or societal) coverage of the RDP is immense, its targets and operation not just ambitious but Utopian. For example: "The RDP offers our country a unique opportunity to bring about renewal, peace, prosperity, reconciliation and stability" and "The RDP integrates growth, development, reconstruction, redistribution and reconciliation into a unified programme" (RDP, WP:6,8).¹ Economists as a rule try to avoid unconstrained conjecture, yet it is to the RDP that one must turn for the government's conception of an economic system for South Africa.

There are in fact two versions of the RDP, one a commercial-type publication known as the *Base Document (BD)*, the other a government *White Paper (WP)*. Mainstream economists owe a debt of gratitude to Professor Geert de Wet, who worked through both these, rather verbose, documents and published his findings in *The South African Journal of Economics*. So, what kind of economic system for South Africa does the RDP imply? Professor de Wet wrote (1995:315):

The Base Document is highly suspicious, to say the least, of privatisation commercialisation and the competence of the market. It believes in a *leading* as well as an *enabling* role for the state or government which must *guide* the economy and the market, so that the state, together with a thriving private sector and active involvement by all sectors of civil society, will effect reconstruction, development and sustainable growth (Emphasis in the original).

The *Base Document* also raises the bogey of *ad hoc* nationalisation, but this does not recur in the *White Paper*. Moreover, the contingency mentioned in the BD is a far cry from the threat of widespread nationalisation in the old *Freedom Charter*. Therefore, it seems plausible to infer that since the fall of planned socialism, nationalisation is no longer central to ANC-SACP-Cosatu policy - as the above reference to "a thriving private sector" seems to bear out.

NATIONAL SOCIALISM

When the search for a new economic system began (say, in 1994), South Africa had already advanced quite far along the axis between a planned and a market system, towards the market-economy pole. However, in contrast with the economies-in-transition mentioned above, further movement in the same direction was ruled out by the new South African government's political philosophy. Likewise, the international collapse of planned socialism effectively ruled out an about-turn in the opposite direction. The point has been made that there are not many other economic systems to pick and choose from. Thus, willy-nilly rather than by design, South Africa's economic policy-makers came to take a turning off the conventional planning-market axis. In the context of the RDP, this amounts to the quest for a dirigiste economic system which is characterised by a combination of private property rights and forceful, centralised decision-taking. Such a combination, in effect, formed the vital core of the National Socialist (or "Nazi") economic system that existed in Germany from 1933 to 1945.

At first, this may seem a rather "shocking" conclusion, certainly not a state of affairs that South Africa's new policy-makers could have desired or would like to be associated with. On reflection, however, it should not come as a complete surprise or represent a totally illogical turn of events after all. Both Marxism and National Socialism were authoritarian, even totalitarian, systems to which personal freedom, the competitive market and its liberal works were anathema. As Richard Overy has put it: "The Nazi 'economic system' became simply a part of the Nazi 'political' system, closer in character to the economy of Stalin's Russia than those of the capitalist west" (1982:66).

The two brands of socialism were closely associated with their respective leaders Stalin and Hitler, both consummate dictators, who rejected the notion of an economic *science* (or *apolitical* economics) out of hand. Imitating Karl Marx, the leading Stalinist economist Sergey Strumilin thus declared: "Our task is not to study economics but to change it. We are bound by no laws"

(Bullock, 1993:224). Hitler stated, in person, that economics is not about "programmes and ideas" but the daily bread of ordinary people (Posse 1936:24). He added (in 1941): "For the next ten years, the essential thing is to suppress all the chairs of political economy in the universities" (Trevor-Roper, 1988:129). Both dictators believed that economic performance was determined by political will and little else.

INITIAL CONDITIONS

The discussion of National Socialism that follows here is limited to the period 1933-36, after which preparation for war (1936-39) and then war itself (1939-45) came to dominate economic life in Germany. These cut-off dates preclude discussion of two major economic issues, namely, the Nazi Four-Year Plan (announced in September 1936) and the Hermann Goring steel works (founded in July 1937). Both these events do, however, form part of the preparation for war, rather than the preceding period of "throwing off the shackles of Versailles" (Bullock, 1993:352). Adolf Hitler took office as Chancellor by constitutional means on 30 January 1933, and contrived a Nazi political takeover within months. National Socialist policy was generally motivated by the "primacy of politics" in the economy (Mason, 1968b: 167) and the ultimate goal of autarky, or economic self-sufficiency. The overriding short-term objective was work-creation (one-third of the German labour force was unemployed), which meant that the economy had to grow. From a systemic perspective, the Nazi point of departure was to maintain existing ownership relations (private property rights), subject to comprehensive state control. Although controls came to be extended over the whole economy, this "never quite amounted to a central economic plan" (Overy, 1982:51). Another name for the National Socialist-type economic system might therefore be "The Controlled Economy".

At least two of the above-mentioned initial conditions also prevailed in South Africa when the ANC-SACP-Cosatu coalition assumed power in 1994. One was the "primacy-of-politics" principle, the other a persistently high level of unemployment. Taking the first point first, politics naturally has priority over economics anywhere in the world. But it must be remembered that history had cheated South Africa's new rulers out of a fully planned socialist system. It is naturally difficult to shrug off long-standing habits of thought. If one nurtures an essentially hands-on attitude towards economics, then, the next best thing to the Soviet-type economy may well be the controlled economy. This is

in fact, what seems to have happened to economic policy-making in the new South Africa. As regards unemployment, Germany's problem at the time was solved by a more or less typical Keynesian policy of public expenditure. More than sixty years later, this option is no longer available to South Africa. Admittedly, a few voices have recently been heard in favour of orthodox deficit spending (e.g. Kapstein, 1996:16-37). However, given the still recent experience of *expected* inflation, this remedy carries no conviction even in countries where inflation has been eliminated, or almost so, of which South Africa is not one. A growth policy for today must therefore be pursued by other means -such as private investment and human capital formation.

CO-OPERATION AND LEADERSHIP

Departing from the basic union of private property rights and government decision-taking, what other typical features might one expect to find in this kind of economic system? The successful operation of National Socialist society, including the economy, largely depended on the interaction of two institutional factors: *Gleichschaltung* (co-operation) and the *Führerprinzip* (leadership principle).

Broadly speaking, the former sought to submit all persons, organisations, and activities to central government control, and to bring about their mutual compatibility. The latter meant that all decisions affecting society were taken at top level by the appropriate authority (i.e. *not* by majority vote), and then transmitted to lower levels for uncritical implementation. Co-operation represented the sufficient and leadership the necessary condition for totalitarian governance (*Totalitätsanspruch*).

At least the general flavour of National Socialism is captured in Professor Robert Brady's following description of the system (1937:39-40):

The Nazis make a fetish of "co-ordinating". Their literature is replete with references to the "totalitarian state", "uniformity spirit", the "Leadership Principle". These terms have a central meaning which might be stated as follows: the "leader" and his lieutenants will "co-ordinate" the "totality" of all persons and activities in Germany, in order that all with an inner "uniformity of spirit", will work towards the goals set by the "leader" for them. Nothing, in short, is to escape the drag-net. All economic activity, all political, social, cultural life is to be "co-ordinated", canalised, and directed.

Hitler did not have a distinctive economic policy, independent of politics in general. His policy was, rather, the *total* control of society from on high. To be sure, a number of plans and programmes were compiled, purporting to set out a distinctive National Socialist body of economics. However the links between these principles and actual policy measures varied from loose to non-existent. A so-called twenty-five-point economic programme had been cobbled together by Gottfried Feder already in 1920, and it remained unchanged until the end of the Third Reich in 1945 (Barkai, 1990:23). But this was a mere formality, and it did not really matter what such programmes did, or did not contain.

Co-ordination by the state applied to all sectors of society, for example culture and the arts, the armed forces, churches, sport, leisure and - of course - the economy. Seeing that the various sectors of society overlap with one another, to a greater or lesser extent, co-ordination had to be total that is all-embracing. However, the existence of private property rights in a controlled economy may seem to give rise to an institutional paradox: private decision-taking subject to government policy or direction. The paradox is removed by the operation of the leadership principle. This took place within an elaborate hierarchal framework, where decisions (i.e. commands) from above were transmitted downwards through a number of tiers of diminishing authority (Responsibility travelled in the opposite direction - from the bottom up) For example, a ministerial decision would be passed on to a national chamber combine or cartel; thence to its regional counterpart, and so on; until it finally reached an individual business firm, whose management would then instruct its workers to get on with the job. Refusal by management to obey a leadership command (which happened very seldom) might well result in the firm's exclusion from the economy - one way or another. There was no resistance from the labour force, seeing that trade unions had been abolished and the workers integrated with the larger German Labour Front - a prime example of National Socialist co-ordination.

The leadership principle thus determines a fixed chain of command in the implementation of economic decisions. It is an institutional arrangement where no two parties enjoy equal status in a particular line of business. In any transaction, the government is the major and private enterprise the minor party. In a fully controlled economy, this relationship would have the force of law.

HIGHER EDUCATION

There is a strong authoritarian tradition in South Africa. Statutory *apartheid* no longer exists, but the paternalistic mentality of its architects lives on in the country's new policy-makers too. However much the politics of Left and Right may outwardly differ, they have an inner core of high-handedness in common. Opposites are not without similarities.

The first acts of Nazi-style co-ordination in South Africa have understandably taken place where a large measure of state control already existed, for example, in the civil service, public corporations and various subsidised activities, especially education. At the end of 1996, the Department of Education published a *Green Paper on Higher Education Transformation*, which sketches a truly Orwellian scenario. With its heavy stress on plans and planning, one's first reaction might well be that the *Green Paper* has been inspired by the Soviet rather than Nazi example, until one remembers that both systems shared the same authoritarian conception of society. Apropos the field of learning, Alan Bullock has pointed out that "Hitler showed the same inveterate distrust of experts, particularly economists, as Stalin did" (1993:388). All told, it does not really matter whether one prefers to call the South African policy left-wing or right-wing, so long as it remains doctrinaire and unbending.

While the *Green Paper* is a fairly detailed co-operation-cum-leadership script, it can only be considered here in broad outline. The Paper covers three groups of institutions, namely, universities, technikons and (vocational) colleges. The present discussion, such as it is, takes place with only the universities in mind. In contrast, the authors of the *Green Paper* believe that all three groups "must be planned, governed and funded as a single co-ordinated system" (p. 17). (It would seem equally "logical" to say that all big animals in the zoo must eat the same food.) This is, of course, exactly how *Gleichschaltung* was meant to work in National Socialism: there must be no possible escape from, say, regulated universities to other educational institutions that enjoy academic freedom.

The authors of the *Green Paper* pay perfunctory tribute (or lip-service) to some unassailable academic achievements. For example, they agree that universities produce useful knowledge (pp.3,9); praise the creative potential of the research initiated by individuals (p.7); and (somewhat grudgingly) acknowledge that "some higher education institutions (in South Africa) have developed internationally competitive research and teaching capacities", adding that "Their academic expertise and infrastructure should be regarded as national

assets" (p. 10). However, most of the policy proposals in the *Green Paper* would almost certainly impair these activities very badly and relegate South Africa's top universities to international oblivion.

As in Nazi Germany, the co-ordination of South Africa's universities means investing the state with "directive" and "steering" powers (p. 16). Likewise the process reflects the supremacy of politics in the field of higher education (p.13): The transformation of higher education must be conceptually located and carried out, within the broader process of South Africa's political social and economic transition. The broader process includes political democratisation, economic development and reconstruction, and social policies aimed at redistributive equity.

Expressions like "political democratisation" and "redistributive equity" should be understood in a left-wing rather than neutral, or Paretian context meaning that if some people gain, then others must lose. The leadership function between the education ministry and the universities will be served by a Council on Higher Education and perhaps also some other intermediate bodies, to be appointed by the government. Students will enjoy numerous rights and apparently have no responsibilities. In fact, the depredations of so-called campus activists in South Africa today, call to mind the Hitler Youth of the 1930s; both were to reach new lengths of yobbery in their time After having completed a twenty-year prison sentence for war crimes, the one-time leader of the Hitler Youth, Baldur von Schirach, still recalled how he had "travelled from university to university to stir up unrest" (1967:96).

Two major similarities between National Socialist universities and those envisaged in the new South Africa, are courses of study either prescribed by or subject to the approval of the education authority (PN, 07.12 96) and the politicisation of science. According to the *Green Paper*, teaching and research in South African universities are characterised by "academic insularity and closed-system disciplinary programmes", which should be changed in the light of African circumstances (pp.4, 5, 15). Expressed briefly, the following happened in Nazi Germany: "German universities, once famous for their scientific research, now became the homes of racist science" (Bullock 1968:1377). A similar fate may well overtake the "co-ordinated" South African universities too.

The authors of the *Green Paper* demand "equity of access" to the university for all prospective students, and no reasonable person would oppose this. But they also demand "equity of outcomes" (p. 20), and if it means that

students should pass their examinations irrespective of academic performance, then no reasonable person could agree with that. Student enrolment at German universities fell under National Socialism. In contrast, the *Green Paper* envisages the "massification" (sic) of higher education (pp.15, 19), though it would be plausible to argue that, in qualitative terms, there are already too many universities and students in South Africa. Apart from recommending that funds be earmarked for "preparatory, remedial and bridging programmes" (pp.53-4), the *Green Paper* does not lay down a cut-and-dried formula for university funding - and nowhere considers the taxpayer who must foot the bill. The government is a trustee, *not the proprietor*, of South Africa's universities. This trust has been badly mismanaged in the past, and is now again threatened with gross violation.

Two, no less than fatal, flaws permeate the *Green Paper*. The first is the fallacy of "comparativism" (Leontief, 1978:19), a spurious yet often used argument in serious discussions. The "problem" that the authors of the *Green Paper* address, is the following (p.4):

The present system perpetuates an inequitable distribution of access and opportunity for students and staff along lines of race, gender, class and geographical discrimination. There are gross discrepancies in the participation rates of students from different population groups and indefensible imbalances in the ratio of black and female staff compared to whites and males.

It should not be misleading to say that the authors' double objective appears to be a student and a staff configuration that, *mutatis mutandis*, would have the same distribution of race, gender, class and geography as the national population. In other words, when the *composition* of the total population is compared to that of its academic subset, the two should be the same. The fatal flaw in the reasoning is that it ignores the fact of life that "birds of a feather flock together". Most human activity is selective, not random, thus it would be only realistic to expect that the representation of various population groups differs between different occupations and modes of training. In the present case, not every member of the (adult) population has the same interest, ability, job and income aspirations, etc. to study and work at university. Naturally, this principle also applies to the relation between the total population and its other subsets, such as athletes, church-goers, smokers, non-smokers, and so on. The main economic disadvantage of comparativism is that it ignores the principle of specialisation, on which all forms of productive activity are founded.

Probably the greatest abuse of comparativism took place in Germany shortly before and at the beginning of the National Socialist period. About one per cent of the German population were Jews, who lived mainly in the big cities and were largely occupied in trade, transport and the clothing industry. To Nazi chagrin Jewish specialists were particularly conspicuous in the so-called free professions. For example, 50 per cent of the lawyers and 48 per cent of the doctors in Berlin were Jewish. Jews also had a far greater share than the one per cent to which they were "entitled", in terms of comparativism, in education, the theatre, newspapers, the higher ranks of the civil service, and so on (Roberts, 1938:258-61). Such was the beginning of anti-semitism in the Third Reich; the end was stark tragedy.

An even more emotional -and equally fallacious - argument is that education policy should somehow be used to redress, or undo, South Africa's past history of *apartheid*. In the words of the *Green Paper*, here the goal is "to reverse the inequities of the past" (p.52). Seeing that *apartheid* has in fact been abolished and as it is literally impossible to remake the past, the relevant question is surely whether the present policy stance should be either forward-looking or backward-looking. The authors of the *Green Paper* select the latter option, which would leave South Africa unprepared to face the future in a rapidly changing world. A comparable situation exists in the erstwhile socialist states of central and eastern Europe. There, too, policy-makers had the choice between trying to redress the communist past that was once forced on them and facing up to an uncertain future in a competitive environment. Without any known exception, they chose the forward-looking policy stance. This is, in fact, normal human behaviour for as the mathematician G.J. Whitrow has pointed out: "the emergence of *Homo sapiens* has been correlated with a strong increased tendency to look forward" (1975:34).

The Third Reich also had its retrospective devotees, who made a habit of judging Germany's past achievements by their own Nationalist Socialist standards. This was too much even for Joseph Goebbels, Hitler's propaganda chief and one of the few top Nazis with an advanced university degree (doctorate in philosophy from Heidelberg), which moved him to declare: "It will not do that the entire German history and its heroes are examined with the aid of the National Socialist yardsticks ... as though German history had only begun with National Socialism" (Koch, 1975:176).

Should its recommendations prevail, the *Green Paper* will come to mark the beginning of an inevitable process of falling academic standards. This would have a deleterious effect on economic performance too; as the authors of the Paper actually seem to realise:

There is a high correlation internationally between quality higher education training and research, on the one hand, and national economic growth and competitiveness, on the other (p.22).

The link between education and growth is human capital formation, which "comparativist" and backward-looking policies can only harm.

GROWTH AND REDISTRIBUTION

The intensification of economic activity that followed the Great Depression (1929-32) was stronger in Germany than almost anywhere else in Europe. Details differ, but available statistics show that economic growth was exceptionally rapid: Gross National Output per capita increased between nine and ten per cent annually from 1933 to 1936 (Mason, 1968a: 1395).

This, in turn, caused unemployment to fall from 4,8 million persons in 1933 to 2,7 million in 1934, then to 2,2 million in 1935 and 1,6 million in 1936. The combination of an international business-cycle upswing and domestic government expenditure (including rearmament) thus enabled Germany to reach the short-term objective of full employment by 1937 (Overy, 1982:33). (The long-term policy of autarky, however, led to a war of territorial conquest which ended in the destruction of National Socialism, including its economic system. (See e.g. Bullock, 1993:748-50; Milward, 1987:8, 153-4; Trevor-Roper, 1988:53, 73, 423-4; Schweitzer, 1946:4.)

However far and wide a policy document may range, the users thereof tend to reduce its goals to a limited number of easily comprehensible variables. Thus the RDP is seen to pursue economic growth (to combat unemployment) on the one hand, and redistribution of income (to promote equity) on the other. Most observers of the economic scene in South Africa would probably agree with the following diagnosis by Stephen Brent, an American development economist: "The challenge for the government is to keep the focus on long-term growth but provide enough benefits to the majority population along the way that political consensus can be maintained and moral commitments protected" (1996:117).

Substituting the word "income" for "benefits" above, which one of the two objectives - growth or redistribution - should be stressed at the outset, seeing that it is not possible to give maximum attention to both at the same time? Having considered the matter, Professor Philip Black (1995:544) found that

"... on closer scrutiny it becomes obvious that the very reason for the existence of the RDP is the high priority afforded to the distributional objective. Thus one might say that the government wants to redistribute resources straightaway, as a matter of urgency, after which movements in the incomes and human capital of beneficiaries can be expected to contribute to sustainable growth - i.e. a case of 'growth through redistribution'".

Professor Black adds: "It would be easy to dismiss the 'growth through redistribution' strategy as a case of putting the cart before the horse", but he then turns to matters that lie beyond the scope of this paper.

Economic growth in South Africa was negative in 1990, 1991 and 1992; after that it has taken place at the following (positive) rates- 1993: 3%, 1994: 2,7%; 1995: 3,3%; 1996: 3,1 %. Seeing that the population is evidently growing at the average annual rate of 2,3 per cent, the outlook for higher living standards in South Africa is rather bleak. Furthermore, the above-mentioned economic growth rates are simply too low to bring about a significant fall in unemployment, which apparently varies between a fifth and a third of the labour force, depending on the definition one uses (BD, 20.06.96). Now, it is general knowledge that the most effective means of combating unemployment and poverty is job-creation, which in turn results from sustaining economic growth appreciably above the rate of population growth. The end result, then, is also a more equal pattern of income distribution. In other words, redistribution occurs through growth and the above "growth-through-redistribution" argument is fallacious, particularly if the element of time is not explicitly taken into account.

It would be simple to prove this conclusion theoretically, but empirical proof is perhaps more convincing. A good example is the five-year research project by Deepak Lai & Hla Myint which investigated the combined effects of economic factors and political institutions on growth, poverty, and equity in twenty-one developing countries during 1950-85. One of their major findings was that, in all the selected countries, growth in per capita output served to alleviate poverty. This was supported by an examination of the growth-poverty nexus in other developing countries too. However, the reverse does not apply. Thus Lai and Myint found that autonomous income transfers and social spending (i.e. redistribution) made no appreciable impact on poverty but caused economic growth to collapse. The main reason why egalitarian policies based on western welfare-state models have failed in the Third World is that they had the effect of "killing the goose

that laid the golden eggs" (Truu, 1992:291).

Policy-makers in South Africa ignore these findings at the peril of the national economy. Although economic growth and social equity are quite compatible in the long term, it is vital to get the sequence of events right in the short term. If initial priority is given to rapid growth, greater equity will follow in due course. But if the sequence is reversed, neither growth nor equity, but decline and poverty, are more likely to follow. This is, of course, merely a restatement of the old redistribution-through-growth argument, but the present is precisely a time of rediscovery and return to economic fundamentals, practically on a worldwide scale.

In the new South Africa, however, priority was first given to the redistribution of income. In this context, it is useful to take a quick look at the 1995-96 State Budget, the first one in South Africa to reflect actual ANC-SACP-Cosatu policy. The main distributive features of this budget were to favour both the "rich" (no capital gains tax) and the "poor" (higher tax threshold, no increase in VAT) at the expense of the "middle" class (new tax on the income of pension and other retirement funds). The last-mentioned measure serves to penalise taxpayers who save for their old age, but given the comparatively small size of South Africa's middle class, it has little or no electoral risk. This policy stance has remained more or less unchanged since then. Affirmative action is another instrument of redistribution, and this has generally meant the replacement of skilled workers by less qualified ones at given rates of pay, particularly in the civil service. (Even the Minister of Home Affairs, Chief Mangosuthu Buthelezi, has deplored the practice.) To take one more example, so-called entitlements to free primary health care have caused nurses to be overworked, harassed and threatened with violence, while creating an illegitimate market in medicine that patients collect by going from clinic to clinic. These, and other disincentive measures, have understandably contributed to the "brain drain" from South Africa and been generally harmful to economic growth. Whether they have actually benefited *anyone*, in real terms, is a moot point.

Information like this may be obtained simply by reading the newspapers. It was therefore distressing, though understandable, to note President Mandela's highly politicised statement to the effect that the media are "still controlled by conservative elements of a tiny minority of the population ... Certain senior black journalists have been co-opted by conservative elements to do their dirty work and try to undermine and destroy the democratically elected government" (FM, 22.11.96).

Transfer of income, from the private sector to government, was a conspicuous feature of the Nazi economy too. Taxes remained high and real wages fell in proportion to total output. Inside the private sector, income was redistributed from wages to profits, which served to check consumer demand in a rapidly growing economy.

THE CONTROLLED ECONOMY

The economic historian Richard Overly has been quoted in this paper, to the effect that National Socialism was closer to Marxism than capitalism, mainly because of totalitarian government in both Nazi Germany and the Soviet Union. An incongruity that remains to be explained, however, is the institution of private property rights, and the associated profit motive, in the otherwise authoritarian system of National Socialism.

A number of writers have made the valid comment that in Nazi Germany, too, profits served "as a stimulus for producers to increase output and achieve efficiency" (Schweitzer, 1946:4,5). In other words, the Nazi leadership realised the *incentive* value of private profit. But why was the private *ownership* of production factors (land, capital) accepted, indeed preferred, in the first place? Viewing the matter from another angle, did the name "socialism" in the expression National Socialism have any real significance?

The issue was debated, from time to time, before the Nazis took over the government of Germany (in 1933) and when the party still had a left wing. Its chief representative was Gregor Strasser, who rose to no less than second place in the National Socialist hierarchy at the time. It so happened (in 1930) that Strasser once asked Hitler point-blank if, in case of a seizure of power (*Machtübernahme*), he would leave existing "production relations" between labour and capital unchanged. Hitler replied: "That goes without saying. Do you think that I am crazy (*wahnsinnig*) enough to destroy the economy? Only if people did not act in the national interest, would the state intervene" (Fest, 1974:392). He significantly added that in the real world there exists only one (political-social-economic) system, and in it "responsibility ascends and authority descends", which amounts to the essence of the leadership principle discussed above.

By his reply, Hitler evidently meant that private ownership was necessary for the cohesion and operation of National Socialist society. According to the Nazi philosophy of "Social Darwinism", life was a struggle in which only the fittest survive, and survival, *inter alia*, demanded maximum efficiency in

economic behaviour (Noakes & Pridham, 1984:264). In this context, private property was (correctly!) identified as a necessary condition for maximum efficiency. Discussion of the topic, however, practically ceased when Gregor Strasser resigned from the Nazi party in 1932. (Hitler subsequently had him murdered during the so-called Night of the Long Knives, 30 June 1934.) The term "socialism" (as in National Socialism) was indeed meaningless, and Hitler commented with undisguised cynicism that "the great mass of workers wish for nothing but bread and circuses, they are not capable of appreciating ideals of any kind" (Fest, 1974:392).

Although land and capital in Nazi Germany were private property in the legal sense, their owners were allowed to use them only within the constraints laid down by government. This gave rise to an unusual economic relationship, to say the least, where *control* dominated *ownership*. The following passage from the excellent study by Avram Barkai, simply called *Nazi Economics*, conveys the essential nature of the resulting system (1990:26-27):

... the Nazis left no doubt that (their) recognition of private property absolutely and aggressively rejected any notions of economic liberalism; they had no use for a laissez-faire free market. In an off-the-record talk with a newspaper editor in 1931, Hitler defined the basic principle of his economic project: "What matters is to emphasize the fundamental idea in my party's economic program clearly - the idea of authority. I want the authority; I want everyone to keep the property he has acquired for himself according to the principle: benefit to the community precedes benefit to the individual (*'Gemeinnutz geht vor Eigennutz'*). But the state should retain supervision and each property owner should consider himself appointed by the state. It is his duty not to use his property against the interests of others among his people. This is the crucial matter. The Third Reich will always retain its right to control the owners of property." Here we have all the basic assumptions that later determined the Nazis' economic plans and their actual policy: virulent antiliberalism, subjection of the economy to the primacy of political and social goals as defined by the national leadership, and state control over all economic activities.

The sketch above may well presage the kind of controlled economy towards which South Africa seems to be moving. It is an "economy without economics" (Neumann, 1963:221) where the market mechanism has been replaced by government "co-ordination" (Nathan, 1944:3). This, at least, seems the central conclusion to be drawn from an ANC policy document, *The State and Social*

Transformation, published in November 1996. The following reference to the document appeared in a press report (ST 10 11 96):

Its authors argue that the liberal concept of “less government” must be resisted because, while being presented as a philosophical approach towards the state in general, it is in fact aimed specifically at weakening the democratic state. “The effect of such weakening would be to enhance the strength and impact of other centres of power in society, with the resultant disempowerment of the people”, the document says.

Readers less than fully conversant with Marxist terminology, are advised to replace the expression “democratic state” by “autocratic state”, to appreciate the real meaning of the above statement. The Nazis never laid claim to democracy, but they, too, would not tolerate any “other centres of power in society”. Yet, at least one such potential centre of influence (if not literally power) does already exist in South Africa, namely, the National Economic Development and Labour Council (Nedlac).

Nedlac is the current model of a “consensus-seeking” tradition in South Africa, like the National Economic Forum or the National Manpower Commission in the past. It has been established by an Act of Parliament, and is an overarching organization of representatives from three interest groups: business, labour and government. (Strictly speaking, Nedlac also includes a fourth group of “community representatives”, which seems to serve little or no practical purpose.) Nedlac has been instructed to consider “all labour legislation and all *significant* legislation affecting social and economic policy ... before being tabled in Parliament” (1995-96:28). Should the Nedlac coalition manage to reach consensus on a particular issue, its recommendations to Cabinet are, at least, bound to be taken seriously. Its outstanding achievement to date is the Labour Relations Act No. 66 of 1995 (rather heavily loaded in favour of labour *vis-à-vis* business).

Although Nedlac’s economic role remains modest, it does in principles represent a scaled-down version of another economic system, the so-called Corporate economy. Samuel Brittan has described this as a system where “decisions should be made by the principal interest groups concerned, whether by agreement or with the aid of the state as a referee” (1975:58). Well-known examples of corporatism in the twentieth century are Mussolini’s Italy, Franco’s Spain and Salazar’s Portugal, all three controlled economies and less than free societies, in the normal meaning of these terms. (See also Pekkarinen et al., 1992.)

TRADE UNIONS

The respective positions of their trade unions represent the greatest *difference* between Nazi Germany and the new South Africa. After the first World War, German trade unions were politically divided and the movement lost followers as unemployment deepened. Hitler’s early attitude towards the unions was ambivalent, but he eventually came to sacrifice their support for the financial aid the party received from big business. As mentioned above, Hitler destroyed

trade union independence soon after taking power, by integrating them with the Nazi-controlled German Labour Front.

The position of trade unions in present-day South Africa may be approached by asking two questions. First, what happens to a trade-union body that once formed part of a broader liberation movement, after that movement has achieved its purpose, that is, become the new government of the country concerned? Second, did Soviet Russia provide the South African trade unions with a role model, given the close ties that existed between the USSR and the ANC-SACP-Cosatu alliance?

Taking the second question first, the political lineage of South Africa's foremost trade unions derives from the revolutionary doctrines of Vladimir Ilyich Lenin, the founder of the Soviet Union. Long before the Russian Revolution of October 1917, the exiled Lenin's newspaper *Iskra* (Spark) received a letter from "A group of comrades" in January 1901. Its authors took *Iskra* to task for two reasons in particular. First, "the exaggerated importance it attaches to the influence which the ideologists of the (working-class) movement exert upon its various tendencies". Second, and this is the obverse of the first, "*Iskra* gives too little consideration to the material elements and the material environment of the movement" (Lenin, 1961:313). The criticism provoked a strong reaction by the editor. Lenin's immediate response was a heated rebuttal more than twice as long as the offending letter itself, followed by his famous book *What is to be Done?* in March 1902. Its central message was that until the revolution was a *fait accompli*, trade unions should pursue political, not economic, ends. Here it is sufficient simply to confirm that the most prominent South African trade unions were, still are, highly politicised organisations true to Leninist principles, though no longer free of the "sin of Economism" (i.e. material interests) today.

The fate of the Russian trade unions after Lenin's Bolsheviks took power, was no better than that of their Germany colleagues, later on, at the hands of Hitler. J.N. Westwood (1968:1405) has put the matter in a nutshell: "Already

in the 'twenties the trade union had been taken over by loyal Party members and had become merely the means by which the government's directives were channeled to the working man." Thus, in Russia, trade unions lost their political function once victory had been won. Moreover, the new authoritarian regime deprived them of their economic function too - leaving the once vigorous unions a spent force.

Providence has been kinder to trade unions-cum-liberation movements in central and eastern Europe. For example, Solidarity was born in Poland, Officially as a trade union, in 1980. However, one of its leaders, Leszek Balcerowicz (1995:291), has pointed out that "Solidarity was a trade union only in name: in fact it was a massive political movement ... an opposition political party." It grew to some 10 million members, out of an adult population of 21 million persons. At the end of 1981 Solidarity was banned by the communist government, to be legalised again in 1989. This revived an undeniably political movement or the so-called electoral wing of what officially passed for a trade union. As the communist state and its institutions crumbled, the genuine need for independent trade unions was one of many such demands to make itself felt in Poland. Solidarity thus became functionally split between two organisations: a political party on the one hand and a trade union on the other, both - somewhat confusingly - known by the same name (Kemp-Welch, 1991:210-11).

Solidarity, the political party, successfully fought an election and formed Poland's first non-communist government in 1989. The party chairman Lech Walesa was elected President of Poland in December 1990. However, internal fragmentation soon set in and, with remarkable foresight the BBC correspondent Misha Glenny wrote in 1990 (pp.64,65): "Solidarity the started motor of revolution in Eastern Europe, (is) finished as a political movement" and "Solidarity will almost certainly continue to function as a trade union." In the event, as the political tide turned, first a divided Solidarity (1993) and then Lech Walesa (1995) were both ousted from office by a big electora swing to the left. Today, Solidarity's political successors are of only minor importance in Poland. However, Solidarity the trade union has approximately two million members, and continues to function normally in the labour market alongside the larger All Poland Trade Unions Alliance.

Against this background, the South African trade-union movement occupies a uniquely influential position in the country's polity and economy. The largest trade-union federation, Cosatu, belongs to both the government and the governed. Thus when Cosatu called for mass action (e.g. street marches) and went on strike in 1995, inflicting considerable damage on the national economy, it

actually did so with the blessing of the national government, that is, the ANC-SACP-Cosatu alliance (BD, 07.06.95 & 19.06.95). Whatever their mutual relations may be behind the scenes, it would make no sense in practice to try to distinguish between the SACP and Cosatu: both are equally committed to revolutionary Marxism-Leninism. For them, the struggle did not end in April 1994; in fact, when "comrades" meet today and wave their fists in the air, they might well chant the slogan "The Struggle Continues!" (This mantra may also be found printed in otherwise dry and sedate government publications.)

The news media, both domestic and foreign, often publish reports and rumours about clashes of interest between the ANC and its SACP-Cosatu coalition partners. Differing viewpoints do naturally occur, for example, when President Mandela warned Cosatu's secretary-general, Sam Shilowa, that strikes discourage foreign investment, the latter responded that investors who are "scared off by legal strikes are the ones who will be coming to exploit South African workers" (Keesing's, 1994:40088). (Such orthodox Marxism perforce calls to mind Joan Robinson's *bon mot*: "the misery of being exploited by capitalists is nothing compared to the misery of not being exploited at all".)

Irrespective of internal differences, the ANC-SACP-Cosatu partnership is apparently held together by the well-known principle that "the enemy of my enemy is my friend". Political unity has been pledged at the highest level, for example, in June 1996 President Mandela reportedly said that "the ANC will never part with the SACP and Cosatu" (PN:25.06.96). Furthermore, Deputy President Mbeki asserted in a press interview that "the unions understand very clearly that they do not have the power of veto over the government" (FT *Survey*: 03.10.96). But do they really need this power, if they are a vital organ of government to begin with? No matter what their actual standing within the government coalition might be, South Africa's communist-inspired trade unions certainly have a baleful effect on the country's economy. For example, Cosatu has often gone on record with its opposition to monetary and fiscal discipline, together with enthusiastic support of direct controls (especially wage control) and the expansion of the government's economic role in general. Policy-makers of that ilk frighten not only potential foreign investors. On the other hand, Cosatu seems indifferent to the fact that South Africa's unit labour costs are just too high by world standards (S AFAR A, April - June 1996:21). Evidently Cosatu, too, accepts the theory that economic performance is determined by "political will" (ST: 01.12.96).

At last it is possible to answer the first of the two questions at the beginning of this section, which concerns the fate of trade unions that once were part of a broader liberation movement. Unfortunately the answer is of an indeterminate kind. It has been said that a revolution might devour its children, and this did in fact happen to the Russian trade unions after the Bolshevik victory. In Poland again, only the trade-union component of the broad Solidarity movement survives. In South Africa, by contrast, the unions have gone from strength to strength after the ANC-SACP-Cosatu accession to power. Today they are not only found in government and on the supply side of the labour market. They also shape economic policy by virtue of their membership of Nedlac. Lately they have come to feature on the demand side of the capital market too, a most interesting development that cannot be pursued here. (See e.g. BD, 06.11.96 & 29.11.96; FT, *Companies & Markets*, 28.10.96; PN, *Business Report*, 05.11.96; TE, 30.11.96, p.96.)

MACROECONOMIC STRATEGY (GEAR)

Towards the middle of 1996, the Department of Finance published a policy document known by the name of *Growth, Employment and Redistribution* (Gear), with the subtitle *A Macro-Economic Growth Strategy*. The overall objective of the strategy is to "catapult the economy to the higher levels of growth, development and employment needed to provide a better life for all South Africans" (p.2). How about (income) redistribution? The authors of the document view redistribution not only as an end result of the strategy, but as a process that can be realised concomitantly with economic growth, by rearranging the composition of fiscal expenditure. They also entertain the even more uncertain expectation that accelerated growth can be reconciled with "a strong increase in tax revenue relative to the GDP" (p.9). (See also the paper by De Wet & Harmse in this journal.)

Apart from its redistributive aspects, Gear rests on the following assumed, integrated policy foundation (p.2):

- fiscal discipline to combat inflation and elimination of government dissaving;
- monetary discipline, relaxed exchange controls and a competitive exchange rate;
- trade and industrial policy reforms, for example, lower import tariffs, incentives to promote investment, small and medium-sized businesses, and competition in the market;

- privatisation of government-owned businesses (evidently partial, rather than total);
- infrastructural investment by government; and
- greater flexibility in collective bargaining and a bigger role for economic factors in wage determination.

Before commenting on the pros and cons of Gear, its most important (A) elements and (B) outcomes are set out statistically in Table 1 (see also Gear, P-7).

It may be noted that the following three variables in the table have been picked out for special attention in public discussions: the fiscal deficit, expected to fall from more than 5% in 1996 to 3% in 2000; the annual economic (GDP) growth rate, expected to rise from VA (actually 3,1) to approximately 6 per cent during the same period; and the employment growth rate, which is projected to rise from 1,3 to 4,3 per cent per year. The last-mentioned development would imply the annual creation of some 400 000 new jobs by the year 2000, sufficient to reduce South Africa's alarmingly high unemployment rate on a sustained basis.

Gear did not really strike the South African economy as a bolt from the blue. At the beginning of 1992, when the new political dispensation was already in the offing, the International Monetary Fund (IMF) published an Occasional Paper entitled *Economic Policies for a New South Africa*. After having analysed a number of medium-term growth policies for South Africa, the authors of the Paper (edited by D. Lachman & K. Bercuson) drew three broad conclusions (1992:13):

- (1) a return to more rapid economic growth will require a substantially higher rate of domestic savings and investment than in the past decade as well as a reversal of the declining productivity trend of the 1970s and 1980s;
- (2) government savings are essential to underpin higher economic growth; thus the scope for expanding overall government spending will be limited; and
- (3) if employment growth is to rise enough to begin alleviating the existing, severe underemployment problem, real wage growth must be contained.

Table 1: Selected Gear Projections, 1996 - 2000

(A) ELEMENTS	1996	2000	Average
Fiscal deficit (% of GDP)	5,1	3,0	3,7
Average tariff (% of imports)	10,0	6,0	7,6
Average real wage increase, private sector (%)	-0,5	1,0	0,8
Average real wage increase, government sector (%)	4,4	0,4	1,3
New foreign direct investment (US \$ mill.)	155	804	509
(B) OUTCOMES			
GDP growth (%)	3,5	6,1	4,2
Inflation (CPI %)	8,0	7,6	8,2
Employment growth (non-agricultural formal sector %)	1,3	4,3	2,9
Current account deficit (% of GDP)	2,2	3,1	2,4
Gross private savings (% of GDP)	20,5	21,9	21,2

NOTE: The figures for 1996 (the base year) are not final, but provisional estimates.

A major difference between Gear and the IMF study is that whereas the former envisages a reduced fiscal deficit, the latter urges its actual conversion into a budget surplus. Although the present South African budgetary policy is to tax middle-class incomes *and* savings "till the pips squeak", the authors of Gear evidently believe that this will not jeopardise their macroeconomic targets. The authors of the IMF study are not equally sanguine but write that "... the overall South African tax burden and its marginal tax rates cannot be judged to be low by international standards; indeed the tax burden on the white community appears to be relatively high even by industrial country standards. This would argue against raising tax rates in South Africa and running the risk of heightening disincentive effects. Revenue would be more effectively raised

through substantially reducing tax expenditures, broadening the tax base, and changing the mix between direct and indirect taxes" (Lachman & Bercuson, 1992:2).

This conclusion-cum-recommendation is still valid for South Africa today, though it would be no more than realistic to substitute for the expression "white community" the words "middle-income group". Briefly put, the hypothesis that the ends of both growth and redistribution can be met simultaneously, particularly by means of the punitive income taxes envisaged in Gear, seems to rest more on hope than expectation.

How was Gear received in influential circles? Introducing the strategy in the National Assembly, Deputy President Thabo Mbeki stressed its perceived harmony with the RDP, in essence, Gear was said to provide the means that serve the ends of the RDP (*Hansard*, 14 June 1996, cols. 3041-42). This viewpoint was supported by the Minister of Finance, Trevor Manuel, within whose province Gear actually falls: "The programme which we announce here today puts in place an integrated set of macroeconomic policies which will enable the Government to deliver on the commitments we have made in the RDP" (cols. 3045-46). However, in the same speech he also made the incongruous - though hopeful - remark that fiscal policy seeks to "avoid a permanent increase in the overall tax burden" (col. 3048). The Minister of Labour, Tito Mboweni, described Gear in rather surprising terms, for example: "This is no *laissez-faire* framework. This is a strategic intervention by Government" (col. 3067). To conclude this sample of politically motivated statements, opposition spokesman Dr. T.G. Alant viewed the macroeconomic strategy in a generally favourable light - even without having read the document (col. 3060).

To the trade unions, Gear was, still is, the proverbial cat among the pigeons. Far from being reassured by Mr. Mboweni's words, trade-union spokesmen denounced Gear emphatically, even stridently, as a malignant force that would in fact undermine the RDP (see e.g. BD, 11.09.96). Rhetoric aside, the issue is, however, far from straightforward. South Africa's trade unions seem to be having an identity crisis at present. Their members no longer represent a solid, low-paid proletarian front (if they ever did), but appear in economic life in various guises: as workers, consumers, taxpayers, lobbies, policy-makers and, lately, as investors too. Thus, when the Katz Commission recommended that the income of pension funds should be taxed (which the government promptly did), trade unionists added their protest, too, against this typically *anti-middle-class* measure (BD, 23.01.96). The fact of the matter is

that a large proportion of trade-union members have by now risen to an economic level where taxes become a "problem" for them too. Today, Hayek's maxim increasingly applies also to South Africa: "No one has done better out of capitalism than the working class" (1983:55).

The business sector accepted Gear with cautious optimism. For example Raymond Parsons, director-general of the South African Chamber of Business and the top business representative on Nedlac, made the following comment (1996:3): "(Gear) is now the definitive economic policy for South Africa at least until the year 2000. *Business believes that, even if the macro-economic strategy is only half-successful, it can make a big difference to South Africa's economic performance and future prospects*" (Emphasis in the original). The *Financial Mail* must have fanned the flames of the trade-union fire when it wrote: "The RDP has been effectively sidelined in favour of the new macroeconomic policy - Gear" (29.11.96:25). International visitors that also welcomed Gear, included a World Bank mission and the managing director of the IMF, Michel Camdessus - whom Cosatu pointedly refused to meet (PN *Business Report*: 21.10.96 & 30.10.96). The main attractive - or repulsive- feature of Gear is probably its quantification of certain policy targets which cannot be approximated unless a high degree of macroeconomic stability is maintained.

CONCLUSION

To avoid any possible misunderstanding, I would first like to say that the purpose of this paper has not been to vilify South Africa's economic policy-makers by means of a derogatory analogy, namely, National Socialism. (*Honi sou qui mal y pense.*) Moreover, although the Nazi government had an appalling record during 1933-36, the period to which my comparison refers its worst excesses and atrocities were yet to come. No foreign state boycotted the Olympic Games held in Berlin in August 1936, or broke off diplomatic relations with Germany.

The comparison I have made between economic policy in Nazi Germany and the new South Africa rests on purely factual ground: the former had and the latter has, a hybrid economic system in which centralised decision-taking coexists with private property rights. This is an unusual combination of economic institutions, based partly on socialist-type planning and partly on capitalist-type markets. Far from being the "best of both worlds", this institutional mixture results in an inefficient and unstable economy. To be sure, South Africa does not

have a fully fledged Nazi-type economy (ubiquitous "coordination" and "leadership") at present, but it certainly has the makings of one. These are, essentially, an ill-assorted core (private ownership rights, central decision-taking) and a dirigiste environment where the state means to shape the economy in its own image of the good society. The purpose of my paper was to draw attention to this ominous state of affairs, where government is more part of the problem than the solution.

The present South African government has inherited a strongly authoritarian policy stance from its one-time Soviet mentor, and authoritarianism was a notable feature of National Socialism and the previous South African government too. In our age, however, dirigisme is increasingly yielding to liberty, and research has shown time and again that "there is a close relation between economic freedom and the level and rate of economic growth" (Gwartney, 1996:vii). So long as the government refuses to accept this fact of life, it will remain the enemy of the economy, something which is widely perceived at home and abroad. The one positive aspect of economic policy in South Africa today is Gear, warts and all. It has considerable leverage: when President Mandela uttered some kind words about Gear at the beginning of 1997, this proved sufficient to reverse the year-long decline in the rand exchange rate. For all its obtrusive zeal, the government is unsuccessful in performing its classic function of maintaining law and order - the prerequisite for economic progress that no one else can meet.

From time to time, Clem Sunter of the Anglo American Corporation writes a small book on a large topic. The title of his latest publication asks the question: *Where are we now?*, to which the author replies: "We are now at the economic, as opposed to the political, crossroads" (1996:102). In order to take the turning that leads to prosperity *and* to arrive there, writes Mr. Sunter, it is necessary for South Africans to develop a universal "passion for business". My own advice, designed to serve the same purpose, is directed to South Africa's economic policy-makers and may also be stated quite briefly: "Conquer your fear of freedom!" Only then will South Africans be ready to rejoin the great majority of mankind on the road to the market. This is not the counsel of mindless idealism: if nothing else, it is far cheaper to run the economy by means of incentives than controls.

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