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Towards a class compromise in South Africa's "Double Transition": bargained liberalization and the consolidation of democracy

Edward Webster and Glenn Adler

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TOWARDS A CLASS COMPROMISE

IN SOUTH AFRICA'S "DOUBLE TRANSITION":

BARGAINED LIBERALIZATION

AND THE CONSOLIDATION OF DEMOCRACY

Edward Webster and Glenn Adler
Sociology Department and Sociology of Work Unit
University of the Witwatersrand
PO Wits 2050, South Africa
(Webster) 029edw@muse.wits.ac.za
(Adler) 029mets@muse.wits.ac.za
Ph: 27-11-716-2908
Fax: 27-11-716-3781

INTRODUCTION

Many analysts have accepted that South Africa's "political miracle" was purchased at the price of ensuring the survival of one of the world's most unequal capitalist systems. Liberals - with enthusiasm - have argued that South Africa has accepted the inevitability of the market and that it has pragmatically adapted to the new international economic order: it has removed exchange controls, embraced an export-oriented development strategy, practiced strict fiscal discipline, and committed itself to privatization.[1] A number of Marxist analysts fundamentally agree with this position, arguing that in a hegemonic global economy there is no alternative to the prescriptions of neoliberal economic and social policies outside of an unspecified intensification of conflict.[2] The Australian political commentator John Pilger captures the sense of disillusionment on the left when he recently lamented that a "historic compromise" between the ANC and the apartheid government left economic power in the hands of the corporate white elite; all that has changed is "the inclusion of a small group of blacks into this masonry."[3]

Both sets of arguments curiously fit comfortably within a conventional political science elite analysis of transitions. In much of this literature it is argued that a transition from authoritarianism to democracy must involve an economic pact between elites on both sides that leaves the fundamental structures of capitalist society in place, thereby ensuring the loyalty of the propertied classes.[4] A conservative pact is seen as all the more essential in cases of "double transition": states that are simultaneously consolidating democracy and reconstructing their economies. Under conditions of globalization it is argued that capital has an exit option and growth depends on adopting neoliberal policies that will attract investment. Yet such a pact will likely increase class inequality and generate popular pressures against neoliberalism. On this basis some have suggested that democracy should be limited and challenges to economic policy-making from civil society curtailed.[5] However, we are skeptical that such an approach will provide a long-term basis for either democracy or growth. At the same time, we doubt that intensified conflict in and of itself will in the long-run be favorable for democratic forces. Either path will likely lead to an increasing estrangement between the economy and society.

Claims about the inevitability of a conservative pact exaggerate the power of globalization, by presenting it as an omnipotent force depriving states of maneuvering room in their choice of development policy. Above all, these positions ignore the power of movements and organizations, the importance of institutions, and the strategic choices that collective actors can make.[6] Movements resisting economic liberalization may be able to create new institutions through which they can process their demands. In turn these institutions may be able to create new rules of the game allowing what we describe as "bargained liberalization" to occur, in which prominent groups renegotiate the terms on which a country engages with the global economy.

In recognizing the existence of a double transition we accept that these two processes are potentially contradictory and may simultaneously undermine both democracy and economic growth. However we argue that the double transition is potentially reconcilable, though on terms neither the advocates of a conservative pact nor their left critics would recognize. We argue that a class compromise oriented towards growth and redistribution can better provide the economic foundations for sustainable democracy. Such a compromise is not only desirable, but *may* be possible even in societies with limited economic resources.

Here we examine the institutions that have been constructed by workers, employers, and the state during the transition to democracy in South Africa, the choices they have made in developing economic policy, and the possibilities that may be open for a class compromise. These institutions have had an important effect on the pace and content of economic reconstruction which has not been fully appreciated. The changes are far more substantial than "the inclusion of a small group of blacks into [the apartheid] masonry," nor are they simply a headlong rush towards neoliberalism.

We identify the necessary conditions for a class compromise and argue that the institutional means through which one could be struck exist in South Africa. However a compromise requires a mutually shared sense of stalemate. It also requires parties to accept that the costs of not compromising outweigh the benefits to be had by standing firm. Labor, capital, the state, and representatives of the "community" have recently made important agreements conducive to a class compromise, but it is too soon to tell whether these have been made in good faith or whether they can be sustained. As in South African politics in the late 1980s and the early 1990s, continued stalemate and the threat of chaos may make a class compromise more desirable than other outcomes, but cannot ensure that it occurs.

It does little good to develop a checklist of features South Africa shares with other democratizing countries, any more than it helps to identify those characteristics unique to its peculiar political legacy. South Africa is both exceptional and typical, depending on how and what one chooses to compare, as is every other country. Rather, a discussion of class compromise in South Africa suggests the importance of substantially deepening research on the creative activities of popular movements and organizations in other countries attempting to consolidate democracy under conditions of economic reconstruction. Their specific national configurations of organizations and institutions may produce opportunities - perhaps limited - for bargained liberalization, and possibilities for establishing a new balance between the market and society.[7]

I. RENEGOTIATING CLASS COMPROMISE

A. The Double Transition and Globalization

Globalization presents difficult problems for countries undergoing the double transition by generating a number of new stresses on an economy while undermining the state's traditional role in economic management. It is widely accepted that globalization has contributed to a radical recomposition of the labor market. Whereas the long post-war expansion had been founded upon permanent full-time employment, over the last twenty years this base has been transformed: the permanent full-time worker, according to Giddens, "has been assaulted

> by a host of other competing modes of work organization - an expansion of part-time work, voluntary career breaks, self-employment and home-working....In all these areas the ethos of "industry" comes under strain.[8]

Indeed, Standing argues that the insecurity created by the emphasis on flexibility has sharply fragmented the labor force, creating a growing stratum of "flexi-workers" - part-time, casual, and temporary workers - who, along with the unemployed and the "detached" are emerging as the labor force of the future.[9]

Globalization has a differential impact on these strata. According to Rodrik, it increases inequality between labor market groups that can cross international borders - owners of capital, highly skilled workers, some professionals - and those that cannot, especially unskilled and semiskilled workers. While this increasing class effect of globalization may fuel populist calls for protectionism it also stimulates demands for compensation in the form of social insurance. Indeed, Rodrik demonstrates that government spending on forms of social security and welfare is in fact highest in those countries most exposed to significant amounts of external trade risk, where it helps buy social peace.[10]

But if globalization increases the importance of social insurance, it also makes such spending more difficult to sustain. The globalization of financial markets has made it harder for national governments to control monetary and fiscal policy, while Keynesian demand management solutions are made more difficult when firms are increasingly oriented towards global rather than nationally based markets. As Wright argues, "the realization of the economic value of those commodities depends less upon the purchasing power of workers in the countries within which those firms are located."[11]

Many neoliberal prescriptions may make matters worse, such as those that weaken state institutions, or polices that erode social welfare expenditure in the face of the increased unemployment generated by adjustment. Rampant economic liberalization, leads to a decline in consumption, which not only undermines attempts to consolidate democracy, but with a decline in state capacity may lead to social disintegration, descending into "decentralized collective violence."[12] Rodrik warns economists and policymakers that they ignore this political - and we would argue, class - dimension of globalization, at their peril as increasing international economic integration may lead to increasing domestic social disintegration.[13] Globalization thus may generate conditions that undermine the international and domestic social orders on which its own reproduction depends.

However if globalization creates constraints, it would be a mistake to claim that it eliminates choice and removes maneuvering room for states. The challenge is to construct, amidst constraints, what Linz and Stepan call "mixed economies." For them, democracy cannot be consolidated in either command economies or in completely free markets, but depends upon states that can regulate markets; correct market failures; and generate "public goods in the areas of education, health...transportation, some safety net for its citizens hurt by major market swings, and some alleviation of gross inequality..."[14]

It is similarly easy, in discussions of globalization, to ignore constraints on capital and assume a frictionless mobility by equating all capital with financial capital. Many firms are relatively immobile and employers may not only be profit-maximizers, but also risk-avoiders interested in steady, long-term, and sustainable profit. A number of analysts, most notably Albert, identify these features, among others, as distinguishing Germany - the "other capitalism" - from the dominant American model.[15] Such approaches stress the importance of embeddedness: specific domestic configurations of organizations, institutions, and norms which mediate and shape a country's interaction with the international economy.[16] In essence, the impact of markets on domestic economies is not uniform as these domestic interactions may expand the universe of choices open to policy makers, while limiting options the state and capital might otherwise have chosen. Markets constrain choices, but do not predetermine outcomes.

Our interest in these organizations and institutions rests with the possibilities they present for reconciling democracy and economic reconstruction through bargaining, which implies reaching non-zero-sum enforceable agreements between independent actors based on mutually accepted rules. We call this "bargained liberalization": *liberalization*, because the changes involve opening up to the global economy; *bargained*, because agreements are subject to the institutionally structured interplay of societal interests. Bargained liberalization may provide workers and marginalized social strata with an opportunity to engage the state and capital over the form and pace of adjustment, allowing the extension of some measure of social regulation to those whose livelihoods are threatened by economic restructuring.

The class effects of globalization and neoliberal restructuring suggests the importance of searching for class compromises that could mediate these pressures and establish a more stable basis for both democracy and growth. Yet with the decline of western European corporatism and third world developmental states the idea of class compromise - indeed, of the very notion of societal bargaining - has fallen into some disfavor. We now turn to a discussion of class compromise, in its "northern" and much neglected "southern" forms, and the possibilities of class compromise in the current context.

B. The "Northern Compromise" in Advanced Industrial Societies

In advanced industrial societies democracy was consolidated through a class compromise based on an exchange between capital and labor. In return for capital providing economic concessions to labor (high wages, full employment, social welfare) labor accepted the capitalist system and in particular capital's prerogative to manage the enterprise. That a rising standard of living and full employment could be delivered through the institutions of a democratic capitalist state led workers to develop an interest in defending and maintaining the institutions that willy nilly bolstered capitalism. Capital was willing to make such concessions in return for favorable conditions for capital accumulation; it too, developed an interest in maintaining democratic institutions. Underpinning this "northern compromise," then, was a strong investor response to growing demand fueled by rises in wages and full employment. As Glyn argues, wages and employment grew simultaneously in a virtuous circle linked by high investment levels, increasing productivity, and rising wages, resolving - temporarily - competition between the employed and the unemployed.[17]

In historical perspective this class compromise was made possible by a series of contingent factors: the development of Keynesian macroeconomic demand management, the Pax Americana, and Fordist production systems supported by corporatist-style labor relations systems.[18] It also depended upon a labor movement organizationally capable of attaining optimal militancy: too much militancy meant that accumulation would be too slow, and ultimately material benefits would be reduced; too little militancy meant that accumulation would take place without capital making any concessions.[19]

Since the 1970s the conditions underpinning the northern compromise eroded, and with them many of labor's gains have been rolled back. In particular, it has been argued, that the consequences of the new global economy undermine any possibility of a nationally based class compromise on the lines forged during the "Golden Age" of capitalism.[20]

Globalization has encouraged the view among many analysts that class compromise *per se* is no longer possible, and that discussion of the concept is pointless. We do not reject the argument that globalization constrains domestic policy choices, and renders unworkable any simple return to the postwar historic compromise. Nonetheless, we take issue with the notion that a class compromise was a western European post-war phenomenon, and its corollary, that the erosion of the conditions that made the specific compromise possible means the end of the possibility of class compromises in general. In a recent paper, Wright resuscitates discussion of compromise, which he defines as:

> a non-zero-sum game between workers and capitalists in which both parties can improve their position through various forms of positive mutual cooperation rather than simply from refraining from hurting each other.[21]

Wright's definition implies that a compromise remains a logical possibility between capital and labor; it was never *sui generis* to Europe, nor to the specific conditions of the immediate post-war period.

Arguments against the likelihood of a contemporary class compromise thus ignore that they were also struck outside of the specific conditions of western Europe, and continue to be constructed in a fashion today. Indeed, many argue that globalization in fact makes such compromises *necessary*, although their terms must be different from the historic compromise of the post-war period. According to some analysts, such compromises have reemerged in the 1990s in western Europe, where globalization and increased competition are making it difficult for companies to compete only on product quality and flexibility; containment of labor costs has regained prominence. Where labor movements are strong, this has been achieved through tripartite income policies and a variety of pacts where labor's compromises on wages are matched by capital's commitment to invest.[22]

A second example is the manner in which welfare states in Europe and elsewhere have responded to globalization. According to Esping-Andersen, a number of countries have retained generous egalitarian social protection with a relatively inflexible labor market, rather than following the American model of deregulation and flexibility. There is a seemingly universal trade-off between equality and employment: in the United States rising employment has been combined with greater job flexibility and increasing polarization and poverty, while in many European countries high levels of social protection has been retained side-by-side with growing unemployment.[23]

A final example of continued possibilities for class compromise is defined by Rogers and Streeck as "left productivism." Their argument builds from the increased influence workers may be able to acquire under conditions of "flexible specialization." At the center of their argument is a search for "a post-Keynesian equivalent of effective demand where the alchemy will have to come on the supply side, in production rather than consumption."[24] This is to be found in

> a left policy of effective supply [that] defends the welfare state as an indispensable instrument for imposing high and egalitarian labor standards on a capitalist economy, as well as for equalizing and enhancing the productive capacities of individuals and organizations, in both ways improving the economy's performance potential.[25]

Wright reiterates this position, but adds an important qualification: that a stable productivist class compromise requires high levels of working class associational power, without which workers are unlikely to have trust and confidence in employers' behavior that would ensure robust cooperation. Furthermore, such pacts

> can have a more restricted scope in which the beneficial effects become contained within specific firms and sectors...increasing tendencies towards economic dualism in which economic inequality between insiders and outsiders is intensified.[26]

If this is a problem in advanced industrial societies, it is more so in developing countries where there are often more "outsiders" than "insiders." We will return to this theme below.

In summary, class compromise as a general phenomenon should not be conflated with the specific corporatist form that it took in western Europe after the second world war, nor should the possibilities for compromise be tied to the fate of corporatism. Indeed, analysts have shown not only that there was considerable variety in corporatist arrangements, but that in many instances these continue to operate (albeit with changes in form and substantive content) in the 1990s.[27] Moreover, welfare provisions, income and "left productivist" policies are not only compatible with globalization, but may be instrumental in finding a new balance between market and society to stave off "domestic social disintegration."

C. The "Southern Compromise"in Developing Countries

At the same moment that the historic compromise in advanced industrial societies was being forged, a parallel compromise emerged in developing countries in the wake of decolonization. However, the configuration of classes and the key actors that brought about the "southern compromise" were different. Whereas in advanced industrial societies the compromise was essentially an exchange between organized capital and organized labor, in the third world the compromise was struck between the state, urban classes and class fractions (including workers, the informal sector, the unemployed) and domestic and international capital. According to Walton and Seddon, this "developmental pact" was a "class coalition of industrial and export interests that paid the price of social peace with concessions to the urban masses."[28] These programs:

> implied a bargain between the state and the urban poor. Public assistance was provided in exchange for political loyalty. The new urban groups were expected not only to refrain from embarrassing protest demonstrations, but to turn out in support of the state on ceremonial occasions and election day to channel their demand-making through the instrumentalities of government or the ruling party.[29]

Two important points arise from this pact. First, the social structure of the labor force differed from that of the northern advanced industrialized societies. Where the latter was composed largely of full-time permanently employed workers (represented in the main by national industrial unions) in the south a multiplicity of classes and class fractions existed: urban workers, the informal sector, the unemployed, small entrepreneurs, peasants. The industrial working class was a minority, while trade unions did not often represent the majority of workers - let alone other strata - and were not always the principal agent of the southern compromise. Thus the second point is that the pact was driven by the developmentalist state, not the organized associations of capital and labor. Indeed, the state's involvement in the pact often led to the subordination of organized labor, a phenomenon captured in Schmitter's well-known distinction between societal and state corporatism.

The southern compromise, like its northern counterpart, was underpinned by the same configuration of post-war political and economic conditions, and changes in these conditions led to its unraveling from the 1970s. However, the problems in the south took a much sharper form. The debt crisis into which many developmental states were plunged from the mid-1970s led to the now familiar IMF-inspired adjustment programs, which in turn often prompted large-scale collective protest actions. These "austerity protests" were not simply a response to a decline in material conditions, but must be understood as a moral reaction to a breach in the southern compromise. As Walton and Seddon argue,

> Governments were blamed for sacrificing their own citizens in the interests of foreign banks. Protestors demanded that the state meet its responsibilities to the people who, during the decades of patron-client politics, had upheld their end of the bargain.[30]

The austerity protests drew to their ranks a multiplicity of social groups from the urban poor most seriously affected by the economic crisis: shanty-dwellers, unemployed youths, street vendors and organized workers.[31] In many cases these groups were allied to other disaffected segments of the population, including students, teachers, public employees, shopkeepers, professionals and church groups. This moral struggle against the violation of the southern compromise discredited state corporatist regimes and fueled many of the pro-democracy movements of the 1980s and 1990s, leading in some cases to the toppling of national governments, as in the Philippines, Poland, and Zambia.

The crisis of the southern compromise led to two distinct, but interlinked projects:

democratization to replace the authoritarian political regime and economic restructuring to replace the statist and protectionist economic regime. However there are conflicting views on the relationship between political and economic reform. An optimistic perspective sees these as necessary and complementary, and raises political conditionality to an equal status with economic adjustment.[32]

A more skeptical reading of these two processes emphasizes the contradictions between them. The latter produces winners and losers while the former gives voice - and the capacity to block change - to well-organized interests threatened by liberalization. If there must be a choice between economic and political liberalization, some argue preference should be given to the former.[33] To overcome these special interests, Killick argues for the "insulation of policy-makers from pressures exerted by special interest groups."[34] In this sense insulation means protection from special interest groups - such as trade unions - who bear the brunt of adjustment, even if it means abandoning democracy. For Callaghy insulation represents the "democratic functional equivalents" of authoritarian rule which may restrain the organized interests from derailing sustained neoclassical reform.[35]

Others, in acknowledging this contradiction, argue instead that if a choice is to be made it should be on the side of democracy, both formal and substantive. They reject both the easy abandonment of democracy and the shrunken version of it embraced by many political scientists. This position, put forward by many critics of structural adjustment in Africa, seeks to embrace more participatory forms of democracy and alternative forms of economic development focused on basic needs.[36]

Indeed, the scholars associated with the recent study, *Sustainable Democracy* (hereafter, Przeworski, et al.), stress the tension between political and economic reform as the key problem facing new democracies, but insist that it is best resolved *through* democratic institutions.[37] New democracies, the authors argue, must find ways of creating "incentives for political forces to process their interests within the democratic institutions, when material conditions continue to deteriorate."[38]

But whereas the pessimists see democratic institutions as creating little more than an obstacle to economic reform, Przeworski et al. argue they are necessary for economic restructuring, but restructuring of a different type: a social democratic alternative to neo-liberalism that in our assessment amounts to a class compromise. This consists of three recommendations. First, liberalization must be accompanied by social policies that minimize social costs. Second, policies must be designed with a view towards growth (including expanding and strengthening the state). Finally, policies must be formulated and implemented through corporatist-style consultation and negotiation beyond the state and parliament to include unions, employers and other interest groups.[39] "Concertation" is central to their argument: it subjects the reform strategy to the competitive interplay of political forces, improves policy outcomes, builds support (legitimacy) for the reforms and their continuation, and thereby helps consolidate democratic institutions.[40]

Surprisingly, the same authors are largely silent about the possibility of a social democratic alternative being realized in most countries undergoing double transitions.[41] Consolidation of democracy, they argue, depends on strong union organizations that can participate in pacting, reaching and enforcing agreements with capital and the state. Yet, the authors assert that concertation is impossible because unions "are too weak and too decentralized to serve as partners..."[42] The implications of this conclusion for the consolidation of democracy are, to be sure, distinctly troubling.

This need not be the case. Underlying their conclusion is a set of assumptions about the social actors who will produce this class compromise: that labor in a particular form (centralized, industrial, encompassing) delivered the northern compromise in Europe, and its absence makes class compromises *per se* impossible. On the one hand, these assumptions mis-read the dynamics of trade unions in countries undergoing the double transition. Labor movements are emerging in countries such as South Korea, Brazil and South Africa that have the power to stalemate liberalization and are increasingly demanding the rights to bargain over its terms and pace. Though nowhere do these movements approach the power wielded by labor in Sweden during the heyday of social democracy, this should not be taken to mean that their influence is zero. On the other hand Przeworski et al. overlook the fact that class compromises have been constructed by a variety of collective actors, including left parties, often in alliance with trade unions and other social movements, such as women's organizations and cooperative societies. Rather than lamenting the absence of northern postwar corporatist-type configurations, those interested in class compromise should look instead at a variety of coalitions that may be capable of producing it in some form.

An important example of the successful politics of class compromise is from the south Indian state of Kerala. In the late 1980s and early 1990s a class compromise was forged by an alliance of popular organizations led by the Communist Party (CPM), which linked "the state with a mobilized working class in a developmental pact that has prioritized redistributive and welfarist reforms."[43] The compromise has institutionalized working class power, including the right of workers to claim a share of the social surplus through the welfare state.

Rather than representing a privileged segment of the workforce, labor - in its broad alliance with the CPM and other organizations - includes the working class as a whole cutting across traditional urban-rural and skilled-unskilled divisions. The unions' ties to the CPM create a cohesive and politically oriented labor movement.

In the late 1980s the movement shifted from a tradition of militant class struggle focused on economistic wage demands and traditional welfarist redistribution, which had become economically unsustainable. In its place the movement sought to locate its redistributive demands on a more viable productive base through a larger social pact "in which growth was tied to the expansion of the social wage." Side-by-side with this shift from "class struggle" to "class compromise" was a strategic engagement with capital and the state in a negotiated compromise that incorporated working class power within the state. Heller calls this compromise a form of democratic corporatism where working class power "finds expression through, and not outside of democratic institutions."[44]

The Kerala case illustrates an alternative view that popular movements such as labor have the potential to reconfigure democratization through participation in negotiated compromises. Class compromises have the potential to discipline capital and the state and ensure that the social costs of adjustment are not borne by workers alone. Compromise should not be seen simply as a way of disciplining workers, but as a conflictual process, the results of which may produce workers' loyalty to democratization while ameliorating the social costs of adjustment.

The Kerala case also suggests that a class compromise is possible where resources are limited and capital cannot extend significant economic concessions to the working class. However its form and content may not resemble either the northern compromise or its statist southern counterpart. The compromise may be produced by many possible configurations of organizations, and that these will vary depending on historical and institutional context. The substantive terms of the compromise will differ from both the postwar historic compromise in Europe and the developmentalist pact in the third world: it is not based on high wages and high labor standards for organized workers, but on two different kinds of compromises. First, it includes the introduction of a social wage to all citizens - what could be called a form of social citizenship - consisting of: the right to income security; other forms of welfare such as education, health, and shelter; a right to share to the full in the social heritage; and the right to live in a safe environment. This compromise allows for both the productivist effect of social welfare identified by Rogers and Streeck, and a modest redistributive mechanism for the poor and unemployed and some compensation for those workers who have made wage and labor standards concessions. For the latter, it allows cuts in nominal wages without unduly sacrificing workers' real standard of living.

The second compromise provides workers and their representatives with increased influence over investment decisions and productivity gains, to ensure that surpluses generated by growth benefit the population as a whole. This could be done at the workplace and industry levels through forms of co-determination, while at societal level it could be achieved through agreements over macroeconomic policy that encourage growth and redistribution. In this compromise the state ensures that labor gains increased control over the distribution of the surplus and that this is used - through social welfare - in the interests of the population as a whole. Capital gains a more productive workforce and flexibility conducive to job creation, while committing itself to longer-term productive investment. The state achieves economic growth, increased tax revenues, and stability. These interlocking concessions and gains are a way to resolve the potential contradictions of the double transition.

Such a compromise must be negotiated through a range of multi-partite institutions at the micro, meso and macro levels. In Part II of the paper we identify the emergence of a range of institutional innovations that provide important means for achieving a class compromise in South Africa. But the compromise also requires collective actors willing and able to make concessions. The constraints and opportunities facing these actors will be identified in Part III.

II. INSTITUTIONAL INNOVATIONS FOR CLASS COMPROMISE: THE SOUTH AFRICAN CASE

The South African transition has been marked by a range of major institutional innovations which we believe have laid the foundations for a class compromise, though this does not mean such possibilities will be realized. These institutions originated in the stalemate that emerged during the transition to democracy in which civil society formations were in many instances able to block unilateral restructuring of the economy by the apartheid state and capital. The institutions created new rules of the game compelling the key social actors - government, organized labor, business, and community-based organizations - to bargain over liberalization by negotiating and concluding agreements on major economic and social policies.[45]

A. Foundations of the New Labor Regime

For most of this century South Africa had a dualistic system of industrial relations: a legalistic set of bargaining rights for non-black workers (whites, coloureds, and Indians) while black workers were excluded and subjected to varieties of formal and informal repression. This system received its most fundamental challenge in the 1970s with the emergence of independent shop-floor based industrial unions of black workers based largely in the import-substituting industries stimulated by South Africa's 1960s economic expansion. These unions concentrated on winning recognition at plant level, which entailed both organizational rights (election of and time off for shop stewards, access for union officials) and substantive rights (bargaining on wages and working conditions, defense of workers in dismissals and retrenchments). Part of the unions' demands stressed amendment of the then-existing Labour Relations Act (LRA) which excluded African workers from the category of employee, thus preventing them from participating in industry-based collective bargaining.

The dualistic system began breaking down in the 1970s, under pressure from the growing union movement and its international trade union allies, and from many sections of South African capital who feared increasing and unregulated conflict on the shop floor.[46] In 1977, in the aftermath of the 1976 Soweto uprising and the system-wide challenge it posed to apartheid, the government set up the Wiehahn Commission of enquiry to investigate the industrial relations system. Two years later, in an attempt to control the emerging unions, the Wiehahn Commission recommended that the LRA be amended to incorporate black workers by encouraging their unions to register, but only if they would confine themselves to collective bargaining issues.

Rather than incorporating these unions into the existing industrial relations system, however, these reforms opened up a process through which the unions were able to transform the system from within. Initially by registering they were able to legitimize their presence and rapidly expand their membership. By demanding the right of recognition at shop floor level - backed up by the disciplined use of collective power - they were able to win extensive bargaining rights that encroached on existing managerial prerogatives: wage setting, discipline and dismissal, retrenchment, work reorganization. Organizational power enabled unions to shift the "frontier of control" at plant level, thereby providing a base from which to demand industry-level bargaining, which was slowly won in key sectors.

After the mass political resistance of the mid-1980s had been suppressed in successive states of emergency, both capital and the state sought to reverse labor's gains by amending the LRA. However their efforts provoked widespread union resistance at workplace and national levels. The unions organized three national stayaways [general strikes] in 1988 and 1989 and refused to service their members in disputes under the new LRA's provisions. Faced by growing disorder on the shopfloor many companies began searching for common interests with organized labor, yielding a series of bilateral negotiations between labor and business culminating in a tripartite agreement - the Laboria Minute - on the basic contours of a new labor relations system.[47] The three parties agreed: that all future labor laws would be considered by employers' bodies and the trade union movement prior to being put before parliament; that the unions would participate in a reconstructed National Manpower Commission (NMC, a statutory consultative body on labor relations and labor market issues set up by the Wiehahn Commission and boycotted by the new labor movement); and that labor rights would be extended to those previously excluded from the industrial relations system, including farm and domestic workers, as well as public servants.

The Laboria Minute was a crucial - though little appreciated - moment in the transition to democracy as a whole. In part the agreement was itself made possible by the transition: by the late 1980s labor repression was not an option for the National Party government, which was already engaged in secret talks with the African National Congress (ANC). The ANC, South Africa's strongest and oldest liberation movement, had been banned in 1960 and was operating in exile. In 1989 the National Party government had taken the first tentative steps towards regularizing politics by unbanning key opposition leaders, and the following year had legalized the ANC, which in 1994 became the leading party in South Africa's first democratically elected government.

More importantly, in terms of the transition as a whole, the Laboria Minute was the first example of a major policy issue being addressed by means of a negotiated compromise between the state and representative organizations, where a societal stalemate was processed *through* institutions. Furthermore, the Laboria Minute was struck prior to the pacting between the political actors on the political, military and constitutional aspects of the transition. It set up a practice of tripartism giving labor an institutionalized voice enabling it to shape the broader transition agenda. As important, it prevented labor's fate being determined solely in a constitution-making process between political parties, which could not easily overturn or trade away tripartite agreements. Most of the institutional innovations outlined below grew out of the Laboria Minute.

B. Institutional Arrangements

Labour Relations Act

In 1994 one of the first moves by the new democratically elected government was to establish a legal task team to draft a new Labour Relations Act. After a prolonged bargaining process the Act was formally passed by parliament at the end of 1996.

The LRA has four key features. For the first time in South African labor history all workers were brought under the ambit of one industrial relations system. In addition to public service workers this includes the most marginalized, including farm laborers and domestic workers. The new Act promoted collective bargaining by providing organizational rights for unions in the workplace, thereby entrenching in law what many unions struggled to achieve through private agreement: access to employer premises; meeting rights; union subscription facilities. It entrenched the right to strike with a clear right to picket, while the labor movement blocked capital's insistence on a lock-out clause. However, the Act encouraged parties to resolve disputes through conciliation and arbitration and created a new institution for this purpose, the Commission for Conciliation, Mediation and Arbitration (CCMA). Finally, and its most significant innovation, was provision for joint decision-making and consultation at shop floor level between management and workers through the creation of workplace forums, developed in part from South African and western European precedents.

Institutional Engagement at the Meso-Level: Industry Level Bargaining

The hardest bargaining on liberalization emerged in those sectors of the economy most exposed to the impact of globalization: mining, clothing and textiles, motor and components, and the state-owned corporations in the public sector. From 1991 unions took the lead in creating institutional forums where bargaining over the terms of liberalization could take place.

Among the first of these was a "mining summit" called by the National Union of Mineworkers (NUM) in 1991. Faced by mounting job losses the union called for a social plan to manage the gradual downscaling of the industry. The NUM's proposed plan included minimizing job losses by prolonging the life of marginal mines; generating alternative forms of employment by encouraging beneficiation; and cushioning the effects of retrenchment through counseling and retraining.[48] Little progress was made on these ideas until 1998 when the steeply declining gold price put job loss and the need for a follow-up summit back on the agenda. A new Gold Crisis Committee was launched to manage downscaling.[49]

Similar summits took place in the motor and in the clothing and textile industries. In the latter, the South African Clothing and Textile Workers' Union (SACTWU) understood that in the face of liberalization it would be unable to sustain its members' jobs and wages unless these were linked to an industrial policy oriented towards growth and adjustment. In a context where the government was illegitimate and clothing and textile employers fundamentally divided, the union became the bearer of the public interest in industrial regeneration. Their package included defensive measures to protect those threatened by job loss, such as retraining and wage subsidies to those retrenched; active policies, including incentives to industry to develop and deploy new technology, modernizing management, and small business development; and policies oriented to the extension of union power, such as a commitment by employers to centralized bargaining. In this context - and only in this broader context - SACTWU was willing to negotiate on phased reductions in tariff barriers and "stability" in the workplace.[50]

The third example of meso-level bargained liberalization was labor's response to the ANC government's announcement in December 1995 that it intended privatizing important state assets. The unions organizing workers in parastatals demanded the right to negotiate the terms of restructuring with the state. After intensive discussions between labor and senior government ministers both parties accepted a National Framework Agreement (NFA) on the restructuring of state assets. In terms of the NFA all specific instances of restructuring must be negotiated between government and the relevant parties according to broad principles. Furthermore, the government agreed that restructuring would not be done at the expense of employment, and where there were job losses, a social plan would be negotiated.[51]

The final example of industry-level restructuring comes from the public service where centralized bargaining was established for the first time in 1993. Importantly, the functions of the Public Service Co-ordinating Bargaining Council go well beyond traditional collective bargaining to include qualitative non-distributive issues such as work organization as well as the restructuring of the public service itself. To the extent that the public service is a central actor in liberalization - either to be "downsized" or restructured - workers therefore have important influence over the character of change in the institution.[52]

Institutional Engagement at the Societal Level: NEDLAC

In the Laboria Minute the unions agreed to participate in the then-discredited National Manpower Commission, while government agreed to seek consultation on important economic policies. However, little progress was made on either count. Labor's recommendations for restructuring the NMC made little headway with government, while government did not take seriously the commitment to consultation. These problems came to a head in late 1991 when government announced - without prior consultation - a new and regressive Value Added Tax (VAT), designed in part with assistance from international financial institutions. Labor responded by organizing a wide array of formations that participated in a two-day stayaway against the new tax, led by the Congress of South African Trade Unions (COSATU), the largest and most politically sophisticated labor federation in the country. Since its formation in 1985 it has been aligned with the ANC and the South African Communist Party (SACP), the "triple alliance" which was formally inaugurated after the unbanning of political organizations in 1990.

Through their struggles over VAT it became clear to labor leaders that merely delaying the new tax would not protect worker interests in the face of wide-spread and unilateral restructuring of the economy. Furthermore, their lack of success with the NMC motivated labor strategists to seek a new general forum where economic and social policy could be debated and negotiated in a more systematic manner. In the aftermath of the anti-

VAT campaign COSATU prioritized the creation of a multipartite National Economic Forum (NEF).[53]

The NEF operated as a multipartite forum between 1992 and 1994, parallel to and separate from the main constitutional negotiations, and struck agreements on a number of contentious economic and social policy issues.[54] However, the NEF was essentially a transitional arrangement that emerged in the context of an illegitimate government where negotiated agreements nonetheless had to be reached between the state, capital and labor.

With the election of a democratic government the NEF's status was uncertain. Would a new government attempt to reclaim sovereignty over economic policy or would some form of bargaining over these issues become a more permanent feature of the new regime? Significantly, the key architects of COSATU's NEF strategy were now either in ministerial positions or were serving as advisors to government. Taking advantage of their positions - and in the absence of any serious opposition to a bargained approach - they quickly proposed the merging of the NMC's labor law and labor market agenda with the macroeconomic concerns of the NEF.

The new body, the National Economic Development and Labour Council (NEDLAC), was located in the Department of Labour and charged with the task of reaching consensus between government, organized labor, organized employers and other community-based interest groups on all significant economic and social policy before legislation goes to parliament. This latter category was an important innovation that potentially offered voice to marginalized groups, such as the unemployed, disabled, youth, and women, thus avoiding a narrow corporatism based on the "golden triangle" of state, labor and capital.[55] One of the first pieces of legislation passed by the new government was the NEDLAC Act of 1994. NEDLAC is thus a statutory body, consisting of four chambers: labor market; public finance and monetary policy; trade and industry; and development.

Each of the institutions discussed above provides labor with the access to shaping fundamental development policies at the micro, meso and macro levels. In terms of their content and their breadth these institutional innovations are remarkable in comparison with other countries undergoing the "double transition". As such they provide part of the basis for a broad class compromise in which development policies are not defined on the terms of local and global capital alone, but instead are the outcome of genuine bargaining. Indeed, the Labour Market Commission, appointed by President Mandela, proposed a social pact in 1996 and subsequent discussion in NEDLAC led to the acceptance of a "Jobs Summit" to produce an accord on employment and growth.[56] In Part III we identify - through an analysis of the key actors who would be party to such a class compromise - the opportunities and constraints of achieving such an agreement.

III. TOWARDS A CLASS COMPROMISE: OPPORTUNITIES AND CONSTRAINTS

A. From Left-Keynesianism to Fiscal Austerity

Although the South African government's current macroeconomic policy is guided by a neoliberal framework, the Growth Employment and Redistribution strategy (GEAR) its apparent hegemony conceals the persistence of a powerful left-Keynesian orientation to economic and social policy debates in the democratic movement dating back to the late 1980s. This approach can be identified with two separate, but linked projects. The first was a policy intervention based among groups of progressive academic economists who established the Macroeconomic Research Group (MERG) to develop a framework for macroeconomic policy in South Africa.[57] MERG envisioned a two-phased "crowding-in" growth strategy for South Africa:

> A state-led social and physical investment program as the growth driver in the first phase, followed by a more sustainable growth phase which would see private sector investment kick in more forcefully as growth picked up.[58]

However, in spite of the fact that MERG was initiated by the ANC's Department of Economic Policy and that it developed the furthest articulation of a left-Keynesian program, its policy recommendations were never adopted by the democratic movement.

The second project - the Reconstruction and Development Program (RDP) - overlapped with MERG in terms of personnel and policy prescriptions, but came out of COSATU. The RDP originated in an attempt by labor to produce an accord that would tie a newly elected ANC government to a labor-driven development program. In 1993 and 1994 a number of intellectuals based in the unions and NGOs developed successive drafts of a policy framework. In its final formulation, the RDP envisioned as a first priority "beginning to meet the basic needs of people: jobs, land, housing, water, electricity, telecommunications, transport, a clean and healthy environment, nutrition, health care, and social welfare."[59]

While the RDP was in gestation a set of local and international pressures were profoundly changing economic thinking in the ANC. From the 1950s the ANC was publicly committed to a state-interventionist redistributive strategy, as articulated in its central policy document, the Freedom Charter's commitment to nationalization. This policy was publicly reconfirmed by Nelson Mandela on his release from prison in February 1990. The ANC's standard developmentalist position - consistent with the "southern compromise" - had by the late 1980s and early 1990s come under substantial pressure. If Mandela had entered prison at a time when nationalization was an article of faith, he was released into a world where monetarism and its obsession with inflation and the reduction in state expenditure had become the new orthodoxy.[60]

From 1990 there were a series of economic policy reversals through which the ANC leadership came to adopt positions increasingly consistent with the neoliberal orthodoxy. By late 1993 the ANC had made a number of concessions in macroeconomic policy. They accepted a clause in the constitution that guaranteed the independence of the Reserve Bank and agreed to retain its highly conservative governor. They also agreed to retain the NP-appointed Minister of Finance. Finally, in November 1993 - at precisely the moment when MERG was releasing its left-Keynesian policy framework - the ANC concluded a secret $850 million loan agreement with the IMF. In return for the loan the ANC agreed: not to ease monetary policy; to prioritize inflation reduction; to contain government expenditure (indeed to cap the debt/GDP ratio and to reduce it progressively in subsequent years); and not to raise taxes.[61]

These agreements were not in keeping with the thinking of both the MERG and the groups drafting the RDP, which was proceeding through its final drafts. Upon its release the MERG essentially disappeared: it was no longer consistent with the ANC's macroeconomic policy reversal. The RDP however, was central to the ANC's electoral strategy and could not simply be abandoned, above all because it was being promoted by COSATU. Instead it was amended to make it more consistent with the new position. In particular, its macroeconomic orientation was redefined away from the unions' commitment to "growth through redistribution" (an important emphasis in MERG) to a direction more attractive to domestic and international capital, with commitments to fiscal discipline and macroeconomic balance.

The redrafted RDP was sharply criticized on both procedural and substantive grounds at a special COSATU congress held in August 1993. The redraft was presented for adoption without being debated within COSATU structures, and its content had been changed to include a statement that "coherent, strict, and effective monetary and fiscal policies will be a cornerstone of our RDP."[62] Many in COSATU saw the re-formulation constraining - if not undermining - the possibilities for a left-Keynesian project as envisioned by both MERG and the RDP authors. However, COSATU adopted the program without suggesting an alternative to this call for fiscal discipline at the heart of the RDP. The RDP soon became the paradigm within which all development policies were to be discussed, an extended wish list in which the homeless, the landless, workers, bankers and opposition politicians could take some comfort. In other words, it became all things to all people.

From 1994 to 1996 the RDP became ostensibly the guiding document of the Government of National Unity, located in an RDP Office within the President's Office, under the immediate authority of Minister Without Portfolio Jay Naidoo - ex-General Secretary of COSATU. Within months the alliance's election document was redrafted into a white paper. However, the principles and programmatic objectives of the original RDP were reconceptualised as a long-term strategic vision to realign all government effort around clearly stated economic targets, leaving little room for labor-, or indeed civil society-driven change.[63]

Furthermore, the macroeconomic shift noted above became even more pronounced as the white paper significantly strengthened the emphasis on fiscal discipline that first appeared in the draft presented to the 1993 COSATU special congress. It developed a more robust commitment to an export-led growth strategy while loosening the RDP's original emphasis on basic needs, stressing instead reducing state expenditure, privatization, and promoting private sector expansion.

In the first year and a half of the new government, the two parallel thrusts - left Keynesianism and macroeconomic conservatism ran parallel to each other, leading to a muddle in government policy. This confusion was heightened by a measure of ineptitude in the RDP office, and rivalry between it, the Department of Finance, and the Department of Labour which had begun implementing a labor-friendly legislative agenda, focused on the new LRA, NEDLAC, and labor market reform.

B. Contestation over Economic Policy

The first major public contestation over the neoliberal shift occurred in December 1995, when the government announced its intentions to privatize important state assets. Labor responded by threatening a general strike and demanded the right to negotiate the terms of restructuring. After intensive discussions between the NEDLAC Labour Caucus[64] and senior government ministers, the National Framework Agreement was accepted in February 1996. But while labor challenged an important element in government policy, and had won important concessions, it had not yet developed an alternative macroeconomic framework.

Instead, in January 1996 business opened the public debate on economic policy with a document advocating a standard neoliberal solution: economic deregulation; dramatic reductions in the deficit; trade liberalization in the form of lower tariffs; rapid privatization; lower corporate taxes; and increased labor market flexibility to be achieved through dual labor market policies.[65] Soon after business' document was published, COSATU released an alternative - and rushed - plan, "Social Equity and Job Creation," inspired by left-Keynesian thinking that became the common position in the NEDLAC Labour Caucus.[66] The plan attacked neoliberalism and proposed instead a public and private investment policy geared towards job creation and growth. Central to the strategy was an active industrial policy to develop the manufacturing sector along with social adjustment measures to provide for the social costs of restructuring the economy. Importantly, the document proposed a redistributive fiscal policy based on a strongly progressive tax system to redirect spending towards social services for the poor. The program articulated a vision of regional reconstruction and development tied to support for a third world debt write-off and closer trade union solidarity. Finally, it incorporated demands for worker participation, both at the shop floor in the form of union-based workplace forums and at the sectoral and national levels.

In the meantime, the government was converting the RDP white paper into a formal policy, the National Growth and Development Strategy (NGDS). The NGDS continued the ambiguous straddling between neoliberalism and the redistributive and equity orientations of the original RDP.[67] However, this document was withdrawn when critics within the triple alliance opposed both its content and the non-consultative process by which the document was written, and the NGDS was never publicly released.

However, the new government's first major currency crisis - starting in February 1996 - quickly overtook this debate, as the value of the rand plummeted by more than 25%.[68] In this context the government moved quickly to calm domestic capital and foreign currency markets by embracing a conservative macroeconomic framework developed by a team of policy makers including senior civil servants, technocrats from the Development Bank of Southern Africa and the World Bank. In June, after considerable internal disagreement within the triple alliance, Finance Minister Trevor Manuel finally released the new strategy, "Growth, Employment and Redistribution" (GEAR).[69]

GEAR put forward ambitious targets. It aimed to achieve a "fast-growing economy which creates sufficient jobs for all workseekers." It also envisioned redistribution of income, the provision of sound services to all, and the achievement of 6% growth and the creation of 400,000 jobs per annum by the year 2000.[70] The controversial aspect of the plan was the means identified to achieve these goals. Its integrated strategy highlighted fiscal deficit reduction, gradual relaxation of exchange controls, reduction in tariffs, tax reductions to encourage private sector (and especially foreign direct) investment, and restructuring of state assets (privatization).

Its private- (and predominantly foreign-) investment-driven model had two important implications. First, it confirmed the high interest rate regime advocated by the conservative governor of the Reserve Bank Not only would this have damaging effects on consumers, but it would ironically constrain job creation by making productive investment more expensive while limiting the government's market-driven land reform and housing programs. Second, it placed GEAR on a collision course with the government's own industrial relations and labor market policies which could now be construed as unattractive to foreign investment.

The ANC sought to win support for this shift in policy within the alliance through a series of informal meetings with senior SACP and COSATU officials in the weeks before GEAR was released. ANC leaders stressed the precarious international position and the need to project confidence during the crisis, and argued that GEAR was the best means for doing this. The alliance partners, while acknowledging the pressures on the government, queried GEAR's origins and were critical of the lack of consultation. Indeed, the actual document was not tabled in the meetings: the COSATU and SACP leaders, according to one participant, were shown only the section headings.

However once GEAR was released, the alliance partners were angered both by its content - which they now saw for the first time - and because the government asserted that it was "non-negotiable," a position reiterated by many ministers and government spokespersons. These two factors provoked anger from COSATU as well as from many figures in the SACP. COSATU General Secretary Sam Shilowa publicly criticized GEAR - tellingly at a seminar marking the 75th anniversary of the SACP - as an unworkable and unwinnable plan that would generate serious difficulties for workers and the country. Most significantly, Shilowa identified the distance the ANC government has moved rightward from the original RDP by indicating that GEAR could never have emerged from the ANC before the 1994 elections. [71]

Despite these criticisms, GEAR was ultimately formally endorsed by the ANC's National Working Committee, on which COSATU and SACP representatives sit, though both COSATU and the SACP rejected the policy. Yet no formal agreement could be reached in either COSATU or the SACP on how to deal with GEAR: some felt that the policy should be given a chance and the government should not be attacked during a crisis; others wanted openly to oppose the policy. The issue threatened to be divisive both within and between the alliance partners; as someone close to the process put it, "the debate became so shrill that people walked away from it." Thus, with painful irony, what began as an accord to bind an ANC government to a left development program ended up ensnaring both COSATU and the SACP in a neoliberal-inspired macroeconomic policy.

However, silence over GEAR did not mean acquiescence, and during 1997 the terrain became more fluid. Firstly, line ministers experienced the consequences of GEAR's fiscal restraint and the implications this policy held for delivering on the government's social programs. Secondly, GEAR has not come close to meeting its targets for employment creation, redistribution, growth, and foreign investment. [72]

In this context, both COSATU and the SACP became increasingly critical of GEAR. COSATU's 6th National Congress rejected the strategy, but did not demand that the ANC drop it. Privately it was argued that the policy was not cast in stone and could be successfully contested in many ways short of a direct confrontation with the ANC. The basis for this contestation came from the major document presented at COSATU's congress, the report of the September Commission on the Future of Trade Unionism. [73] A crucial recommendation in the report was that COSATU establish greater autonomy in its alliance with the ANC, "support the ANC when it adopts progressive policies, influence it wherever possible, and oppose the ANC when it adopts 'anti-worker' positions." [74]

Importantly, the economic chapter of the report, "Reclaiming Redistribution" contained a more systematic and considered statement of the left-Keynesian position first put forward in COSATU's Social Equity document. This vision includes socializing the investment function and building a "social sector": although the private sector remains the largest sector, the report recommended its transformation into a "stakeholder sector" where "no longer only the rights of shareholders prevail, but also the needs of workers, communities and society." The report believed that this could best be done through strategic engagement with the state and capital at the enterprise, sectoral, and national levels. The report also recommended that union leaders commit themselves to taking a central role and responsibility in shaping economic and social development as well as the functioning of the public sector. This latter was seen as "the basic foundation for translating into reality the citizenship rights enshrined in the constitution" through the delivery of services, the stimulation of economic growth and by advancing significant forms of collective ownership. [75] These prescriptions were endorsed at COSATU's Central Committee meeting in June 1998 and tied to a set of alternative macroeconomic policies that called for demand-led growth, stimulated by reduced interest rates and more flexible policies on debt, state spending, and taxation.

The ability of COSATU and the SACP to avoid a direct confrontation with government over GEAR shrank considerably in 1998. GEAR failed to perform anywhere close to its own expectations for growth and job creation, and a further steep decline in the value of the rand in the middle of the year alongside dramatic interest rate increases raised the spectre of recession. In this context both President Mandela and Deputy President Thabo Mbeki used high profile speeches to COSATU's Central Committee and the SACP's Congress to rebuke both organizations for questioning the government's economic policy. As Mandela told the SACP,

> GEAR, as I have said before, is the fundamental policy of the ANC. We will not change it because of your pressure. If you feel you cannot get your way, then go out and shout like opposition parties. Prepare to face the full implications of that line.[76]

This highly public dressing-down quelled open dissent in both of the ANC's alliance partners, but it also made prospects for the long-awaited "Jobs Summit" - where a confrontation over GEAR seemed unavoidable - appear increasingly remote. However the causes that were motivating such criticism - straightened economic circumstances, chronic 30% unemployment, increasing retrenchments, and attendant social dislocation - could not be eliminated by presidential fiat, nor could the contradictory pressures economic liberalization places on the consolidation of democracy.

C. Explaining the Shift in Economic Policy

If COSATU and the SACP are influential alliance partners with the ANC how did they come to this point of conflict over economic policy? On the face of it, South Africa is well-placed to resist orthodoxy. Not only was the ANC's traditional policy orientation opposed to such directions, but South Africa was not suffering from an immediate debt crisis - indeed the country is widely regarded as "underborrowed" - which should have given the international financial institutions less leverage over the course of economic policy.[77] How can the shift in economic policy be explained?

The most important factor in this shift was the changing locus of international influence that arose out of the collapse of the Soviet Union and the east block. Not only did this discredit left economic policy, it also ensured that the most important international actors in South Africa's transition were to be the United States and its allies, Britain, Germany, and Japan. The price these powers demanded for disciplining the apartheid government and extending promises of material aid to the ANC was a commitment by the ANC "to embrace western-style free-market principles."[78]

The full opening to the west meant not only that the ANC was now for the first time welcome in Downing Street and the White House, but as it was increasingly perceived as the government-in-waiting it gained access to international financial institutions, banks and corporations. These organizations vigorously and enthusiastically promoted neoliberal policies and a thick web of contacts began to develop between their representatives and ANC policy makers and intellectuals, particularly economists. These contacts included a welter of private conferences and workshops as well short-term secondments of key officials to the World Bank, the IMF, and western banks. Others were invited to participate in economics refresher courses and graduate programs in Washington and elsewhere. The new intellectual influences had a powerful effect on the thinking of key policymakers in the ANC. Two left economists observed that:

> It was not unusual in the early 90s to hear senior ANC spokespersons arguing that the world had totally changed, and that those arguing for more radical or alternative economic solutions in this new globalised context were simply living in a bygone age.[79]

A shift in orientation was eased by the absence of a coherent left and social democratic economic tradition in South African political and social scientific life, what Padayachee has described as the "relative intellectual weakness of the progressive economics community."[80] "The ANC," according to Michie and Padayachee,

> did not at the beginning of negotiations possess a ready institutional capacity on the economic policy front to counter the power and resources available to its main opponents and other institutions.[81]

Though MERG was set up to meet this gap, it came too late to offset the growing relationship between many in the ANC and their new-found economic allies.

These perspectives corresponded well with the interests of a growing professional middle class and business group emerging out of the liberation movement that stood to gain materially from the rightward shift in economic policies. For these strata - black and white - market-oriented policies delivered direct benefits through the prospect of buying privatized state assets and gaining access to discounted shares in private companies. As important, however, these ideas helped justify their newly acquired wealth and to rationalize the persistence of South Africa's highly unequal society. If the new government faced international and domestic constraints on policy choices, the growing acceptance of market orientations led policy makers to interpret these "objective conditions" in particular ways and to suggest particular solutions.

The rapprochement between leading figures in the ANC and international capital had a domestic counterpart in which the movement grew closer to local capital. These links were forged in a fashion similar to the external connections. From the late 1980s, but particularly after the ANC was unbanned, far-sighted South African businessmen courted black businessmen, intellectuals, and politicians, offering them attractive directorships and shareholdings in established companies. Moreover they engaged ANC leaders in a series of workshops and scenario planning exercises where the two sides could meet and discreetly discuss "options" for South Africa's future. In the process business could exert influence over the thinking of important leaders while simultaneously facilitating their entry into the ranks of the bourgeoisie. For Bond this "elite compromise" determined the direction of macroeconomic policy in the country, redirecting it from the stated redistributive goals of the RDP towards a policy in the interests of dominant domestic and international class interests.[82]

There are two problems with the elite - or conservative - compromise. The first is that it is not delivering growth (sustainable or otherwise) or generating employment, and it is not clear whether it can ever do so. The second is that the compromise occurred over the heads of those who supported the ANC during the liberation struggle and elections and who stand to bear the brunt of the decline in consumption that accompanies neoliberal adjustment. It is these groupings who were chastised by Mandela for criticizing the economic policy reversal. In other words, these policies have generated the familiar tension identified at the outset between economic liberalization and the consolidation of democracy.

D. From Class Stalemate to Class Compromise?

The challenge to this elite compromise has come from the labor movement and (in an increasingly close relationship with COSATU) the SACP, as well as a broader constituency of NGOs, community organizations, and sections of the church. However, these forces do not have the capacity to impose their alternative economic ideas on either the state or domestic and international capital. Nor is the government and capital able to satisfy the economic demands of this constituency through GEAR. Neither can they crush opposition.

In other words, South Africa has entered a class stalemate, not dissimilar to the situation in Kerala in the 1970s, where neither capital nor labor are able adequately to secure their interests by pursuing their traditional demands through adversarial strategies and tactics. But a class compromise is impossible unless all key actors perceive the stalemate and recognize the need to bargain and make concessions. What would such concessions look like, and under what conditions might they be forthcoming?

A class compromise must aim at a non-zero sum solution appropriate for a labor surplus economy in a semi-peripheral country. Such a compromise would prioritize high growth in which capital invests in a manner that generates sustainable jobs, without undermining the living standards of currently employed people. As with all compromises this involves trade-offs for all parties.

Labor's pursuit of high wages and high job security may in certain circumstances be self-defeating. Inflexibility has its costs: it may encourage employers to choose labor-saving technology, to subcontract work, or to go off the books by employing undocumented workers. These possibilities may lead to shell agreements where labor wins high standards on paper which apply to fewer and fewer workers in reality. Variation must be approached with caution, as by itself it may lead to a downward leveling of working and living conditions, with little increase in employment. Wage stability and variation in employment conditions would be more likely to have the desired effects when they are combined with a social wage and are determined through bargaining.

The idea of a social wage seems counter-intuitive in a developing country like South Africa with high levels of both poverty and inequality. Nonetheless, South Africa could be described as a residual model of a social welfare state, the core of which is the provision of a basic pension for everyone in need. For example, in 1994-95 R8 billion [US$1.3 billion] was paid out on social pensions to 1.7 million pensioners; a sum of R470 [US$78] per month is paid to all women aged 60 and over, and to all men age 65 and over.[83] The extent of this system - a legacy of the redistributive policies that bound white workers to a racist nationalism - is a surprise to many.[84] However, if South Africa possesses some attributes of a welfare state, the challenge is to deracialise the system by breaking away from what Nattrass and Seekings have called "the apartheid welfare state regime".[85] This involves difficult trade offs and tough choices, such as providing benefits for all at the cost of reducing the relatively high level of benefits historically enjoyed by non-blacks.[86] COSATU has embraced the logic of this argument, and has called for an investigation into the ways in which "social insurance and the provision of social assistance can best be integrated to achieve the most effective - and widest possible - social security net."[87]

The integration of labor market variation and welfare allows a degree of "regulated flexibility" in the labor market - greater job and wage differentiation - in return for a minimum standard of benefits, thereby ameliorating the impact on workers of variation.[88] Variation gives incentives to individual capitals - particularly in small, labor-intensive firms - to invest and create jobs, while the social wage provides workers at the lower end of the labor market and the unemployed with a degree of income security. Moreover, labor will be more accommodating of flexibility where workers' concessions can be offset by a system of public benefits. These benefits are extremely important in a labor-surplus economy where job creation will be slow, while the consequences of adjustment are felt immediately.

"Regulated flexibility" also means that the specific terms of the concessions should be determined in negotiations through the current industrial relations institutions: industry-wide bargaining councils, as well as through workplace-level forms of codetermination. These enable workers and employers to bargain on concessions and to reach agreements that are appropriate to a specific context. They also enable the parties to negotiate improvements as conditions improve, thereby helping to ensure that concessions do not become permanent. Where workers are not covered by such institutions, the new Basic Conditions of Employment Act allows for ministerial determinations of minimum conditions.

But the concessions also require an active and strong developmental state to maintain a system of social welfare that is integrated with these labor market agreements.[89] Public benefits are not limited only to the forms of transfer payments described above. Recalling the "productivist welfare" arguments made by Rogers and Streeck, they also currently include a range of public expenditure on education, training, health, transport and housing essential to a modern economy. Concretely, such benefits assist job creation directly by producing a higher skilled, more secure workforce, but also help contain employers' costs (for example on medical insurance), thereby creating multiple incentives for job creation. As above, these transfer payments need to be integrated with the system of labor market compromises.

Finally, the concessions require capital to relinquish unilateral control over investment and production decisions by embracing forms of codetermination at the micro, meso, and macro levels. In the absence of such joint decision-making it is likely that the surpluses generated through wage stability and labor market variation would benefit capital alone, rather than generate growth and employment creation.

In return for labor gaining increased control over the distribution of the surplus capital gains a more productive workforce and flexibility conducive to job creation. These are necessary conditions for the stability of profit over the longer term, and provide capital with an incentive to participate in the compromise. But this incentive is not open-ended. Business not only gives up a measure of control over profit and investment to workers, but also concedes power to the state: for example, it must accept being brought fully into the state's tax regime where taxation of the increased profits generated by flexibility provides a portion of the income stream to fund the redistributive and productivist welfare policies.

The interlocking concessions and gains of the class compromise are oriented towards the stability of profit over the longer term as opposed to high rates of profit in the short-term. Thus far in this section we have argued that the compromise is desirable to resolve the tensions between political democratization and economic restructuring in a labor surplus semi-peripheral economy. Moreover, we feel it is the best way to produce benefits for workers without jeopardizing their capacity to make advances in the future. Nor is it clear how either the current stalemate or an unspecified intensification of conflict with capital and the state will yield similar or better rewards. But if a compromise is desirable, is it possible?

To answer this question we turn for guidance to South Africa's political "miracle" and the processes that encouraged the concessions that enabled it to occur. First, the parties have to enter a situation of stalemate no one party is able to achieve its objectives. Second, the stalemate has to lead to a situation where the costs of not compromising begin to outweigh the perceived gains to be realized by standing fast. Third, the parties must have access to - or be in a position to create - institutional arrangements that allow bargained agreements to be reached. Fourth, organizations must be able to represent their constituencies effectively and be able to mobilize and restrain followers according to the organization's strategic and tactical vision. Fifth, it is imperative that individuals are willing to risk making strategic choices that may break with their organization's prior commitments. Finally, the international context must be conducive to the settlement or, at a minimum, does not serve to affirm the parties' unwillingness to compromise.

For such a compromise to take place all parties must share a perception of stalemate and be willing to accept a sub-optimal solution to the impasse. As we identified above, a stalemate in economic policy emerged in 1997 and 1998 when each of the parties perceived the possibility of achieving their aims without conceding much to their adversaries. The state refused to negotiate the terms and elements of an alternative to GEAR. In the face of the policy's inability to generate growth or employment, their best offer remained more of the same, combined with growing intolerance of criticism. For capital, its "triumph" lay in the collapse of socialism and the apparent omnipotence of globalization and its capacity to discipline labor on a variety of fronts. They remained committed to an even purer version of GEAR and to a dogmatic adherence to labor market flexibility that would require a reversal of many of the institutional and labor market advances noted in Part II. Finally, labor in fact pursued many of these compromises in practice, but its rhetoric and official policies blocked its capacity to make wage and labor market concessions in a strategic fashion that would yield positive outcomes to itself, the unemployed, and to capital and the state. The refusal to acknowledge such variation may have profound consequences for the movement: internally it may hinder strategic thinking, while publicly it may make the unions' positions less credible to both their supporters and their bargaining partners.[90] It is, in other words, conceding the flexibility business seeks without gaining much in return.

There have been signs in recent months that the parties may have judged that the costs of holding to their strong positions are beginning to outweigh the gains to be had by standing fast, and that they are willing to make some of the most important concessions necessary for such a compromise. The long-awaited Jobs Summit finally occurred in October 1998 and an unexpectedly high degree of convergence occurred in the core positions of government, business, labor, and the community sector. The summit's success hinged on the tacit acceptance by all parties that while modest variations were necessary, both GEAR and the main pillars of the post-apartheid industrial relations and labor market legislation would be preserved.[91]

Notwithstanding differences about specific reforms - some of which may yet provoke considerable conflict - the parties implicitly accepted that increased investment and economic growth on their own would not generate employment growth unless yoked to a comprehensive job creation program. There was considerable agreement about the main elements:

- Industrial policy measures and programs to directly address unemployment and increased investment;
- Enhancing the delivery of housing and to increase the amount of rental stock available;
- Human resource development in the form of training, education and targeted programs for youth, women and the disabled;
- Public works programs;
- Regulatory reforms to facilitate higher levels of saving and investment in the economy;
- A social plan to avoid job losses and employment decline and, where job losses are unavoidable, to manage retrenchments and ameliorate their effects on individuals and

local economies;

- A comprehensive social security system, aimed especially at those living in poverty and the unemployed.[92]

These proposals come close to matching the terms of the class compromise described above. They presuppose both an activist state and a strong emphasis on reaching agreements through bargaining in established institutions. Most importantly, the summit established new explicit rules for judging the "credibility" of macroeconomic policy. Not only must it meet technical criteria, such as sustainability and stability, but it must enjoy "broad support in society":

> No group in our society can be allowed to perceive, or in fact experience, that they carry the full burden of the costs and enjoy none of the benefits of this reform.[93]

The commitment acknowledges the tensions between economic liberalization and democratic consolidation inherent in South Africa's double transition. Any solutions to South Africa's economic crisis now must also pass a legitimation test, and an exacting one at that: they must be arrived at through a democratic process and they must be broadly acceptable, and this will be more likely if they address the inequalities generated by globalization and neoliberal policies.

It is unclear whether the summit's results represent mere rhetoric or a growing convergence of interests. Time will tell whether the commitments were made in good faith. It is significant that all parties emphasized that the summit was not a conclusion, but rather the beginning of an open-ended process, which may yet go awry. The answer depends in large part on the second condition identified above: whether the parties believe that the costs of stalemate outweigh the gains to be had by standing firm.

The evidence from the last year is mixed. The ANC and its allies in the unions, the SACP and community organizations clearly have a motivation to seek compromise. The poor economic performance and the conflict over GEAR threatened to weaken the triple alliance in the run-up to the 1999 elections, and contributed to declining approval ratings for the ANC in 1998. However,
the concessions may not outlive the ANC's landslide victory in the June 2 1999 contest. It not only shored up its previously declining support, but substantially increased its parliamentary advantage, falling just shy of a two-thirds majority. The party may interpret the results as a vindication of GEAR rather than as a mandate for the Jobs Summit concessions, and may be emboldened to go it alone again.

As important as the political calculations, the past year saw a steep fall in the value of the rand, and dramatic hikes in interest rates that severely limited growth. In the wake of the Asian economic collapse these conditions generated fears that South Africa was at best facing recession, and at worst, on the verge of a major economic crisis. These straightened economic circumstances contributed to a four-fold increase in strike activity, the highest since the ANC took office in 1994, though still below the levels recorded during the struggle against apartheid. More important, many of the strikes were of long duration, and revolved almost entirely around wages, yet little was achieved: there is no evidence that strike settlements overall were more advantageous than those achieved through negotiations alone.[94] Workers' demands for double-digit increases were met by management resolve to limit increases to the 7.6% inflation rate. If the increased activity has not yielded benefits for most strikers, it certainly did not encourage employers to invest or to employ more workers, especially in an increasingly open economy. Such conflict may generate a vicious circle of economic decline prompting increased conflict over demands that cannot be fulfilled, which in turn speeds the decline. It is possible that such fears aided the agreements at the Jobs Summit, but it is unlikely that conflict has been sufficient to discipline all parties into shifting - as in Kerala - from "class struggle" to "class compromise."

In summary, the first condition identified above has been met: South Africa has reached a stalemate where government's and business' insistence on staying the course has been met with increasing levels of resistance. The third condition - the development of institutions through which bargained agreements can be reached - has also been met and is one of the most important legacies of South Africa's transition to democracy, as described in Part II above. Notwithstanding other problems associated with the recent strikes, it is important to stress that almost all followed the procedures of the LRA.[95] Furthermore, unions have used the LRA's provision allowing industrial action in pursuit of socio-economic goals, most notably in separate actions to halt retrenchments in gold mining and the public education system, and to block privatization of municipal services. Most significantly, in these cases industrial action was averted after processes were established to address each of the problems.[96]

Surprisingly, the sixth condition is also beginning to be realized. A growing number of influential neoliberal economists and policymakers are questioning the efficacy of their economic and social policies. Most notably, in a critique of neoliberalism, World Bank chief economist and senior vice-president Joseph Stiglitz has called for an end to "misguided" policies imposed from Washington and has endorsed what he described as egalitarian and democratic development.[97] As Galbraith remarked recently, when asked whether he thought there would be a Keynesian response in the United States,

> Inevitable. It's not because people are starting to read the General Theory again; it's because there is no ready alternative. Low interest rates and government support of employment - there isn't anything else.[98]

The return to certain Keynesian solutions is increasingly being advocated at both the national and international levels to develop some regulation over the perverse forms of financial instability generated by globalization. The deepening crisis in East Asia could well fuel these developments, making a compromise in South Africa a more sustainable proposition.

But the other critical conditions do not yet exist. It is not fully clear whether the parties have been disciplined by the threat of disorder such that they perceive a sub-optimal solution as preferable to class stalemate. Furthermore, it is not yet clear whether any of the parties can summon their constituencies to support a compromise or that there are leaders willing to make bold departures and tough strategic choices, such as those that made the political settlement possible.

Labor, it is said, has demonstrated great ability to use collective action to open doors, but has difficulty walking through them. Even where it has the will, it may lack the capacity to make effective use of the institutions it helped create.[99] Curiously, it may not be the weakest link. Business associations are not encompassing, and cannot effectively discipline their members. The state - though possessing an advanced bureaucracy in comparison with other developing countries - is undergoing dramatic restructuring to overcome the authoritarian, racist and commandist legacies of the apartheid era.

The greatest problems exist in the community sector, where there are a plurality of strongly competing interests, where organizations are relatively undeveloped, and where few of those that exist are able to represent their members effectively. Not only have the most powerful community organizations - the civic associations that emerged during the struggle against apartheid - declined greatly in power, but under South Africa's new pluralist democracy rivals are now able to compete for membership. Civic assocations have experienced problems shifting from their oppositional role, not only because they lack internal capacity, but because they have had difficulty differentiating themselves from political parties on the one hand and development agencies on the other.[100] The most serious problem exists among marginalized groups: those working in the informal sector, the unemployed, rural women, urban and rural youth. Here formal independent organization is at best nascent, at worst absent, and there is a possibility that such strata will be drawn into vertical patron-client networks as a survival strategy.[101]

These difficulties are formidable, but are not insurmountable. Both labor and community organizations have in the past shown remarkable resilience and creativity in the face of daunting obstacles. Moreover, it is important not to overemphasize the crisis among community organizations: depending on definitions they number about 5,000, and many of these are today more focused and streamlined than in the 1980s, with increased monitoring capacity.[102] But it remains an open question whether they will be able to play an effective representational role and be able to seize the opportunities described above. The labor movement's strategic renewal and the reinvention of community associational life remain among the most important challenges in South Africa's democratization.

CONCLUSION

We have identified the reemergence of the possibility of class compromise, but on terms different from those of the historic compromises struck in both the north and the south after the second world war. This compromise is an attempt to resolve the tensions between economic reconstruction and the consolidation of democracy in developing countries such that the costs of reform are more equitably distributed between and within the social classes.

We have taken South Africa as our case study and have shown how during the struggle for democracy institutions emerged that allowed for agreements to be reached between collective actors. These allow for bargaining over the terms of South Africa's re-entry into the world economy, what we have called bargained liberalization. As a consequence, these institutions provide the possibility for reconciling conflicting class interests through a class compromise. We have furthermore identified the terms of a compromise that could yield growth, equity and redistribution in a labor surplus semi-peripheral context, drawing on the experience of Kerala. We argued that the establishment of a fourth constituency - community-based interest groups - in NEDLAC is an attempt to avoid the dangers of a narrow corporatism by providing the marginalized with an institutional voice in economic and social policy-making. But these groups' capacity and representational ability remain in doubt, and no firm alliance has yet emerged between them and labor. While debates are taking place on how these vulnerable groups of workers could be organized, the creation of strong community-based organizations and their link with the labor movement is a necessary, but unrealized condition for a class compromise.

Drawing on the experience of the successful political compromise that enabled South Africa's political miracle, we argue that a number of conditions necessary for such a compromise have emerged. This is not to say that a class compromise will ensue, though in recent months important commitments have been made in this direction. South Africa's political compromise was a rare achievement, and whether it can be repeated - in arguably the more difficult terrain of the economy - remains to be seen. The alternatives - continued stalemate, increased disorder, and a "descent into decentralized collective violence" - are also possible. But paradoxically, these also provide the strongest incentives for South Africa to achieve what many people believe - as they did in the 1980s - an impossible task.

Finally, the South African experience suggests the need for further research into the prospects for bargained liberalization in other countries attempting to consolidate democracy under conditions of economic reconstruction. Clearly the range and depth of bargaining that has developed in South Africa will not be easily replicable. On the other hand, aspects of bargained liberalization - and with them the prospects for developing a new balance between market and society - may be possible in a wider range of cases than is currently understood. Rather than designing new ways to insulate decision makers from the claims of citizens and popular organizations - the elusive search for the democratic functional equivalents of authoritarian rule - it might be more advantageous to identify ways in which democratic solutions can be found to the problems of the double transition.

NOTES

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10. Rodrik, *Has Globalization Gone Too Far?*, 60, 78.

11. Erik Olin Wright, "Working Class Power, Capitalist Class Interests, and Class Compromise," Unpublished paper, Department of Sociology, University of Wisconsin, February 1997, p. 20.

12. Adam Przeworski, Pranab Bardhan, Luiz Carlos Bresser Pereira, László Bruszt, Jang Jip Choi, Ellen Turkish Comisso, Zhiyuan Cui, Torcuato di Tella, Elemer Hankiss, Lena Kolarska-Bobi ska, David Laitin, José María Maravall, Andranik Migranyan, Guillermo O'Donnell, Ergun Ozbudun, John E. Roemer, Philippe C. Schmitter, Barbara Stallings, Alfred Stepan, Fransisco Weffort, Jerzy J. Wiatr, *Sustainable Democracy* (Cambridge: Cambridge University Press, 1995), 110.

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Politics," in *Reinventing the Left*, edited by David Miliband (Cambridge: Polity Press, 1994), 129.

25. Rogers and Streeck, "Productive Solidarities," 139.

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39. Przeworski, et al., *Sustainable Democracy*, 85.

40. Przeworski, et al., *Sustainable Democracy*, 82. See also Linz's and Stepan's arguments on the role of civil society in the development of what they call "economic society": "a set of socio-politically crafted and sociopolitically accepted norms, institutions and regulations...that [mediate] between state and market." Linz and Stepan, *Problems of Democratic Transition and Consolidation*, 11.

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84. Francie Lund, "Social Welfare and Social Security," Paper presented to the conference on Democracy and the Political Economy of Reform, University of Cape Town, 16-18 January 1998.

85. Nicoli Nattrass and Jeremy Seekings, "Citizenship and Welfare in a Labour-Surplus Economy: The Case of Post-Apartheid South Africa," Paper prepared to the Australian Political Science Association Annual Conference, University of Western Australia, Perth, September 1996.

86. The Lund Committee for Child and Family Support - set up by the Department of Welfare - recommended that the government restructure the existing child welfare grant. Where 300,000 white, coloured and Indian mothers had received R700 [US$117] per month, the committee advocated a universalistic system open to all mothers (including previously

excluded African women), thereby expanding the number of beneficiaries to 3,000,000 but reducing the monthly grant to R100 [US$17]. See Lund, "Social Welfare," 16. In a similar vein, Baskin has proposed a monthly payment to all South Africans - a citizenship grant providing a minimum income - as one way of meeting the demands for extending social welfare. Jeremy Baskin, "Pay the Citizens of South Africa," *Mail and Guardian* [Johannesburg], 28 May 1997.

87. COSATU, "COSATU Submission on Social Welfare White Paper," COSATU Parliamentary Office, Cape Town, 4 November 1996.

88. The term was used by the Labour Market Commission. Department of Labour, *Restructuring the South African Labour Market*.

89. For a similar emphasis, see Liv Torres, "Wealth and Redistribution: Whose Responsibility is It?" *South African Labour Bulletin* 20, no. 4 (1996): 85-89.

90. According to Baskin, unions negotiate a surprising degree of variation in their contracts which acknowledge the differential capacities of urban and rural employers. Union-negotiated rates for workers in the countryside may be 30% of their urban counterparts. Baskin argues that "while the notion of a dual labour market is often rejected in theory by unionists, it is recognised in practice." See Jeremy Baskin, "South Africa's Quest for Jobs, Growth and Equity in a Global Context," Speech to the 11th Annual Labour Law Conference, Durban, July 2, 1998, p. 7.

91. Significantly, government accepted the clearest statement to date that GEAR would be unable to meet its targets, and that unspecified "adjustments" would be necessary. See Jobs Summit, "Summary of Jobs Summit Declaration," Johannesburg, National Economic Development and Labour Council (NEDLAC), 1998. In their pre-summit submissions, neither the community sector nor the Labour Caucus sought fundamental changes to GEAR;

for the former macroeconomic policy should be "moderately expansionary" while for the latter it "should not be overly restrictive." See Jobs Summit, "Jobs for All: A Framework for An Equitable Job Creation Strategy. Community Constituency Position Regarding the Job Summit," Johannesburg, NEDLAC, July 1998; and Jobs Summit, "Creating Jobs in South Africa: Key Issues and Strategies. Labour Input to Presidential Jobs Summit," Johannesburg, NEDLAC, April 1998. Business sought greater variation of labor standards, but asserted that this could be accomplished through bargaining rather than by legislative deregulation. Jobs Summit, "The Job Summit: Business South Africa Proposals. Towards An Agenda," Johannesburg, NEDLAC, May 1998. Documents from the Jobs Summit can be accessed on the internet at http://www.polity.org.za/govdocs/summit/jobsummit.html.

92. Jobs Summit, "Declaration."

93. Jobs Summit, "Declaration," 1.

94. Jeremy Baskin, "Bargaining and Industrial Action in South Africa - 1998," Report commissioned by the Department of Labour, Pretoria, October 1998, p. 27.

95. Baskin, "Bargaining," 13.

96. Baskin, "Bargaining," 17.

97. Joseph Stiglitz, "More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus," Wider Annual Lecture, Helsinki, 7 January 1998.

98. Ben Laurence and William Keegan, "'Asian Contagion' disguises Wall Street Madness," *Mail and Guardian* [Johannesburg], 26 June 1998.

99. For further discussion of the effect of the transition to democracy on labor, see the essays in Glenn Adler and Eddie Webster, *Trade Unions and Democratization in South Africa* (London: Macmillan, in press).

100. See Jeremy Seekings' chapter, "After Apartheid: Civic Organisations in the 'New' South

Africa," and other contributions in Glenn Adler and Jonny Steinberg, eds., *The South African Civics Movement and the Transition to Democracy* (London: Macmillan, in press).

101. See Ari Sitas, "The New Politics of the Poor: Unwaged Labour, Cooperative Survival Strategies, and Organization in a Globalized City (Durban)," Paper presented at the 14th World Congress of the International Sociological Association, Montreal, 26 July - 1 August 1998.

102. See "Democratic Consolidation in South Africa: Progress and Pitfalls," Report of a joint conference of the Centre for Policy Studies [Johannesburg] and the International Forum for Democratic Studies (October 1998), 17-18; Marais, *South Africa*, 206-208.