Economic Performance and State-Business Relations in Post-Apartheid South Africa

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ABSTRACT

In this study the main concern is state-business relations in post-apartheid South Africa. Guided by the political theory of corporatism, the study considers the influence of state-business relations on economic performance. The obvious assumption is that sound state-business relations correlate positively with impressive economic performance.

Following the demise of the apartheid system of governance in South Africa, a corporatist institution known as the National Economic Development and Labour Council (NEDLAC) was established. Sub-optimal economic performance of post-apartheid South Africa has raised doubts about the efficacy of NEDLAC's role in fostering economic prosperity for the country.

It is contended that in many studies a substantive comprehension of what economic performance entails is absent. To overcome the lack of coherence in the conception of economic performance, this study applies economic growth, public debt and unemployment to measure economic performance. The study found that overall, growing public debt, high levels of unemployment and poor economic growth point to unimpressive economic performance associated with state-business relations in post-apartheid South Africa.

Key words: corporatism, financialisation, political exchange, economic growth, unemployment

DECLARATION

I, Bruce Molefi Nkgodi, declare that this research report is my original work and that which is not is referenced accordingly. It is submitted in partial fulfilment of the requirements for the degree, Master of Management (Public Policy) at the University of the Witwatersrand, Johannesburg. It has not, either in whole or in part, been submitted before for any degree or examination in this, or any other University.

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Signature: BMNkgodi

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ACRONYMS AND ABBREVIATIONS

AAC	Anglo American Corporation
AHI	Afrikaner Handels Institute
ALMPs	Active Labour Market Policies
ANC	African National Congress
BEE	Black Economic Empowerment
BEEC	Black Economic Empowerment Commission
BLSA	Business Leadership South Africa
BSA	Business South Africa
BUSA	Business Unity South Africa
CDE	Centre for Development and Enterprise
CODESA	Convention for a Democratic South Africa
CSP	Community Social and Personal
COSATU	Congress of South African Trade Unions
DDEP	Discussion Document on Economic Policy
EAC	Economic Advisory Council
EC	European Community
EFTA	European Free Trade Association
ETI	Employment Tax Incentive
FABCOS	Foundation for African Business and Consumer Services
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
ILO	International Labour Organisation
IMF	International Monetary Fund
IOE	International Organisation of Employers
JEC	Joint Economic Council
LF	Labour Force
LFPR	Labour Force Participation Rate
LRA	Labour Relations Act

NBAs	National Board and Agencies
NBC	National Bargaining Council
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NFCs	Non-Financial Companies
NHI	National Health Insurance
NT	National Treasury
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of the Petroleum Exporting Countries
PAYE	Pay As You Earn
R&D	Research and Development
RDP	Reconstruction and Development Programme
SACTWU	South African Clothing and Textile Workers Union
SANCO	South African National Civic Organisation
SAP	Swedish Employers' Confederation
SARB	South African Reserve Bank
SOCs	State Owned Enterprises
SPV	Special Purpose Vehicle
TES	Temporary Employment Services
TNCs	Trans-National Corporations
TUCSA	Trade Union Council of South Africa
WAP	Working Age Population
WEF	World Economic Forum

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CHAPTER 1: INTRODUCTION

1. BACKGROUND

In this study the main concern is state-business relations in post-apartheid South Africa. Guided by the political theory of corporatism, the research considers the influence of state-business relations on economic performance. The obvious assumption is that sound state-business relations correlate positively with impressive economic performance. Some countries like Austria, Sweden and Norway are classified as classical corporatist models. In comparison, post-apartheid South African state-business relations arguably appear dysfunctional to give impetus to national economic development.

2. STATEMENT OF THE PROBLEM, RESEARCH PURPOSE AND RESEARCH QUESTIONS

2.1 Problem statement

Following the demise of the apartheid system of governance in South Africa, the subsequent democratically elected government established a corporatist institution that came to be known as the National Economic Development and Labour Council (NEDLAC). It serves as the primary platform to facilitate policy deliberations between business, government, community organisations and labour. NEDLAC's mandate, as expressed in its founding documents, is to promote consensus on trade-offs essential for social and economic growth (NEDLAC Protocols & Founding Documents, 1995). NEDLAC's work addresses public finance and monetary policy, trade and industrial policy, labour market policy and development policy (NEDLAC Protocols & Founding Documents, 1995).

However, sub-optimal economic performance in much of post-apartheid South Africa has raised doubts about the efficacy of NEDLAC's role in fostering economic prosperity for the country. Dysfunctional state-business relations have been identified as the main cause of NEDLAC's poor showing in driving economic progress for South Africa (Centre for Development and Enterprise, 2016; Nattrass and Seekings, 2011).

Both the state and business are pointed out as partly responsible for NEDLAC's failure to bring the two actors more closely together. According to Nattrass and Seekings (2011), some structural features and ideological differences of both the state and business drove a wedge between the two participants in NEDLAC institutions, particularly with respect to bilateral engagements.

As argued by the Centre for Development and Enterprise (CDE) (2016), the nature of business diversity prevailing in the country seems conducive to competition rather than supportive of cooperation among different business entities. In addition, the diversity noted tends to militate against effective collective action by the business fraternity (Centre for Development and Enterprise, 2016).

With regard to the state, capacity constraints within the government bureaucracy are seen as the main contributing factor to lack of capability necessary for policy development that translate into positive economic impact on society. For Evans and Rauch (1999), a state structure capable of steering economic development is characterised by a Weberian bureaucracy steeped in meritocratic recruitment and long-term career path. That is, a meritocratic recruitment with examination and education as part of the selection criteria as well as tangible and intangible benefits accruing to those in state bureaucracy (Evans and Rauch, 1999).

To substantiate the correlation between Weberian state bureaucracy and economic growth, Evans and Rauch (1999) developed what they refer to as the Weberian Scale, derived from an assessment of responses from a questionnaire with ten questions: one of the questions interrogate the prevalence of senior public sector officials from state institutions responsible for economic policy development oscillating between the public sector and the private sector. Nattrass and Seekings (2011) on the other hand argue that most of the new post-apartheid bureaucracy as well as new politicians in South Africa's government lacked experience on how the business sector operates, while some harboured hostility towards the private sector. In other words, Nattrass and Seekings

(2011) are of the view that the barrier to sound state-business relations mainly stems from political and racial divisions.

Also, Nattrass and Seekings (2011) maintain that government's dealings with business in post-apartheid South Africa have largely been informed by the desire to protect workers and consumers from what is seen as rapacious capitalist pursuit of profits. Moreover, the CDE (2016) views government's entrenched position that construes the pursuit of the profit motive as inherently opposed to social, developmental and transformation agenda as hindrance to fruitful engagements with business.

However, the CDE also recognises that government's dim view of the market is partly attributable to the fact that "macroeconomic policy was focused on the correct goals of stable and declining debt and low inflation, but the policy reforms needed to enhance economic efficiency were never developed" (2016: 12). On the other hand, for Nattrass and Seekings (2011), the post-apartheid state has been pro-market as opposed to being pro-business. That is, the state in post-apartheid South Africa is characterised as pro-market in view of the global economy, but less so regarding the domestic economy (Nattrass and Seekings, 2011).

Furthermore, poor and jobless economic growth rates registered in post-apartheid South Africa have prompted the need to differentiate between weak and strong growth coalitions (Nattrass and Seekings, 2011). The fact that business and the state in South Africa regard each other as inter-dependent, Nattrass and Seekings (2011) maintain that this acknowledgement lays the foundation for a weak growth coalition. In addition, Nattrass and Seekings (2011) contend that information exchange, reciprocity, trust and credibility which were identified by Schneider and Maxfield as traits critical in forging a growth coalition have been absent in state-business relations in the South African context.

Further scrutiny of state-business relations in South Africa also shows that in the aftermath of apartheid some big businesses opted for off-shore listing (Financial Mail, 2010). This move by big business is viewed by some as debilitating to endeavours to foster national development in South Africa. For instance, it has been argued that, "off-shore listing by large corporations ... seem to have the effect of increasing the determination of current South African economic policy-makers to assure shareholders that stakeholders' interests and social and economic development objectives will not obstruct the maximisation of shareholder value" (Mohamed, 2010: 165).

While off-shore listing was becoming a growing trend within the business fraternity some corporations forged empowerment deals, notably with some members of the ruling African National Congress (ANC), with some former senior civil servants being beneficiaries thereof (Financial Mail, 2010). Critics of empowerment deals argued that these deals fall short in that they tend to benefit a selected few who are connected with the ANC, resulting in a web of ANC aligned individuals in company board-rooms (Financial Mail, 2010).

The Financial Mail (2010) also cites that empowerment deals have to an extent contributed to increasing trust and strengthening communication between government and business. As mentioned above, it has been found that trust between state and business as well as transparency, which manifest itself through information sharing between the two, were among factors that enhanced state-business relations in countries with impressive track records of economic development (Leftwich and Te Veld, 2010).

By contrast, an analysis of Black Economic Empowerment (BEE), business and the state in South Africa by Ponte et al. (2007) proffers divergent views on the rationale for BEE as a programme adopted by the ANC led government post-1994. As they contend, some commentators chose to view BEE as a programme for facilitating socio-economic functioning of a society that emerged from deep racial divisions as means to avoid the looming civil strife (Ponte et al., 2007). While others construed BEE as a mechanism for the creation of a black capitalist class to underpin the legitimacy of the 'rainbow' neoliberal economic and political system necessary for maintaining the hegemony of white capitalist class and protect property rights (Ponte et al., 2007).

Nattrass and Seekings (2010) further argue that business in post-apartheid South Africa appears well-organised and formal institutions for consultation between business and government are already in existence. However, they contend that in practice these formal institutions are skewed in favour of big business. They also argue that informal and formal relations between the state and business appear fragile despite government's efforts to effect business friendly policies.

On the other hand, Fine (2010) has argued that in post-apartheid South Africa the interests of big business are not in harmony with the state's efforts to advance national development. Thus, big business has been successful in its drive towards the business strategy of internationalisation which culminates in off-shore listing. According to Fine (2010), macro-economic policy in post-apartheid South Africa serves to safeguard the interests of business, in particular those of big business. In other words, the state in post-apartheid South Africa "far from the (developmental) state coordination or even coercing private capital to commit to a concerted programme of industrial expansion and diversification, the interests of private capital have predominated over developmental goals" (Fine, 2010: 175).

A somewhat challenging perspective on state-capital relations in post-apartheid South Africa is presented in an article by Iheduru (2008), which focuses on BEE and globalisation. For instance, Iheduru argues that with respect to the general impact of globalisation on the state (or domestic) policy autonomy, there are overarching contending views on the subject matter (Iheduru, 2008).

One view is that the recent trajectory of globalisation has had a debilitating impact on the state and its constituent institutions, with emerging market economies as notable cases of such an impact. That is, Trans-National Corporations (TNCs), as the main drivers of globalisation, by virtue of their control of resources are seen to have acquired greater power over the state. As a result, domestic policy making becomes malleable to global pressures that may not be in tune with domestic considerations (Iheduru, 2008). Within the aforementioned view some argue that globalisation has given rise to competition among states for economic benefits derived from foreign capital, leading them to succumb to the dictates of market forces. In such circumstances redistributive policies such as BEE turn unattractive to policy makers in the face of limited policy options because of declining state autonomy and ultimately to deterioration of state capacity. Therefore, states confronted with curtailed state autonomy "are compelled to craft a 'regime of governance' based on 'competitive corporatism' involving the state, capital, and labour to position themselves to take advantage of the benefits of globalisation" (Rhodes in Iheduru, 2008: 337).

In contrast to the above perspective is the view that the spreading interconnectedness is contingent on stronger states, both on the domestic and international fronts (Iheduru, 2008). That is to say, as nation-states grapple with domestic and international challenges stemming from globalisation, states together with their bureaucracies reconfigure their roles so as to maintain their power (Iheduru, 2008). In effect, the power of business is considered as the outcome of interactions that occur between business and the political elite, domestic social and political structures, public legitimacy and trust enjoyed by business and mechanisms adopted to influence government policy (Iheduru, 2008).

Also, it is cited that globalisation is not always favourable to corporations since the drive by respective business entities to increase market share exposes them to heightened levels of competition with each other (Iheduru, 2008). As stated by Iheduru (2008), due to the scarcity of markets to be ventured into, emerging market economies such as South Africa become empowered in forging new forms of state-TNC relations. Furthermore, Iheduru contends that notwithstanding criticism levelled against BEE, it has coincided with rapid rates of economic growth, thereby dispelling the conventional view which equates redistribution with economic decline.

Furthermore, Terreblanche (2012) postulates that South Africa's post-1994 integration into the global economy, which is under the stewardship of the American influenced neo-liberalism, only serves to entrench the power and wealth of white controlled capitalist sector in South Africa. In addition, Terreblanche (2012) is of the view that in the eighteen years of post-1994 South Africa, government policy initiatives have been in favour of black elite formation and both local and foreign corporate interests, and oblivious of the impoverished black majority. Consequently, the overall outcome of these bias policy initiatives by government had been the intensification of poverty, unemployment and inequality afflicting the poorest 50% of South Africa's population, according to Terreblanche (2012).

Similarly, Bond (2018) contends that in South Africa, macro-economic instability, unemployment, inequality, and pollution are manifestation of climate-intensive neo-liberal policies adopted by the post-1994 government. With respect to inequality, Bond (2018) states that when the ANC government assumed power, inequality in South Africa was already a challenge, and due to the adoption of neo-liberal policies, inequality further increased. For instance, by 2000 the top 1% of South Africa's society appropriated more than 20% of the country's income, thereby resulting in a rate double that recorded from 1990 (Bond, 2018).

Bond (2018) also argue that the integration of South Africa into the global economy has impacted adversely on the country. To illustrate his assertion, Bond identified three phases in which globalization disadvantaged South Africa and one period in which globalization was beneficial to South Africa. Over the period 1994 – 2002, Bond cites that South Africa experienced severe currency crisis and recorded the rate of unemployment doubled that of the pre-1994 era as well as endured worse levels of poverty and inequality never seen before 1994. The world recession spanning from 2008 to 2009 is another period associated with adverse repercussions of globalization on South Africa. As noted, between 2008 and 2009 South Africa's government budget deficit increased to 7% of GDP due to ramped up spending on the 2010 Soccer World Cup infrastructure projects which assisted in counter-vailing the economic downturn precipitated by the world recession. South Africa being a mineral based economy, subsequent to the 2008 – 2009 period, the country's local rand price of its mineral exports declined at a rate faster than that registered in the global commodity index (Bond, 2018).

Bond (2018) further argues that due to the internationalization strategy, mining corporations were required to pay foreign shareholders in hard currency. This exerted pressure on mining houses with operations in South Africa to maximise profits by means of increasing output. As cited, repatriation of "profits must be done with hard currency, South Africa's external debt had then soared to 39 per cent of GDP, $125 billion, from a level less than 16 per cent of GDP ($25 billion) in 1994" (Bond, 2018: 14). On the other hand, the commodity boom that occurred in the period 2002 - 2011 is noted by Bond (2018) as the phase in which South Africa enjoyed economic spin-offs derived from globalisation.

Furthermore, Marais (2010) contend that through restructuring, consolidation and globalization, South Africa's largest corporations have succeeded in re-enforcing their dominance in the local economy, spurred the rise of the financial sector and made conditions suitable for speculative international capital to thrive. To substantiate his contention, Marais (2010) states that company profits as a share of national income increased from 26% in 1993 to 31% in 2004, while wages decreased from 57% to 52%. This ostensibly could be part of the reason in 2018 workers in South Africa were ranked first out of 137 competitors for six years in succession in the World Economic Forum survey that assesses class struggle in participating countries (WEF, 2018). In his assertions, Marais also argue that "The post-apartheid development path manifestly favours domestic (and international) corporate capital. Economic policies have shifted the balance of power further in their favour, particularly those sections that have managed to insert themselves deeper into the global system. Parts of the state (and, more so, the ANC) are now also entangled in that circuitry" (Marais, 2010: 4). It is pertinent to also mention that out of 137 countries analysed by the World Economic Forum, South Africa was ranked 109 with respect to the frequency of public funds being diverted and 91 in relations to the prevalence of incidents of irregular payments and bribes (WEF, 2018). Moreover, in the annual survey assessments by the PricewaterhouseCoopers (PwC) on corruption in the private sector, South Africa was ranked first in 2018 (PwC, 2018).

2.2 Research Purpose

The purpose of this research is to explore state-business relations in post-apartheid South Africa through the prism of the political theory of corporatism.

2.3 Primary research question

The primary research question is the following: How have state-business relations in post-apartheid South Africa affected economic prosperity for the country?

2.4 Secondary research questions

The secondary research questions are the following:

a) How has the nature of state bureaucratic capacity affected state-business relations?

b) How has the configuration of business associations influenced engagements with the state?

3. LITERATURE REVIEW

3.1 The theory of corporatism

Underpinning this research project is a political-theoretical model of corporatism, pioneered by Philippe Schmitter, among others. In his ideal-type definition of the concept of corporatism, he construes it as:

> [A] system of interest representation in which the constituting units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports. (Schmitter in Hartono, 2014: 18)

Corporatism was essentially conceived by Schmitter as an alternative mechanism of interest intermediation known as pluralism (Panitch, 1980). As argued by Panitch (1980), its ties with pluralism rendered corporatism vulnerable to similar criticism levelled against pluralism. That is, by not taking account of the economic system corporatism is premised on the definition of the concept that is devoid of historical basis and offers limited scope to interrogate the theoretical assumption underlying pluralism that takes as given state neutrality in its dealings with interest groups as well as addressing skewed power distribution among various interest groups constitutive of society (Panitch, 1980).

Panitch (1980) further states that the other shortcoming with ideal-type constructs become apparent in light of Schmitter's conception of sub-types of corporatism, namely: societal and state corporatism. Societal corporatism, according to Schmitter's description, is "characterised by spontaneous gradual development and consensual and voluntarist arrangements (as in the ‘advanced capitalist, organised democratic welfare state’); … [whereas state corporatism] entails state creation or imposition over the groups and control over them” (Panitch, 1980: 168).

As contended by Panitch (1980), Schmitter’s extension of state and societal classification to pluralism (or syndicalism) give rise to challenges of conceptual clarity since Schmitter regards pluralism as a product of state creation. However, Panitch maintains that “apart from the fact that if the state sets the system in motion, it is most likely to maintain continued effective influence over the groups, if not actual control, the distinction could pertain to the actual operation of these sub-types, for if we had state pluralism (or state syndicalism) in practice, this would not be consistent with Schmitter’s own definition of these types” (Panitch, 1980: 168).

Moreover, Panitch (1980) points out that having taken account of the above shortcomings in his subsequent analysis of corporatist structures, by drawing on historical materialism, Schmitter concretised his conceptual construct of corporatism, a move which sets it apart from pluralistic theory of interest intermediation. That is, Schmitter came to conclude that “the decay of pluralism and its gradual displacement by societal corporatism can be traced primarily to the imperative necessity for a stable, bourgeois-dominant regime, due to processes of concentration of ownership, competition between national economies, expansion of the role of public policy and rationalization of decision-making within the state to associate or incorporate subordinate classes and status groups more closely with the political process” (Schmitter in Panitch, 1980: 168).

Panitch (1980) also argues that one defining feature of Schmitter’s conception of corporatism stems from the fact that it assumes a singular group-state relations. This offers justification for limiting focus on state-business relations in this research project. However, it should be pointed out that the singular group-state relations underpinning Schmitter’s definition of corporatism is viewed as a shortcoming by some. For instance, Panitch is of the view that “The distinguishing trait of liberal corporatism is the high degree of collaboration among the groups themselves in the shaping of economic policy” (1980: 169).

Furthermore, Schmitter’s definition of corporatism has been found wanting for its bias in favour of a group-theoretical approach as opposed to a class-theoretical line of exposition (Panitch, 1980).

In other words, Schmitter's analyses of actors in corporate structures are reflected in group terms, not explicitly by way of class representations. Nevertheless, it is argued that as an ideology corporatism is not necessarily concerned with all groups and confrontations. Thus, Schmitter's conception of corporatism is derived from his analysis of capital and labour groups, an approach consistent with a class-theoretical explanation (Panitch, 1980).

Further deliberations by Panitch (1980) on the concept of corporatism indicate that in essence he locates the origins of corporatism within liberal democracy. This represents a departure from the view that associates the origins of corporatism with representation aligned with the fascist political structure which is in nature an anti-thesis to liberal democracy (Panitch, 1980). Consequently, Panitch prefers to interpret corporatism as a "political structure within advanced capitalism which integrates organised socioeconomic producer groups through a system of representation and cooperative mutual interaction at the leadership level and mobilization and social control at the mass level" (1980, 173).

With respect to the configuration of constituent units, Panitch (1980) states that corporatism is an arena of class based groups (1980, 176). Panitch underscores that groups with no origins in the social division of labour such as issue-oriented groups and ideological groups are peripheral to corporatism.

On the distinction between sectoral groups and socioeconomic groups found in corporatist literature, Panitch (1980) maintains that constituent units are mainly those groups in the sphere of economic sectors such as branches of industry, commerce and the professions together with participants in sector related activities.

Essentially, within corporatism the state is accorded a dominant role in policy making (Hartono, 2011). Notwithstanding the state dominant role, in a corporatist setting public policy is construed as an outcome of the interaction between the state and various interest groups (Hartono, 2011). These interest groups are recognised and regulated by the state by means of rules such as ministerial decisions and laws (Hartono, 2011).

According to Hartono (2011), there are three versions of corporatism, namely: historical or natural corporatism, state corporatism and neo-corporatism. Hartono argues that historical corporatism is characterised by a strong dominance of the state as in the case of authoritarian regimes. Historical or natural corporatism is generally associated with societies with strong group solidarity and communitarism. As stated, societies that emulate natural corporatism tend to display ties based on ethnic, community or regional identity (Hartono, 2011).

With respect to state corporatism, the state is authoritarian and governs through the military power (Hartono, 2011). Thus, the interaction between the state and existing interest groups occurs on the basis of a top-down approach. In other words, within state corporatism the state designs policy without taking into account inputs from other interest groups (Hartono, 2011).

In the third version of corporatism referred to as neo-corporatism the state strives to engender harmony in policy decision making (Hartono, 2011). That is, "Neo-corporatism is thus characterised by a quasi-open policymaking system, where interest groups are involved in the policy making process, conducting a role designed by the state, and where co-operation rather than competition is the main mode of interaction between groups and the state" (Hartono, 2011: 20).

Furthermore, Wiarda argue that various analyses of country case studies show that a countries level of economic development is related to different versions of corporatism (Hartono, 2011). "In particular, [Wiarda] stresses that there is an evolutionary path of corporatism as a country develops economically, going from historical and state corporatism to neo-corporatism" (Hartono, 2011: 21).

3.2 Corporatism in South Africa

In his 1994 publication on the subject of corporatism in South Africa, Geoff Schreiner argues that in the history of South Africa the 1960s state, business and labour relations marked a trajectory in synch with the corporatist model of public policy making. To illustrate his assertion, Schreiner cites that during the 1960s South Africa adopted an economic policy informed by inward industrialisation and import substitution, coupled with a viable configuration of white labour, business and state relations, gave effect to economic prosperity that however accrued to the white segment of South Africa's population.

The Economic Advisory Council (EAC) established in the 1960s served as a conduit through which the interests of business and labour were incorporated into the economic policy designed by the state (Schreiner, 1994). During the same decade, the Trade Union Council of South Africa (TUCSA), a union exclusively for white labour, was accorded representational monopoly while black unions were unlicensed, that is unrecognised, by the state, according to Schreiner (1994).

As argued by Manji (2002), preconditions for the emergence of corporatism were already in existence prior to and while the transition to a democratic order was unfolding in South Africa. Manji's view is largely informed by Baskin's observation which noted the emerging scope for an institutionalised role for labour and capital in shaping economic policy in a racially inclusive democratic South Africa.

Although there were views opposed to corporatism within the labour movement, a majority of trade union leaders accepted corporatism as the "best worst' alternative for the country and the labour fraternity (Manji, 2002). For instance, in an interview in 1992 the Assistant General-Secretary of COSATU made mention of the demand put forward by COSATU while the Convention for a Democratic South Africa (CODESA) negotiations were in progress (South African Labour Bulletin, 1992). The demand in question was about the need for the establishment of a Macro-Economic Negotiation Forum, where deliberations between unions, business and the state pertaining the restructuring of the economy could take place (South African Labour Bulletin, 1992). Subsequently the demand for the establishment of a negotiation platform was partly met when the National Economic Forum was formed (South African Labour Bulletin, 1992). During the interview a question was posed to the Assistant General-Secretary about the immediate demands of COSATU at the National Economic Forum. His part of the response was that:

> … there must be restructuring of the present economy so that it is not weighed only in favour of profit-making. It must also benefit the poor. Both from our side and the side of business we must move away from rhetoric – whether it is socialism … nationalisation …

> free market or whatever. What we have to ask is what does South Africa need in terms of the economy. Can it deliver jobs? Can it compete internationally. If it cannot, what are the problems? How do we deal with such issues? (South African Labour Bulletin, 1992: 15 – 16)

As cited, justification of the labour's willingness to embrace corporatist arrangements stems from the view that:

> the strength of the corporatist perspective is that it tries to grapple with the realities of the post socialist world … global experience shows that a working class that is industrially and politically organised can counter the polarising effects of capitalism and provide for a relatively just society. The Scandinavian social democracies of Europe and Germany where unions work in the codetermination with capital are all capitalist states yet their capitalist systems are more equal and socially just than the capitalism of the United States. They are far from perfect societies, yet the power of organised labour has forced capital to reach a working compromise. (Southall in Manji, 2002: 26)

It is further contended that in reality the probability of political marginalisation, which came to fruition following the rejection of its application to form part of the negotiating delegates at CODESA, spurred COSATU to adopt a culture of negotiating for the purpose of reaching compromise and seeking consensus (Ngxabi, 2015).

Although the legitimacy crisis that adversely affected the state before 1994 had been cancelled out by the first racially inclusive democratic elections in 1994, corporatist policy making remains lacklustre in post-1994 South Africa (Pretorius, 2000). As argued by Pretorius, this is partly due to the fact that the initial phase of corporatism was spearheaded by labour interests.

Currently the forum for facilitating corporatism in South Africa, that is NEDLAC, was established through a parliamentary legislation (NEDLAC Protocols & Founding Documents, 1995). As stated above, it has emerged that the state, labour and business as parties within NEDLAC fail to reach consensus on some issues of national importance (Pretorius, 2000). In the main ideological cleavages among participants in NEDLAC, notably between business and labour, are seen as at the centre of divisions. For instance, it is argued that intellectuals aligned with the Congress of South African Trade Unions (COSATU) promoted the notion that labour should reach consensus on condition that it advances the working class towards the realisation of a socialist society (Pretorius, 2000). On the other hand, within labour some were opposed to participation in corporatist processes, the reason being that pacts derived from corporatism tend to entrench the hegemony of capitalist class (Pretorius, 2000).

Like in the union movement, the business stance in relation to corporatism has not been unanimous. It is cited that within the business fraternity some shared the view that "wage and price decisions have no place in a collective forum. They should be taken on commercial criteria gleaned from competitive experience" (Financial Mail in Pretorius, 2000: 53). On the other hand, the executive director of the South African Chamber of Business (Sacob) at some stage expressed the view that "NEDLAC is an important instrument in building "an economic dimension of reconciliation and nation building" in South Africa and in "helping build confidence and trust among leading players in the economy"" (Pretorius, 2000: 53).

In South Africa civil society participation in governance is recognised as essential in fostering transparency, accountability and efficiency in the affairs of government (Ngxabi, 2015). As a result, the community constituency in NEDLAC was incorporated to cater for civil society's role in social dialogue (Ngxabi, 2015). Within NEDLAC, civil society participation is facilitated through the Development Chamber (Ngxabi, 2015).

To date a number of challenges in connection to the structural make-up of the community constituency and its participation in all NEDLAC's structures had been noted. One such challenge is that the representativeness of the community constituency is found to be wanting (Ngxabi, 2015). For instance, in 2013 Webster et al. observed a short fall in small business representatives constituting the community constituency (Ngxabi, 2015).

In regard to participation, the challenge germinates from the fact that representation of the community constituency is limited to three NEDLAC's structures; that is, the Development

Chamber, the Management Committee and the Executive Committee. The remaining three social partners – labour, government and business - all enjoy equal presence in all NEDLAC's structures (Ngxabi, 2015). According to Ngxabi (2015), this translates to absence of the community constituency in the Public Finance and Monetary Policy Chamber, Labour Market Chamber and Trade and Industry Chamber.

Furthermore, inadequate capacity, which manifest in limited knowledge, financial resources and time, is another form of challenge impeding effective participation of the community constituency in social dialogue engagements (Ngxabi, 2015). It is cited that the large number of organisations that comprises the community constituency tend to get in the way of reaching a common stance on policy issues tabled for deliberations (Ngxabi, 2015). It has also transpired that interaction and cooperation between the Development Chamber and government has not been on par with expectations (Ngxabi, 2015). For instance, the disjoint between the Development Chamber and government was articulated by one representative of the community constituency as follows: "… there are numerous challenges that they encounter with government such as dealing with multiple government departments who do not necessarily coordinate their efforts" (Ngxabi, 2015: 43).

However, notwithstanding challenges the community constituency is grappling with, NEDLAC is considered a primary institution for facilitating social dialogue in South Africa and there are instances where civil society's contributions in NEDLAC have had a positive impact on policy-making processes, particularly in areas that tap into expertise in organisations representing communities (Ngxabi, 2015).

Beyond the realm of NEDLAC, the South African National Civic Organisation (SANCO), the peak civil society organisation in post-apartheid South Africa, due to its ties to the ANC it has been seen as less effective in deepening democracy and shaping the institutional configuration of the state (Heller and Ntlokonkulu, 2001). SANCO's critics also argue that its claim to be independent of the ANC has not been matched by tangible actions demonstrating differences it has had with the ANC on, for example, government's economic policy initiatives (Heller and Ntlokonkulu, 2001). This difference was, however, articulated during SANCO's national conference in 1997 by its President who stated that, "It must be emphasised that our support for the ANC is not without qualifications … It is premised on the electoral manifesto whose cornerstone is the [Reconstruction and Development Programme] RDP, not European fiscal discipline" (Heller and Ntlokonkulu, 2001: 46). This utterance, which was in line with the sentiment shared SANCO's leadership at large, was made in the wake of the switch from RDP to GEAR (Growth, Employment and Redistribution) in government economic strategy.

Deliberating on the new platforms of interest representation subsequent to the demise of the apartheid political order in South Africa, Glen Adler contends that social actors – that is, business, the state and labour – have had to do away to some degree with their old modus operandi in order to make way for new approaches that are open-ended (Adler, 2009). Consequently, Adler prefers to label interactions among social actors in post-apartheid South Africa as engagement as opposed to conceiving such interactions as concertation, a label preferred by Jeremy Baskin.

According to Adler, contributing to the appropriateness of engagement is that it implies "a common meeting place, not a common starting point, nor even a common end-point" (Adler, 200: 4). In contrast, by concertation Baskin refers to a looser, less structured policy making approach. In Baskin's conception, the label concertation "means an institutional role for interest organisations (mainly economic) in the formulation and implementation/regulation of state policy" (Baskin in Alder, 2009: 3-4).

In view of engagement that unfolded in the early phase of post-apartheid South Africa, Adler argues that the transition to democracy has set as priority to continue the practice of bargaining and pact crafting among social actors with opposing interests. This is because "Such co-operation – and the inherent compromises on which it hinges – was a necessary condition for transition under conditions of political stalemate. In this sense, engagement is an era bound product, precipitated by the exigencies of collaboration between illegitimate state which governed but did not rule and a legitimate democratic opposition which ruled but did not governed" (Adler, 2009: 10-11).

Adler attributes the continuation of the practice of engagement in post-apartheid South Africa to a number of reasons. One of these is that the transition to democracy coincided with globalisation which compelled South Africa to adopt new ways of competing in the international political economy. Adler further argues that the compelling case for representation is due to the fact that "The historical embeddedness of engagement between labour and capital in capitalist relations of production constrains the options available to the state for unilateral restructuring of the economy and society" (Adler, 2009: 12).

In reference to NEDLAC, Adler maintains that engagement in this forum seem to inspire little enthusiasm among its participants, in particular labour. Consequently, at times each participant opts to pull out whenever it serves their interests to act in this fashion. For instance, Adler observed that "Business judges that it can better secure its interests by quietly lobbying friendly government politicians and senior civil servants than by entering complicated negotiations in NEDLAC over macro-economic fundamentals. For its part, government treated GEAR as a non-negotiable issue, and maneuvered to ensure that it was never formally discussed in NEDLAC's Public Finance and Monetary Policy chamber" (Adler, 2009: 13). Adler laments this conduct given that by definition engagement does not allow each representation to maximise its gains since engagement is all about sub-optimal or least-worse outcomes.

Habib (1997) on the other hand, argues that confrontation which characterised the nature of industrial relations during the apartheid dispensation in South Africa was replaced in the 1990s by initiatives that fostered a co-operative relationship between labour, capital and government. These initiatives took cue from the multi-party negotiations that paved way for the emergence of an inclusive democratic political system in the country. In the main, labour and economic policy and South Africa's incorporation into the global economy were focal points of discussions during negotiations between labour, capital and government (Habib, 1997).

According to Habib (1997), national unity and the concern to enhance competitiveness of South African companies in the global economy were ideological ethos that guided negotiations between the three social actors. This encouraged labour, capital and government to consider each as equal partners in advancing the national project of building the capacity of South Africa's economy to withstand foreign competition (Habib, 1997). Thus, NEDLAC is construed by Habib as a corporatist mechanism for the advancement of the ideological ethos of national unity and reconciliation.

Habib further argues that as in some other context the rise of corporatism in pre-and-post apartheid South Africa was given impetus by the political elites' response to a crisis situation. The crisis in question stems from the political elites' recognition that the implementation of their neo-liberal economic agenda would instigate resistance, thus corporatism was adopted as a mechanism to ameliorate and contain discontent from the masses.

In his 1999 publication entitled, A LUTA DIS-CONTINUA? THE TRC FINAL REPORT AND THE NATION BUILDING PROJECT, Jeremy Cronin describes the post-apartheid transition in South Africa as a contested trajectory characterised by three interrelated dimensions. Cronin refers to these three interrelated trajectories as the politico-juridical, the socio-economic and the moral dimensions.

Cronin (1999) conceived the socio-economic dimension as steeped in a struggle for and against a grand scheme of fundamental reconstruction and development. That is, with respect to the socio-economic dimension, the contest is on one hand centred on whether it should be about modernisation of South Africa's economy to re-integrate it into the international economic system so as to enable the country to take advantage of opportunities from being part of the world market economy. The latter argument is premised on the view that apartheid was a constraint to the competitiveness of the country's economy in its trade with the world. On the other hand, some shared the view that socio-economic transformation should sought to fundamentally bring about redress to apartheid's legacy, which geminated from a protracted under-development induced by colonial social engineering.

Underlying the politico-juridical dimension, according to Cronin, had been negotiations that unfolded during 1990 – 1993, the first inclusive democratic elections in 1994 and the adoption of the new constitution. Of note is that since 1994 the politico-juridical dimension was associated with legislative reform and institutional transformation struggles.

Furthermore, Cronin (1999) argue that from a political perspective the contestation revolved around making post-apartheid transition more than a non-racial intra-elite-driven consensus seeking exercise for it to be just and sustainable or a process largely informed by low intensity democracy construed by some as the best alternative political scenario in negotiated settlements. As cited, the pro-low intensity democracy view was succinctly captured in Frederik van Zyl Slabbert words when he pronounced that:

> One of the most daunting challenges facing [a future government of national unity] is to protect the new political space created by negotiations from being used to contest the historical imbalances that precipitated negotiations in the first place … (in Cronin, 1999: 2)

In essence, low intensity democracy which is also known as choice-less democracy refers to "the inability to change socio-economic parameters because the basic substance of economic and even social policy is considered off-limits by international agencies and capital" (Bond, 2006: 142).

In regard to the moral dimension, at the centre of it is the Truth and Reconciliation Commission (TRC), which served, among other things, as a broader moral and ideological basis of the moral dimension (Cronin, 1999). For Cronin, most pertinent to the moral dimension is whether the moral project pursued through the TRC "is aligned with the vision of low intensity democracy, economic modernisation, and the forging of a new, pacted non-racial (and globalising) elite. Or, is it a moral project that will help to affirm and empower a more profound transformation?" (1999: 2).

As contended by Bond (2006), like in most elite pact facilitated transitions from authoritarian rule to a democratic order, low intensity democracy took hold of the body politic in South Africa in order to sustain the neo-liberal agenda. However, of concern is that experience shows that polities that opt for low intensity democracy (or choice-less democracy) such as South Africa to supplant dictatorships tend to grapple with the challenge of social unrests (Bond, 2006). In other words, for Bond "a political transition based on elite, not popular, reconciliation has not and cannot deliver the goods. This is evident in considering the main site of defence – a growing so-called social wage that allegedly offsets the country's economic problems" (2006: 146).

Furthermore, Raymond Parsons (2007) who delves into the analysis of the origins of the South African social dialogue and NEDLAC argue that NEDLAC is an embodiment of institutional social dialogue. By and large, his analysis uses social dialogue as a proxy for social capital, which he defines as "as the ability of people to work together in their enlightened self-interest for common purposes in groups and organisations" (Parsons, 2007: 3). As stated by Parsons (2007), social capital promotes mutual support, cooperation, trust and institutional effectiveness. Consequently, social capital is desirable due to its perceived positive contribution to good economic outcomes. However, the apartheid social engineering eroded social capital, thereby leading to an atmosphere of mistrust and suspicion. This established a compelling rational for a give-and-take, compromise, consensus-seeking among social actors in the post-apartheid South Africa's body politic (Parsons, 2007).

Like Adler, Parson argues that NEDLAC's main focus was centred on transforming the South African economy from its inward-looking industrial pathway characterised by uncompetitive and excessively protected industries to an economic system that is open and integrated with the international economy. In the early stages of NEDLAC, Parsons found that government representatives were more influential in shaping NEDLAC's agenda, but over time other social actors began to play an increasing role in determining policy positions. As NEDLAC evolved it became apparent that in addition to representational status technical expertise, diplomacy and persuasiveness were among some of the qualities that mattered in influencing policy choices in social dialogues (Parsons, 2007).

On the achievement of NEDLAC and social dialogue, Parsons argue that in spite of the fact that it is impossible to draw a coherent linkage between peak-level dialogue and higher economic growth rates, "All that can be said of South Africa is that the average economic growth rate rose from nearly zero in the early 1990s to about 2.5 per cent in the six-year period post-1994 – and that the acceleration of growth … [subsequently recorded] is arguably an extremely significant reflection of the groundwork that took place in the earlier period" (Parsons, 2007: 14).

3.3 Other perspectives on corporatism

Alan Siaroff (1999), on the basis of his analysis of the political economy of corporatism in 24 industrial democracies, postulates that the ideal type of corporatism is characterised by four features: that is (1) structural features, (2) functional roles, (3) behavioural patterns and (4) favourable context. Siaroff (1999) came to conclude that of the 24 industrial democracies in his study Austria, Norway and Sweden emerged as cases that match the ideal type.

Although corporatism has its origins in Western countries, Europe in particular, there are case studies in the developing world about interest groups-state relations that have been analysed through the prism of corporatism. Some examples of such case studies are found in Latin America as well as in other countries that form part of Asia. As argued, in the 1960s and 1970s Brazil, Argentina and Chile portrayed clear resemblance of state corporatism (Schmitter in Hartono, 2011). Similarly, some countries in Asia, notably South Korea and Taiwan, displayed characteristics of state corporatism (Hartono, 2011). Notwithstanding uncertainty in relation to the extent of the contribution of corporatism in Latin American and Asian case studies, the existence of corporatism in these cases coincided with high economic growth rates.

3.4 State-business relations and economic growth

3.4.1 Drivers of state-business relations

An analysis by Leftwich and Te Velde (2010) of case studies of Ghana, South Africa, Zambia and Mauritius shows that factors that give impetus to sustainable state-business relations are:

- The willingness of both business and the state to engage each other for mutual benefits;
- The political orientation of key stakeholders and institutions as well as the necessity for strong government commitment and support in building coalitions with business and labour;
- In addition to formal institutions, informal ties are a key aspect of the evolution of state-business relations; and

- The institutionalisation of state-business arrangements and organisational structures of the business fraternity to ensure formality guided by clear mandates and reporting channels.

3.4.2 Measurement of state-business relations

There are four characteristics that defines effective state-business relations (Leftwich and Te Velde, 2010). These four characteristics are:

1. The way in which the private sector is organized vis-à-vis the public sector
2. The way in which the public sector is organized vis-à-vis the private sector
3. The practice and institutionalization of state-business relations
4. The avoidance of harmful collusive behaviour.

To elaborate on the characteristics outlined above, in regard to the configuration of the private sector, it is argued that longer membership of firms in a business association leads to the realisation of a matured and profound collaboration (Leftwich and Te Velde, 2010). In similar vein, a higher number of firms relative to the total number of firms existing in a particular state enhances the bargaining position of the business fraternity in deliberations with government (Leftwich and Te Velde, 2010). Also argued by Leftwich and Te Velde (2010) is that the percentage of proposals derived from the total number of proposals tabled by business associations during deliberations with government, which are partially or in part, adopted by the latter serves as a good indicator of effectiveness of a business association.

To measure state's engagement with business there has to be an account of the format, frequency and the occurrence of state-business relations (Sen and Te Velde, 2007). As cited by Sen and Te Velde (2007), the length of the existence of regulations aimed at protecting business practices and competition are essential measures towards the prevention of collusive behaviour.

3.4.3 Economic functions of state-business relations

In assessing the economic functions of state-business relations, Leftwich and Te Velde (2010) examined budgetary allocations in Mauritius and Zambia. In view of Maritius, Leftwich and Te Velde (2010) found that state-business relations do have an influence over budget allocations. This occurs through the Joint Economic Council (JEC), which receives on regular basis policy proposals from the private sector. For instance, over the period 2007 – 2008 of the eight policy proposals received, the state-business relations ratio applied to measure the influence shows that three were fully adopted, two adopted partially and three were rejected (Leftwich and Te Velde, 2010).

In the case of Zambia, the analysis by Leftwich and Te Velde (2010) focused on the extent to which non-state organisations informs the national budget. It emerged from the analysis that following the political and economic liberalisation initiated in 1991, the number of non-state organisation participating in budget related engagements increased (Leftwich and Te Velde, 2010). It was also observed that most policy proposals had an influence on tax policy and budget outcomes (Leftwich and Te Velde, 2010). As mentioned, "This means that the organizational and professional capacity to articulate policy proposals is important in influencing fiscal policy decision-making, but other political and institutional factors also come into play" (Leftwich and Te Velde, 2010: 28).

3.4.4 Effects of state-business relations

Based on their analysis of the African country case studies, Leftwich and Te Velde (2010) came to conclude that state-business relations in Mauritius has had a positive and significant effect on output. The positive influence of state-business relations on output in Mauritius was mostly through private capital, then followed by the openness and the quality of labour. From the Ghana analysis, it was found that "Being well connected with those who make and implement government policy increases the chances of being able to lobby to overcome some of the difficulties confronting normal business enterprises, such as unnecessary red tape, the number of procedures it takes to obtain licenses and permits and the number of days it takes to clear imported goods from the port" (Leftwich and Te Velde, 2010: 32).

3.4.5 Measuring economic performance

It has been contended by Keman et al. (2012) that in many studies about economic performance, a substantive or conceptual comprehension of what the phrase entail is absent. This missing link is moreover glaring when deliberations are centred on what is meant by overall economic performance (Keman et al., 2012). Instead most often assessments of overall economic performance rely on the use of a variety of indicators with no theoretical underpinnings (Keman et al., 2012). As argued by Keman et al. (2012), the lack of substantive common understanding of economic performance give rise to two specific challenges.

> First, researchers lump together indicators of economic performance (e.g. economic growth), indicators of policy performance (e.g. income equality), and indicators uncertain to what category of performance they belong (e.g. strike activity). Consequently, assessing the effect of various institutions on overall economic performance becomes problematic. Second, comparing the analyses' findings is usually difficult because they examine different dependent variables. (Keman et al., 2012: 74)

Furthermore, Keman et al. (2012) cites that in addition to income policy, social expenditure is indicative of government policy performance, while capital investment and labour productivity growth are factors linked with corporate policy performance. Thus, Keman et al. (2012) are of the view that factors associated with the performance of government policy and corporate policy may or may not have a bearing on economic performance indicators such as employment and economic growth.

Keman et al. (2012) maintains that to draw a reliable conclusion about the correlation between institutions and overall economic performance there has to be a combination of indicators embedded on a substantive consensus of what comprises overall economic performance. To overcome the disjointed conception of overall economic performance, Keman et al. (2012) opt to construe "overall economic performance as the combination of economic growth (measured as the percentage of gross domestic product (GDP) per capita in real terms to the previous year), total employment (as a percentage of the total population aged 15-64 years), and the level of gross public debt (as a percentage of GDP)" (Keman et al., 2012: 79).

According to Keman et al. (2012), the selection of the three indicators is informed by debates in late 1990s and 2000s about what was referred to as economic 'miracle'. There were contentions among scholars on what constituted economic miracle (Keman et al., 2012). However, various measures of unemployment, economic growth and budget deficits or public debt were applied in opposing contentions in deliberations about economic miracle (Keman et al., 2012). In their analysis, Keman et al. (2012) mention that they prefer public debt over budget deficit since the former is more apt as a measure of economic performance. This preference is due to the follow:

> The budget deficit, conversely, is more an indicator of policy performance. Budget deficits can be lowered relatively easy if and when the policy decision has been taken to do so – leaving aside the fact that it may be difficult to 'sell' the unpopular policy to the electorate. Arriving at a reduction of public debt, however, requires a sustained effort over time to reduce expenditure and deficit and to create a surplus whilst upholding economic growth and employment. Therefore, although public debt is more closely tied to the policy actions of governments than are growth or employment, it remains an indicator of economic performance. (Keman et al., 2012: 79)

On the other hand, Keman et al. (2012) alludes to the fact that over time government policy tends to have direct influence on economic performance indicators, notably economic growth, employment and public debt. Also, government policy output does at times affect indirectly economic performance through corporate policy performance, which manifest, for instance, in changes in private investment, labour costs and productivity or innovative capacity (Keman et al., 2012). As contended by Keman et al. (2012), the rationale for overall economic performance is that governments are unable to positively influence or manipulate simultaneously the three indicators that constitute economic performance. Thus, this study will take que from Keman et al. typology to measure economic performance.

On why the measure of overall economic performance is not inclusive of inflation, it is argued that like government expenditure, inflation is an indicator of government policy performance (Keman et al., 2012). That is, should a policy decision be taken to maintain low rate of inflation, it can be brought under control (Keman et al., 2012). Thus, "Low inflation is therefore an indicator of central banks' policy performance, the institutions entrusted with this policy goal by national governments, and not an indicator of economic performance" (Keman et al., 2012: 79).

4. RESEARCH STRATEGY, RESEARCH METHODS AND ETHICS

4.1 Research strategy

Documents from business associations such as Business Leadership South Africa and Black Business Council and government institutions such as the Department of Trade and Industry and the Department of Economic Development will be consulted. In addition, information will be sourced from academic books, journals and non-profit organisations such as the Centre for Development and Enterprise and Research Programme Consortium for Institutions for Pro-Poor Growth.

4.2 Research methods

Since this study is about exploration, assessment of state-business relations in post-apartheid South Africa will be undertaken by means of a qualitative research methodology. As a result, a case study analysis has been chosen to guide the enquiry process. Extraction of evidence to address my research questions will be through document analysis of academic material, government documents and publications by organisations with focus on economic development research output.

4.3 Ethics

One of the shortcomings of qualitative research methods has been that they tend to be value laden. Therefore, I pledge to insulate my analysis of evidence gathered for the purpose of addressing research questions underlying this study from my beliefs and values. In addition, I pledge to refrain from the temptation of deliberately plagiarising existing work on the subject of state-business relations.

5. EXPECTED OUTCOME

This study seeks to generate an understanding of state-business relations in post-apartheid South Africa through the prism of the political theory of corporatism.

6. LIMITATION OF THE RESEARCH

As outlined above, in corporatist engagements at times non-state actors do engage one another in the absence of the state. Nevertheless, focus in this study is limited to state-business relations.

7. CHAPTER OUTLINE

This study is divided into five chapters, each representing a different theme. Guided by the adopted theoretical framework, the last chapter synthesis findings in preceding chapters to conclude the study.

Chapter 1: Introduction

This section presents an overview of the research proposal: it outlines the background of the study, the research methodology adopted, the theoretical framework and research questions underpinning the study.

Chapter 2: Theories of corporatism

The aim of this chapter is to provide an outline of the political theory of corporatism.

Chapter 3: The practice of corporatism in Sweden

This chapter deliberates extensively on corporatist interest representation in Sweden.

Chapter 4: State-business relations in post-apartheid South Africa

This chapter presents an analysis of state-business relations in post-apartheid South Africa with a view to establish conformity with corporatist explanations.

Chapter 5: Conclusion

This chapter deducts from evidence gathered in preceding chapters to establish the nature of state-business relations in post-apartheid South Africa and their impact on economic performance.

CHAPTER 2: THEORIES OF CORPORATISM

A pioneer of the political theory of corporatism, Phillipe C. Schmitter, in 1974 examined various interest representations. His book, Still the Century of Corporatism, pointed to a distinct relationship between state, corporations and the most powerful forces in society, especially organised labour.

Schmitter (1974) argues that it is useful to consider corporatism as a system of interest and/or attitude representation of a particular modal or ideal-typical institutional configuration that allows organised civil society interest formations to influence the state's decision-making apparatus. For Schmitter (1974), corporatism is a form of interest representation compatible with various regime-types. In other words, corporatism may be found, for instance, in regime-types with varying modes of public policy, levels of political mobilisation, different party systems and assortment of ruling ideology (Schmitter, 1974).

Subsequent to his exposition of various definitions and usages of the concept of corporatism, Schmitter came to define corporatism as,

> a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports. (Schmitter, 1974: 93 - 94)

Schmitter (1974) acknowledges that his definition of corporatism is an ideal-type description. Thus, he maintains that no empirically founded interest representation system in practice perfectly matches all aspects encapsulated in his ideal-type definition. However, Schmitter (1974) cites that among theorists of corporatism consensus is that Sweden, Norway, Austria, Brazil, Chile and Mexico are among notable country-cases that befit the corporatist system of interest representation.

Schmitter (1974) went on to distinguish two subtypes of corporatism: societal corporatism, on one hand, which he characterises as autonomous and penetrative, on the other, state corporatism, which he describes as dependent and penetrated. Empirically, polities that displays a societal corporatist character include Sweden, Netherlands, Norway and Denmark, while those classified as state corporatist polities include Brazil, Chile, Mexico and Austria (Schmitter, 1974). As argued by Scmitter,

> Societal corporatism is found imbedded in political systems with relatively autonomous, multi-layered territorial units; open, competitive electoral processes and party systems; ideologically varied, coalitionally based executive authorities – even with highly "layered" or "pillared" political subcultures. State corporatism tends to be associated with political systems in which territorial subunits are tightly subordinated to central bureaucratic power; elections are non-existant or plebiscitary; party systems are dominated or monopolized by a weak single party; executive authorities are ideologically exclusive and more narrowly recruited and are such that political subcultures based on class, ethnicity, language, or regionalism are repressed. (1974: 105)

Schmitter (1974) also averred that societal corporatism is in harmony with features of the post-liberal, advanced capitalist, organised democratic welfare state. While state corporatism for Schmitter is synonymous with anti-liberal, delayed capitalist, authoritarian, neo-mercantilist state. In view of the origins of societal corporatism, for Schmitter (1974), it originates from a gradual imperceptible decay of advance pluralism, whereas the origins of state corporatism germinates from a rapid, highly visible demise of nascent pluralism.

In essence, Schmitter (1974) hypothesizes a cogent link between the mutation of corporatism and the metamorphosis of capitalist relations of production. To elucidate his hypothesis, Schmitter argued:

> … the corporatisation of interest representation is related to certain basic imperatives or needs of capitalism to reproduce the conditions for its existence and continually to accumulate further resources. Differences in the specific nature of these imperatives or

needs at different stages in the institutional development and international context of capitalism, especially as they affect the pattern of conflict class interests, account for the difference in the origins between the societal and state forms of corporatism. (1974: 107)

The above assertion implies that for Schmitter, the gradual replacement of pluralism with societal corporatism is made possible by the necessity to maintain a stable bourgeoisie dominant regime so as to wither away turbulences stemming from heightened concentration of ownership, intense competition between national economies as well as accommodation of subordinate classes and status groups in the political process by means of state directed public policy.

Additionally, Schmitter (1974) contends that underlying the trajectory from incipient pluralism to state corporatism is the imperative to engender what he referred to as "social peace" through repression and exclusion of subordinate class articulations in the realm of a bourgeoisie that is weak, internally divided, under-resourced hence externally resource dependent to respond effectively and legitimately to demands concomitant with the liberal democratic state.

Concerning deliberations with respect to advanced capitalism-societal corporatism nexus, Schmitter (1974) resorts to assertions propounded by Lord John Maynard Keynes. According to Schmitter (1974), John Maynard Keynes is the first major theorist to recognise the linkage between certain imperatives of capitalism and corporatism. For instance, Schmitter (1974) writes that Keynes construed as fallacy the liberal ethos of enlightened self-interest purported to be instrumental to public interest. Rather, Keynes lamented the sub-optimal economic outcomes brought through the pursuit of enlightened self-interest. Consequently, Keynes became one of the early proponents of the notion to widen the scope of the state in the management of economic affairs within the capitalist paradigm.

At the time of his writing, Schmitter (1974) conceded that evidence pointing to the prevalence of Keynes' prognosis in public policy making in and outside of his native country had been scant. However, Schmitter maintains that what seem certain and in accordance with his advanced capitalism-societal corporatism hypothesis is that,

> the more the modern state come to serve as the indispensable and authoritative guarantor of capitalism by expanding its regulative and integrative tasks, the more it finds that it needs the professional expertise, specialized information, prior aggregation of opinion, contractual capability and deferred participatory legitimacy which only singular, hierarchically ordered, consensually led representative monopolies can provide. To obtain these, the state will agree to devolve upon or share with these associations much of its newly acquired decisional authority, subject, as Keynes noted, "in the last resort to the sovereignty of democracy expressed through Parliament". (1974: 111)

In summation, the above contentions by Schmitter arguably established a cogent link between advanced capitalism and societal corporatism, which other authors refer to as liberal or neo-corporatism.

Deliberating on the subject of corporatism, J. T. Winkler (1976) holds that it is apt to distinguish between corporatism as an economic system and as an economic practice of specific governments. This is because, according to Winkler (1976), changes observed in the nature of advanced capitalist economies elevated the concept of a corporatist economic system in attempts to decipher the future prospects of capitalist political economy in the aftermath of World War II.

Consequently, Winkler's definition of the concept of corporatism is premised on the understanding that in industrialised societies an economic system may be construed as a pattern of production, distribution and exchange distinguished by its particular configuration of ownership and control; in short, its relations of production. That said, for Winkler "Corporatism is an economic system in which the state directs and controls predominantly privately-owned business according to four principles: unity, order, nationalism and success" (1976: 103).

Winkler (1976) cites that central to his definition is the role of the state in privately-owned economies. Effectively the state's role in privately-owned economies outlines the nature of state intervention and economic functions undertaken by the state relative to the private sector (Winkler, 1976). Furthermore, Winkler draws a distinction between qualitative and quantitative state intervention in economic activities. In this regard, Winkler contends that it is common practice in assessments of state economic functions to limit focus on the extent of state intervention, thereby quantify intervention as more or less.

According to Winkler (1976), quantification of state intervention is an over-simplification and falls short in that in some instances intervention entails new and different economic functions, resulting in a qualitative change in the role of the state. In reference to corporatism, Winkler (1976) maintains that corporatism is fundamentally characterised by qualitative state intervention oscillating between supportive and directive roles.

Like John Maynard Keynes, Winkler (1976) is of the view that laisse-faire in a capitalist economy is a non-existent principle. Winkler (1976) also holds that the state has always been carrying out some economic functions, of which at a minimum equate to a facilitative role. With respect to corporatism, Winkler (1976) identified three modalities of state intervention in economic activities, namely: facilitative, supportive and direct roles. In illustrating the three modalities, Winkler cites that

> **Facilitative**: the role of the state envisaged in classical economics. The state performs regulatory and supplementary functions, e.g. it maintains property laws, enforces the rule of fair competition, establishes a currency, a system of weights and measures, provides elements of infrastructure not attractive to private enterprises. In short, it makes private economic activity possible. It is the base line from which conceptions of state 'intervention' begin.
>
> **Supportive**: the state offers protection, subvention and, if necessary, therapy to private business. It provides incentives and subsidies to stimulate activity, manages aggregate demand, offers welfare services to the casualties of a competitive system, trains manpower, undertakes technological development, etc. it attempts to aid, even influence private economic activity, but not prescribe it. Ultimately, the initiative remains with the private owner, who controls his own economic affairs. From this point of view, the state intervenes, but does not interfere. A system emerges of state support and private control.

> **Directive**: the state tells private business what it must do and may not do. The state establishes national goals, controls the allocation of resources, provides some co-ordination of supply and demand for goods and services, regulates the distribution of rewards. How much private economic activity is controlled, and how rigidly, may vary, but the economic initiative shifts to the state. A capitalist state in a major war illustrates the directive role in extreme form. (Winkler, 1976: 104)

Winkler adds that the control aspect in his definition of corporatism in effect refers to control of the internal decision-making of privately-owned enterprises by the state. Theoretically, the control in accordance with corporatism may be in the form of state influence or state control of private enterprises' internal decisions (Winkler, 1976). From a conceptual perspective, the state influence-state control spectrum translates into two qualitative dimensions of state intervention categorised as either supportive or directive roles (Winkler, 1976). However, Winkler (1976) underscores that in essence directive state intervention constitutes the core of corporatist character.

Reverting to the above-mentioned principles of unity, order, nationalism and success intrinsic to corporatism. With respect to unity, Winkler (1976) argues that the accomplishment of economic goals is enhanced and made possible by an approach based on corporative effort as opposed to competitive oriented endeavours. For Winkler (1976) unity is paramount because of the fact that society is constituted of an array of elements stitched together to form a whole. In view of the principle of order, the logic is that market economies are inherently chaotic. Therefore, the prerequisite to bring about stability is state intervention and individual restraint (Winkler, 1976).

On the principle of nationalism, there are two perspectives put forward. The first perspective promotes the notion that corporatism is fundamentally a nationalist system that thrives from discouragement of individualism. Thus, what serves as a proxy for collective effort in corporatism is the nation, not class, family, religion, caste or ethnic groups. As cited by Winkler (1976), within corporatism, the national economic well-being is the underlying ethos, not individual opulence or personal wealth aggrandizement. However, the aim is not to give effect to egalitarian distribution of power, rather corporatism accommodates the reality that different functions or responsibilities are associated with different rewards (Winkler, 1976).

With regard to the principle of success, focus is on efficacy, not efficiency, in the achievement of collective goals. The success principle is mainly concerned with results as opposed to economising. This is because corporatism is ends-oriented, not means-oriented. In addition, corporatism allocates greater value to goal achievement than compliance with legal prescriptions and processes. In a way, the law is often viewed as an impediment and a source of delay in circumstances in urgent need of prompt responses to enhance goal achievement.

Nevertheless, "Corporatism seeks to avoid these restrictions of law by adopting an enabling act model of statute, discretionary formulae in administration, and an inquisitorial (as opposed to adjudicatory) format in its courts and tribunals. This diminution in the use of the law is justified in the name of urgent, flexible and effective responses to problems. Such an orientation is strengthened because the assumption of a directive role by the state is frequently a response to perceived inadequacy or failure in national economic performance, so the purpose of the intervention is to reinvigorate activity" (Winkler, 1976: 108 – 109).

Furthermore, Winkler (1976) asserts that state control is made worthy not only by deficient existing circumstances, it is also warranted by considerations for best means to achieve collective success. According to Winkler (1976), corporatism is essentially a system of mobilisation. Therefore, underlying corporatism is the notion that to achieve goals, purposive organisation of collective effort is the best approach relative to spontaneous individual responses to perceived opportunities. "Concretely, this means a corporatist regime would attempt to establish control over the investment process (an allocative function) and assume some degree of responsibility for economic planning (a co-ordinative function)" (Winkler, 1976: 109).

According to Cawson (1978), Winkler's theory of corporatism presents additional assertions that cast doubt on the credibility of liberal democracy espoused tenet, which sought to encourage separation of political power from economic interests. Deducing from Schmitter's definition of corporatism, Cawson (1978) maintains that the relationship between functional interests and the state entails a combination of interest articulation and participation of pressure groups in the enforcement of delegated government policy. Cawson (1978) further argue that gravitation towards corporatist interest representation should bring about an increasing role for pressure groups, thereby engender an institutionalised privileged access to government in return for allocation of responsibility for part of public policy implementation.

Cawson (1978) also asserts that given that concentration in economic structure and the diversity of political interests are major drivers of corporatist trend, corporate representation in economic issues will entrench the role of the state, while interest groups are brought on board to facilitate co-ordination and planning aspects which are considered as key to optimal state' performance. As a result, the development of the corporate economy would hinge mainly on the role of the state in forging economic policy (Cawson, 1978).

Furthermore, corporatism, Cawson (1978) contends, is generally understood as a method of interest representation or of economic administration. Thus, the tendency to distinguish between state corporatism and societal corporatism, authoritarian corporatism and liberal corporatism or conservative corporatism and redistributive corporatism (Cawson, 1978). Therefore, for Cawson (1978) societal or liberal corporatism is by extension premised on pluralist distribution of power that plays out in modern societies with oligopolistic competition and internal state structure predicated on skewed diffusion of interests.

On the other hand, Cawson (1978) argues that state corporatism tends to arise from an authoritarian regime confronted with crisis as well as motivated by the desire to secure support from the masses for its policies. In effect, for successful planning to come to fruition in both societal and state corporatism, a high degree of control and legitimacy secured through a centrally induced public participation would have to prevail (Cawson, 1978).

On whether corporatism is an extension of or contrary to bureaucracy, it is argued that increasing rationalisation and widening control of a corporate state would occur through bureaucratic stewardship (Cawson, 1978). In addition, Cawson (1978) cites that Winkler is of the view that non-bureaucratic administrative modus operandi, giving effect to legislation that caters for discretion and negotiation, may appeal to business interests not in favour of state bureaucratic regulation. Taking account of Winkler and Schmitter's concerns, for Cawson "Corporatism is a politico-economic system in which the state directs the activities of predominantly privately-owned industry in partnership with the representatives of a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated interest groups" (1978: 187).

As for the role of interest groups in a corporate state, Cawson (1978) avers that it is incumbent upon them to mutate from being private associations concerned with undertaking a protective posture to become entities that provide mutual support to government on a regular basis. However, for private associations to assume their envisaged role in a corporate state, the state is to act as a guarantor of capitalism. That is, "to perform the integrative and regulatory role which the market can no longer achieve by itself the state requires specialized knowledge and professional capability in addition to the legitimacy conferred by consultation and representation. To the extent that the economic role is the fundamental one, access and mutual support will be granted to the representatives of indispensable economic interests" (Cawson, 1978: 191 – 192).

Also, Cawson (1978) contends that the extent to which the state and interest groups coalesce towards each other is influenced by the malleable nature of capitalist reproduction requirements. By way of illustration, Cawson (1978) argues that co-operation between the state and interest groups becomes indispensable in circumstances where the two are in pursuit of shared goals - for example regulated income growth and stable prices. Alternatively, during periods in which market mechanisms in a particular sector are solid, co-operation tends to be tenuous (Cawson, 1978).

In regard to corporatism and class interests, Cawson (1978) points out that from Schmitter's perspective state corporatism is indicative of a delayed or dependent capitalist system characterised by a bourgeoisie that is yet to develop to a fully fledge class. By contrast, societal corporatism develops as a form of interest representation in tune with incorporated pluralism (Cawson, 1978).

In their publication Inducements versus Constraints: Disaggregating "Corporatism", Collier and Collier (1979) stress the power dynamics enmeshed in state-group relations to unveil how country-specific conditions influence practices of corporatism. In discerning how the balance of power plays out in state-group relations, Collier and Collier (1979) limited their focus on state-labour relations in Latin America. However, Collier and Collier (1979) mention that their conceptual framework derived from state-labour relations analysis in Latin America may be applicable to other state-group relations (i.e. state-business relations) observed in other regions.

As argued, in Latin America state intervention in organised labour occurred in the context characterised by a diversity of power relations and policy objectives (Collier and Collier, 1979). For instance, there have been circumstances where corporative engagement sought to strengthen workers and unions against employers. In other instances, corporatist provisions have been applied to weaken unions in engagements with employers (Collier and Collier, 1979). In addition, "Corporative provisions have sometimes been used by political parties to win workers' support, and at other times to insulate workers' associations from involvement with parties as a means of restricting their political power … [Moreover] Corporative provisions have been promoted by extraordinary spectrum of governments, ranging from repressive, right-wing governments, through "populist" governments …" (Collier and Collier, 1979: 968).

The above deliberation, according to Collier and Collier (1979), suggest that the phenomenon of corporatism is likely to manifest in various scenarios in different forms. Thus, suffice to argue that the concept of corporatism straddles too wide to be instructive (Collier and Collier, 1979). To enhance the usefulness of the concept of corporatism, Collier and Collier put forward two proposals.

> The first is to treat corporatism explicitly as a dimension, or a set of dimensions, along which cases may be arranged … [Additionally] Corporative patterns of state intervention, like pluralism, should thus not be conceived narrowly as either present or absent, but rather as a variable that may assume different values, as a phenomenon that may be present to varying degrees … The second means involves disaggregation. Because corporative intervention in interest representation appears in the context of very different relationships of economic and political power, one may reasonably ask whether the corporate patterns in these different contexts really are the same. Since few countries have the full complement of corporative provisions typically identified in the literature on this topic,

> perhaps different combinations of provisions appear in these different contexts. Though at a high level of aggregation these cases may all be corporative, at a more disaggregate level there may be striking differences among them. (Collier and Collier, 1979: 968-969)

With regard to disaggregation of corporatism, Collier and Collier (9179) deploys the notion of inducements and constraints. In view of inducements, they argue that in some instances corporatist arrangements may confer benefits to one social group that are detrimental to other groups (Collier and Collier, 1979). That is to say, in certain context corporative provisions serves as devise to allocate advantages to labour organisations, while other social groups are overlooked or left to their own devices. Therefore, "The structuring of group representation through provisions that provide for such things as official recognition, monopoly of representation, and compulsory membership – as well as the subsidy of groups – provide important organisational benefits. In this sense these provisions are quite distinct from the constraints, which directly control labor organizations and labor leaders" (Collier and Collier, 1979: 1979).

The Latin American case demonstrate the interplay between inducements and constraints in that at some stage the elite, through the state, imposed corporatist policies in favour of organised labour to secure its political support or mould labour to suit its agenda (Collier and Collier, 1979). The conduct of the elite in Latin America, as contended by Collier and Collier (1979), makes it proper to construe structuring and subsidy, not only as benefits, but as inducements for labour to act in accordance with its goals as well as cajole labour to accept constraints that comes with inducements. In essence, constraints are a mechanism to achieve compliance through application or threat of application of negative sanctions or disadvantages associated with non-compliance with a corporative provision (Collier and Collier, 1979). On the other hand, inducements refer to advantages that may be realised, resulting from application of a certain corporative provision (Collier and Collier, 1979).

Nevertheless, like constraints, inducements ultimately results in labour organisations being penetrated and dominated by the state (Collier and Collier, 1979). The conduit through which the state engenders its penetration and dominance of labour materialises in three forms. "First, inducement such as monopoly of representation is by its nature offered to some labor organizations and withheld from others. This provision has commonly been used in Latin America to undermine radical unions and to promote those favored by the government … Second, unions receiving inducements must commonly meet various formal requirements in order to receive them. Finally, the granting of official recognition, monopoly of representation, compulsory membership, or subsidy by the state may make the leadership dependent on the state, rather than on union members, for the union's legitimacy and viability" (Collier and Collier, 1979: 970).

Evidence from the assessment of state-labour relations in Latin America convinced Collier and Collier to notice recurring patterns between the political context and various mixes of inducements and constraints. They contend that a high degree of inducements and a lower degree of constraints coincide with a government faced with the challenge of securing or retaining support from unions that are relatively powerful or autonomous (Collier and Collier, 1979). In such conditions, the ability of labour to resist constraints is amplified to an extent that the state becomes willing to stretch inducements to ultimately secure the necessary support from labour (Collier and Collier, 1979).

In situations characterised by higher degrees of both inducements and constraints, governments become less concern with the need to secure labour's support but become more interested in seeing unions being co-opted and controlled by the state (Collier and Collier, 1979). This scenario is largely conditioned by the potential of the emergence of autonomous unions that may not be pliable to the goals of the state (Collier and Collier, 1979).

Furthermore, higher degree of constraints coupled with lower degree of inducements is found to exist in contexts where governments are motivated by the desire to control without courting organised labour. In this scenario, government is less concerned with the risk of fierce opposition from labour (Collier and Collier, 1979). Underlying government control in this scenario is direct constraints on unions, which is propped by the use of state force and repression (Collier and Collier, 1979).

In his discussion of varieties of corporatism in post-colonial Africa, Timothy Shaw (1982) argues that Africa's dependence on the world system continues to affect the continent in a variety of ways.

Shaw underscores that while Africa's dependence continues to bring about underdevelopment, several countries in the continent, including South Africa, have made gains from periodic changes in the world system.

Essentially, Shaw (1982) applies the sub-structure and super-structure analogy in his deliberation on corporatism in post-colonial Africa. By sub-structure and super-structure, Shaw respectively refers to the "capitalist and extractive modes and relations of production" (1982: 240) and "the politics and ideology of the state" (1982: 240). Thus, the organic link between the two implies that instability of the super-structure would affect the sub-structure (Shaw, 1982).

Therefore, Shaw maintains that while the nature of Africa's sub-structure within the context of the world system remains relatively unchanged in the twentieth century, the post-colonial state' politics are distinct in comparison with pre-colonial and colonial dispensations. In addition, he cites that "… the capitalist mode of production (especially where it co-exists with pre-capitalist modes) continues to change in reflection of shifts in the political economies of both the peripheral and metropolitan states ... Furthermore, the actual conditions are not predetermined: changes in demand or in technology, in the costs of energy or capital, serve to modify dependency arrangements" (Shaw, 1982: 240).

Shaw (1982) observed shifts in the world system with important implications for social formations the world over. As stated by Shaw (1982), analysis of the impact of changes in the world system on Latin America are instructive for Africa. In view of corporatism, Shaw (1982) is of the view that the bureaucratic-authoritarian and the populist variants of corporatist models noted in Latin America may be relevant in understanding the African experience. To underscore the importance of the bureaucratic-authoritarian and populist forms of corporatism, Shaw asserts that the two variants represents departure from the 'modernisation' and 'dependency theory' towards a better understanding of the uniqueness of Latin America.

By contrast, unlike Latin America, Africa is found to have high prevalence of populist regimes, which are congruent with corporatist practices (Shaw, 1982). Also, Shaw cites that "Corporatism … is an adjunct of 'independence' with dependence in Africa and elsewhere. In a sense, it is a correlate of underdevelopment – the process through which regimes that are vulnerable – both to internal pressures and external penetration – seek to enhance central control by manipulating, not eliminating, political economies" (Shaw, 1982: 255).

In retrospect, what gave rise to corporatist theorising was the desire to come up with a better explication of the intricate role played by the state in modern political economies (Gerber, 1995). Subsequently, other social scientists joined the search for an accurate explanation of the role of the state, however, not to enhance corporatist theorising, but to unravel the role played by the state in capitalist societies (Gerber, 1995). As further argued by Gerber (1995), the output of theorists who were mainly concerned with deciphering the state's role in capitalist societies shared a lot in common with theorists whose focus was solely on refining conceptualisation of corporatism.

Partly resulting from the work of theorists engaged in understanding the capitalist state is a separate focus on the issue of state capacity. To this end, the purpose of capitalist state theorising was to determine the impact of state administrative capabilities on the implementation of public policies (Gerber, 1995). Thus, the assertion that the

> "administrative organization of government is crucial" in determining the ability of a state to implement interventionist policies, whatever the objective of those policies might be … The structure of government institutions in any society … "is never automatic or economically determined" but rather is always the product of historical contingency … In fact, there is general agreement among scholars who focus on the problem of the state that it is reasonable to divide modern states into two categories, strong and weak, with the former being characterized by the historical development of powerful central authority and highly evolved government bureaucracy, and the latter by the relative absence of such traditions. (Gerber, 1995: 324)

By way of illustration, the United States and Britain are cited as some of advanced industrial nations devoid of a developed state tradition (Gerber, 1995). Similarly, theorists of corporatism maintain that both the United States and Britain are among nations that are not in accordance with corporatist interest representation (Gerber, 1995).

As mentioned, the 1970s is the decade in which corporatism as a paradigm concept in the social sciences reached fever pitch. In other words, the concept of corporatism as an "approach, an intellectual framework, a way of examining and analysing corporatist political phenomenon across countries and time periods" (Wiarda in Molina and Rhodes, 2002: 307) gained currency during the 1970s. Giving impetus to the proliferation of corporatist orientated analyses were divergent responses and economic performances of countries grappling with the oil crisis that occurred during 1970s (Molina and Rhodes, 2002). The subsequent significance of corporatist theory is attributed to insights it generated with respect to failures and successes of various country responses as well as the capacity of governments to steer economic performance (Molina and Rhodes, 2002).

As cited, in the 1980s and 1990s the study of corporatism branched into two streams. In the first stream, the underlying assumption was that corporatism is a political phenomenon. Thus, corporatism was deemed as a system of interest representation and a policy making process (Molina and Rhodes, 2002). Although related with the first stream, focus in the second stream was more on the impact of corporatist institutions on socio-economic outcomes (Molina and Rhodes, 2002). In effect, the second stream-oriented authors came to conclude that there exists a positive relationship between macro-economic performance and the degree of corporatism (Molina and Rhodes, 2002).

However, some recent studies of corporatism have cast doubt on the validity of the positive impact of corporatism on economic performance. Thus, these studies concluded that neo-corporatist theory is not well equipped to provide adequate explanation of economic developments of the 1990s, which marked departure from the golden age of Keynesian capitalism to the dominance of neo-liberal economic management (Molina and Rhodes, 2002).

Contrary to assertions propagating the decline of corporatism, the other view is that "Social pacts and macro political bargaining in the 1990s therefore differ in several important respects from neo-corporatist concertation of the 1960s and 1970s – or at least from common assumptions about how those systems functioned" (Molina and Rhodes, 2002: 319). For instance, it is argued that unlike the ideal societal corporatism conceived by Schmitter, the Swedish version of the 1970s was dynamic, fluid and organisationally mutating (Nedelman and Meier in Molina and Rhodes, 2002). The fundamental differences in corporatist arrangements stems from procedures and content as well as the political exchange involved in the bargaining process (Molina and Rhodes, 2002).

In a fundamental sense, contemporary understanding of corporatism requires less focus on the structure of corporatist arrangements, but more attention on political exchange procedures and processes (Molina and Rhodes, 2002). This calls for a switch from neo-corporatist 1 (the structure of interest representation) to neo-corporatist 2 (the system of policy making) (Molina and Rhodes, 2002). "Once we leave aside the purported structurally necessary conditions for corporatism, what we are left with is the nature of corporatism as a process …" (Molina and Rhodes, 2002: 321). To overcome limitations with conception of corporatism as solely structural, Siaroff (1999) opted to combine structure and dynamic processes. This endeavour resulted in Siaroff (1999) reconfiguring the ideal-type of corporatism as a composite of four key elements, namely: (a) structural features, mainly the characteristics of interest groups such as internal organisation and concentration of representation, (b) functional roles (that is, integration of labour and business organisations into the decision-making process), (c) behavioural patterns (the role of political exchange as a means of attaining consensus in policy making) and (d) favourable context (such as a tradition of consensual politics, dominance of a united social democratic party or high expenditure on social programmes) (Molina and Rhodes, 2002). However, it is acknowledged that in practise all four features my not be present all at once in a corporatist country.

As further contended by Molina and Rhodes (2002), political exchange remains a common feature in past and current forms of corporatism. In essence, political exchange refers to "… forms of mutually contingent, macropolitical and noneconomic transaction between autonomous, organized, collective actors with divergent/competitive/antagonistic but functionally interdependent interests, the binding character of which cannot be based on law and contract" (Molina and Rhodes, 2002: 322).

Additionally, the concept of integration is considered as integral to comprehending the degree to which exchange tends to be politically entrenched or less so over time (Molina and Rhodes, 2002).

Integration is defined as a "long-term co-operative pattern of shared economic management involving the social partners and existing at various levels such as plant-level management, sectoral wage bargaining, and joint shaping of national policies in competitiveness-related matters (education, social policy, etc)" (Siaroff in Molina and Rhodes, 2002: 323).

Finally, integration, according to Molina and Rhodes (2002), assist in clarifying how corporatism works and evolves. In this regard, Molina and Rhodes roped in Treu's analysis to demonstrate the usefulness of the concept of integration. Essentially, Treu's analysis builds on Lehmbruch's work that indicated a dual path-way through which corporatist systems are institutionalized. That is, the vertical path-way, which refers to "the pattern of participation of social actors in policy making and implementation" (Molina and Rhodes, 2002: 323) and the horizontal path-way, which looks into "the pattern of concertation between social actors and government" (Molina and Rhodes, 2002: 323).

Treu's analysis went further to differentiate integration from less developed modes of concertation observed in consultation processes and collective bargaining. On one hand, collective bargaining is described as the simple exchange necessary for the effectiveness of government policies and the implementation thereof, without allocation of policy-making power to social partners. On the other hand, consultation entails provision of information to social partners. By contrast, integration implies a scope for social partners to have real influence on policy making.

Furthermore, integration manifests in quantitative and qualitative dimensions. With quantitative integration, focus is mainly on the number of social partners involved in policy making, while qualitative integration is constituted of horizontal and vertical levers. Horizontal qualitative integration is concerned with the number of policy areas clustered together during concertation. "The greater the number and relevance of policy areas – and by implication the greater the scope for "generalized exchange" – the higher will be the degree of integration. Qualitative integration also varies vertically in terms of the capacity of actors to influence the policy process from policy design through implementation, often via the delegation of authority from the state" (Molina and Rhodes, 2002: 323).

In a paper by Peter Munk Christiansen et al. (2010) that examines corporatism in Scandinavia it is cited that in the post-World War II era Scandinavian countries emerged as cases with a strong tradition of corporatist interest intermediation. Thus, their paper grapples with the question: "What happened to Scandinavian corporatism since its heydays in the 1970s?". Essentially, the paper sets of by defining corporatism as "the institutional integration of privileged organized interests in policy making and implementation" (Christiansen et al., 2010: 23).

As argued by Christiansen et al. (2010), corporatism is a contested concept within literature deliberating on interest mediation. In the main, contesting perspectives geminate from two schools, namely the political economy school and the interest group school (Christiansen et al., 2010). Within the political economy school of thought, focus is on the organisation of economic interests as well as their interaction with state actors and the effect of these interactions on macro-economic performance (Christiansen et al., 2010). At the core of the political economy informed analyses is how coordination among labour, capital and state is conducted in capitalist societies (Christiansen et al., 2010). On the other hand, the interest group school construes corporatism as integral to liberal democracy. Fundamental to the interest group school is that corporatism is taken as a variety of democracy more than a variety of capitalism (Christiansen et al., 2010).

Furthermore, Christiansen et al. (2010) cites that corporatist literature assumes that privileged interest organisations are involve in both policy preparation/formulation and policy implementation, whereas recent studies have demonstrated that it is possible for corporatism to be more entrenched in policy formation than in policy implementation or the other way round. The rational for distinguishing the two dimensions of corporatism is derived from what Christiansen et al., (2010) describes as the conceptual opposite to corporatism. That is, "The conceptual opposite of corporatism in policy preparation may be pluralism or electoral channel of representation. In policy implementation, the alternative structure may be the classical bureaucracy … [moreover] Policy prepared by the government in-or without-concertation with organized interests can be implemented by way of a corporatist body as well as a hierarchically organized bureaucracy" (Christiansen et al., 2010: 27). In effect, depending on circumstances preparation corporatism and implementation corporatism may be causally linked. However, there exists no inherent requirement for the two to be merged in defining the concept of corporatism (Christiansen et al., 2010).

In their measurement of corporatism in Scandinavia, Christiansen et al. (2010) looked into the participation of interest organizations in committees with delegated authority in administrative decisions. In this vein, they contend that:

> If the argument is that corporatism facilitates consensual politics …, it must be preparation corporatism that (potentially) have this effect, not implementation corporatism. Corporatism, as a cause, may foster consensus in the legislature, because allies of the major political parties have been involved in preparation … If the argument is that consensual democratic institution or "unitary, parliamentary and list PR-institutions are likely to foster" corporatism …, it is probably implementation corporatism, not preparation corporatism. (Christiansen et al., 2010: 35)

Furthermore, Christiansen et al. (2010) are of the view that corporatism as an effect allows government to rope in important organized interests with leverage to undermine policy implementation in a political system that caters for many veto points.

CHAPTER 3: THE PRACTICE OF CORPORATISM IN SWEDEN

3.1 The state structure in Sweden

According to Rothstein (1991), since the resurgence of scholarly interrogation of the concept of corporatism in 1973, with the discipline of political science in the fore front of the enquiry, the question: "Why are some countries more corporatist than others?" has not received adequate attention. In addressing the question above, Rothstein sought to examine Sweden, which is considered as amongst notable cases of classical corporatist polity.

Notwithstanding a variety of analyses put forward in explaining variations in corporatism, of which some Rothstein found less convincing, he proposed to reformulate the question as follows: "why have some labour movements been able and willing to engage in exchange with the state and employers' organisations in corporatist arrangements while others have resisted, or been denied, any such collaboration?" (Rothstein, 1991: 151). The rational for the reformulation stems from the assumption that variations in corporatism are intertwined with the labour movement's adoption of radical/revolutionary policies, on one hand, and with moderate/reformist policies, on the other (Rothstein, 1991). Rothstein (1991) hypothesizes that a moderate/reformist labour movement is more inclined to embrace corporatist arrangements together with the state and employers' associations, while a radical/revolutionary oriented labour movement is more predisposed to reject collaboration with the state and employers' associations.

Therefore, in order to comprehend variations in corporatism, for Rothstein (1991) it is helpful to gain insight into why some labour movements gravitate towards a reformist/collaborative trajectory, while others opt to anchor themselves in a revolutionary/radical ideological pathway. The traditional functionalist perspective, propagated by Marxist and other ideological perspectives, maintains that there should be no variety in national labour movements given that they are all exposed to similar structural circumstances (Rothstein, 1991). However, for Rothstein (1991), the Swedish case portrays deviation from the traditional functionalist perspective.

In regard to deviations noted in Sweden, an assortment of analyses have been put forward by scholars of various persuasion. For instance, Rothstein (1991) cites that Seymour Martin Lipset identified two variables, which were particularly instrumental during the pre-World War I period in moulding the character of labour movements. That is, "First, the more closed and rigid the class system before World War I, the stronger the radical and revolutionary tendencies in the labor movement. Second, the longer the working class was excluded from political influence – i.e., the right to vote and the harsher the repression of organization and strikes, the more radical the labor movement would become and the more hostile to any collaboration with the state and employers' organizations. Conversely, in a country with a relatively open class system in which the political elite was willing early on to share some of its political power with emerging class, reformist and moderate tendencies in the labor movement would dominate" (Rothstein, 1991: 151).

On both scores, Lipset's assertions are found to have fallen short in explaining the Swedish situation. On one hand, Sweden, as amongst ideal-type cases of corporatist interest mediation, has had a long tradition of labour incorporation into the political system (Rothstein, 1991). On the other hand, in Sweden the political elite mounted a protracted resistance to universal suffrage relative to elites in comparable countries (Rothstein, 1991). Contrary to Lipset's contention, lack of universal suffrage did not lead to radicalisation of the labour movement (Rothstein, 1991). In regards to Lipset's point about the class structure, although the class structure in Sweden was more rigid compared to other similar countries, the working class movement was not revolutionary in orientation (Rothstein, 1991).

For Rothstein (1991), the reformist and moderate inclination of the labour movement in Sweden resulted from the elimination in 1917 of the radically oriented grouping, which was in the minority within the Social Democratic party. Rothstein (1991) also argue that in the period subsequent to 1917, the reformist leadership of the Social Democratic party succeeded to hold sway over most of the labour movement, anchor itself as the dominant working-class party and formed formal government alliance with one of the bourgeoisie parties between 1917 and 1920.

Fundamentally for Rothstein (1991), at the crux of the version of corporatism in Sweden is its state structure. Taking que from Pierre Birnbaum and Lipset's claims, Rothstein maintains that "... each type of state generates specific mechanisms for managing social conflicts and directs action of the working class into specific channels ... Moreover, ... the historical character of the state determined (a) the ideology of the labor movement (Marxist, reformist, trade-unionist or anarcho-syndicalist), (b) whether a corporatist political exchange would develop, and (c) what character such a system would have" (1991: 153).

Furthermore, Birnbaum attributes variations in working class orientation and/or corporatism to the nature of the administrative capacity of different states (Rothstein, 1991). By way of illustration,

> Birnbaum argues that corporatism never developed in France because of the exceptional strength and administrative centralization of the French state. The labor movement was 'always excluded from the state; it had immense difficulties in having its voice heard and always had to act conflictively' ... On the other hand, no stable corporatism could ever develop in Britain on account of the very administrative weakness of the British state – the non-differentiated, non-autonomous, non-institutionalised character of the British state has prevented it from intervening effectively in the labor market, and has hindered the integration of unions and business organisations in the policy process (Birnbaum in Rothstein, 1991: 154).

In addition, it is instructive to indicate that in the early phases of capitalism most Western countries had to grapple with the 'labour question', which was about devising responses to challenges arising from the threat posed by demands from the class of workers that were an intrinsic part of capitalist society (Rothstein, 1991). In effect, the response of the state to the 'labour question' had a lasting impact on the nature of corporatism in Sweden.

In the Swedish case the response of the state to the 'labour question' culminated in the establishment of two commissions: the Workers' Insurance Committee in 1884 and the New Workers' Insurance Committee in 1891 (Rothstein, 1991). Subsequently, it was proposed by the Workers' Insurance Commissions that the state is duty bound to reduce the insecurity of workers who solely relied on their labour for survival (Rothstein, 1991). Needless to say, this proposal is predicated on an anti-liberal and anti-market purview as the commission additionally argued that although compulsory insurance would go against personal freedom, property rights and personal responsibility, these freedom could only be protected on condition that they do not interfere with harmony between the interests of the individual and society (Rothstein, 1991). According to Rothstein (1991), the proposals of the commissions were rejected by the Swedish parliament largely due to the fact that it was not opportune to implement them.

However, the first government initiative to establish a corporatist institution came about when the conservative government in 1902 issued a Bill for occupational insurance for workers. The Bill proposed the establishment of a council constituted of five respective representatives for workers and employers, who will be assigned responsibility to oversee implementation of the occupational insurance (Rothstein, 1991). Although most aspects of the Bill were accepted by Parliament, the corporatist council was rejected (Rothstein, 1991). The rejection of the corporatist council was not on principle, but due to concerns about the criteria for the selection of council representatives (Rothstein, 1991).

Furthermore, the first corporatist institutions to be established in Sweden were located at the local government level, not at central government level (Rothstein, 1991). Thus, since 1902 local/city governments were already engaged in setting up public labour exchanges, which were substantially overseen by corporatist boards (Rothstein, 1991). In terms of membership, the corporatist boards were constituted of an equal number of representatives from the labour movement and local employers, while the role of the chairperson was allocated to a neutral official (Rothstein, 1991). The purpose of public/corporatist labour exchanges was to reduce unemployment and to enhance labour market functioning (Rothstein, 1991). Notwithstanding the fact that corporatist institutions were first established at the local government level, overtime a nationally unified corporatist system was developed (Rothstein, 1991).

As a matter of fact, in 1912 corporatism in Sweden was finally institutionalised as an intrinsic feature of political representation following approval by Parliament of the establishment of the National Board for Social Affairs (Rothstein, 1991). By and large, the motive for the establishment of corporatist institutions in Sweden germinated from the 'labour question' (Rothstein, 1991). For instance, it is cited that the commission which was tasked to set up the National Board for Social

Affairs "argued that the reason for it was that 'in contemporary society, human labor has become a commodity … the supply and demand for which are subject to fluctuations and which consequently has a value that is uncertain and dependent upon shifting circumstances'" (Rothstein, 1991: 161-162). Additionally, Rothstein postulates that the National Board for Social Affairs was created to enhance state's knowledge and information about social challenges associated with the 'labour question'. In other words, the National Board for Social Affairs was meant to drive efforts to increase state capacity in dealing with the 'labour question'.

In contrast to Philippe Schmitter's conception of corporatism, in Sweden collaboration of interest groups was not secured through a strong state nor a strong political elite in order to contain the working class (Rothstein, 1991). Moreover, interest groups collaboration was not made possible by the capture of the state by actors in the labour market (Rothstein, 1991). Rather, in Sweden a state structure that is centralised, but not closed, bureaucratic and professional, but not authoritarian and differentiated, but with central policy coordination made it possible for the labour movement as well as the state to collaborate (Rothstein, 1991).

In Sweden the major business organisation is known as the Swedish Employers' Confederation (in Swedish 'Sveriges Arbetsgivareforening, SAF) (Rothstein, 1988). The SAF has been represented in Swedish public administration since 1913 (Rothstein, 1988). In effect, much of SAF representation in Swedish public administration has been through the National Board and Agencies (NBAs), which on a regular basis hold formal engagements with the Cabinet on policy related issues (Rothstein, 1988).

In terms of configuration, with the exception of Finland, the Swedish central administration is unlike most Western capitalist democracies in that its civil service is not constituted of large ministries with ministers at the helm of each ministry (Rothstein, 1988). Rather, ministries are small structures that function as policy-making organisations as opposed to being policy implementing agencies (Rothstein, 1988). The responsibility for policy implementation lies with the semi-independent state apparatus, the National Board and Agencies (NBAs), which are headed by Directors-General. According to Rothstein (1988), there are approximately 170 NBAs in Sweden and individual ministers are forbidden from issuing directives to NBAs. While Ministers' responsibilities are confined to Cabinet, the NBAs are vested with powers to autonomously formulate all decisions on their own, however in keeping with the laws and regulations promulgated by Parliament or the Cabinet (Rothstein, 1988).

On the other hand, the composition of the boards that are part of NBAs has raised questions about the autonomy of NBAs (Rothstein, 1988). This is because it had been observed that as government's interventionist role increases the laws and regulations that serve to guide the NBAs' policy decisions tended to be devoid of precise stipulations, resulting into greater leeway for the public administration in policy implementation (Rothstein, 1988). "In many policy areas this means that the demarcation line between what is politics and what is administration is blurred" (Rothstein, 1988: 236).

Initially the boards were made-up of senior top civil servants who were in the employ of the agency, and subsequently representatives of major class-based interest organisations were allowed to become part of NBAs boards (Rothstein, 1988). As a result of World War II demands, there was an escalation in the participation of interest organisations since several crisis commissions were established to carry out war related mitigating tasks (Rothstein, 1988). This development proved successful as policy efficiency was realised and wartime regulations gained popular legitimacy. Thus in the wake of World War II, this trend, which came to be known as administrative corporatism, became institutionalised (Rothstein, 1988).

Until the mid-1980s, administrative corporatism in Sweden never raised contentions among major political parties nor for prominent interest organisations. However, contentions had hardly been directed at the principle of administrative corporatism, but centred on the incorporation of what is referred to as laymen into NBAs; essentially, laymen referred to individuals who were not employed as civil servants (Rothstein, 1988). In terms of configuration, "The majority of board representatives are taken from political parties (23 percent), from the civil service outside the NBA in question (15 percent), and from the major interest organisations (19 percent) … Many of the NBAs also have special subcommittees, advisory councils and regional as well as local boards which are composed of so-called laymen. [Moreover] The Swedish blue-collar Confederation of Trades Unions (Landsorganisaionen, the LO) … has such a number of officials engaged in government committees, boards, councils, etc …" (Rothstein, 1988: 237). However, the composition of NBAs boards is not determined through a general guiding principle as some are constituted solely of Members of Parliament, while some solely consists of major class based interest organisations representatives (Rothstein, 1988).

3.2 Public debt in Sweden

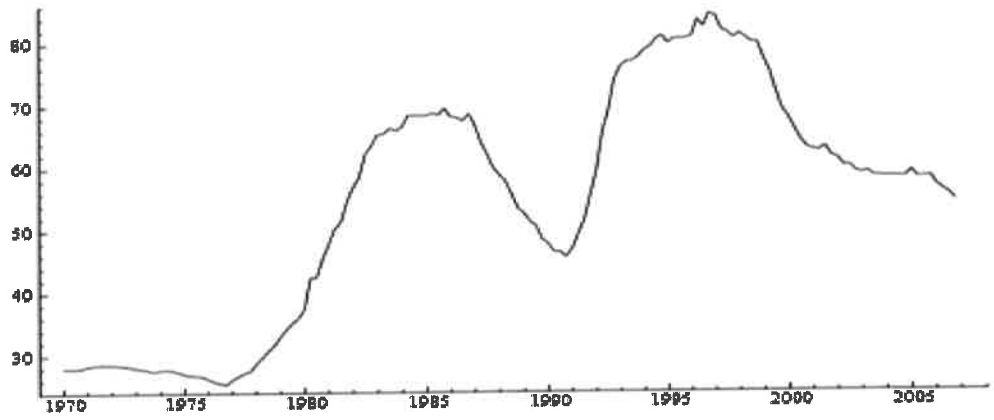
As observed by Streeck (2013), among the Organisation of Economic Cooperation and Development (OECD) countries average indebtedness more than doubled between the 1970s and 2010. However, Streeck also cites that the rise in indebtedness paused in the mid-1990s for a period of ten years and thereafter resumed in 2008 in the OECD world. As argued by economic-institutionalist proponents, the rise in public debt since the 1970s was due to the nature of political democracy that encouraged public spending in order to satisfy the myopic needs of voters and opportunistic politicians (Streeck, 2013). Thus in explaining what is referred to as democratic failure, the Public Choice theorists maintains that public deficits and public debt stems from pressure from the majority electorate for redistribution by means of public spending (Streeck, 2013). Nevertheless, from Streeck's perspective increases in public debt are the consequence of the neo-liberal post-World War II revolution. Consequently, Streeck is of the view that "At a time when democratic-redistributive intervention in capitalist markets became ineffectual on many fronts, it is unlikely that increasing public debt can be explained by voters and workers exercising superior political power … [Instead] growing government indebtedness in OECD nations was accompanied by a lasting decline in both living conditions and the distributional position of majorities …" (2013: 6).

Streeck (2013) argues that governments seeking to consolidate public finances tend to aim for deficits ratios (that is, the gap between expenditure and revenues in relation to GDP) that are below rates of economic growth. Notwithstanding the fact that it is possible to bring about reduction in deficit through tax increases, this option is seldom applied (Streeck, 2013). Of concern is that tax competition as well as tax evasion particularly of tax on estate, income and corporates constitutes the main triggers of public debt in most instances (Streeck, 2013). Thus, it has been found that the preferred approach to fiscal consolidation is reduction in public spending by scaling back state activities, a direction in keeping with neo-liberal ideals (Streeck, 2013).

Between mandatory and discretionary public spending, cutting the latter has become a common practice as part of endeavours to achieve fiscal consolidation. This is because it is more convenient to reduce discretionary spending in the short-run as it includes, among other things, public investment in physical infrastructure and social investment in education and labour market policy (Streeck, 2013). In contrast, cutting of mandatory spending, which mainly consists of spending on social security, health care and remuneration of public servants, poses a formidable challenge because of its immediate ramifications on the well-being of citizens.

Furthermore, Streeck (2013) contends that the politics of public debt may be regarded as a distributional conflict between creditors and citizens. This is because both creditors and citizens lay claim to public funds. The claim from creditors, on one hand, is in the form of contractual-commercial agreement that binds governments to honour their debt obligation, while on the other, citizens' claim on public funds is justified on the basis of political-social rights (Streeck, 2013). That is, "In a democracy, citizens have the possibility of electing a government responsive to them but "irresponsible" from the viewpoint of financial markets, in the extreme case a government that expropriates its creditors by annulling its debt. As accumulated debt increases, and investors are required to be more careful about where they put their money, creditors will seek guarantees that expropriation will not happen to them; in effect, that their claims will always be given priority over those of citizens …" (Streeck, 2013: 14).

Figure 3.1: Debt ratio to GDP, Sweden, 1970-2008



Source: Claeys, 2008

As indicated in Figure 3.1, Sweden started to experience public debt management challenges in the seventies. Of concern was that the dramatic spending hikes in 1980 as well as in 1991 in Sweden were not followed by commensurate increases in tax (Claeys, 2008). Rather, the tax burden at the time ranged between 60% and 65% of GDP (Claeys, 2008). However, between 1993 and 2008 public spending decreased from its 1993 peak of 75% to 65% of GDP. Claeys (2008) is of the view that despite the decrease in spending between 1993 and 2008, spending increases in general contributed a great deal in the explosion of debt in Sweden.

In regard to debt causes and initiatives to consolidate it, Claeys (2008) is of the view that it would be instructive to break down items that government opted to spend on. Claeys (2008) found that over the seventies, the Swedish government gradually allocated a significant proportion of the budget on social transfers and public wages. Also, Claeys's analysis points to significant increases in social transfers and public consumption as triggers to the 1991 deficit plunge in Sweden. In addition, the rising burden of interest payment gradually started to crowd out other government spending priorities (Claeys, 2008). It has also emerged that a slowdown in increases in spending on public employment was mainly due to increases in public spending on government investment and subsidies (Claeys, 2008).

According to Claeys (2008), government investment became the first spending item to suffer cuts as a result of efforts to deal with fiscal challenges experienced in the seventies. Similarly, subsequent to the 1991 deficit, significant cut in public wage spending became a viable approach to bring about fiscal restraint in Sweden. However, after the 1991 debt crisis public consumption and social transfers continued to be major causes of public debt. Given that in 2001 there was a reversal of the cap on public spending, Claeys (2008) suggests that the fiscal rules that were introduced in 1997 were not efficient in consolidating public debt in Sweden.

Furthermore, to counter the rise in public debt, government resorted to raising tax to offset growth in spending. On the other hand, periods of spending cuts were not coupled with a reduction in tax burden. With respect to the relationship between taxation and prevailing economic circumstances in Sweden, it is argued that "If the government were to minimise economic distortions and keep tax rates constant, tax revenues would vary with the economic conditions. Instead, total revenues are not responsive to the cycle. Hence, automatic tax stabilisers are not allowed to work over the cycle. This is most likely the consequence of decisions to raise taxes to contain the budget deficit, regardless of the current economic stance" (Claeys, 2008: 29).

To gain insight into how participation of actors in corporatist arrangements advance their preferences in the Swedish context, Rothstein (1988) undertook an analysis of annual proposals by the main business association, the Swedish Employers' Confederation (SAF), on appropriate levels of government spending over the period, 1974 – 1983. Underlying his analysis is the assumption that the primary business association holds a particular stance on a specific policy issue and how decisions taken by its representatives within NBAs structures give impetus to its policy agenda.

Through this analysis, Rothstein (1988) sought to establish any deviation between the official business policy position and specific decisions adopted by its representatives in corporatist arrangements. According to Rothstein (1988), the greater the difference between the SAF official policy position on government spending and the standpoint of its representatives in the five NBAs, the more important the corporatist arrangements. In a way, the difference between the two assist in sussing out the distribution of power within the NBAs (Rothstein, 1988).

The rationale for the selection of the level of government spending is informed by SAF's demands for reductions of public spending and taxes, emanating from public debates and its conference pronouncements (Rothstein, 1988). From a Marxist perspective, cuts in public spending augur well with crude capitalist class interest, according to Rothstein.

As stated above, the budget process under review is from 1974 to 1983, covering the financial years 1975/76 to 1984/85. There are three reasons for choosing the 1974 to 1983: "(a) to capture the period of the ideological offensive of the business community in Sweden; (b) to see if a change in parliamentary majority/government has any importance in this connection. During this period, Sweden first had a Social Democratic government (to 1976), then four different bourgeois governments comprised of one, two or all three bourgeois parties (1976-1982) and then again in 1982 a Social Democratic government; (c) ten is a neat Figure handle" (Rothstein, 1988: 244). In effect, over the ten-year budget process SAF had representation in five of the National Board and Agencies (NBAs).

- The National Labour Market Board
- The National Board of Occupational Safety and Health
- The National Board of Education
- The National Board for Universities and Colleges
- The National Social Insurance Board

It is relevant to underscore the fact that SAF has representation that goes beyond the five agencies. Moreover, there are many other business associations in Sweden with representation in state apparatuses, notably the Federation of Swedish Industries as well as associations for smaller industries (Rothstein, 1988). Member companies of the Federation of Swedish Industries have membership with the SAF, thus the SAF remains the apex business voice in Sweden. The prevalence of different business associations is attributed to the division of labour within the business fraternity in Sweden (Rothstein, 1988). In regard to the five NBAs mentioned above, it is cited that they have respective foothold in different policy sectors (Rothstein, 1988). Therefore, the conduct of SAF representatives is independent of one specific policy sector. Common amongst the five NBAs is that all taken together constitutes the crux of the welfare state apparatus

(Rothstein, 1988). In other words, the five NBAs are concerned with human reproduction, as none have to do with the carrying out of functions such as law enforcement, or provision of physical infrastructure and direct business interest promotion (Rothstein, 1988).

The share of these five state apparatuses was quantified as approximately around 43% and 34% in 1974/75 and 1983/84 respectively. Rothstein contend that the reduction from 43% to 34% "cannot be explained by a decrease in the importance of the policy sectors concerned but by an increase in government spending on interest payments due to a dramatically increased budget deficit during this period. If the interest payments are excluded, the proportion of the five NBAs' spending increased during the period …" (Rothstein, 1988: 245).

Furthermore, in view of the importance of the five NBAs, the National Labour Market Board is regarded as central to the Social Democratic party's main economic and social policy which give effect to 'active labour market policy' (Rothstein, 1988). As stated, in comparison with labour market authorities in the OECD region, the 'active labour market policy' of Sweden emerged as well financed and politically influential in the labour market (Rothstein, 1988). In addition, the National Labour Market Board is generally staffed by personnel recruited from unions, which represent a tradition not in sync with the classic bureaucratic organisational rules (Rothstein, 1988).

Finally, records from the five NBAs over the period under review indicates that:

> There is no case where the representatives from the Swedish Employers' Confederation have demanded a vote for or made a reservation in favour of a decreased level of spending compared to the previous budget, neither in absolute currency, nor in inflated currency. Furthermore, there is no case where the SAF representatives have demanded a vote for or made a reservation in favour of a reduction of the NBAs' ongoing activities. There are, however, five cases where the SAF representatives have made a reservation for a lower level of increase in spending by demanding the agency should not take on a specified task. [The five cases were all from the National Labour Market Board in 1977, 1981, 1982, 1983 and 1984] … As we can hold constant the influence from parliamentary majority and from

> differences in policy areas as well, it can be presumed that it is the corporatist arrangements as such that have produced this difference between what business says it wants to do and what it actually does when having to take a stand. (Rothstein, 1988: 247-248)

The concept of political exchange discussed in the preceding chapter is arguably pertinent in explicating the disjoint between SAF and its representatives in the five NBAs mentioned above over public spending policy. For instance, Rothstein maintains that from a pure class interest, SAF, as a major capitalist association should not have as priority rendering support to the administration of a Social Democratic welfare oriented policy stance. A supposition for such a contradictory stance is that SAF's support for a welfare policy may be due to pressure wielded by a strong labour movement (Rothstein, 1988). Arguably, such predicament may have occurred in a scenario whereby, "Confronted with such an opponent business has had to choose between Scylla and Charybdis, to take part in the administration of Social Democratic policies and thereby legitimate them in order to gain minor influence in the stage of implementation, or to refuse to participate, thereby risking a more severe implementation of the policies in question, maybe to the point of threatening fundamental capitalist interests" (Rothstein, 1988: 256).

3.3 Unemployment in Sweden

According to Henley and Tsakalotos (1993), the positive impact of corporatist institutions on the favourable inflation-unemployment trade-off constitutes a solution to the inflexible relationship between real wages and unemployment. Additionally, Henley and Tsakalotos (1993) maintain that corporatist institutions provide a shift from predominant focus on management of short-run macro-economic challenges to an approach which lays a foundation for long-term relationships between organised interests and the state.

To demonstrate the long-run benefits derived from labour market coordinated through corporatist institutions, Henley and Tsakalotos (1993) deploys Pizzorno's concept of political exchange in their analysis. They argue that for Pizzorno workers or labour unions wield political power in return for social consensus or curtailed labour militancy[1]. As a result, the market power of workers hinges on the need to reach consensus, not on the degree of demand for labour by employers (Henley and Tsakalotos, 1993).

Therefore, depending on the prevailing circumstances unions have capacity to influence future income earnings for workers by means of restraining wage demands and subduing strike militancy in the short-run. That is, "workers face a long-run utility maximization problem in which they seek to trade-off higher short-run current incomes with long-run benefits they might derive from current wage restraint. The latter might include future provision of desirable 'goods' such as improved future employment opportunities [and] social benefits ..." (Henley and Tsakalotos, 1993: 89). This leverage over future outcomes by unions is at the centre of political exchange, according to Henley and Tsakalotos (1993).

Furthermore, it is argued that political exchange is reliant on the successful aggregation of respective interests of members of trade unions and employer's associations (Henley and Tsakalotos, 1993). Thus, the achievement of 'preference-aggregation' requires peak-level organisation to bring about harmony amongst different competing demands existing within groups (Henley and Tsakalotos, 1993). This places responsibility on trade unions and employer association leaders to focus attention on goals espoused by the majority of members (Henley and Tsakalotos, 1993). Therefore, according to Henley and Tsakalotos (1993), for political exchange to be enforceable there has to be some degree of centralisation, of which without many trade-offs would not come to fruition.

Moreover, Henley and Tsakalotos (1993) cites that Pizzorno also point to the problem of 'interpretation gap' labour is confronted with in exercises that entails political exchange. The concept of interpretation gap describes a situation in which "if workers are to offer restraint they must have some confidence that the benefits promised will be forthcoming" (Henley and Tsakalotos, 1993: 91). Essentially, the problem of interpretation gap arises from uncertainty stemming from a political exchange strategy which seeks to maintain a balance between the short-

[1] According to Henley and Tsakalotos (1993), worker militancy refers to working days lost through strike activity per employee.

run as well as the long-run interests of workers; that is, what workers are willing to forgo currently in exchange for benefits to be realised in the future (Henley and Tsakalotos, 1993). In a worst case scenario the process of political exchange "may not even get off the ground if there is widespread cynicism about the state's capacity or willingness to deliver its side of the bargain … A similar problem may arise on the employers' side if current investment plans are dependent on future wage moderation which employers are uncertain that that unions will deliver" (Henley and Tsakalotos, 1993: 91).

In their observations, Henley and Tsakalotos (1993) took note of a variety of country performances, starting from the 1960s 'golden age', in which most countries recorded sustained economic growth and low unemployment levels and proceeding to the period beyond the economic shocks of the early 1970s. However, with the exception of corporatist countries, for most countries the 1970s era was a season of slow growth and high unemployment coupled with considerable high rates of inflation. In showing the exceptional performance of corporatist economies, Henley and Tsakalotos (1993) drew comparisons with those that are non-corporatist on a number of indicators including unemployment (Table 3.1).

Table 3.1: Unemployment experience across the OECD since 1960

Average unemployment rate	1960-73	1974-79	1980-85	1986-90
European Community				
Belgium	2.4	6.3	11.3	9.5
Denmark	1.8	5.5	9.3	8.6
France	2.0	1.9	8.3	9.8
Germany	0.8	3.2	6.0	5.9
Ireland	5.2	7.6	12.6	16.2
Italy	3.9	4.6	6.4	7.8
Netherlands	1.5	5.1	10.1	8.8
Spain	2.5	5.3	16.6	18.7

UK	2.9	5.1	10.5	8.6
Average	**2.6**	**5.2**	**10.1**	**10.4**
EFTA				
Austria	1.4	1.5	3.0	3.4
Finland	2.0	4.4	5.1	4.3
Norway	1.9	1.8	2.6	3.5
Sweden	1.5	1.5	2.4	1.7
Switzerland	0.1	1.0	1.7	1.9
Average	**1.4**	**2.0**	**2.9**	**3.0**
North America & Australasia				
Australia	2.1	5.0	7.6	7.2
Canada	5.0	7.2	9.9	8.3
New Zealand	0.2	0.8	3.9	5.6
USA	4.8	6.7	8.0	5.8
Average	**3.0**	**4.9**	**7.4**	**6.7**
Japan	1.3	1.9	2.4	2.4

Source: Computed from Layard, Nickel and Jackman (1991), Table A3, pp. 526-528 in Henley and Tsakalotos, 1993

In Table 3.1 unemployment data registered between 1960 and 1990 is presented for 19 member states of the Organisation for Economic Co-operation and Development (OECD). Amongst the 19 countries, most of those that constitute the then European Free Trade Area (EFTA) are classified as strongly corporatist economies – Sweden, Austria, Norway and Finland (Henley and Tsakalotos, 1993). However, Switzerland which forms part of the EFTA is considered as an exception in that notwithstanding its decentralised bargaining structure, it has some features in common with corporatist countries (Henley and Tsakalotos, 1993). Table 3.1 also depicts the then European Community (EC) member states as well as the English-speaking economies grouping referred to as North America and Australasia. Due to its unique institutional design as well as geographical and cultural distance, Japan is classified on its own in Table 3.1.

The 30 years between 1960 and 1990 is fragmented into four periods. As stated by Henley and Tsakalotos (1993), the period 1960 to 1973 is synonymous with sustained growth from the 'golden age' era and the first oil shock. The 1974 to 1979 period is construed as the inter-shock environment triggered by the first and second oil price increases by OPEC. During the third period 1980 –1985, a rise in unemployment was noted, while in the fourth period, 1986 – 1990, a fall in unemployment was observed.

As shown in Table 3.1, before 1973, excluding Ireland, unemployment rate was by and large similar in the OECD member states. However, apparent changes started to emerge after 1973, with corporatist economies showing a better unemployment rate performance. For instance, post 1973, the average unemployment rate in the EC doubled from 2.6% to 5.2%. Similarly, the average unemployment rate in North America and Australasia increased from 3% before 1973 to 4.9% over the period 1974-1979. Amongst strong corporatist economies, Finland emerged as the only country that recorded an unemployment rate above 2%. In Sweden, Austria and Norway the post 1973 unemployment remained similar to levels achieved during the 'golden age' era.

Subsequently, in the first half of the 1980s unemployment rates of most member states in the EC experienced a double increase. On average, for EC member states unemployment increased from 5.2% in the period 1974-1979 to 10.1% in the first half of the 1980s. For the North America and Australasia cohort, average unemployment went up from 4.9% between 1974 and 1979 to 7.4% in the first half of the 1980s. With respect to strong corporatist economies, although there was a rise in unemployment, the upward spiral was marginal. However, unemployment stabilised in most of the OECD member states in the second half of 1980s. By contrast, with an average unemployment rate of 3% in the second half of 1980s, strong corporatist economies emerged as the region with best unemployment record relative to the other two groupings in Table 3.1.

In view of strong corporatist economies' record of unemployment performance over the period 1960-1990, the conclusion is that:

> … this range of economic experience can, in significant measure, be explained by differences in the institutional framework within which economic policy is formulated and implemented. In particular in countries where interest groups such as trade unions and employers' federations are strong, corporatist institutional features appear to have enabled a more prolonged achievement of full employment than where such corporatist features were absent. (Henley and Tsakalotos, 1993: 2)

In comparison to other member states within the EFTA cohort, with the unemployment rate of 1.7% Sweden emerged as the country with the lowest unemployment rate in the period, 1986-1990. Table 3.1 shows that with the exception of the 1960-1973 period, Sweden recorded rates of unemployment below the average scores of the EFTA group in other subsequent periods under considerations.

With regards to the trade-off between unemployment and inflation, it is argued that a number of studies have proved that, unlike other OECD member states, during the oil-shock period highly corporatist economies as well as Japan were found to be situated on the flatter plane of the Philips curves (Henley and Tsakalotos, 1993). In other words, the inflation cost associated with decreases in unemployment was less for highly corporatist economies relative to that of non-corporatist economies. For instance, "McCallum finds that for the corporatist economies a two point reduction in unemployment rate over the 1974-83 period could have been achieved at an average cost of a one percentage point increase in the inflation rate. For non-corporatist economies the sacrifice would have been five percentage point" (Henley and Tsakalotos, 1993: 73).

Furthermore, the use of active labour market policies (ALMPs) is considered to have been instrumental in containing unemployment in corporatist economies. Commitment to full employment induced resort to ALMPs by policy-makers, who made used of them to cushion in particular workers displaced from declining sectors (Henley and Tsakalotos, 1993). In effect, resort to ALMPs was by and large influenced by the rejection of the notion that the labour market should be regulated through unemployment (Henley and Tsakalotos, 1993).

As argued by Henley and Tsakalotos (1993), the Swedish system of active labour market policy is regarded as the most comprehensive in the world. For instance, in Sweden financing of ALMPs is not on the basis of individually defined contributions and benefits, but comes directly from the state budget (Henley and Tsakalotos, 1993). According to Schmidt and Reissert, direct state funding is an indication that ALMPs are devised for the benefit of general employment policy (Henley and Tsakalotos, 1993). Thus, Sweden's share of spending on ALMPs as a proportion of GDP is the highest amongst the OECD member states (Henley and Tsakalotos, 1993).

> The Swedish ALMP strategy involves a number of aspects. Unemployed workers are guaranteed extensive facilities for job placement, assisted by a national vacancy computer system which matches unemployed workers with available vacancies, and would-be employers with suitable job candidates. The state will subsidize interview and mobility expenses and will also subsidize employers in certain cases to employ those who have been unemployed for more than six months. This subsidy can amount to fifty percent of wages in the six months of employment. Failing successful job placement the unemployed are guaranteed very comprehensive job training, or temporary employment on public employment programmes. Vital to the Swedish strategy is the concept of the right to work. Conversely, there is no right to unlimited insurance. Thus, while unemployment insurance is very generous … payment is strictly limited to a period of fourteen months. (Henley and Tsakalotos, 1993: 134-5)

In terms of coordination, in Sweden ALMPs are a responsibility assigned to the National Labour Market Board (AMS) and the National Employment Training Board (AMU), which are both jointly operated by representatives from government, employers and trade unions (Henley and Tsakalotos, 1993).

From their analysis of employment trends in the OECD, Glyn and Rowthorn (1988) came to acknowledge that the year 1973 marks a turn of fortunes for the post World War II OECD economies. As argued by Glyn and Rowthorn (1988), unemployment growth results from the dispersion between the growth of labour force and the growth of employment. They draw a distinction between industrial sector (manufacturing, construction, mining and energy) employment and services sector employment. Thus, Glyn and Rowthorn (1988) maintains that in principle labour can switch between different sectors of the economy.

Furthermore, Glyn and Rowthorn (1988) cites that the conclusion of their analysis points to two conditions that would have to be met in order for a country to achieve low levels of unemployment. These conditions are as follows:

(i) Industrial employment. Wholesale redundancies must be avoided and any decline in industrial employment must be gradual. If this condition is not satisfied, the result will be structural unemployment which cannot easily be eliminated through the creation of additional service employment.

(ii) Service employment. Sufficient service employment must be created to absorb new entrants to the labour market (be they young people or married women) plus transfers from the industrial sector (on the modest scale assumed under condition (i)). If condition (ii) is not satisfied the result will be an increase in measured unemployment even if industrial employment holds up reasonably well.

Within the OECD group, Glyn and Rowthorn (1988) identified five countries (Norway, Japan, Austria, Sweden and Switzerland) that are top performers with respect to recorded trends in unemployment. Of note is that Sweden is among the five star performers. Also, Glyn and Rowthorn (1988) illustrates features that the five countries have in common, which they classify into three categories, namely: wages and consumptions, structural change and industrial production.

Essentially, the structural change dimension refers to the two conditions required to be met to avoid high levels of unemployment. That is, structural change is characterised by a decline in unemployment that is gradual, while service employment increases at a rate sufficient to accommodate new labour market entrants and displaced workers from the industrial sector. Of the five star performers, three were found to conform with this envisaged structural change. In this regard, Sweden emerged as moderately compliant, whereas Norway and Japan were found to have well matched the outlined structural change (Glyn and Rowthorn, 1988).

In regard to industrial production, the assertion is that countries with great increases in industrial production per capita tend to experience a small rise in unemployment. On industrial production, Norway and Japan are said to have conform unambiguously and Austria emerged as having fitted the pattern well. The experience of Sweden is considered as an exception in that between 1973 and 1985 the country registered a very slow growth in industrial production, yet it was able to create a large number of new jobs, which prevented an increase in measured unemployment (Glyn and Rowthorn, 1988). Thus, Glyn and Rowthorn (1988) are of the view that the Swedish case demonstrates that although rapid industrial growth is a requirement, it is not necessary for massive job creation and full employment.

On wages and consumption, Glyn and Rowthorn (1988) cites that consumption per capita is in essence influenced by four dimensions: the pre-tax wages, the share of wages absorbed by taxes, the proportion of wages saved and the proportion of adults in employment. Within the five star performers, Glyn and Rowthorn (1988) noted considerable variation in the behaviour of the four dimensions mentioned above over the period 1973-1985. In the Swedish case, real wage rates registered a noticeable decrease from 1977 onwards (Glyn and Rowthorn, 1988). While real wage rates indicated a drop from 1977, there were large increases in public employment for females, thereby leading to maintenance of total family income as well as average personal consumption (Glyn and Rowthorn, 1988).

Focus on labour market trends in Sweden show that manufactured output and industrial production per capita remained constant between 1973 and 1985 (Glyn and Rowthorn, 1988). However, there was a gradual decrease in industrial employment, coupled with an increase in the number of part-time service jobs created over the period 1973-85. The two developments are attributed to government policy (Glyn and Rowthorn, 1988). Subsequent to the 1973 oil shock, government embarked on a massive drive to protect jobs in the industrial sector. The adopted strategy by government sought to protect employment in older sectors of the economy, notably in shipbuilding and steel industry, while spearheading initiatives to develop new industries (Glyn and Rowthorn, 1988).

Comparatively, Sweden's modus operandi in dealing with difficulties generated by the oil shock fared better than strategies adopted in many other European countries (Glyn and Rowthorn, 1988). By way of illustration "As far as service employment is concerned [in Sweden], the crucial factor behind the expansion was government employment which rose by well over a third during the period 1973-85. One of the objectives of this expansion in government employment was to provide jobs for displaced industrial workers, together with new entries to the labour market such as young people and married women" (Glyn and Rowthorn, 1988: 37).

Underlying such a milestone in Sweden was the social compromise embraced by a strongly organised and centralised labour movement for the realisation of full employment in exchange for incorporation into the broad realm of economic policies (Glyn and Rowthorn, 1988). With respect to financing of the full employment programme in Sweden, resources were mobilised through wage restraint and higher taxes, resulting in significant decline in real wage pay for the average worker (Glyn and Rowthorn, 1988).

Historically Sweden's labour market policy, in particular before the 1990s, was informed by ideas generated in the late 1940s and early 1950s by two trade union economists, Gosta Rehn and Rudolf Meidner (Calmfors et al., 2002). Gosta Rehn and Rudolf Meidner regarded active labour market policy as integral to a policy suite to achieve a combination of low inflation, full employment and wage compression (Anders et al., 2002). The main issue of concern for the two economists was the shedding of jobs in low-productivity sectors as a result of anti-inflationary demand-management policy (Calmfors et al., 2002). Thus, they recommended re-training and other labour mobility facilitating mechanism to allow workers faced with the threat of unemployment in low-productivity sectors to move to high productivity sectors, thereby relieve shortages of labour in the latter (Calmfors et al., 2002). Although labour market policy in post-war Sweden was initially more focused on enhancing labour mobility, during the 1960-1990 period greater emphasis was placed on addressing all types of unemployment (Calmfors et al., 2002).

In the 1990s labour market policy in Sweden gained currency for containing the prevalence of unemployment amplified by the recession which plagued the country at the time. For instance, it is cited that "In the early 1990s, Sweden entered its deepest recession in the post-war period with regular employment falling by 13 per cent between 1990 and 1994. In this situation, placement in ALMPs became the main short-run policy instrument to counteract the rise in open unemployment. Policy was also to a large extent guided by the social-policy objectives of providing income support for the unemployed: formally, unemployment compensation could not be paid for more than 14 months for the majority of the work force, but eligibility could be renewed through participation in ALMPs" (Calmfors et al., 2002: 7). However, underpinning the Swedish active labour market policy is mitigation of the unintended impact of a generous unemployment insurance. To negate the undesired impact of unemployment insurance, payment of unemployment compensation is subject to accepting regular job offers or placement offers afforded through ALMPs (Calmfors et al., 2002).

When labour market training programmes in Sweden were initiated, they largely constituted of vocational training programmes. However, over time they mutated towards more general education (Calmfors et al., 2002). According to Calmfors et al. (2002), the introduction of computer activity centres in 1995 represent further innovation in Swedish labour market policy. Moreover, in 1998 the government in collaboration with the Confederation of Swedish Industries launched an Information Technology programme known as Swit to enhance recruitment for training programmes (Calmfors et al., 2002). Participants in training programmes receive training grants equivalent to unemployment compensation throughout the six months of the programme.

Over time many subsidised temporary employment schemes in Sweden were launched (Calmfors et al., 2002). A large number of these temporary employment schemes are essentially construed as relief work of which most are offered by the public sector, with the private sector also to some extent serving as host in exchange for subsidy for each individual selected through public employment offices (Calmfors et al., 2002). Nevertheless, in 1998 relief works were abolished and were later replaced by work experience schemes. The main objective of work experience schemes was to generate activities that would not lead to crowding out of regular employment. Those who participate in work experience schemes were paid unemployment compensation.

Subsidised unemployment was also carried out through the provision of self-employment grants, earmarked for unemployed individuals who seek to start businesses. Disbursement of self-employment grants lasted for a duration of six months. Work practice programmes, which included youth schemes were other initiatives adopted to enhance employment opportunities in Sweden. Like work experience schemes, youth schemes were designed in such a manner that they avoid the displacement effects (Calmfors et al., 2002).

3.4 Economic growth in Sweden

About the impact of corporatist arrangements on economic growth, the assumption from political science literature is that the former tends to have positive influence on the latter (Henley and Tsakalotos, 1993). From practical experiences of industrialised countries there are indications of distinguished performance with respect to GDP per capita associated with corporatist economies (Henley and Tsakalotos, 1993). However, it has recently emerged from literature that convergence between economic catch-up and growth rate in the developed world shows that the less rich are gravitating more towards those with the highest GDP per capita (Henley and Tsakalotos, 1993). As a result, Henley and Tsakalotos (1993) hold that it may not be ideal to correlate corporatist economies with absolutely higher rates of economic growth. Arguably, Table 3.2 below corroborate the assertion by Henley and Tsakalotos. For instance, Table 4.2 shows that on average between 1960 and 1973 former EFTA countries (inclusive of Sweden), which are classified as strongly corporatist economies, achieved an average economic growth rate of 4.7%, which is marginally below the 5.1% registered by the then European Community (EC) countries. Similarly, over the period 1974-79, former EFTA countries (2.7%) recorded an average economic growth rate that was marginally higher than that of the then European Community countries (2.3%). That is, in the 1960-73 and 1974-79 respective intervals the difference in registered growth rates between countries in the EC grouping and the strongly corporatist countries that make up the EFTA cohort equated to 0.4% (Henley and Tsakalotos, 1993).

Table 3.2: Growth experience across the OECD since 1960

Average rate of real GDP growth	1960-73	1974-79	1980-85	1986-90
European Community				
Belgium	5.0	2.3	1.4	3.2
Denmark	4.5	1.9	2.2	1.5
France	6.2	2.8	1.5	2.9
Germany	4.7	2.4	1.1	3.1
Ireland	4.5	5.0	2.6	4.4
Italy	5.4	3.7	1.9	3.0
Netherlands	5.2	2.7	1.0	2.7
Spain	7.0	2.2	1.4	4.5
UK	3.3	1.5	1.3	3.2
Average	**5.1**	**2.7**	**1.6**	**3.2**
EFTA				
Austria	5.1	2.9	1.6	3.1
Finland	5.3	3.3	3.3	3.5
Norway	4.3	4.9	3.5	1.6
Sweden	4.2	1.8	1.8	2.1
Switzerland	4.6	-0.3	1.9	2.8
Average	**4.7**	**2.3**	**2.4**	**2.6**
North America & Australasia				
Australia	5.2	2.6	3.2	2.8
Canada	5.3	4.2	2.7	3.0
New Zealand	3.8	0.8	2.6	0.9
USA	3.8	2.4	2.4	3.0

Average	**4.5**	**2.5**	**2.7**	**2.4**
Japan	10.1	3.6	3.7	4.6

Source: Calculated from OECD National Accounts, 1960-90, in Henley and Tsakalotos, 1993

Nevertheless, for Henley and Tsakalotos (1993) of utmost importance is whether corporatist economies are capable of achieving greater, stable long-run economic growth, because stable growth is integral for fulfilment of the commitment to full-employment. In their endeavour to explicate the importance of stability, Henley and Tsakalotos deliberate extensively on the relationship between corporatism and corporate profitability. In this deliberation, focus is on whether corporatist economies fare better in precluding instability arising from profit squeeze. Moreover, Henley and Tsakalotos extend their deliberation to take account of whether corporatism can engender conditions compatible with stable investment rates.

In regard to investment, is stipulated that "Typically in capitalist economies cycles in the level of investment are of much greater amplitude than cycles in the level of economic activity. Investment growth outstrips output growth during booms and falls more sharply during recessions" (Henley and Tsakalotos, 1993: 120). Also, Henley and Tsakalotos (1993) contend that the positive impact of increased investment on future incomes tend to motivate workers and capitalist to have shared interest in the realization of optimum levels of investment. In a way, optimum levels of investment give effect to the compromise that characterizes corporatist economies (Henley and Tsakalotos, 1993).

However, as mentioned in the previous section on unemployment, one challenge is that workers may abandon wage restraint when confronted with the possibility of employers neglecting their future commitment to invest (Henley and Tsakalotos, 1993). Similarly, there exist the possibility that workers may desist from their future commitment to wage restraint until employers also demonstrate their commitment to invest (Henley and Tsakalotos, 1993). Hence the supposition that where workers are strong, employers' interest in avoiding worker militancy by means of consensus or compromise becomes amplified (Henley and Tsakalotos, 1993). Furthermore, it is argued that,

> If investment performance is the means to the success of corporatist arrangements, then corporatist economies need to enjoy conditions where each cyclical downturn does not lead to a rapid abandonment of trade union quiescence and thus profit-squeezing real wage increases … [Therefore] investment activity will be preserved in the face of an economic shock if investors' confidence can be maintained. This confidence can be established if shared commitment to the maintenance of full-employment exists. In the absence of either or both of these, an economic shock will lead to a decline in investment and an intensification of conflict over the distribution of income, as workers and employers switch to non-cooperative strategies. (Henley and Tsakalotos, 1993: 122)

As argued by Henley and Tsakalotos (1993), focus on the two phases, 1973 to 1975 and 1978 to 1982, which are characterised by acute profit-squeeze in the OECD countries, demonstrates the ability of corporatist economies to diffuse distributional conflict.

Table 3.3: The 1973 – 1975 profit squeeze

% per annum	Real income growth[2]	Real investment growth	Profit share growth	Real wage growth	Warranted real wage growth[3]
Pluralism					
Australia	1.90	-3.05	-4.16	4.76	2.52
Canada	4.59	3.94	-1.14	3.31	2.86
N. Zealand	2.67	-3.99	-10.30	1.27	-4.74
USA	-1.91	-12.35	-2.02	-2.16	-2.82
Average	1.81	-3.86	-4.41	1.80	-0.55
Weak corporatism					
Italy	-0.12	-9.11	-5.47	3.03	-1.23

[2] Income refers to total factor income and is defined as GDP minus indirect taxes plus depreciation plus subsidies.
[3] The warranted real wage growth is that rate of real wage growth which is consistent with zero profit share growth assuming actually observed productivity and price changes.

Spain	3.89	2.62	-2.26	6.18	4.79
UK	-0.27	-11.12	-13.11	4.03	0.47
Average	1.17	-5.87	-6.95	4.41	1.34
Medium corporatism					
Belgium	1.39	-2.29	-6.91	4.39	1.15
Denmark	-0.93	-14.15	-7.29	3.86	0.68
Finland	2.72	8.31	-7.98	5.66	2.47
Germany	-1.00	-11.98	-4.20	2.78	1.15
Ireland	6.15	-8.13	-5.59	4.26	1.60
Switzerland	-2.25	-15.20	-4.86	1.15	-0.83
Average	1.01	-7.24	-6.14	3.68	1.04
Strong corporatism					
Austria	2.96	-5.97	-4.16	4.76	2.52
Netherlands	1.74	-7.11	-6.43	4.41	1.81
Norway	5.04	9.58	-5.14	4.63	3.08
Sweden	3.75	7.53	-4.01	4.61	3.36
Average	3.37	1.01	-4.94	4.60	2.69
Concertation without labour					
France	1.27	-5.26	-8.69	4.98	0.84
Japan	1.69	-7.21	-8.37	3.40	-1.30
Average	1.48	-6.24	-8.53	4.19	-0.23

Source: Henley and Tsakalotos (1993)

In Table 3.3 above average annual percentage growth of income, investment, profit share and real wages registered during the 1973–1975 profit squeeze period in OECD countries are presented. As depicted in Table 3.3, the more corporatist economies, in particular Sweden, Norway and Finland, continued to grow over the 1973–1975 period. Additionally, more corporatist economies recorded sustained investment growth between 1973 and 1975. By contrast, Canada and Spain were the only non-corporatist economies that recorded positive real investment growth during the 1973-1975 period. Furthermore, it is also shown that all countries in Table 3.3 were affected by profit squeeze between 1974 and 1975. In terms of magnitude, Sweden, Norway and Austria were the only countries that achieved slightly below average rates of profit squeeze. However, countries that were least affected by profit squeeze were in North America. As cited, "This is probably explained by the high degree of nominal rigidity in wage setting in North America. This would have particularly worked to the advantage of the United State and Canada because the period was a time of very rapid price inflation" (Henley and Tsakalotos, 1993: 123).

Henley and Tsakalotos (1993) also worked out what they referred to as 'warranted rate of real wage growth' to further decipher the profit squeeze phenomenon. The warranted rate of real wage describes "the rate of growth of the real wage which would be consistent with a constant profit share, given observed movements in real labour productivity and the prices of consumer goods and producer output. In other words, if labour had settled for this annual rate of growth of real wages there would have been no profit squeeze" (Henley and Tsakalotos, 1993: 123-5). Table 3.3 indicates that in almost all the countries under review the warranted real wage growth was below the real wage growth. However, Sweden, Norway and Finland in addition to being countries with minute profit squeeze, they also emerged as cases with marginal dispersion between actual and warranted real wage growth rates. Comparison between strongly corporatist economies and economies based on pluralism indicates that:

> The average warranted real wage growth rate for strongly corporatist group is 2.7 per cent per annum. This contrast with 'pluralist' or most liberal economies where warranted real wage growth was in fact negative. The corporatist economies, by managing to maintain rates of investment, enjoyed a position of being able to continue to provide considerable real wage growth without risking conflict over the distribution of income. Profit squeeze was greatest in those economies with fairly strong trade unions and collective bargaining systems, where labour was not prepared to accept the rather low warranted rates of wage growth. (Henley and Tsakalotos, 1993: 125)

Table 3.4: The 1978 – 1982 profit squeeze

% per annum	Real income growth[4]	Real investment growth	Profit share growth	Real wage growth	Warranted real wage growth[5]
Pluralism					
Australia	0.92	-1.77	-3.22	-1.49	-0.22
Canada	1.14	-0.45	-1.43	-0.43	-0.97
N. Zealand	1.34	5.77	0.46	-0.16	0.07
USA	0.10	-5.46	-4.06	-1.54	-2.56
Average	0.88	-0.48	-2.06	-0.16	-0.92
Weak corporatism					
Italy	2.46	2.08	0.41	1.64	1.93
Spain	-0.45	-1.85	1.84	1.84	0.62
UK	-1.38	-3.83	-2.58	0.81	0.06
Average	0.21	-1.20	-o.11	1.43	0.87
Medium corporatism					
Belgium	1.54	-4.52	-0.09	0.47	0.44
Denmark	1.17	-6.24	-0.86	0.04	-0.28
Finland	4.64	7.85	0.69	1.93	2.18
Germany	0.75	-1.63	-1.65	0.47	-0.15
Ireland	1.33	3.23	-6.21	1.63	-1.24
Switzerland	2.00	4.21	-1.56	1.35	0.79
Average	1.91	0.48	-1.61	0.98	0.29
Strong corporatism					
Austria	1.88	-1.09	1.44	1.28	1.78
Netherlands	0.18	-5.61	1.81	-2.37	-1.62
Norway	2.78	4.14	10.40	-1.14	0.59
Sweden	1.27	1.46	6.41	-1.59	-0.20

[4] Income refers to total factor income and is defined as GDP minus indirect taxes plus depreciation plus subsidies.
[5] The warranted real wage growth is that rate of real wage growth which is consistent with zero profit share growth assuming actually observed productivity and price changes.

Average	1.53	-0.28	4.95	-0.96	0.14
Concertation without labour					
France	1.51	0.85	-3.65	1.82	0.52
Japan	3.43	2.37	-2.06	1.62	0.63
Average	2.47	1.61	-2.89	1.72	0.58

Source: Henley and Tsakalotos (1993)

In regard to the profit squeeze that transpired between 1978 and 1982, which is captured in Table 3.4 above, trends similar to the 1973–1975 profit squeeze period were observed. With respect to distributional conflict, countries classified as strongly corporatist emerged as best performers over the 1978–1982 period. Of note is that in all strongly corporatist countries as well as in Finland profit squeeze did not occur, instead it went up (Henley and Tsakalotos, 1993). According to Henley and Tsakalotos (1993), within the strongly corporatist grouping, Netherlands was the only country that registered a substantial decline in investment. However, the growth in profit share results from a warranted real wage growth rate that was less than the actual growth in real wage rate. As a matter of fact, over the 1978-1982 period strongly corporatist economies experienced a decrease almost equivalent to one percent per annum in real wages. In contrast, in the pluralist grouping warranted real wage growth decreased by almost minus one percent (-0.92%), while the real wage growth decreased by -0.16%. Moreover, Table 3.4 shows that between 1978 and 1982 the average income growth achieved by strongly corporatist economies (1.53%) was almost double that of pluralist economies (0.88%). Therefore, based on the above assertions, the conclusion is that,

> The ability to create a climate for sustained investment in the face of economic shocks, particularly among the Scandinavian corporatist economies, appears to have been greatly helped by a capacity to avoid distributional conflict. This is true in a relative sense vis-à-vis the more pluralist economies in the aftermath of the first OPEC oil price rise, and in an absolute sense in the aftermath of the second oil price rise. (Henley and Tsakalotos, 1993: 127)

Additionally, the degree of sensitivity of investment to changes in profitability also sets corporatist economies apart from those that are non-corporatist in that the former seem to have been affected moderately relative to the latter by episodes of profit squeeze noted in Table 3.3 and 3.4. Furthermore, evidence from estimation of investment functions suggest that the "strongly corporatist group, as classified in [Table 3.3 and 3.4] jointly possess long-run elasticities of investment with respect to changes in profitability which is significantly lower than that of the other groups of countries" (Henley and Tsakalotos, 1993: 127-8).

In Sweden investment was facilitated through an institution that came to be known as the Swedish Investment Funds System (Taylor, 1982). In 1955, Sweden enacted a new legislation which geared the Swedish Investment Funds System to serve as a countercyclical lever (Taylor, 1982). According to the new policy initiative, the Swedish Investment Funds System was expected as a rule to release funds to be invested by firms during recessionary down turns in the business cycle. In effect, the investment funds system constituted part of the Swedish general corporate system (Taylor, 1982). However, the investment funds system subsequently evolved beyond its initial role as a countercyclical intervention to also cater for the withdrawal of funds for other purposes. As cited by Taylor (1982), by 1975 the investment funds system had become a permanent investment stimulating apparatus, with disbursement of funds not only during recessionary periods, but on a regular basis. For instance, 30% of the funds were allowed to be withdrawn after a period of five years and in some instances funds could be released for investment in special projects (Taylor, 1982). The Labour Market Board was tasked with the responsibility to coordinate the release of the funds when the need arises. In other words, the responsibility to monitor the economy and determining when to release funds was assigned to the Labour Market Board. Therefore, some discretion to determine an appropriate time to release funds was allocated to government officials (Taylor, 1982).

In his study of the Swedish Investment Funds System, Jan Sodersten (1989) found that since the end of 1960s the frequency with which funds were released increased (Sodersten, 1989). Moreover, the 1970s efforts in Sweden to stimulate industrial growth enabled firms to continuously tap into the investment funds to finance new investments (Sodersten, 1989). As cited, "Available aggregate data indicate that during 1975-82, i.e. the period of "permanent" [Investment

Fund]-releases, an average of approximately 40 per cent of the investments in buildings made by the manufacturing industry were actually "financed" through the [Investment Funds]-system" (Sodersten, 1989: 687).

Furthermore, it is cited that for Sweden the 1990s was a period of economic decline (Magnusson, 2011). For instance, in 1990 an acute downward spiral in economic activities occurred and as a result the GDP fell. According to Magnusson (2011), the economic downturn of the 1990s, when measured in terms of GDP losses, it becomes the costliest crisis to have affected Sweden since the nineteenth century. Nevertheless, Sweden's economy started to improve after 1996, albeit sluggishly (Magnusson, 2011).

Table 3.5: GDP per capita growth, 1995-2004[6]

Selected OECD nations	Average annual percentage change
Ireland	5.9
Finland	3.3
Sweden	**2.4**
United Kingdom	2.3
OECD Average	**2.2**
United States	2.2
Norway	2.1
Spain	2.1
Denmark	1.7
France	1.7
Japan	1.2
Germany	1.1
Source: OECD 2005, 25.	

By way of illustration, Table 3.5 above shows that over the period 1995-2004, Sweden's economy recovered from the 1990s economic crisis to register an average GDP per capita growth rate higher

[6] Extracted from 'Sweden's "Economic Recovery and the Theory of Comparative Institutional Advantage" by Geoffrey E. Schneider

than that of some OECD member countries. Magnusson (2011) argues that the 1990s crisis had arguably spurred structural changes in the economy of Sweden that were already in progress. Because of the fact that a large number of Swedes receive income from sources beyond traditional industry, for Magnusson (2011) this phenomenon indicates that many post World War II institutions had to adapt to the vagaries of prevailing circumstances. Also, Magnusson (2011) maintains that the security and stability generated by Sweden's welfare state incentivised workers and entrepreneurs not to shy away from indulging in risk and moreover contributed a great deal in effecting a safe environment which is supportive of long-term investment. On the other hand, Schneider (2007) argue that the ability of the Swedish economy to reverse the down spiral demonstrate the extent to which countries can direct the location of production by means of non-market institutions as well as the degree to which some welfare state institutions can prop up high wage industries. Thus, "the commitment to a specific Swedish model is not merely lip service; it is possible to say that, so far, it has survived both external shocks and the influence from globalisation" (Magnusson, 2011: 212).

CHAPTER 4: STATE-BUSINESS RELATIONS IN POST-APARTHEID SOUTH AFRICA

4.1 The modern South African state

According to Terreblanche and Nattrass (1994), in the 80 years following the formation of the Union of South Africa in 1910, South Africa's political economy can be segmented into seven structural periods, with each lasting for 12 years. The seven structural periods are classified as follows: 1910 to 1922; 1922 to 1933; 1933 to 1948; 1948 to 1960; 1960 to 1973; 1973 to 1984 and 1984 onwards.

The first period, 1910-1922, is marked by the economic and political dominance of the English establishment and the making of a racially segregated society: while the first period was unfolding white unity was the uppermost objective (Terreblanche and Nattrass in Alfred et al., 1994). In pursuit of white unity, the British government opted to choose General Louis Botha to become the first Prime Minister of the Union of South Africa. This choice by the British government enabled English commercial and mining interests to form a successful coalition with influential members of the Afrikaner community (Terreblanche and Nattrass in Alfred et al., 1994). Underlying the support structure of the South African Party, which was the ruling party at the time, was the alliance between affluent Afrikaner farmers and the capitalist mine-owners. As cited, the South African Party contributed a great deal in guaranteeing political control for the English establishment for almost 15 years (Terreblanche and Nattrass in Alfred et al., 1994). With the Chamber of Mines serving as its financial and organisational core, the English establishment was able to maintain its dominance of the economy (Terreblanche and Nattrass in Alfred et al., 1994).

Also, during the 1910-1922 period, legislation intent on undermining the economic well-being of blacks were promulgated. Such legislation included the Mine and Works Act of 1911 and the 1911 Black Labour Regulations Act. On one hand, the 1911 Mine and Works Act laid foundation for the colour bar that gave effect to job reservation for whites in the workplace, while on the other, the 1911 Black Labour Regulations Act prohibited a black miner from breaking his employment contract or offering higher wages to persuade black workers to break their employment contracts.

By and large, the government of the day during the 1910 to 1922 period sought to ensure conducive conditions for the successful and profitable exploitation of mineral endowment of the country (Terreblanche and Nattrass in Alfred et al., 1994).

The second period, 1922 to 1933, is characterised by the emergence of economic nationalism and initiatives mainly by Afrikaner farmers and white workers to forge a welfare state (Terreblanche and Nattrass in Alfred et al., 1994). Precipitating the emergence of economic nationalism, was the significant decrease in the price of gold in the wake of increasing production costs in the gold mining industry and the brutal repression of the Rand Revolt (which refers to the violent labour strikes by white workers and a minor civil war at the Rand) by capital with the aid of state machinery (Terreblanche and Nattrass in Alfred et al., 1994).

Subsequent to the brutal repression of the Rand Revolt, a class based pact between the mainly English-speaking Labour Party and Hertzog's National Party came into being (Terreblanche and Nattrass in Alfred et al., 1994). For the first time in the history of South Africa the socialist focus of the Labour Party and the nationalist logic of the National Party posed a formidable threat to the economic and colonial power of the English establishment, which had considerable influence in maintaining the continued existence of colonial capitalism in South Africa (Terreblanche and Nattrass in Alfred et al., 1994). Consequently, it is contended that the electoral victory of the alliance between the Labour Party and the National Party in 1924 precipitated a shift in the economic philosophy of the pact government from economic liberalism to economic nationalism (Terreblanche and Nattrass in Alfred et al., 1994). The economic nationalism which came to be an underlying ethos of the pact government mutated into more state intervention and protectionist economic policies (Terreblanche and Nattrass in Alfred et al., 1994). The protectionist policies essentially gave rise to import substitution strategy adopted by the pact government. The reconstituted Board of Trade and Industries, charged with the responsibility to oversee import substitution, by means of increased import tariffs, it was instrumental in nurturing and supporting the development of local industry (Terreblanche and Nattrass in Alfred et al., 1994).

The other element constituting the economic philosophy of the Pact government was the welfare state policy objective (Terreblanche and Nattrass in Alfred et al., 1994). In this regard, focus was centred on insulating poorer whites (with over 80% of them being Afrikaners) from impoverishment resulting from the unfolding modernisation and urbanisation trajectory.

> Key aspects of this policy were the provision of financial support to farmers, the assurance of supply of cheap black labour to agriculture, mining and industry, and the protection of whites from black competition in the labour market. The central tenet of this latter policy (as laid down in the 1925 Wage Act) was that whites should get paid at a rate commensurate with a 'civilised' standard of living rather than in accordance with the dictates of the labour market. This was given additional force by the Customs, Tariff and Excise Duty Amendment Act of 1925 which provided for industrial protection on the condition that a 'reasonable' proportion of 'civilised workers' were employed. (Terreblanche and Nattrass in Alfred et al., 1994: 193)

Moreover, protected employment for white workers was guaranteed in some sectors, notably the South African Railways and Government Services (Terreblanche and Nattrass in Alfred et al., 1994). However, the 1926 Mines and Works Act (also referred to as the Colour Bar Act), which further solidified job reservation for white workers, had negative repercussion for the mining industry (Terreblanche and Nattrass in Alfred et al., 1994). That is, as a result of the Colour Bar Act, the mining industry experienced significant disinvestment between 1924 and 1932 (Terreblanche and Nattrass in Alfred et al., 1994). On the other hand, the mining industry benefited from the adopted racial legislation in that "Despite the higher costs incurred as a result of protected white labour, horizontal controls on the movement of black labour (such as those laid down by the 1923 Urban Areas Act) worked in mining capital's favour" (Terreblanche and Nattrass in Alfred et al., 1994: 193).

In the third period, 1933-1948, the re-surfacing of the political power of the English establishment is observed as well as a pattern of industrialisation underpinned by a less economically and racially repressive logic. The great depression, spanning the period 1928-1932, led South Africa to register a 6% decline in GDP (Terreblanche and Nattrass in Alfred et al., 1994). However, the abandoning of the gold standard in 1932, the doubling of the price of gold and the devaluation of the South African pound spurred an upward surge in the economy of the country (Terreblanche and Nattrass in Alfred et al., 1994). As a result, between 1930 and 1940 South Africa achieved an economic growth rate of 5% per annum (Terreblanche and Nattrass in Alfred et al., 1994).

By the 1940s, South Africa experienced substantial increase in urbanisation. Notwithstanding an increase in urbanisation, the economy of South Africa continued to be confronted with the challenge of acute shortage of skilled labour. Thus, the colour bar was rendered redundant by the outbreak of the Second World War, which reduced the pool of skilled labour since a large number of skilled whites were conscripted into the army (Terreblanche and Nattrass in Alfred et al., 1994). The depletion of the skilled workforce and the liberal oriented administration (which was largely English) influenced government to authorise blacks to take up skilled employment opportunities (Terreblanche and Nattrass in Alfred et al., 1994).

In the fourth period, 1948-60, Afrikaner up-liftment and the entrenchment of the policy of apartheid gained momentum (Terreblanche and Nattrass in Alfred et al., 1994). The electoral victory of the National Party due to its staunch apartheid stance in 1948 was a setback for the English establishment, given its fear of the possibility of nationalisation of the gold mining industry and turning South Africa into a quasi-Socialist state (Terreblanche and Nattrass in Alfred et al., 1994).

After gaining control of the state the National Party introduced a three dimensional programme to advance the policy objectives of Afrikaner nationalism (Terreblanche and Nattrass in Alfred et al., 1994). In other words, "New discriminatory laws were added to the existing arsenal (and extended to coloureds and Indians), the bureaucracy and parastatal sector was enlarged in order to generate Afrikaner employment opportunities, and a variety of welfare programmes were launched to redistribute wealth and uplift the poor (mainly Afrikaner) white population" (Terreblanche and Nattrass in Alfred et al., 1994: 196). However, most of the legislation ratified by the National Party government was mainly intended to extend control over black labour (Terreblanche and Nattrass in Alfred et al., 1994).

The fifth period, 1960-73, is defined by the failed attempts to effect institutionalised white dominance, particularly that of Afrikaner, based on the Verwoerdian ilk at the time when industrialisation and economic growth were at a peak, while black urbanisation, as a social force was growing in importance (Terreblanche and Nattrass in Alfred et al., 1994). The economic prosperity of the 1960s, which generated benefits for all sectors, ameliorated the rivalry between the Afrikaner and English establishments (Terreblanche and Nattrass in Alfred et al., 1994: 196). Moreover, the Afrikaners' fear of competition over unskilled and semi-skilled employment in the labour market from blacks dissipated as a result of ample job opportunities created by the booming economy (Terreblanche and Nattrass in Alfred et al., 1994: 196). For instance, between 1960 and 1970 South Africa recorded an economic growth rate of 5.6% per annum and the average real per capita income increase to 3% per annum (Terreblanche and Nattrass in Alfred et al., 1994: 196). The emergence of a strong Afrikaner business class during the 1960-73 period improved the attitude of English-speaking business class towards the National Party government (Terreblanche and Nattrass in Alfred et al., 1994).

The sixth period, 1973-84, is characterised by awareness of the unsustainability of the apartheid regime, a decline in economic growth, more improved relations between English and Afrikaner establishments and the increase in the power of black workers. According to Terreblanche and Nattrass (1994), developments that transpired between 1973 and 1976 were instrumental in changing the political course of South Africa. By way of illustration, they cite that the price of essential commodities for black workers astronomically went up by 40% between 1971 and 1973. Consequently, in 1973 black workers embarked on a countrywide industrial strike, which yielded real economic gains in the long-run (Terreblanche and Nattrass in Alfred et al., 1994). These economic gains are partly attributed to prevailing conditions in the labour market that was largely characterised by an acute shortage of skilled and semi-skilled workforce (Terreblanche and Nattrass in Alfred et al., 1994). "By the mid-1970s, both government and employer organisations were publicly committed to moving towards paying the rate for the job, thus ending the official 'civilised labour' policy on wages" (Terreblanche and Nattrass in Alfred et al., 1994: 199).

Furthermore, the 1976 Soweto uprising gave rise to political and economic turbulences which manifested in large scale capital flight (Terreblanche and Nattrass in Alfred et al., 1994). The capital flight and world economic downward spiral, which was induced by the Opec oil price increase in 1973, had negative repercussions on South Africa's economic performance

(Terreblanche and Nattrass in Alfred et al., 1994). As stated, since 1974 South Africa recorded an annual growth rate below an average of 2% per annum and real per capita income decreased by 15% (Terreblanche and Nattrass in Alfred et al., 1994). With respect to employment, between 1976 and 1985 formal employment increased by less than 600 000 while the labour force registered a growth of almost three million job seekers (Terreblanche and Nattrass in Alfred et al., 1994). As argued by Terreblanche and Nattrass (1994),

> The major factors responsible for these developments were the low growth rate and the sharp increase in capital intensity. The increase in capital intensity and the declining output/capital ratio largely followed from the excessive rate of investment stimulated in the 1960s and early 1970s by negative and low real rates of interest, overvalued exchange rate and tax concessions on capital investment. [For instance] Under the leadership of Vorster (1966-78) the government embarked on an economic policy designed to decrease South Africa's dependency on foreign suppliers of strategic goods. Large subsidies became available for import substitution, while strategic industries ... were developed and expanded. Large subsidies were also available for industrial development in (homeland) border areas. For many English-dominated companies, these developments created lucrative investment opportunities. (Terreblanche and Nattrass in Alfred et al., 1994: 200)

In regard to the relationship between the state and business, while the economy was mired in stagflation and growing international isolation, the two coalesced towards each other as they move to consolidate and protect their respective interests (Terreblanche and Nattrass in Alfred et al., 1994).

The seventh period, lasting from 1984 until the early 1990s, is associated with unwillingness on the part of the National Party government to wholeheartedly embrace the notion of 'one nation', as well as continuous decline in the economic growth rate, protest strategy driven by extra-parliamentary forces and the worsening tension between the co-optive dominance strategy of the bureaucratic state and the new forms of protest strategy (Terreblanche and Nattrass in Alfred et al.,. 1994).

Concerning the bureaucratic state in the 1980s, it is argued that at the core of it was a multiracial elite constituted of officials at the upper echelon of the National Party, a majority of the Afrikaner and English business community that had patronage relations with government, key officials from the State Security Council and co-opted black, coloured and Asian leaders (Terreblanche and Nattrass in Alfred et al.,. 1994). The common feature among these elite groupings was the desire to maintain the apartheid order, moreover it was instrumental in the government strategy of 'co-optive dominance' (Terreblanche and Nattrass in Alfred et al.,. 1994).

Furthermore, Terreblanche and Nattrass (1994) cites that notwithstanding the enormous power commanded by the bureaucratic state, its effectiveness was hampered by three interwoven factors; the legitimacy crisis of the apartheid order as perceived from both the left and the right of the political spectrum, South Africa's continuous economic deterioration and the growing hostility of the international community.

On the other hand, Yudelman (1983) cites that in the 1980s both the South African state and big business had one challenge in common. In other words, both had as top priority to devise an effective approach to contain the revolutionary inclination of workers and create more jobs (Yudelman, 1983). The 1980s was strikingly similar to circumstances prevailing in the early part of the twentieth century, which was characterised by the political task of incorporating organised labour into the structure of the state without undermining the capitalist economy and generating employment for the mass of dangerous radical unemployed workers (Yudelman, 1983).

Yudelman (1983) also argue that important differences were already visible in the South African state between the 1980s and the early part of the twentieth century: unlike before the 1980s, the labour force that posed threat to the state was predominately black as opposed to the then white work force. Furthermore, Yudelman (1983) argues that in the early twentieth century the South African state was a fledgling industrial state, which evolved into a powerful and sophisticated machinery over time. Moreover, the economy of South Africa in the early phase of the twentieth century was characterised by its considerable dependence on the mining industry, which it gradually reduced to subsequently become a flexible and diversified economy by the 1980s (Yudelman, 1983).

Though differences in the South African state became apparent over time, Yudelman (1983) maintains that these differences should not obscure continuity between the past and present. As a result, Yudelman (1983) contends that "contrary to the widely accepted view of South Africa's past, organized (white) labor was decisively subjugated and co-opted by the alliance of state and capital in the early part of the twentieth century; and that, partly as a result, a symbiotic relationship of state and capital was cemented, which endured to the present" (Yudelman, 1983: 4). Additionally, Yudelman (1983) contends that though the density of organised black labour in the 1990s and the first decade of the twenty first century may be distinct from the pre-World War II organized white labour, organised black labour was moulded by developments that transpired in the past.

Furthermore, Yudelman (1983) maintains that notwithstanding its backwardness, the symbiotic relationship between the state and big business in South Africa manifested earlier relative to some other industrial states. He attributed this early manifestation of symbiosis in South Africa to a combination of three factors: "1. The unusual concentration and homogeneity of capital resulting largely from the peculiar nature of the mining industry, and of the gold mining industry in particular; 2. The unusual concentration of political power in the hands of a minority group – the Afrikaners – which was relatively impermeable to direct infiltration by capital; and 3. The extremely divided nature of the working class, which was split, not only on race, urban-rural, and skill criteria, but was composed largely of (black and white) migrants" (Yudelman, 1983: 7). Thus, a combination of the three factors made the South African scenario unique in that unlike in the early phase of advanced industrial states, the state and business were unable to dominate each other (Yudelman, 1983).

The critique of the modern South African state has set forth a number of expositions from a variety of schools of thought. These expositions mainly emanate from a marxist ideological orientation as well as the liberal and nationalistic contentions (Yudelman, 1983). Arguing against the above ideological perspectives, Yudelman (1983) asserted that state-capital relations in South Africa were not a product of the hegemony of Afrikaner nationalism as propounded by the liberal, nationalist and pluralist schools of thought nor a result of dominance by capital as argued by marxists. For Yudelman (1983) symbiosis constituted the essence of state-capital relations in South

Africa, thereby bringing about joint dominance by the two social partners. According to Yudelman (1983), the joint dominance has endured and survived changes in the configuration of the state and capital.

Yudelman (1983) considers a shortcoming the tendency of liberals, nationalists and marxists to equate the state with government. Even in instances where the liberals, nationalist and marxists do not equate the state with government, Yudelman (1983) finds it inadequate to take the state as a mere instrument or representative of interest group or coalition of groups. Rather, for Yudelman (1983) the South African state has a lot in common with the Latin American bureaucratic-authoritarian state. However, conceptualization of the South African state as instrumental tends to go against the realisation of common characteristics it shares with the Latin American bureaucratic-authoritarian state (Yudelman, 1983).

To crystalize his conception of symbiotic relationship between state and capital in modern South Africa, Yudelman (1983) makes reference to the accumulation and legitimation imperatives of capitalist states. In this vein, Yudelman (1983) cites that the newly established union of South Africa proved to be a nascent capitalist state confronted with the challenge of generating revenue as well as creating employment for its white constituency which was rapidly expanding in urban spaces. At the time, the mining industry served as the main source of revenue for the state (Yudelman, 1983). Additionally, the mining industry was a direct employer of white labour and through its multiplier effect on the political economy of South Africa, a large number of white labour found employment in state bureaucracy and service industries (Yudelman, 1983). Thus, the interests of the new state and the mining industry were intertwined. To fulfil the accumulation and legitimation imperatives, "the state necessarily had to commit itself increasingly to ensuring the viability of certain key industries, especially the gold mines … [and] it had to do this in a way that would not fundamentally estrange the white electorate … but far more importantly, it needed to prevent the white miners from elevating their particular interests into general issues that might mobilize white electorate as whole" (Yudelman, 1983: 38-39).

By and large, the revenue of the state as well as the state's ability to provide employment for white workers was mainly contingent on the profitability of gold mines (Yudelman, 1983). When the gold mining industry was experiencing profit squeeze, costs containment became a fixation, which entailed wage reduction to maintain profitability of the industry (Yudelman, 1983). This was rendered a viable avenue to maintain profitability since gold mining capitalists were price takers as opposed to being price setters in the international gold market for which it produced a significant proportion of its output (Yudelman, 1983).

Furthermore, profit squeeze in the gold mining industry, which confronted the fledgling modern South African state in its early phases, eventually plunged the state into a crisis situation (Yudelman, 1983). Against this backdrop, efforts aimed at containing the crisis situation led to increased state intervention (Yudelman, 1983). For instance, in response to the crisis, state intervention gave effect to the promulgation of the Industrial Conciliation Act in 1924 by the South African party, which was the ruling party at the time (Yudelman, 1983). In essence, "The I[ndustrial] C[onciliation] Act of 1924 created an industrial order of state-chartered joint monopolies and of nominally self-governing industries narrowly circumscribed by the vital interests of the state" (Yudelman, 1983: 208). It is argued that the Act preceded the Pact government, which took over state control from the South African party, and additional to the mining industry, it was supported by the industrial and agricultural industries as well as organised labour (Yudelman, 1983).

Contrary to conventional wisdom, Yudelman (1983) contends that the passing of the Industrial Conciliation Act was not a deviation from past policy nor represented a turning point. Rather, the legislation forged a solid pathway to bring about a fully interventionist state (Yudelman, 1983). In other words,

> The change would have come under any white parliamentary government with vital interests in the stability of capitalism (as opposed to specific groups of capitalists). The structure of the state and its legitimation and accumulation problems imposed certain imperatives on all potential governments of the time. The extent to which the gold mining industry could be used to solve the revenue (or accumulation) and employment (or legitimation) problems of the state were broadly circumscribed by the nature of the industry

and of the South African political economy, not by the policies of various political parties. (Yudelman, 1983: 40)

It is also cited that it was the Pact government that took cognisance of the fact that the burden of generating employment and state revenue cannot be the exclusive preserve of the mining industry (Yudelman, 1983). Thus, the Pact government supported encouragement of the development of the local manufacturing industry by the state, an initiative that was spearheaded by the South African party (Yudelman, 1983). However, the Pact government made its support, which transpired into increased protection against foreign competition, conditional upon the manufacturing industry employing more white labour at wages higher than those paid to blacks (Yudelman, 1983). In effect, the Pact government succeeded in expanding the responsibility for generating sheltered employment for whites from the mining industry to the manufacturing industry and state sectors (Yudelman, 1983).

Additionally, with the assistance of state bureaucracy, the Pact government came to realize that gold mining during the 1920s was depressed to be able to afford to raise the wherewithal necessary to fund the diversification of the South African economy (Yudelman, 1983). As contended by Yudelman (1983), 1933 was the year that marked a turning point for the modern South African state. The turning point was made possible by the doubling of the price of gold, which enabled the mining industry to generate revenue for the diversification of the South African economy (Yudelman, 1983). Moreover, the double increase in the price of gold "enabled the state to increase vastly its borrowing powers while simultaneously reducing the proportion of its foreign borrowing. Thus (again through a multiplier effect), the state's degree of autonomy, both national and international, was immeasurably increased" (Yudelman, 1983: 42).

4.2 Post-apartheid state bureaucracy

Taking que from the experience of developmental states, it has been noted that such states were predicated on a Weberian-type meritocratic bureaucracies that were fully committed to the realisation of national developmental goals (Hoskins and Karriem, 2016). In the South African context, the ANC as the ruling party in the post-apartheid dispensation subsequently identified a developmental state model, which is fundamentally an interventionist state, as an ideal approach to bring to fruition the imperative of economic transformation (Hoskins and Karriem, 2016). Regarding state-business relations, indications are that while in negotiations through formal as well as informal channels with business, state bureaucrats in developmental states were insulated from capture by the interests of predatory groups (Hoskins and Karriem, 2016).

An assessment of the post-apartheid South African state bureaucracy has shown that "While the South African state displays Weberian meritocratic characteristics … there is widespread recognition, including by government, that the bureaucracy is inefficient, lacks skilled personnel, has poor management, is beset by cadre deployment, and is dysfunctional in many provinces and municipalities – all of which undermine the realisation of developmental goals" (Chipkin and Von Holt in Hoskins and Karriem, 2016: 14). In addition, Terreblanche argued that, as opposed to being immersed in a culture of service, public service in South Africa has become synonymous with careerism, nepotism and corruption (in Hoskins and Karriem, 2016).

On account of Evans' three typology of states – namely, developmental, predatory and intermediate states – Hoskins and Karriem (2016) are of the view that South Africa shares a lot in common with intermediate states in that it portrays both predatory and developmental traits. That is, in South Africa "sectors of the state bureaucracy are captured by predatory elites who feed their personal interests, but the bureaucracy also contains pockets of Weberian excellence and efficiency that are committed to a developmental project" (Hoskins and Karriem, 2016: 14-15).

According to Baissac (2009), weaknesses in post-apartheid state bureaucracy are a result of the loss of considerable knowledge following the replacement of experienced white bureaucrats with black bureaucrats who were mostly without the requisite expertise (Hoskins and Karriem, 2016). On the other hand, Von Holt contention is that "affirmative action and skills shortage created numerous opportunities for upward mobility in the bureaucracy, generating a powerful culture of moving onwards and upwards. The culture of upward mobility encourages an attitude of 'facing upward' towards the next job prospect rather than focusing downward on improving the effective functioning of the state … This orientation towards upward mobility and careerism undermines work performance and the construction of a stable, functioning bureaucracy" (in Hoskins and

Karriem, 2016: 15). Thus, it has become part of the norm in South Africa to outsource some government responsibilities to consultants who happen to charge a premium for their services (Hoskins and Karriem, 2016).

4.3 Big business before and after apartheid

The nature of how big business conduct itself has major implications for the development trajectory and competitiveness of a country (Chandler in Chabane et al., 2006). In South Africa big corporations have contributed a great deal in ratcheting up investment levels and taking advantage of new technologies to enhance the competitive edge of the country (Chabane et al., 2006). Nevertheless, the dominance of a small number of conglomerates, as it had been the case at the dawn of inclusive democracy in South Africa, serves as a reminder of the undesirable exploitation of economic power commanded by big business and its influence in lobbying for wrong policies (Goldberg and Maggi in Chabane et al., 2006).

In hindsight the history of big business in Southern Africa is intimately connected with the discovery of mineral deposits in the region (Thompson in Chabane et al., 2006). Thus, as a dominant conglomerate in the South African economy, the genesis of Anglo American Corporation (AAC) can be traced from Cecil John Rhode successful endeavour to amalgamate diamond production by buying out minority investors to consolidate his diamond company, De Beers, in which in 1924 Sir Ernest Oppenheimer increased his stakes to make AAC the single largest shareholder (Chabane et al., 2006). Henceforth, the AAC diversified into various sectors of the South African economy. In general, the AAC is regarded as the face of Anglophone business in the South African context.

Since Afrikaner business was underdeveloped in the early stages of the twentieth century, upon taking control of the state, the National Party set as top priority to facilitate the growth of Afrikaner business through State Owned Enterprises (SOEs) (Chabane et al., 2006). Three policy thrust guided SOEs in promoting the growth of Afrikaner business: that is, countervailing the economic dominance of gold mining industry, fostering autonomy from foreign producers and employment creation for Afrikaner labour (Clarke in Chabane et al., 2006). In addition, "The policy of

"Afrikaner favouritism" also included direct assistance to private Afrikaner companies. [Moreover] Interlocking directorships with state corporations gave many Afrikaner undertakings a crucial inside edge. Government contracts and subsidies benefited particularly the Federale Volksbeleggings, the industrial investment subsidiary of Sanlam" (Chabane et al., 2006: 551).

As noted, while conglomerates were engaged in diversification activities, they maintained close ties with the colonial and apartheid state (Chabane et al., 2006). However, in the long-run economic concentration and conglomeration became intrinsic features of corporate South Africa (Chabane et al., 2006). It is against this backdrop that competition policy gave effect to the development of the Regulation of Monopolistic Conditions Act of 1955, the Maintenance and Promotion of Competition Act of 1979 and the Competition Board (Chabane et al., 2006).

Subsequent to the demise of apartheid, the concentration of economic power in few conglomerates became an issue of concern for the ruling ANC (Chabane et al., 2006). Notwithstanding its reference to the economic principles of the Freedom Charter, the ANC had not developed an articulate policy position on economic management at the time of its unbanning (Chabane et al., 2006). Confronted with the challenge of generating economic growth and employment, assuaging investors and appeasing its constituency, in 1990 the ANC published a policy report titled Discussion Document on Economic Policy (DDEP) (Chabane et al., 2006). The DDEP made implicit reference to emulation of state intervention similar to those of the East Asian developmental states, but never materialised in practice (Chabane et al., 2006). According to Chabane et al., (2006), the DDEP argued in favour of the notion of corporatism, while the experience of East Asian development states points to a path-way different to corporatist policy making.

Table 4.1: Summary of control of Johannesburg Stock Exchange market capitalization (% of total) power [a]

	1985	1990	1991–1995	1996–2000	2001–2003	2004
Anglo American Corp	53.6	44.2	38.9	22.7	23.3	18.7
Sanlam	12.2	13.2	12.7	11.2	6.1	2.7
Stanbic/Liberty Life	2.0	2.6	5.8	9.0	5.2	4.7
Rembrandt/Remgro	3.8	13.6	13.2	10.2	9.2	7.9
SA Mutual/Old Mutual	10.6	10.2	11.2	10.4	9.9	4.5
Anglovaal	2.1	2.5	3.1	1.2	0	0
Black-owned groups	–	–	–	7.4	4.2	6.3
Top 5 groups collectively	82.3	83.9	85.9	70.6	53.6	38.5

[a] Control is assessed by taking into account the various cross-holdings of shares that exist and may be associated with a relatively small direct shareholding in any given company.

Source: McGregor (various years) in Chabane et al. (2006). The changing face and strategies of big business in South Africa

As shown in Table 4.1 above, in view of the Johannesburg Stock Exchange market capitalization, historically the majority of economic activity is associated with 6 conglomerates (Chabane et al., 2006). Although the ownership of companies and subsidiaries under the auspices of conglomerates was unbundled, control remains concentrated within families that founded these conglomerates – Oppenheimer in AAC, Rupert in Rembrandt, Gordon in Liberty and Menell and Hersov in Anglovaal (Chabane et al., 2006). But gradual handing over of control to institutional investors has been observed, thus institutions are currently estimated to be the largest shareholders in the JSE (Chabane et al., 2006).

Under the ANC government, liberalization of tariffs and exchange controls, privatization and Black Economic Empowerment (BEE) were adopted public policies with major influence on corporate restructuring (Chabane et al., 2006). However, during the apartheid dispensation sanctions and currency controls impeded conglomerates from establishing a global reach (Chabane et al., 2006). Moreover, due to currency risk and little transparency in the management of their operations, shares of South African companies were subjected to low volumes of trade (Chabane et al., 2006). As a result,

> … conglomerates have vigorously promoted exchange control liberalization and overseas listings … arguing that this would allow South African firms to raise capital more cheaply in international capital markets, which would increase investment in South Africa. It was also argued that liberalization would encourage inward foreign direct investment (FDI). Private investment and inward FDI have, however, remained poor …, and … firms that have moved their primary listings overseas have not recorded higher investment rates in South Africa as a result … outward FDI has in fact exceeded inward FDI. Major foreign investments have largely been limited to the acquisition of stakes in state-owned utilities (Telkom and South African Airways) and the re-entry of firms, such as Toyota and General Motors, which had exited under sanctions … (Chabane et al., 2006: 558-9)

As contended by Chabane et al., (2006), the increased autonomy of South African corporations that shifted their primary listings overseas and the increased share of revenue generated from foreign markets by conglomerates have weakened the ability of government to ensure compliance with its policy goals.

Furthermore, the policy of privatisation constituted a significant core of the 1996 Growth, Employment and Redistribution (GEAR) macro-economic strategy of government (Chabane et al., 2006). In a way GEAR was construed as part of public sector restructuring, as it envisaged decreases in public spending, public-private partnerships to enhance access to capital and new technologies and deploy revenue from privatization to decrease national debt (Chabane et al., 2006). Nevertheless, challenges that affected Swissair and unfavourable conditions prevailing in the international airline business compelled government to seize its privatized share of the South African Airways (Chabane et al., 2006).

As for the BEE, the first initiative towards a formal government policy position on the economic empowerment of blacks transpired at a meeting held by representatives of the ANC and black business in 1993 (Chabane et al., 2006). From the meeting a Memorandum of Understanding between the two was developed, which stipulated the following resolutions:

> … black business should establish mechanisms of co-ordination with the ANC and other relevant parties, affirmative action legislation should be introduced, and a business caucus should be established in order for black business to make a greater impact in various fora regarding policy formulation. The agreement also called for a review of the lending criteria of state institutions to make them more responsive to the needs of black business, as well as for restructuring public corporations and parastatals to make them more representative of the South African population. (Chabane et al., 2006: 563).

Subsequent to the development of the BEE Commission (BEEC) report, the government empowerment charters for various sectors of the economy were formulated and made public. Chabane et al. (2006) cites that the BEEC was not a government creation, but a black business initiative informed by the resolution from the Black Management Forum national conference in 1997.

In terms of the BEE processes, transfers to black ownership of assets from white establishments were to be facilitated through special purpose vehicles (SPVs), which involved provision of funding to black entrepreneurs by financial institutions (Chabane et al., 2006). The SPVs led to the creation of more than half of black JSE ownership in the second half of 1990s (Chabane et al., 2006). But the 1997 international volatility in financial markets left most new black owned conglomerates highly indebted; to make matters worse, the 1998 Asian stock market crash contributed in black JSE ownership decreasing from 9.6% in 1998 to 4.3% in 1999 (Chabane et al., 2006).

As argued by Chabane et al. (2006), the new black business elite had one thing in common in that most had strong political credentials. Consequently, it has been cited that in accordance with the neoliberal agenda the 1990s "can be considered as a classic 'elite transition': from white Afrikaner political rulers to blacks in Pretoria, with Johannesburg's white English-speaking capitalists retaining overall control of the economy, yet permitted to disinvest their apartheid-era wealth [and that] the overarching philosophy of neoliberalism was firmly adopted by the early 1990s, not only by the apartheid regime but by big business and by the leading bloc within the ANC" (Bond, 2013: 575).

On state-business relations, the experience of newly industrialized countries points to the role of the state as entailed of disciplining big business, influencing the organisation of production and promoting dynamic efficiencies (Chabane et al., 2006). With respect to the post-apartheid South African experience, Chabane et al. (2006) observed that close relations between big business and the state has resulted in the former wielding undue influence over the latter, thereby affording big business leeway in public policy to impose its preferred modalities over the transformation agenda. For instance, it has been noted that business lobbying over macro-economic policy and the BEE framework were led by the AAC. The Growth for All document published in 1996, espousing economic policy preferences of business, successfully influenced government to ditch the redistribution-oriented RDP programme in favour of GEAR (Chabane et al., 2006). In addition, through the Brenthurst Initiative, the Oppenheimers (by extension the AAC) were able to convince government to adopt its policy proposals on BEE in the mining industry (Chabane et al., 2006). Essentially, the Brenthurst Initiative argued in favour of lower corporate taxes in return for compliance with the transformation agenda (Chabane et al., 2006).

4.4 Business associations, NEDLAC and post-apartheid state-business relations

The establishment of NEDLAC and the re-instatement of South Africa's membership in multilateral institutions such as the International Labour Organisation (ILO) and the International Organisation of Employers (IOE) invigorated efforts by the business fraternity to forge concrete collective action on areas of common interests (Nattrass and Seekings, 2010). Consequently, in 1994 Business South Africa (BSA) was formed and became the voice of business at NEDLAC. Also, in 1994 BSA went to represent South Africa's business fraternity at the International Organisation of Employers conference (Nattrass and Seekings, 2010). Unity within BSA was, however, undermined by sectorial fissures and tension between black and white business as well as divisions within black business, which all combined to eventually spawn its demise (Nattrass, 2010). In 2003, a year which marked the eighth year since the demise of BSA, Business Unity South Africa (BUSA) was formed to serve as the new peak-level business organisation in South Africa (Nattrass and Seekings, 2010).

BUSA is made up of 45 member organisations, with national and regional chambers of commerce, various specific economic sector formations, employer associations and professional interest groups forming part of its building bloc (Nattrass and Seekings, 2010). Like BSA, BUSA grapples with racial and non-racial divisions caused by, for instance, different viewpoints upheld by respective member organisations on issues such industrial policy, affirmative action, trade liberalisation and BEE (Nattrass and Seekings, 2010). Skewed distribution of representation between big and small business is highlighted as a defining feature of BUSA. By way of illustration, the role of small business is limited to regional and federated chambers, which hold BUSA membership, while big business is directly represented through dominant employer groupings such as the Chamber of Mines or Business Leadership South Africa (BLSA), with its membership limited to South Africa's largest corporations and multinational corporations (Nattrass and Seekings, 2010). As observed by Nattrass and Handley, the imbalance in representation underlies the dominance of big business over small business (Nattrass and Seekings, 2010). In retrospect,

> The fragmented nature of South African business has its roots in the dominance of key sectors (notably mining), in the industrial bargaining system which reinforced sectoral divisions by regulating wages on sectoral and regional levels, in the concentrated nature of ownership which incentivised the large conglomerates to deal directly with the government … and political divisions. The result was a plethora of business organisations split by race, region, sector and size of firm. Thus, for example, the representation of small business interests was split between the Afrikaner Handels Institute (AHI) which represented Afrikaner small business in all sectors except agriculture and had regional business chambers covering most small towns and metropolitan areas … and its English-speaking counterparts, the Federated Chambers of Industry and the Association of Chambers of Commerce (which eventually merged in 1990 to form the South African Chamber of Business). Black business was also split between Nafcoc, which was created in 1955 to represent black business interests, but was dependent on grants from the white corporate sector (notably South African Breweries and Anglo American) for most of the apartheid period and subject to internecine conflict … and the Foundation for African Business and

> Consumer Services (Fabcos) an umbrella body of 14 organisations created in 1989 with strong roots in the taxi and tavern industries. (Nattrass and Seekings, 2010: 37)

When NEDLAC came into being in February 1995, its envisaged role was to foster consensus and agreements amongst mandated social partners on social and economic policy and provide inputs into labour legislation prior its tabling in parliamentary (Parsons in Nattrass and Seekings, 2010). However, according to the NEDLAC business convenor, although social partners within NEDLAC did not regard NEDLAC as a bypass to parliament, tension later emerged due to perceptions that the two institutions served as parliaments (Nattrass and Seekings, 2010). This prompted moves by government to make and implement policy without consulting social partners through NEDLAC, thereby leading individual cabinet ministers to ratify policy positions without inputs from social partners (Nattrass and Seekings, 2010: 37). For instance, the National Treasury in 1996 published GEAR without NEDLAC consultations. According to the NEDLAC business convenor, government's unilateral approach to policy making constrained NEDLAC processes (Nattrass and Seekings, 2010: 37). Moreover, "The fact that the Ministry of Trade and Industry proceeded on a path of aggressive trade liberalisation – without consulting NEDLAC – effectively put an end to the possibility of NEDLAC being the centre-piece of a new consensus-driven path to economic growth. It thus also put paid to the possibility of NEDLAC forming the institutional basis for an explicit growth or development coalition" (Nattrass and Seekings, 2010).

As a result of unilateral policy initiatives and adoptions by respective government ministers, business opted to directly lobby individual government officials (Nattrass and Seekings, 2010: 37). On the other hand, there was gradual loss of interest in NEDLAC by big business, thus it started to send junior representatives to NEDLAC and initiating direct engagements with the state (Nattrass, 2010: 37). As contended by Nattrass and Seekings (2010), relations between established white business and the new government were cordial and fiscal policy was widely considered as rooted on a sound footing: a state of affairs attributed to the fact that the first two Ministers of Finance in post-apartheid South Africa were individuals from the business fraternity (Derek Keys, former head of mining conglomerate Gencor and Chris Leibenberg, a banker).

Consequently, in the long-run, NEDLAC drifted into what Nattrass and Seekings (2010) refer to as limping and limited corporatism, due to its deliberations being predominately focused on labour issues. Nevertheless, NEDLAC ultimately resorted to high level summits as avenues for consensus building amongst social partners (Nattrass and Seekings, 2010). The first summit known as the Jobs Summit was convened on 30 October 1998, which was followed by the Growth and Development Summit in 2003 (Nattrass and Seekings, 2010). As argued by Nattrass and Seekings (2010), like the Jobs Summit, the Growth and Development Summit gave effect to a wish list devoid of trade-offs.

4.5 Public debt in South Africa

In the South African context, public debt largely refers to the debt incurred by the national government of which a majority results from selling of government bonds (or stock) (Black et al., 2015). Black et al. (2015) indicates that public debt is primarily determined by government's annual budget deficits, which is predominantly shaped by the conduct of fiscal policy. Nevertheless, at times public debt originates outside of the budget, thus in such an event it does not constitute part of the budget deficit (Black et al., 2015). For instance, in the early 1990s the South African "government transferred bonds directly to the public employees' pension funds to improve their funding levels, instead of budgeting for the expense in the normal fashion" (Black et al., 2015: 390).

As noted, on 31 December 2013, total public debt in South Africa amounted to R1 561 billion, which translated to 46% of GDP (Black et al., 2015). According to Black et al. (2015), the debt-to-GDP ratio of 46% meant that each citizen had to pay on average R29 500 once-off tax for the government to settle the entire public debt of R1 561 billion. Owing to the 2007-2009 international financial crisis, public debt equated to 28% of GDP at the end of 2007 (Black et al., 2015).

It has been found that from comparisons of period averages, South Africa registered a decline in the size of public debt between 1970s and 1980s, whereas in the 1990s there were increases in the size of public debt before and after 1994 (see Table 4.2 below) (Black et al., 2015).

Table 4.2: Public debt-to-GDP ratio in South Africa by sub-period, 1960-2013

Period	Period debt (year end) as % of GDP, period average	Highest ratio during period (%)	Lowest ratio during period (%)
1960-69	44,7	48,1	41,6
1970-79	39,6	43,9	32,9
1980-89	31,9	32,2	29,5
1990-94	38,8	49,2	31,5
1995-1999	48,5	49,6	46,3
2000-2008	35,2	43,6	27,8
2009-2013a	39,0	46,1	31,3
2013a	46,1	-	-

Notes: **a** Preliminary figure for last two years

Source: South African Reserve Bank. Quarterly Bulletin. Various issues. Pretoria: South African Reserve Bank. (in Black Philip, Calitz Estian and Steenkamp, Tjaart (2015). Public Economics – sixth edition. Cape Town: Oxford University Press)

The 1990s increase in the size of public debt was in part the result of borrowing by government to fund the government employees' pension funds as well as the taking over of debt accrued by the independent homelands which constituted the apartheid system (Black et al., 2015). Also indicated in Table 4.2 is that over the 2000-2008 period debt-to GDP ratio dramatically fell to an average of 35.2%. "The lower debt-to-GDP ratio was mainly the result of the systematic reduction of the annual budget deficit as a percentage of GDP and the use of privatisation income to reduce government debt" (Black et al., 2015: 391). It emerged that the 27.8% debt-to-GDP ratio registered in 2008 was the lowest in the 56 years, covering the period 1960 to 2013 (Black et al., 2015). Subsequent to 2008, as a counter-cyclical measure to the international financial crisis, South Africa underwent an expansionary Keynesian fiscal policy induced public debt increase, leading to a debt-to-GDP ratio of 46.1% in 2013, which was the highest ratio registered between 1960 and 2013 (Black et al., 2015).

In regard to the composition of public debt, traditionally there has been relatively little resort to foreign borrowing in South Africa (Black et al., 2015). Thus, a significant proportion of public debt is held by domestic investors (Black et al., 2015). For instance, between 1960 and 2000 the share of foreign public debt to total public debt in South Africa was between 10.9% (1976) and 1.6% (1992) (Black et al., 2015).

Moreover, foreign debt remained below 4.3% of GDP between 1960 and 2000 (Black et al., 2015). Access to foreign loans enjoyed in 1985, 1986 and 1987 to off-set the outflow of private capital was curtailed due to the international financial sanctions (Black et al., 2015). However, since 1994 access to international financial markets became normal (Black et al., 2015). Normalisation of access to international financial markets coupled with the gradual phasing out of exchange controls, which increased foreign financing options available to fiscal authorities, according to Black et al. (2015), only brought about a modest increase in foreign public debt. Nevertheless, between 2009 and 2013 a significant increase from 12.8% to 36.4% in foreign holdings of domestic (that is rand-denominated) government bonds was noted (Black et al., 2015). The increase in foreign holdings of South African government issued bonds "exposed government to the risk of a sudden outflow of capital in the form of the sudden sale of bonds by foreigners who may be concerned about the relative attractiveness of their South African investments" (Black et al., 2015: 392).

As argued in the 15 year review, spanning the 1994-2009 period, of fiscal policy in South Africa, the conduct of fiscal policy can be fragmented into three phases, namely: the consolidation phase (1994 to 2000), the expansion phase (2007 to 2009) and the investment growth phase (2007-2009) (Makgetsi et al., 2008). Nevertheless, the 15 year review summarised the performance of fiscal policy as follows: "it has helped stabilise a fragile economy, thereby supporting faster and less volatile growth, and it has sustainably financed the significant growth in spending, thereby steadily increasing the contribution of the state to the economic growth and social development of the country's people" (Makgetsi et al., 2008: 3).

According to Makgetsi et al. (2008), fiscal policy during the consolidation phase was preoccupied with effecting macroeconomic stability by means of reducing fiscal deficit. In part the role of fiscal policy was informed by the fact that since 1945 the longest economic downward trajectory lasted from March 1989 to May 1993 (Makgetsi et al., 2008). Additionally, during the consolidation phase "Capital was hugely sceptical of the new government, pledging support for the new democracy in public while adopting a wait and see attitude in practice" (Makgetsi et al., 2008: 5). To contain the prevailing economic challenges at the time, the Reconstruction and Development Programme (RDP) was adopted by the ANC government (Makgetsi et al., 2008). One assumption underpinning the RDP was that, to emulate the successes reaped through the reconstruction plans in Europe and the United States, government would either borrow or focus spending away from the defence and inefficient state enterprises to stimulate economic activities (Makgetsi et al., 2008). However, the government in 1996 abandoned RDP and replaced it with the Growth, Employment and Redistribution (GEAR) economic policy framework. Three assumptions formed the basis of GEAR (Makgetsi et al., 2008):

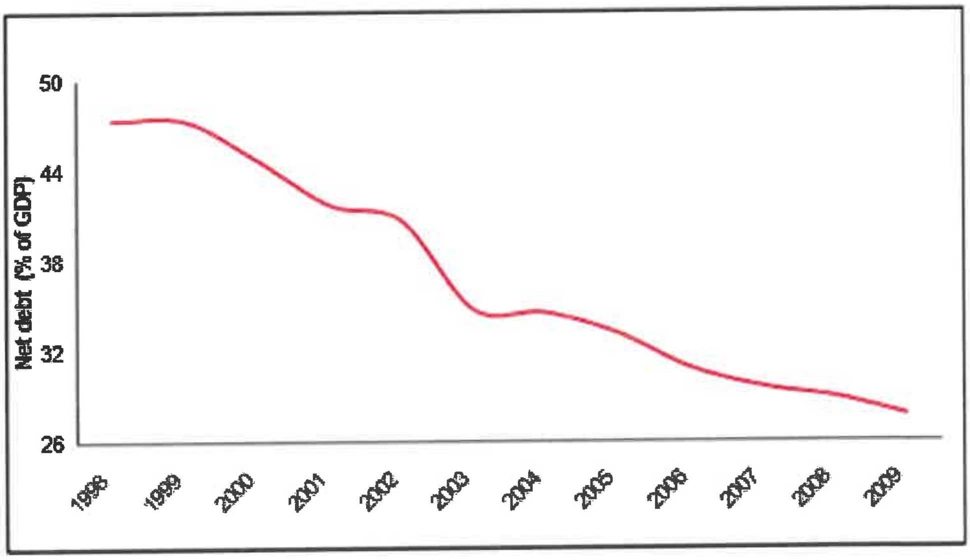
- That the current deficit was a binding constraint to faster growth;
- That the low level of domestic savings was an obstacle to increasing the level of investment; and
- That government's deficit and tax policies contributed to the low level of savings.

It was noted that while the consolidation phase was in progress, after the implementation of GEAR, general government spending on infrastructure decreased from about 4% of GDP to about 2%. In addition, as a result of higher tax-to-GDP ratio as well as the drop in government spending, a significant drop in government deficit was observed (Makgetsi et al., 2008). The fiscal adjustment attributed to the reduction in the size of the government deficit was estimated at four percentage point (Makgetsi et al., 2008). In other words, the fiscal adjustment was achieved through a 3% reduction in government spending and 1% rise in the tax-to-GDP ratio (Makgetsi et al., 2008). However, the adjustment on government spending was achieved at the costs of cutting capital spending, expenditure on maintenance and spending on goods such as textbooks, medicine and equipment (Makgetsi et al., 2008).

As stated by Makgetsi et al. (2008), the fiscal adjustment achievement by the government was made possible by the policy and administrative improvements with respect to revenue collection.

On the other hand, the fiscal adjustment contributed in reducing the domestic government debt from 50% to 43% of GDP over the period 1994/95-2000/01 as well as the entire government debt during the consolidation phase (see Figure 4.1 below). By contrast, in 2010 South Africa's public debt was at 35%, while that of Greece was registered at 150% and the USA and Ireland at 100% (Bond, 2013).

Figure 4.1: Declining government debt as per cent of GDP



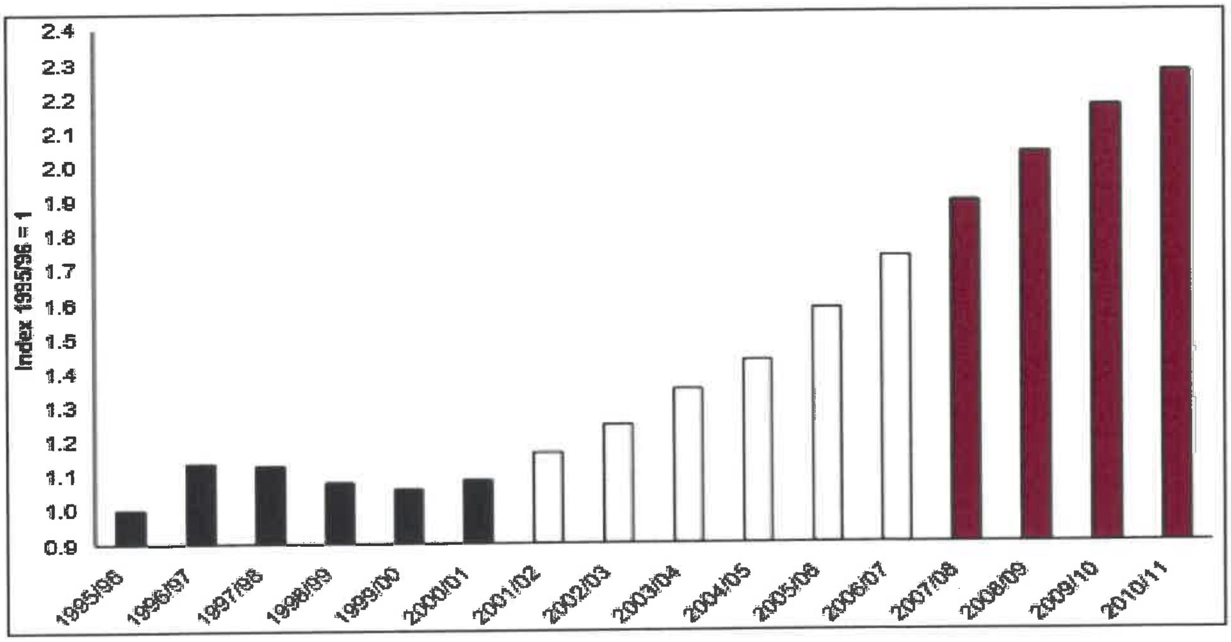
Source: National Treasury, 2008. Fifteen-year Review of Fiscal Policy in South Africa

Overall, GEAR was premised on the assumption that government dissavings had a crowding out effect on private investment in the competition for loanable funds. However, critics from the left ideological political spectrum argued that evidence to confirm crowding out proved to be non-existent (Adelzadeh in Makgetsi et al., 2008). Additionally, calls for government to tap into foreign sources of funding were overlooked because of the concern that foreign borrowing could lead to South Africa becoming vulnerable to inference from the World Bank and International Monetary Fund (IMF) (Makgetsi et al., 2008). Also, due to concerns about capacity constraints in state bureaucracy, government was not confident that foreign borrowed funds could be invested efficiently so as to avoid the possibility of defaulting on future foreign debt servicing (Makgetsi et al., 2008).

In view of the expansion phase (2001 to 2006), there were two features that characterised fiscal policy in South Africa (Makgetsi et al., 2008). The first feature is defined by a strong revenue growth that was made possible by a robust economy, high prices of mineral resources as well as efficiency gains in tax collection and continuous endeavours to simplify the tax system (Makgetsi et al., 2008). With the second feature, the defining characteristic is the rapid increase in public spending (Makgetsi et al., 2008). The magnitude of the increase in public spending was measured at 8.1% per annum in real terms, which equates to over 10% per year from 2003 (Makgetsi et al., 2008). The rapid increase in public spending, coupled with strong growth in revenue collection allowed government in over 50 years to register a budget surplus in 2006/07 (Makgetsi et al., 2008). As contended by Makgetsi et al. (2008), the successive focus of fiscal policy on sound debt management, stable inflation, improved sovereign credit ratings and lower rates of interest, among others, all exerted a continuous decline in the costs of servicing public debt and government debt-to-GDP ratio. However, of concern was under spending at all levels of government attributed to capacity constraints, while more resources were made available for the fulfilment of different government priorities (Makgetsi et al., 2008).

Further scrutiny of public spending during the consolidation phase and beyond shows that non-interest public expenditure decreased by almost 2% of GDP between 1996 and 2000 (Makgetsi et al., 2008). The impact of the reduction in non-interest spending on public services was amplified by a significant withdrawal of resources from the defence, which in effect accounted for approximately half of total public spending cut (Makgetsi et al., 2008). The economic services item, which catered for subsidies to business, was also a target of major cuts in government allocations (Makgetsi et al., 2008).

Figure 4.2: Real growth in consolidated national, provincial and social security non-interest expenditure, 1995/96-2010/11



Source: National Treasury, 2008. Fifteen-year Review of Fiscal Policy in South Africa

As shown in Figure 4.2 above, during the course of the expansion phase there was a significant increase in resource allocations for government priorities. Subsequent to fiscal adjustments that gave effect to increases in public spending, the defence became the first expenditure item to benefit from government largesse, followed by social grants spending (Makgetsi et al., 2008). Since 2002 the built environment infrastructure became a government priority area that experienced the fastest growth in public funding (Makgetsi et al., 2008).

With the third and last period of the 15 year review, referred to as the investment growth phase, because the economy showed indications of over-heating, more emphasis was placed on gearing fiscal policy to assume a counter-cyclical orientation (Makgetsi et al., 2008). According to findings of the international panel of academic experts led by the neoliberal Harvard economist, Ricardo Hausmann (Bond, 2015), prior to the investment growth phase fiscal policy in South Africa had been pro-cyclical as opposed to being counter-cyclical (Makgetsi et al., 2008). That is, "when the economy was doing well, government increased spending and reduced interest rates, resulting in a consumer boom as well as a boom in what they called non-tradable sectors (housing, construction, banking, cell phones). Their advice was that when times are good, government must act to dampen exuberance and when the economy slows, governments should act to stimulate demand" (Makgetsi et al., 2008: 29). In addition, the international panel of experts estimated that a counter-cyclical public investment would bring about a 0.36% in GDP growth as well as in government consumption and public debt (Makgetsi et al., 2008).

As stated, part of the rationale for advocating for a counter-cyclical fiscal policy was to ensure the sustainability of spending (Makgetsi et al., 2008). Due to its awareness of the temporary revenue gains derived from company tax made possible by the boom in the prices of commodities, government adopted the structural budget balance in its 2007 Medium-term Budget Policy Statement (Makgetsi et al., 2008). Essentially, the introduction of structural budget balance was meant to serve as control mechanism for temporary increases in government revenue (Makgetsi et al., 2008).

With respect to the influence of Bretton Woods institutions (that is the World Bank and the International Monetary Fund (IMF)) over South Africa's public finance management, Bond (2015) argued that it has been in keeping with its perennial drive to safeguard the neoliberal agenda. Such influence in the South African context found concrete expression in the adoption of the GEAR macro-economic policy, which was apparently co-authored by two economists from the World Bank, and austerity measures propagated through research output from the two Bretton Woods institutions (Bond, 2015). Thus it has been argued that "The Bretton Woods Institutions are a vital part of the neoliberal machinery, not just in terms of ideology, but concrete policy advice and loans …" (Bond, 2015: 16).

In addition, commitment to neoliberalism by South Africa's National Treasury has generally enjoyed approval from economists (Bond, 2015). By way of illustration, deliberating against the National Health Insurance (NHI) policy stance adopted by the ruling ANC at its policy conference in 2007 to engender equitable access to healthcare, the Deputy Director-General for Social Policy at the National Treasury was quoted in the Financial Mail of January 2015 arguing that:

> Even if no changes are made to health policy, demographic pressures and expected high utilization growth rates mean that ever greater resources will be needed just to sustain the current level of healthcare spending and service provision up to 2040. If NHI is introduced, public health spending as a share of GDP will skyrocket from around 4 percent of GDP now to close to 7 percent by 2040 … (in Bond, 2015: 2)

According to Bond (2015), the 'skyrocket' would match South Africa with middle-income country peers such as Brazil, where social spending as a percentage of GDP is double that of South Africa. Furthermore, in its 2014 policy report titled "Fiscal Policy and Redistribution in an Unequal Society", the World Bank commends South Africa for achieving a sizable drop in poverty and inequality by means of fiscal policy instruments (Bond, 2015). In his budget speech delivered two weeks prior the release of the World Bank report, South Africa's Finance Minister alluded to future intention to adopt austerity measures, which would bring about tough times and a new age of pain (Bond, 2015). The message underlying reference to austerity measures in the speech by the Finance Minister was that "neoliberals can justify social spending caps or even cuts, in one of the world's most unequal countries, if the Treasury is seen to have been exceedingly generous" (Bond, 2015: 4). As pointed out by Bond (2015), the conclusion of the World Bank's report is flawed in that the authors thereof deliberately chose to overlook relevant data that does not support the dogma that sustains the existence of the Bank.

Identified as a shortcoming in the conclusion of the World Bank's report is the assertion that "once South Africa's Gini Coefficient is manipulated to include taxes and state payments, then inequality falls dramatically, from 0.771 to 0.596. The argument has huge flaws, as it counts state payments rather selectively" (Bond, 2015: 4). Notwithstanding the fact that the Bank stipulates four caveats to its methodological approach that guided data analysis for its research report "Fiscal Policy and Redistribution in an Unequal Society", Bond (2015) highlights four problematic areas in the conclusion of the report, which he attributes to the incapability of the Bank staff to accept that subsidisation of capital and wealthy households is the defining feature of capitalist states. The four problematic areas relate to corporate infrastructure welfare, free basic services negated by fast rising prices, corporate capital flight propelled by a lax fiscal policy and unaccounted for natural capital.

In regard to corporate infrastructure welfare, the Bank failed to estimate enormous business subsidies, which are informally referred to as 'corporate welfare' (Bond, 2015). For instance, state economic infrastructure has proved to generate significant benefits for corporations and rich households through ongoing subsidies to cover operating costs (Bond, 2015). Cited as among state subsidy beneficiaries are

> Those with cars driving more rapidly on widened highways that fall under the new $2.1 billion 'e-tolling' system …; riders on the $2.3 billion Gauteng luxury subway linking the industrial and commercial hubs of Johannesburg – including the Sandton financial district – to the national capital of Pretoria and airport (the subway was launched in 2010 but in late 2014 still operated at half the projected capacity, hence requiring $80 million in annual operating subsidies); … and the international mining houses whose branch headquarters in Johannesburg have enjoyed the world's cheapest electricity during most of the last century along with discounted water and wastewater, R&D support … (Bond, 2015: 6)

In effect, pro-corporate state investment in South Africa is registered in corporate balance sheets as rising implicit share value as opposed to income (Bond, 2015). Moreover, a number of National Treasury's fiscal instruments have been found to "contribute to corporate wealth, not necessarily as explicit income but as higher 'produced capital' (just as education and health spending are counted as 'human capital'). If the Bank bothered to count it, the rich who hold an oversized proportion of Johannesburg Stock Exchange shares would be unveiled as disproportionate beneficiaries of state largesse" (Bond, 2015: 7).

In regard to fast rising prices of free basic services, the contention is that the Bank's report overlooks discriminatory bias in pricing of state services and exaggerates generous assumptions underlying Free Basic Services allocated to poor households (Bond, 2015). For instance, analysis of data from big cities in South Africa has shown that in 2001 repriced water and electricity services had a small token amount and subsequent prices of the two services significantly went up (Bond, 2015). As a result, access to free basic water and electricity services was negated by subsequent increases in the prices thereof (Bond, 2015).

As for corporate capital flight, Bond (2015) maintains that the deregulation of corporate profit outflows since the slashing of exchange controls by the National Treasury has led to massive capital flight as firm's opted to relocate their financial headquarters overseas. A matter of serious concern is that capital outflows are under recorded in national accounts and that implicit income divert resources away from the national fiscus for the benefit of corporate shareholders (Bond, 2015). Moreover, additional to profit and dividend outflows, the Bank's report has been found to be silent on the phenomenon of illicit financial flows, which resulted in $130 billion loss to the South African Customs Union between 2001 and 2010, according to estimates from the United Nations (Bond, 2015). Also, it has emerged that the National Treasury in South Africa has not demonstrated genuine commitment in arresting the corporate practice of transfer pricing and trade mis-invoicing, which compound the prevalence of capital flight (Bond, 2015). According to some investigations pertaining to illicit financial flows,

> Lonmin's Bermuda 'marketing' operations were revealed as a major source of capital flight by the Alternative Information and Development Centre. Research by the University of Manchester Leverhulme Centre for the Study of Value strongly suggests that De Beers, with its near-monopoly, secrecy and movement across borders, uses transfer pricing and misinvoicing worth $2.83 billion from 2004-12 in order to minimize its tax liability. (Bond, 2015: 8)

The fourth problematic area of the Bank's report dwells on the concept of natural capital accounting, which refers to "the value of minerals, forest resources, land and other environmental endowments that are either cropped or that remain underground" (Bond, 2015: 8). In practice it has been noted that once a non-renewable mineral resource has been extracted, it's not replaced. In the South African context, one study indicated that in 2005 the country suffered a 9% drop in national income as a result of natural resource depletion (Bond, 2015). The 9% national income drop was estimated to equate to $245 net wealth shrinkage per person (Bond, 2015). Thus, the failure of fiscal policy to substantively tax mineral extraction facilitated extreme redistribution of wealth from future poor beneficiaries to current mining houses and shareholders (Bond, 2015).

Furthermore, the narrative in justification of austerity was bolstered by policy advices from the IMF (Bond, 2015). For instance, following the 2008 financial crisis and commodity price crash, which spurred capital flight and deteriorated the current account deficit, the IMF through its Article IV Consultation policy advice package flagged the current account as high and attributed it to challenges related to inadequate competition in the goods market, soft terms of trade, supply constraints and subdued external demand (Bond, 2015). Also, as part of austerity measures, the IMF policy advice promoted the idea of containing the wage bill and increasing taxes (Bond, 2015). As argued by Bond (2015), the IMF policy advices for South Africa constituted a renewed commitment to neoliberal economic orthodoxy. By contrast, to stem capital outflows and its deleterious effect on the current account John Maynard Keynes argued: "Ideas, knowledge, science, hospitality, travel these are things which should of their nature be international. But let goods be homespun whenever it is reasonable and conveniently possible, and, above all, let finance be primarily national" (in Bond, 2015: 14).

Contrary to Keynes emphasis on ensuring finance remains national, capital flight in South Africa, aided by the lifting of exchange controls and trade liberalization, resulted in South Africa's current account being amongst the highest in the world. To off-set the current account deficit, government opted to resort to foreign borrowing, thereby resulting in exponential increases in South Africa's sovereign debt from $25 billion in 1994 to $140 billion in 2014 (Bond, 2015). Consequently, South Africa's foreign debt/GDP ratio increased from 18% in 2006 to a ratio of 38% in 2014, which was not far off from the mid-1985 current account crisis induced default by the apartheid government (Bond, 2015).

Therefore, the IMF's Article IV identification of trade balance as the main driver of South Africa's high current account deficit is misplaced (Bond, 2015). From available full data over the period 2009-2013, South Africa registered a nominal aggregate trade deficit of R14 billion ($1.2 billion), whilst over the same time period nominal net outflow of profits, dividends, and interest was at R315 billion ($27.4 billion) (Bond, 2015). In essence, "it's not insufficient trade but financial *hemmorhaging* that creates the crisis; the latter is 21 times more important than the former" (Bond, 2015: 15).

4.6 Unemployment in South Africa

As pointed out by Nattrass (2014), South Africa is ranked amongst countries with the highest unemployment rates in the world. For instance, based on the International Labour Organisation (ILO) data of 90 countries with labour force data comparable to that of South Africa, in 2010 unemployment rate in South Africa was found to be three times higher than the median point of the sample (Nattrass, 2014).

Table 4.3: Participation, Employment and Unemployment Rates by Year (%)

Survey Year	Participation	Employment	Unemployment
Men			
1995	69.25	53.63	22.57
1997	66.88	47.33	29.23
1999	70.85	49.60	30.00
2001	74.02	48.43	34.57
2003	74.04	47.59	35.73
2005	74.71	50.17	32.85
Women			
1995	51.19	31.73	38.01
1997	50.85	27.93	45.08
1999	58.54	33.25	43.20
2001	65.06	34.51	46.96
2003	65.32	34.09	47.81
2005	65.27	33.82	48.19

[1] All statistics are for the population of 16-64 year olds, and calculated using sample weights.
[2] Unemployment is calculated using the broad definition that includes discouraged workers.
[3] Source: October Household Survey (1995, 1997, 1999); Labour Force Surveys (September 2001, September 2003 and March 2005).

Source: Ford School of Public Policy, University of Michigan, 2007

Table 4.3 above depicts trends in women and men unemployment and participation rates from 1995 to 2005. Data presented in Table 4.3 is based on the broad definition of unemployment, which as opposed to the narrow definition, includes discouraged workers: that is, those who are unemployed, but were not actively in search of work four weeks prior the survey. Overall, Table 4.3 illustrates labour force participation rates in South Africa that are low relative to international standards, notwithstanding the fact that they were on an upward trend from 1995 to 2005 (Levinsohn, 2007). Table 4.3 also shows a significant increase in the participation rates for women over the period, 1995 (51.19%) to 2005 (65.27%). By contrast, over the same period participation rates for men increased marginally from 69.25% in 1995 to 74.71% in 2005 (Levinsohn, 2007). With respect to unemployment rate, Table 4.3 indicates an increase from 22.57% in 1995 to 32.85% in 2005 for men as well as an increase from 38.01% to 48.19% in 2005 for women (Levinsohn, 2007). However, based on the strict definition of unemployment rate, between 1995 and 2001 unemployment increased from 15.6% to 30.3% (Banerjee et al., 2006).

For Nattrass (2014) underpinning the challenge of high unemployment in post-apartheid South Africa is the labour market policy regime that is biased against labour-intensive production. Additionally, for Nattrass (2014) wage setting institutions in South Africa are actively contributing to causing harm to labour-intensive production. To argue her case, Nattrass (2014) cites that in South Africa:

> … minimum wages in the clothing industry are set in the National Bargaining Council for the Clothing Manufacturing Industry (NBC) through collective agreements between the South African Clothing and Textile Workers Union (Sactwu) and various employer organizations. As Sactwu has 50 percent of the votes (it is the only union) on the NBC, it needs the agreement of only a single employer association to obtain a collective agreement. Such agreements have routinely been "extended" by the minister of labour to all firms in the industry – to the detriment of employment in low-wage, labor-intensive firms outside of urban areas, very few of which are represented in the NBC … (2014: 91)

Furthermore, Nattrass (2014) is of the view that the bias against labour intensive production can be traced from the Reconstruction and Development Programme (RDP), which was adopted by the ANC government soon after taking control of the state. To illustrate her assertion, Nattrass (2014) mentions that in relation to unemployment, the RDP was premised on the view that considered wage pressure as a necessary tool for economic transformation, ascribing the weakness of the manufacturing sector to its "undue dependence upon low wages" ... and [thus proposed] "a decisive break with exploitative cheap labour policies of apartheid" by moving "towards education, training, skills, a living wage, and collective bargaining as the basis for enhanced productivity in the economy ... and for collective agreements between unions and employer organizations in bargaining councils to be "extended through legislation to all workplaces in that industry" ... (2014: 93)

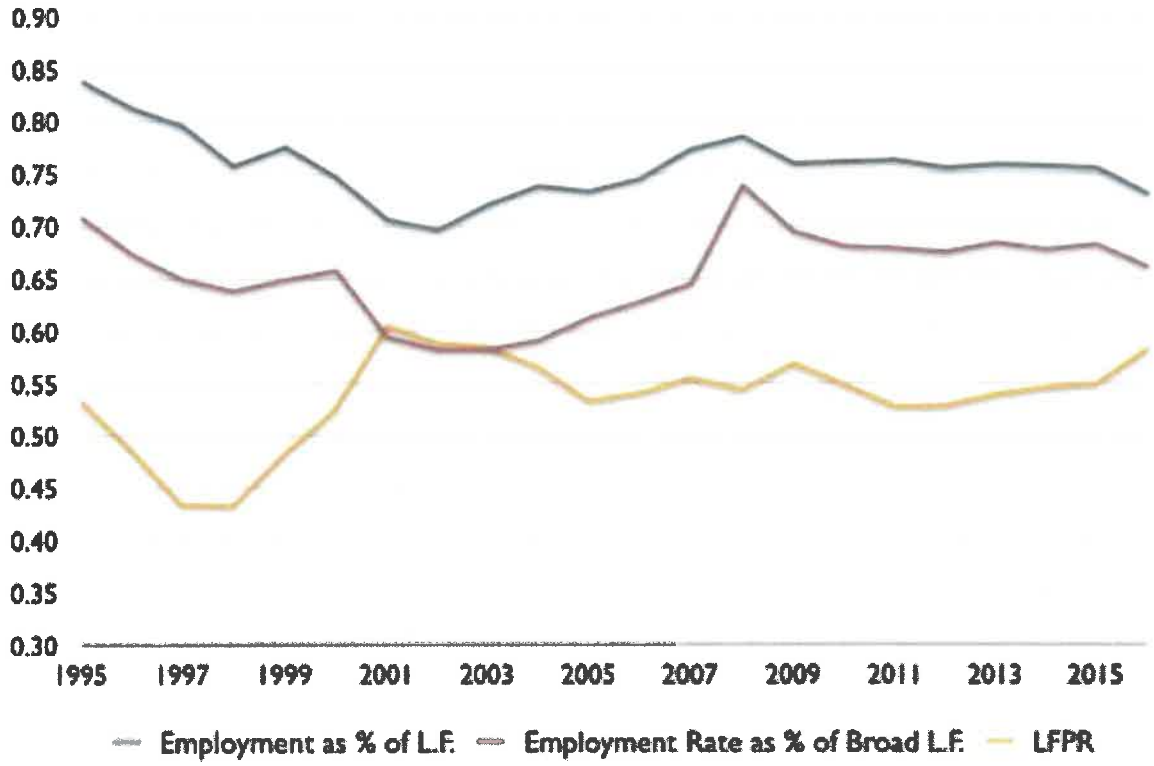
In effect, the idea of higher wages to constitute the basis of industrial restructuring was propounded by the Industrial Strategy Project (ISP), which according to Nattrass (2014) was a trade union aligned think-tank. Effectively, the ISP argued in favour of the notion that for productivity and employment growth to be realised, South Africa should desist from indulging in international competition based on low-wage, low-skill, low-productivity production activities in which the newly industrialising countries have already carved out a comparative advantage for themselves (Nattrass, 2014). These ideas subsequently formed part of South Africa's industrial policy, which encourages capital as well as skill intensive industrial development (Nattrass, 2014).

According to Mohamed (2010), trends in unemployment rate in the 10 years following the demise of apartheid in South Africa displays a lacklustre performance. For Mohamed (2010) the poor record of unemployment largely stems from the neoliberal economic policy framework adopted by government, which construes macroeconomic stability as constituted of low levels of budget deficit and low inflation rates. In addition, Mohamed (2010) contends that the Ten Year Review of South Africa published by the Presidency in 2003 did not present an accurate analysis of prevailing economic conditions in arguing that "South Africa has achieved a level of macroeconomic stability not seen in the country for forty years" (in Daniel et al., 2010: 41). Thus, Mohamed (2010) maintains that the assertion by the authors of the Ten Year Review that there was macroeconomic stability in the economy bespeak their adherence to the neoliberal agenda. Mohamed further contends that,

The authors of the Ten Year Review seem to have forgotten the currency crisis during 2001 when the rand depreciated by 35 per cent against the US dollar and the South African

Reserve Bank (SARB) responded by pushing up interest rates by 4 per cent within a year. The impact of the increase in interest rates was increased unemployment: the official, narrow measure of unemployment grew from 23.3 per cent in September 2000 to 26.2 per cent in September 2001 and 26.6 per cent in September 2002. (in Daniel et al., 2010: 41)

Figure 4.3: The labour force participation rate and employment in South Africa, 1995-2016



Source: Post-Apartheid Labour Market Series, (1995-2016), Bhorat and Khan, (2018)

As shown in Figure 4.3 above, a rapid surge in the labour force participation rate (LFPR) immediately ensued in the early phase of the post-apartheid dispensation: in fact, it increased from 54.7% in 1995 to over 60% in 2001 (Bhorat and Khan, 2018). The surge was essentially driven by the freeing of movement of African workers who mostly migrated from rural dwellings to urban areas in search of employment, leading to an increase in the LFPR (Bhorat and Khan, 2018).

Table 4.4: Employment and unemployment rates, 1995-2015

Category	1995	2000	2015
Employment as % of labour force	84	75	76
Strict unemployment (%)	16	25	24
Strict labour force	**100**	**100**	**100**
Expanded employment as % of labour force	71	66	68
Expanded unemployment[2] (%)	29	34	32
Expanded labour force	**100**	**100**	**100**

Source: Labour Force Survey (1995, 2000 & 2015), Bhorat and Khan, (2018)

From Table 4.4 above, which depicts trends in unemployment and employment rates as a share of the labour force, it can be noted that from 1995 to 2015 there was a decrease in employment, while an increase in unemployment rate was observed. On one hand, on account of the strict labour force size, employment decreased from 84% to 76% between 1995 and 2015. On the other hand, the increase in unemployment was from 16% to 24% over the period, 1995-2015. Based on an expanded definition of labour force, over the same period the decline in employment was from 71% to 68% and the registered increase in unemployment was from 29% to 32%.

Table 4.5: Unemployment rate – cross country comparisons

Country/Region	1995	2005	2015
South Africa	16.9	23.8	25.1
Brazil	9.9	11.4	8.5
Sub-Saharan Africa	7.6	8.0	7.2
Russian Federation	9.4	7.1	5.6
Middle income	5.9	6.2	5.5
China	4.6	4.1	4.6
India	4.0	4.4	3.5

Source: World Bank Indicators (2017), http://data.worldbank.org/indicator/. In Bhorat and Khan, (2018) In Table 4.5 it is shown that between 1995 and 2015 South Africa's unemployment rate was on an upward trend relative to other countries and regions. According to Bhorat and Khan (2018), South Africa's unemployment increase from 1995 to 2015 was at a rate of 0.4% per annum.

Table 4.6: Relative employment shifts, 1995-2015

Category	1995	2000	2015	Absolute Change	Change %	Target growth rate (%)	Employment absorption rate (%)
Employment	10,224	12,555	15,000	4,777	47		
Strict unemployment	1,966	4,182	4,794	2,828	144		
Narrow labour force	**12,190**	**16,737**	**19,795**	**7,604**	**62**	**74**	**63**
Non-searching unemployment	2,240	2,188	2,265	25.35	1		
Expanded unemployment[4]	4,206	6,370	7,059	2,853	68		
Expanded labour force	**14,430**	**18,925**	**22,060**	**7,629**	**53**	**75**	**63**

Source: Labour Force Survey (1995, 2000 and 2015), Bhorat and Khan, (2018)

To determine the rate at which the labour force would have to increase in order for the new entrants into the labour market are to be absorbed, the target growth has to be worked out (Bhorat and Khan, 2018). In the case of South Africa (see Table 4.6 above), from 1995 to 2015 the target growth rate based on the narrow labour force sample was put at 74%, thereby implying that for new entrants to be absorbed there had to be a 74% increase in employment (Bhorat and Khan, 2018). By contrast, over the 20 year period – that is the 1995 to 2015 time horizon – the registered target growth rate was 47%, which fell below the desired 74% (Bhorat and Khan, 2018).

By and large, labour supply trends which have come to define the post-apartheid South African economy over the period 1995-2015 can be summarised as follows:

> Firstly, whilst labour force participation rates experienced some sort of early post-apartheid spike, they have levelled off since, and notably continue to lag rates observed for comparator economies. Secondly, despite these modest participation rates, the economy has been consistently unable to generate a sufficient number of jobs for its work-seekers. By one simple indicator, the South African economy has been providing on average, a job

to about 6 out of every 10 work-seekers, over the last 20 years. Recalling that providing jobs to all 10 of these individuals constitutes a steady state in unemployment rates, the third key result has been a rise in strict (and expanded) unemployment rates in South Africa. The economy, despite emerging from a political system of racial segregation, has thus witnessed a rise in its unemployment rate from 17 to 25 percent over a twenty-year period. (Bhorat and Khan, 2018: 7)

With regards to sectoral contributions to employment creation, it has been noted that the share of services sectors to total employment has significantly increased since 1994, thereby rendering the post-apartheid South African economy services sectors dominated (Bhorat and Khan, 2018). By contrast, observations points to a drop in the share of employment contributed towards total employment by Mining and Agriculture, which both constitutes the primary sector (Bhorat and Khan, 2018). The shrinkage of mining employment is attributed to low global commodity prices and increasing production costs due to the rise in wages (Bhorat and Khan, 2018). In the agricultural sector, the introduction of minimum wage in March 2003 was identified as the main trigger of job shedding (Bhorat and Khan, 2018).

Table 4.7: Sectoral employment trends, 2001-2016

	Employment Growth (2001-2016)		Employment Shares (%)		Share of Change (2001-2016)
	Absolute	Relative	2001	2016	
Primary	**-422,565**	**-0.9**	**15.0**	**8.3**	**-0.10**
Agriculture	-286,101	-0.9	10.1	5.6	-0.07
Mining	-136,464	-0.8	4.9	2.7	-0.03
Secondary	**844,446**	**0.9**	**21.3**	**20.8**	**0.20**
Manufacturing	-17,847	0.0	14.7	10.7	0.00
Utilities	20,053	0.6	0.9	0.7	0.00
Construction	842,240	2.7	5.7	9.4	0.20
Tertiary	**3,884,013**	**1.3**	**63.7**	**70.8**	**0.90**
Trade (wholesale and retail)	652,297	0.7	22.0	20.2	0.15
Transport	333,951	1.4	5.1	5.8	0.08
Finance	1,279,463	2.6	9.1	14.6	0.30
CSP	1,426,395	1.7	18.1	22.1	0.33
Domestic Services	191,908	0.5	9.4	8.1	0.04
Total	**4,305,895**	**1.0**	**100.0**	**100.0**	**1.00**

Source: South African Reserve Bank (2017), Bhorat and Khan (2018)

Furthermore, sectoral employment data in Table 4.7 shows that notwithstanding a 0.5% contraction, between 2001 and 2016 Construction accounted for a significant proportion of employment created in the secondary sector. Table 4.7 also indicates that during the 2001 to 2016 period a significant number of jobs created were generated by the tertiary sector, which is made up of Trade, Transport, Finance, Domestic Services as well as Community, Social and Personal (CSP) services (Bhorat and Khan, 2018). Of note is that over a third of employment created in the tertiary sector stems from CSP services, where government is a dominant stakeholder (Bhorat and Khan, 2018). With the Financial services as the second largest employment generator after CSP services within the tertiary sector, it has been found that most Financial services jobs are from temporary employment services (TES) firms (Bhorat and Khan, 2018).

Table 4.8: Employment by sector and skills level, % share: 1995-2015

	1995			2015			
Sector	Skilled	Semi-skilled	Unskilled	Skilled	Semi-skilled	Unskilled	Skilled Share (% Ch.)
Agriculture	1	22	77	4	23	74	292
Mining	3	76	21	7	63	29	101
Manufacturing	6	74	20	10	70	20	64
Electricity	5	80	15	12	76	13	176
Construction	6	75	19	10	68	23	332
Trade	14	65	20	11	59	30	33
Transport	17	72	11	19	68	13	85
Financial Services	17	76	6	21	63	15	314
CSP	14	71	15	20	61	19	120
Domestic Services	0	3	97	0	2	98	376
Other					65	35	-
Total	9	59	32	13	56	31	118

Source: Labour Force Survey (1995 and 2015), Bhorat and Khan (2018)

In view of skills set demanded in the labour market, according to Bhorat and Khan (2018), evidence points to a steady increase in skills intensity in the post-apartheid South African labour market. With the exception of domestic work, sectors that experienced skills intensity are the Financial services, Construction and agriculture (Bhorat and Khan, 2018). As argued by Bhorat and Khan (2018), the rising demand for skilled labour in post-apartheid South Africa has been at the expense of semi-skilled workers as opposed to unskilled workers. For instance, in Table 4.8, data indicates that from 1995 to 2015 the proportion of employed semi-skilled labour decreased in all sectors except in the Agricultural sector (Bhorat and Khan, 2018).

> This decreasing share of semi-skilled labour across all non-agricultural industries is in part a function of the growth of capital intensity and the adoption of advanced technologies, which may be impacting on those tasks which are more easily automatable. Such tasks, the literature would suggest, tend to be found amongst semi-skilled workers … Consistent with this literature then, one could argue that the shrinkage of semi-skilled employment points to the possible existence of a "missing middle" in the labour market. That is, the rise in skills intensive employment has hollowed out the middle of the distribution … (Bhorat and Khan, 2018: 11)

Bhorat and Khan (2018) further states that the probability of securing employment in the services sector is largely dependent on post-secondary education. Thus, returns to primary and secondary education when measured through the prospects of finding employment in the services sector have proved to be negative (Bhorat and Khan, 2018). This corroborates the assertion that labour demand in the services sector has gravitated towards bias in favour of a strong skills set (Bhorat and Khan, 2018).

A focus on racial representation in the services sector shows that Africans and Coloureds in South Africa are generally less likely relative to Whites to secure employment in the services sector (Bhorat and Khan, 2018). However, since the mid-1990s there has been an increase in the likelihood of Coloureds and Africans finding employment in the services sector (Bhorat and Khan, 2018). It has also been found that Coloureds, who account for 11% of the labour force, are the most marginalised, thus are faced with an even lower prospect of being employed in the services sector when compared to Africans who constitutes over 70% of the labour force (Bhorat and Khan, 2018).

With respect to gender, the finding is that the initial probability of females being employed was lower relatives to males, but it has improved over time (Bhorat and Khan, 2018). As for employment in the services sector, indications are that once employed, women stand a better chance of gaining employment in the services sector than men (Bhorat and Khan, 2018). "This coincides with the gendered structure of the primary and secondary sectors on the one hand, and relatively lower barriers to entry for females in the services sectors of the economy on the other" (Bhorat and Khan, 2018: 12).

On the influence of unions in the labour market, Bhorat and Khan (2018) cites that union membership is integral to the configuration of the economy of South Africa. Until 1979 the Industrial Conciliation Act of 1910, which gave effect to union membership, did not extend the right to belong to a union for African workers (Bhorat and Khan, 2018). Nevertheless, efforts since the late 1980s by African trade unions to bring about a national bargaining council eventually brought to fruition the establishment of a centralised collective bargaining in the 1990s (Bhorat and Khan, 2018). Consequently, by 2016 a total of 195 registered trade unions was recorded and the proportion of unionised workers in the private sector was registered at 18.2% (Bhorat and Khan, 2018). As mentioned by Bhorat and Khan (2018), it has been argued that "while South Africa exhibits a strong legally enshrined right to unionise, the levels of union power are not disproportionately high, when measured by the collective dispute index" (Bhorat and Khan, 2018: 28). Moreover, Bhorat and Khan (2018) cites that although union membership is correlated with high wage earnings in South Africa, in comparison with other countries at the same level of development such as Brazil, Mexico and Ghana, South Africa does not display an excessive deviation (Bhorat and Khan, 2018). Nevertheless, Bhorat and Khan (2018) have found that unionised workers in both the public and private sector tend to earn more relative to non-unionised workers in South Africa.

In respect to minimum wage, it is cited that the Basic Conditions of Employment Act (BCEA) of 1997 provided for the establishment of minimum wage for vulnerable workers in specific sectors of the economy (Bhorat and Khan, 2018). The first minimum wage was promulgated in 1999 and subsequently in 2017 government sought to adopt and implement a new national minimum wage to be embraced by all sectors of the economy to enhance earnings of low-income earners (Bhorat and Khan, 2018).

In a 2012 study based on five low wage sectors (the Wholesale and retail, Domestic work, Forestry, Security and Taxi operators) conducted by Bhorat, Kanbur and Mayet, which was aimed at evaluating the impact of minimum wage, a three prong finding was reached (Bhorat and Khan, 2018). That is:

> First ... no significant negative impact of the minimum wage on the probability of employment across four of the five sectors considered. The negative impact on the probability of employment was observed for the taxi sector. Second, the minimum wage law was associated with a significant increase in real hourly wages in the post-law period, between 5 and 20 percent ... Thirdly, in terms of the demand-side adjustments by firms, the results show that in some sectors employers have responded to the introduction of the minimum wage by decreasing the number of weekly hours worked. However, in three of these sectors, workers experienced an improvement in real monthly income via an increase in real hourly wages that outweighed decreases in working hours. (Bhorat and Khan, 2018: 35)

However, in a 2014 study which sought to establish the impact of minimum wage on the Agriculture sector, findings indicated a significant decline in employment levels as well as disproportionate impact on workers employed on a part-time basis (Bhorat and Khan, 2018). In addition, the 2014 study pointed to a decline in the average hours worked and an increase in average wages of workers who retained their employment in the Agriculture sector (Bhorat and Khan, 2018).

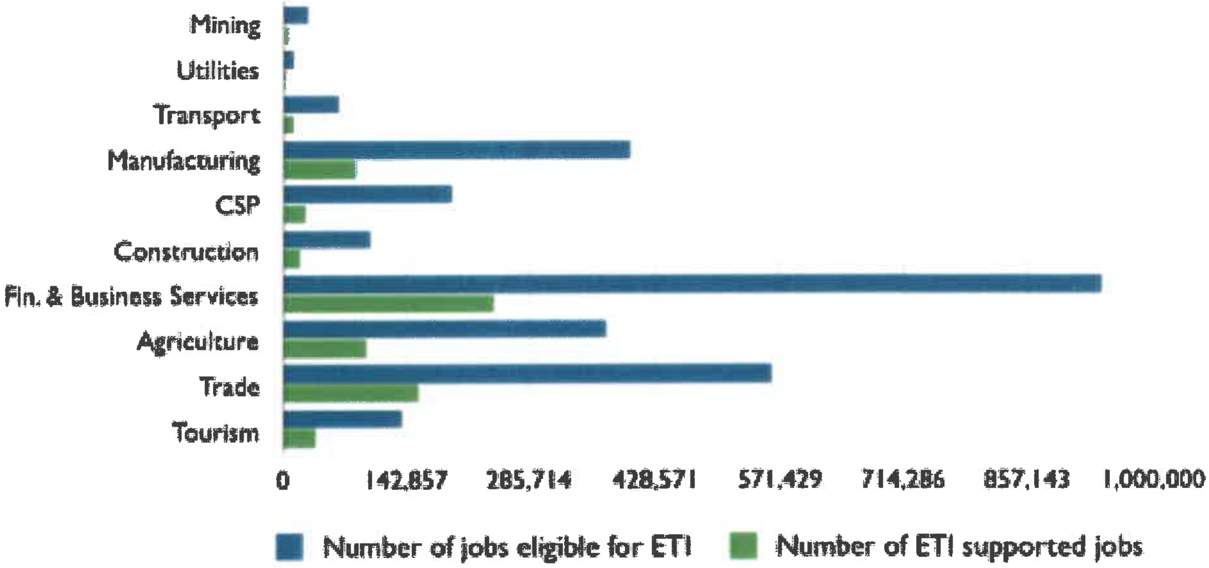
Furthermore, the 2014 amendment of the Labour Relations Act (LRA) of 1995 was also found to have had unintended ramifications since most employers opted for labour shedding as a viable avenue to comply with the amended LRA (Bhorat and Khan, 2018). Essentially, the 2014 amendment of the LRA made it illegal to continuously employ temporary workers for more than three months and also made it compulsory for temporary workers to be paid same wages and non-wage benefits as permanent staff (Bhorat and Khan, 2018). The 2015 study, based on survey data from the confederation of associations in the private sector, confirmed the job reducing impact of the amended LRA on temporary employment services (TES), with unskilled and semi-skilled workers emerging as the worst affected group within the TES sector (Bhorat and Khan, 2018).

The rationale for the amendment of the LRA was to enhance protection of workers in the temporary employment services sector following an increase in the practice of hiring workers on temporary basis and the growing concern about working conditions of temporary employees, which were deemed as unfavourable compared to those of permanently employed workers (Bhorat and Khan, 2018). In effect, "TES employment involves the practice of companies providing, as a third party, workers across various occupations to formal sector firms. In South Africa, they are referred as 'labour brokering' services ... The distinguishing factor of TES arrangements is that the firm that ultimately receives the service does not directly hire the individual providing that service. The services provided by the TES employees range in skill level, but as noted, TES employees are generally more vulnerable, consisting of either youth, or individuals from households close to the national poverty line" (Bhorat and Khan, 2018: 39).

To tackle the prevailing high youth unemployment, in 2013 the Employment Tax Incentive (ETI) was officially adopted as government policy intervention with sole focus on the youth labour force (Bhorat and Khan, 2018). As cited by the National Treasury (NT) in 2016, the intention behind the ETI fiscal policy instrument is to offset costs associated with hiring of young workers who are typically inexperienced in a country context where education proves insufficient to indicate readiness for the world of work (Bhorat and Khan, 2018). The ETI serves as tax incentive aimed at stimulating youth employment through reducing or subsidising the cost of hiring youth labour by firms (Bhorat and Khan, 2018). A breakdown of the ETI shows that it provided for firms legality to pay discounted income tax (PAYE) for each eligible candidate between age 18 and 29, who was without work before 1st October 2013 and earning a monthly income below R6 500. After a period of 24 months, firms became eligible to claim rebates for each worker that benefited from the ETI (Bhorat and Khan, 2018). Underpinning the ETI policy intervention was the assumption that after a period of 24 months workers would have gained a satisfying level of experience for employers to retain them or join a new employer (Bhorat and Khan, 2018).

Further breakdown of the ETI indicates that "The incentive is structured so that for the first year the full tax rebate is due to the employer, and in the second year of employment this rebate halves. The incentive is designed to discourage a "race to the bottom" whereby employers stand to benefit by paying lower wages to prospective candidates. To this end, the size of the incentive is designed to rise, then fall, as monthly wages increase" (Bhorat and Khan, 2018: 42).

Figure 4.4: ETI eligible and supported jobs, by sector



Source: Bhorat and Thornton (2016) in Bhorat and Khan (2018)

Figure 4.4 depicts the proportion of ETI eligible and supported jobs by sector. In general, the ETI was found to have resulted in a variety of sectoral impact. For instance, the highest number of ETI eligible and supported jobs was noted in the Financial and business services sector, followed by the Wholesale and retail trade, Manufacturing and Agriculture (Bhorat and Khan, 2018).

Like the minimum wage government policy intervention in South Africa's labour market, the ETI had its own unintended consequences in that, based on data derived from firms that claimed ETI benefits, it led to a decrease in full time equivalent jobs for individuals between the age of 30 and 35 (Bhorat and Khan, 2018). Driving the displacement of the 30 to 35 age cohort of the youth labour force was the substitution of the older workforce with younger subsidised workers by employers (Bhorat and Khan, 2018).

As argued by Nattrass (2014), the National Development Plan (NDP), which was published in 2012, takes as a matter of concern the adversarial nature of labour-employer relations in South Africa, and thus it advocates for the urgent establishment of a social contract to spur South Africa to reach higher employment growth among others. To achieve the goal of higher employment growth as well as higher levels of economic growth rates, the NDP "calls for workers (except the very low paid) to agree to accept lower wage increases than their productivity gains would dictate, and calls for business to reinvest profits in ways that boost employment and growth rather than fuelling executive remuneration. Government is supposed to assist this process by lowering the cost of living for workers (e.g. keeping inflation and import tariffs low) while facilitating skills development and productivity growth ..." (in Nattrass, 2014: 101). Moreover, the NDP acknowledges that neither business nor labour trusts each other to keep its side of the bargain and that "state capability issues bedevil the chances of success"" (in Nattrass, 2014: 101).

Furthermore, according to some commentators, the high unemployment rate in South Africa partly stems from the inflation targeting monetary policy that was adopted by the South African Reserve Bank (SARB) in 2000 (Vermeulen, 2017). Underlying criticisms of inflation targeting is the Phillips curve hypothesis that implies a trade-off between unemployment and inflation (Vermeulen, 2017). For instance, in 2008 Epstein argued that inflation targeting in South Africa has proved unsuccessful in bringing about lower unemployment and higher economic growth, thus Epstein called for the replace of inflation targeting with employment targeting (Vermeulen, 2017). Moreover, COSATU referred to inflation targeting as disastrous because of its direct contribution in slowing down economic growth and poor job creation outcomes (Vermeulen, 2017). By contrast, the adoption of inflation targeting in South Africa was informed by the view that price stability is integral to macro-economic stability, which is essential for attracting productive investment opportunities and the achievement of sustainable long-run economic growth (Vermeulen, 2017). In its defence of inflation targeting, the SARB contended that monetary policy is rendered dormant in the long-run to have direct influence on economic growth and creation of employment (Vermeulen, 2017).

According to Vermeulen (2017), in South Africa unemployment is structural and as a result it is less responsive to variations in aggregate demand. In other words, in South Africa most work seekers who enter the labour market are without the requisite skills demanded by employers, thereby leaving a majority of unskilled labour structurally unemployed. On claims against inflation targeting monetary policy, an assessment of evidence by Vermeulen to test the existence of a trade-off between inflation and unemployment found that "While the South African economy has steadily been creating jobs over the past two decades, the fact that the unemployment rate has not come down sufficiently is perhaps due to the continual entry of inadequately skilled workers to the labour force – a variable that monetary policy has no influence over" (2017: 45).

In line with Vermeulen's assertion, in his analysis of unemployment in South Africa, Hodge (2009) found that since 1998 up to 2009 formal employment grew at an average of 2.8% per annum. Therefore, for Hodge (2009) the deterioration in the unemployment outlook over the same period was less due to the demand side of the economy, but largely attributable to supply side dynamics. To illustrate his point, Hodge (2009) cites that as part of the supply side factors, the size of working age population (WAP) and the labour force respectively went up by 48% and 26% from 1995 to 2007. Hodge also found that the high increase in the size of the WAP relative to the labour force was due to the large increase in the labour force participation rate.

Table 4.9: Labour force, employment and unemployment in South Africa, 1995-2007

YEAR	LABOUR FORCE ('000)	WORKING AGE POPULATION ('000)	EMPLOYMENT ('000)	EMPLOYMENT GROWTH (% p.a.)	LABOUR FORCE GROWTH (% p.a.)	UNEMPLOYMENT RATE NARROW (BROAD) (%)
1995	11 628	24 232	8 069			17.0 (29.0)
2000	16 400	27 807	8 790	1.7 (95-2000)	7.1	25.4 (34.3)
2005	16 788	29 697	9 425			26.7 (40.5)
2007	17 178	30 413	10 658	2.8 (2000-07)	0.7	23.0 (35.8)

Source: October Household Survey 1996; Labour Force Survey (September 2007 and March 2005), in Hodge (2009)

As argued by Hodge (2009), owing to the huge increase in the labour force, from 1995 to 2007 the narrow and broad unemployment rate increased from 17% to 23% and 29% to 36%, respectively (see Table 4.9 above).

For a better comprehension of the labour force, employment and unemployment nexus during the 1995 to 2007 period, according to Hodge (2009), it is instructive to juxtapose South Africa's experience with those of countries such as Australia and Canada, which like South Africa are considered mining and commodity-based economies. It was found that from 1995 to 2004 in Australia the growth rate of the labour force was 13% against the growth rate of 18% for employment and for Canada the growth rate of the labour force and employment were registered at 15% and 19%, respectively (Hodge, 2009). Essentially, in Australia and Canada the employment growth rate was above the rate at which the labour force grew between 1995 and 2004, a phenomenon that resulted in both countries experiencing a decline in unemployment rate: for Australia unemployment rate decreased from 8.5% to 5.5% and for Canada it went down from 9.6% to 7.2% (Hodge, 2009). However, in the case of South Africa, like in the two countries, employment growth rate was recorded at 14% over the same period, while the increase in labour was registered at 36% (Hodge, 2009).

4.7 Economic growth in South Africa

As cited by Du Plessis and Smit (2006), for the 1995 to 2004 decade South Africa realised a 3% average real GDP growth rate, a significant gain from the 0.8% achieved in the period 1985-1994. Underlying the 1995-2004 growth trajectory was the improvement in overall domestic demand expenditure, which increased from 0.6% to 3.2% per annum (Du Plessis and Smit, 2006). In line with GEAR policy prescription, during the 1995-2004 decade general government spending decreased to 2.2% from the 2.4% annual average real increase in the previous decade (Du Plessis and Smit, 2006). On a sectoral basis, the services and financial sector accounted for the bulk of the 1995 to 2004 growth (Du Plessis and Smit, 2006).

Nevertheless, the 3% average real GDP growth achieved in the first decade in post-apartheid South Africa was construed as substantially below the necessary growth rate to bolster the transition to the democratic order that was already underway (Du Plessis and Smit, 2006). In comparison with the 2.3% decline recorded in the previous decade, the 5.1% increase in spending on fixed investment during the first decade of democracy was hailed as sharp improvement, notwithstanding the inadequate foreign capital inflows, particularly Foreign Direct Investment (FDI), which was expected to make considerable contribution in covering the shortfall in domestic savings (Du Plessis and Smit, 2006).

In his analysis of South Africa's economic growth trends, Hodge (2009) indicates that the average length of a full business cycle (an indicator of upswings and downswings) last for a period of approximately six years and this has historically been the norm since the early 1970s. As observed by Hodge (2009), the 1990s and 1980s average annual growth rates were not much different from each other. For instance, in the 1990s and 1980s the average annual real GDP increases were 1.4% and 2.1%, respectively (Hodge, 2009).

However, Hodge (2009) also found that growth in the 1990s was much better in the second half relative to the first half of the decade. On one hand, from 1990 to 1994 average annual economic growth rate was registered at 0.1%, on the other, 2.6% was the average annual growth rate from 1995 to 1999 (Hodge, 2009). According to Hodge (2009), the relatively high average annual growth registered in the period 1995-1999 was in the wake of GEAR's disinflationary objective and its alleged contractionary effect on the business cycle. Against other developing or emerging economies, the 2.6% average annual economic growth rate in the second half of the 1990s registered by South Africa was found to be unimpressive (Hodge, 2009).

Nevertheless, a turning point was noted in South Africa's annual growth scores since 2000, when scores above a figure considered as the structural ceiling in view of economic growth rates were achieved (Hodge, 2009). The turning point was marked by the rise in average annual economic growth rate to 4.3% over the 2000-2007 period (Hodge, 2009). Needless to say, the 2000 to 2007 surge in economic growth occurred against the backdrop of low inflation environment underpinned by an inflation targeting monetary policy of South Africa's government (Hodge, 2009).

Furthermore, Weeks (1999) decries the 2.6% average annual growth achieved between 1996 and 1998 as sub-optimal, and attributes it to shortcomings in policy prescriptions underpinning GEAR. Essentially, for Weeks (1999) GEAR as a stabilisation programme - advocating for the restoration of investor confidence and deflationary measures to bring about stability - was not necessary given that in 1996 the South African economy was not characterised by substantial imbalances that warranted a stabilisation macro-economic framework.

According to Weeks (1999), the 4.2% average GDP growth projection for the 1996-2000 period encapsulated in GEAR was informed by what was referred to as the 'base scenario' and the 'integrated scenario'. The base scenario essentially described the performance of the economy within the policy framework that was in place in mid-1996, whereas the integrated scenario was concerned with performance of the economy subsequent to the adoption of the envisaged policy changes (Weeks, 1999). It is cited that,

> The GEAR document recognised the need to programme a set of policies to generate the demand stimulus to bring about the projected rate of growth of 4.2% for 1996-2000. It argued that 'growth is mainly the result of steady increases in fixed investment and manufactured exports'. Private investment was targeted to grow at an annual rate of 11.7% and public investment at slightly over 7%. These investment growth rates represented more than a doubling for the private sector and a near trebling for the public, compared to the 'base scenario' (which would have slower deficit reduction and fewer supply-side reforms). The increase in government investment could be implemented directly, while the increase in private investment would be the indirect effect of policies to 'establish a climate for continued investor confidence'. (Weeks, 1999: 800)

Table 4.10: Policy action for demand stimulation in the GEAR macro strategy (1996)

Type of expenditure	Principal determinants –>	Determinants in the GEAR – >	Policy action affecting – > – >	Transmission mechanism –>	Demand stimulus in the 'integrated' scenario
Household consumption	income, interest rates	income, interest rates	none	not relevant	derivative from GDP growth
Private investment	interest rates, profit expectations	interest rates, 'confidence'	deficit reduction – > –>	lower interest rate –>	+ 3·9 pct pts (93% of total)
Public 'consumption'	Government policy	Government policy	Pre-determined portion of GDP	[direct]	derivative from GDP growth
Public investment	Government policy	Government policy	Pre-determined rate of growth	[direct]	+ 0·5 pct pts (11·4% of total)
Net exports ($X - M$)	External demand, exchange rate, competitiveness	unspecified supply-side reforms	unspecified supply-side reforms	???	–0·2 pct pts (–4·4% of total)
Growth target (1996–2000)					+4·2 pct points

Source: Weeks (1999)

In Table 4.10 above, Weeks (1999) presents an outline of GEAR's policy proposals for demand stimulation. That is, in Table 4.10 targeted statics for different components of the fiscal stimuli in the GEAR document are provided (Weeks, 1999). For instance, in the last raw of Table 4.10, it is shown that GEAR had 4.2% over the period 1996-2000 as the targeted average annual growth to be achieved by the South African economy (Weeks, 1999).

With respect to the impact of exports, GEAR predicted a negative impact thereof on domestic aggregate demand (Weeks, 1999). The basis of the logic for predicting a negative impact of exports on domestic demand is the notion that at a sustained 3% economic growth rate increase more imports will be attracted into the country (Weeks, 1999). Therefore, with expenditure on imports resulting in leakage to domestic production, the ensuing deterioration in the current account deficit relative to GDP was envisaged to bring about a 0.2% net depression to domestic demand (Weeks, 1999).

Table 4.10 also shows that GEAR equated to 0.5% the overall contribution of public investment toward stimulation of aggregate demand (Weeks, 1999). Because public 'consumption', which refers to recurrent expenditure, was fixed at 19% of GDP, GEAR envisaged its demand influence to be transmitted through the achievement of the projected rate of economic growth (Weeks, 1999). In addition to GEAR projections was the anticipation of a 3.9% contribution made by private investment towards aggregate demand stimulation (Weeks, 1999).

According to Weeks (1999), the conclusion depicted in Table 4.10 is that almost all the stimulus required for generating the desirable rate of economic growth will stem from private investment (Weeks, 1999). In other words, 93% of total aggregate stimulus will be accounted for by private investment (Weeks, 1999). The reduction of fiscal deficit, which is associated with downward pressure on real interest rates, was foreseen as the mechanism for stimulating private investment (Weeks, 1999). Behind this private investment led stimuli was the crowding-out theory, which effectively postulates that "when the state borrows to finance a deficit, it competes with the private sector for saving, and thus raises interest rates" (Weeks, 1999: 800). Therefore, Weeks (1999) maintains that assuming the availability of empirical evidence pointing to the existence of the crowding-out effect in the 1990s, the GEAR document failed to incorporate it, an omission countervailing to a clear articulation of its policy proposals. However, of major concern to Weeks is that,

> If one accepted that crowding out was important in South Africa, there remained a potential inconsistency in the GEAR deficit-interest rate-investment chain of causality. The key to private investment stimulus was a lower real interest rate; at the same time, the model assumed that the external current account would deteriorate. Other things being equal, this would tend to weaken the Rand, which could provoke the Reserve Bank to act independently to raise interest rates. The GEAR document sought to square this circle by predicting an increase in foreign direct investment to cover the increased current account deficit. Thus, the growth rate projected by the GEAR was based on a number of empirically unverified assumptions: (1) that crowding out was an important phenomenon in South Africa; (2) that deficit reduction would result in a fall in the interest rate; (3) that an

increased current account deficit would be consistent with a lower interest rate; and (4) that a lower interest rate will impart a strong stimulus to private investment. (1999: 800-8001)

Furthermore, according to Weeks (1999), since GEAR was officially implemented from the third quarter of 1996, by the end of the third quarter of 1998 it had covered its mid-term, a duration that laid a sufficient basis to evaluate its performance.

Table 4.11: Macroeconomic indicators, GEAR targets and performance, 1996-98

GEAR targets	1996	1997	1998	1999	2000	Average 1996–00	Through 1998 Q3*
1. GDP growth	3·5	2·9	3·8	4·9	6·1	4·2	3·4
(actual)	2·5	1·1	0·5				1·0
2. Inflation	8·0	9·7	8·1	7·7	7·6	8·2	8·7
(actual)	7·3	7·7	5·5				7·1
3. Employment growth (private)	1·3	3·0	2·7	3·5	4·3	3·0	2·3
(actual)	−2·4	−3·3	−8·7				−3·2
4. Real wage growth (private)	0·5	1·0	1·0	1·0	1·0	0·7	0·4
(actual)	0·2	2·0	8·8				2·5
5. Real bank rate*	7·0	5·0	4·0	3·0	3·0	4·4	5·6
(actual)	7·7	7·5	10·9				8·8
6. REER (change in)	8·5	−0·3	0·0	0·0	0·0	−1·8	−3·5
(actual)	−3·3	2·6	−7·6				−2·6
7. Fiscal deficit	−5·1	−4·0	−3·5	−3·0	−3·0	−3·7	−4·3
(actual)	−5·3	−5·2	−3·7				−4·7

Notes: All indicators are to the end of the third quarter of 1998, except employment and real wages (second quarter); inflation and the real bank rate (include the first month of the fourth quarter). *The source describes this item as the 'bank rate'; however, it clearly refers to the *real* bank rate. Numbers in bold type indicate targets met or exceeded. Shaded boxes indicate periods in the future as of date of this paper.

Source: GEAR, 1996; Reserve Bank of South Africa, Quarterly Bulletins and Website (updated March 1999) in Weeks (1999)

In view of projected annual rates of increases in GDP, Table 4.11 above shows that relative to what was achieved, GEAR projections for the 1996 to 1998 period all fell short of the earmarked target (Weeks, 1999). Thus, Weeks maintains that "While many factors influenced the performance of the economy during 1996-98, there is prima facie case that the GEAR policy package made a significant contribution to the collapse of growth in South Africa" (1999: 809).

As pointed out in the preceding chapter, stable investment flows are a critical determinant of optimum investment levels. In similar vein, Wentworth (2012) has argued that a national policy framework that give effect to productive, sustainable investment is integral to a favourable investment climate. However, it has been noted that in the South African context investment is largely driven by unpredictable portfolio flows as opposed to long-term foreign direct investment (Wentworth, 2012). Fine (2012), therefore contends that from a long-term perspective chronic underinvestment has been an intrinsic feature of the post-apartheid South African economy.

At the centre of poor South Africa's investment record is what Fine (2012) refer to as financialisation of the economy. Financialisation essentially entails innovation in the financial sector that gave rise to new types of financial assets, notably derivatives and futures markets (Fine, 2012). Where it effectively manifest itself, financialisation brings about a drop in overall levels and efficacy of investment, according to Fine (2012). With its rapid growth within a period of 20 years, the share of the financial sector increased to 20% of GDP, while 40% of the population receives no financial services from the sector (Fine, 2012).

According to one core assertion in support of financialisation, financial markets are there to efficiently mobilise and allocate resources for investment purposes (Fine, 2012). However, Fine (2012) contends that the South African financial system has not delivered in accordance with the assertion put forward in support of financialisation. Of concern to Fine (2012) is that South Africa's investment levels fall below half of those countries classified as developmental states. As further argued by Fine (2012), contrary to adding 20% to the GDP, financial services takes away a quarter of South Africa's GDP.

In general, the phenomenon of financialisation was initially observed and identified as problematic in developed countries and its reach extending to emerging countries such as South Africa has been noted with concern (Karwowski, 2018). As pointed out by Karwowski (2018), financialisation occurs when non-financial companies (NFCs) move away from providing trade credit, which is necessary for stimulating production, towards investment in financial assets. Cited as the main shortcoming of financialisation is that financialised NFCs tend to shift their long-term focused productive operations and investment to indulging in short-term oriented financial activities (Karwowski, 2018). Consequenly, financialised NFCs become vulnerable to the volatility of financial markets which in turn impose a constraint on their scope to reinvest earned profits (Karwowski, 2018).

Evaluation of the extent of financialisation in the South African context by Karwowski (2018) highlights the phenomenon as prevalent and its existence dating as far back as 1970. Karwowski (2018) cites that since the 1980s the South African NFCs adopted significant changes in their financial operation modus operandi: historically it had been a common practice for NFCs to source financial resources internally to fund their capital investment spending, but since the 1990s there has been an increasing preference amongst NFCs to shift from issuing trade credit in large volumes to accumulating liquid assets such as short-term deposits as well as cash and cash equivalents. It has also been found that in the post-apartheid South African context big business has been the main driver of financialisation (Karwowski, 2018).

Moreover, macro-economic policies in South Africa are construed as assisted in forging a conducive realm for financialisation to thrive (Karwowski, 2018). By way of illustration, fiscal restraint and inflation targeting are identified as the main macro-economic policy levers that have spurred the spread of financialisation in South Africa (Karwowski, 2018). The combined effect of inflation targeting and fiscal restraint, as argued by Karwowski, (2018), have led to subdued domestic investment levels due to cut backs on public sector capital spending and the resulting private investment discouraging high interest rates.

Finally, Karwowski (2018) argue that the incident of investment strike noted in South Africa has proved to have germinated from financialisation. In essence, investment strike "captures the frustration of the South African population who observe low levels of corporate investment activity not because NFCs are squeezed for funds but out of choice" (Karwowski, 2018: 9). For instance, in February 2017 NFCs in South Africa held a total of R719 billion in cash deposits, which equated to approximately 17% of GDP (Karwowski, 2018). Based on the analysis of financialisation in the developed world, the main reason NFCs became more attracted to engaging in financial activities is the decline in profit rates generated from their core traditional operations (Karwowski, 2018). However, it has been found that while the share of wages was decreasing in South Africa, the share of profits increased from 40% in 1994 to 45% in 2009 (Fine, 2012). Moreover, during the 2000s manufacturing was found to have recorded an average profit rate increase around 10%, while the recorded profit increase for agriculture and mining was more than 30% and 20% for service industries (Karwowski, 2018).

CHAPTER 5: CONCLUSION

In chapter three it was indicated that the state's response to the 'labour question' had an enduring impact over the practice of corporatism in Sweden. That is, in the case of Sweden, in its response to the 'labour question', the Social Democratic party as a dominant political party formed a strategic alliance with a bourgeoisie party at some point and cast itself as the dominant working-class party with cogent influence over the labour movement.

In South Africa, like in the early phase of the twentieth century, during the 1980s the state and big business were confronted with the challenge of the 'labour question'. The 'labour question' challenge in the South African case entailed containing the revolutionary potential of the radical unemployed workers. By extension, in South Africa dealing with the 'labour question' involved the political task of roping in organised labour into the state structure without undermining the capitalist economic system. However, as argued, an important difference between the 1980s and earlier twentieth century South Africa is that the working class that posed threat to the state was predominantly black, not white as in the past.

In view of post-apartheid public service, deliberations highlighted weaknesses within state bureaucracy which undermines an efficient drive towards the realisation of desired national developmental objectives. Thus, the NDP cites as concern the capacity of the state to play its part in arresting the counterproductive adversarial nature of labour-employer relations. Additionally, in relation to public finance management, there had been concerns from government about the capacity of the new crop of public servants to efficiently deploy foreign borrowed funds. By contrast, in Sweden state capacity was instrumental in effectively dealing with the 'labour question', among others. For instance, through one of the corporatist institutions referred to as the National Board of Social Affairs, the state in Sweden was able to successfully deal with challenges arising from the 'labour question'.

With respect to business associations, in Sweden the peak-level business organisation is known as the Swedish Employers' Confederation (SAF). As indicated, representation of the SAF in the Swedish public administration dates back to 1913. Through the corporatist institution, the National

Board and Agencies, on a regular basis the SAF hold engagements with Cabinet to deliberate on policy matters. In the South African context, the dominance of big business and fragmentation within business associations has undermined the ability of the business fraternity to forge coherence amongst its constituent units.

As for the trajectory of public debt, in Sweden the existence of a powerful labour movement made it possible for government to ramp up government debt as a result of public spending in support of the country's welfare policy particularly in the 1970s. This increase in public spending was achieved despite the participation of the peak-level employer association representatives in corporatist institutions from which the proposal to raise public spending was endorsed. From a class interest perspective, employer association representatives' endorsement of increases in government welfare spending was an anomaly attributed to political exchange embedded in corporatist interest mediation.

In the post-apartheid South African scenario, owing to the adoption of the GEAR economic policy framework, registered levels of public debt were on a downward spiral particularly during the consolidation phase of the fiscal policy. Reduction in budget deficit and income generated from privatisation were the main levers through which the downward spiral in public debt was achieved. During the consolidation phase, the noted decrease in public debt was effectively driven by cuts in public spending on infrastructure, maintenance and goods such as text books and medicine. This development is in accordance with Streeck's contention that government efforts to consolidate public finances often leads to reductions in discretionary spending in the short run. However, in 2013 South Africa's debt-to-GDP ratio significantly increased to 46.11%: the highest ratio to have been recorded for the country over the period 1960-2013.

With respect to unemployment, it has been shown that the post-apartheid South Africa's trajectory does not look impressive. By contrast, the review of Sweden's record of unemployment indicates that it fared better even in comparison with its peer corporatist economies within the OECD grouping. Sweden's impressive record of low unemployment is largely attributed to its comprehensive active labour market policy. It has also been shown that within the OECD unemployment records of corporatist economies compares better relative to non-corporatist economies. As cited, their ability to overcome the challenge of interpretation gap entailed in engagements in which interest groups embark on political exchanges set corporatist economies apart from those that are non-corporatist.

In addition, the response to critics who attribute high unemployment in post-apartheid South Africa to the inflation targeting monetary policy regime of the South African Reserve Bank is that evidence points to unemployment as structural in nature. Therefore, associating monetary policy with the prevailing high unemployment in South Africa is misguided since it has been established that the nature of unemployment in the country is structural, a variable which is beyond the purview of monetary policy. Consequently, as demonstrated by Sweden and other corporatist economies, the prevailing structural unemployment in South Africa may be a result of deviation from one of the two conditions stipulated by Glyn and Rowthorn to ameliorate unemployment.

Like with unemployment, post-apartheid South Africa's record of economic growth has been lacklustre. Given that growth to a large extent hinges on optimum levels of investment, South Africa's poor economic growth trajectory is attributed to the financialisation phenomenon which has had a negative impact on the incentive by non-financial companies to spare and allocate wherewithal for investment purposes. On the other hand, Sweden's experience and that of other corporatist economies shows the primacy of sustained investment levels in fostering stable rates of economic growth. However, sustained levels of investment noted in corporatist economies were generally made possible by compromises facilitated through corporatist arrangements reached between employers and workers, which ultimately precluded distributional conflicts between the two social partners.

Overall, growing public debt, high levels of unemployment and poor economic growth point to unimpressive economic performance associated with state-business relations in post-apartheid South Africa.

As for deliberations in the theories of corporatism, diverse perspectives point to state intervention as central to a corporatist polity. By way of illustration, in defining corporatism, Winkler construes corporatism as an economic system characterised by a state which directs and controls privately-owned business guided by the principles of unity, order, nationalism and success.

As shown in chapter four, with respect to post-apartheid South Africa's experience, the government economic policy of GEAR, which was adopted without consultation of social partners in NEDLAC, sought to curtail state intervention through privatisation and advocating for low levels of public investment. However, also highlighted in theories of corporatism as integral to sound state intervention is the issue of a well-equipped state bureaucracy. As indicated above, in post-apartheid South Africa state bureaucracy is found to be wanting.

It is worth noting that as argued in theories of corporatism, when taking account of public debt management in Sweden, the principle of success appears to corroborate Winkler's proposition that corporatist interest representation tends to be more ends-oriented as opposed to being means-oriented. Thus, as indicated in chapter three and four, public debt trends registered by Sweden as well as South Africa were on an upwards trajectory.

Furthermore, the South African experience arguably corroborate the theoretical deliberations pertaining to inducements and constraints as traits associated with an ideal-type corporatist state. For instance, it was stated above that the concentration of economic power in few conglomerates became an issue of concern to the ruling party in post-apartheid South Africa. Consequently, the challenge of generating economic growth, creating employment and appeasing investors confronted by the ruling party propelled government to pursue a package of inducements in order to win over the support of big conglomerates.

Such inducements came in the form of liberalisation of trade and exchange controls as well as allowing for overseas listings, which were policy proposals lobbied for and envisaged by big business to generate benefits by way of enhancing the potential of firms to cheaply raise capital in international markets so as to increase investment for the country. However, it turned out that subsequent to the implementation of big business policy proposals, the autonomy of big business increased, thereby imposed a constraint on the ability of government to ensure compliance with public policy.

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