

**Ideas and Power: Academic  
Economists and the making of  
Economic Policy. The South African  
experience in comparative  
perspective.**

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## INTRODUCTION

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We consider here the role of academic economists and of economic policy think tanks in providing policy advice and (indirectly) on economic policy in South Africa over the period from the mid-1980s to date. We assess as well the origins of the ideas that feed into economic policy and development strategy in general and in South Africa's case, and the question of the power relations or politics that lead to some ideas evolving into policy and others not. We draw from on two comparative country case studies in different time and space contexts (Chile in the 1970s and Indonesia in the 1980s and 1990s). Accounts of policy processes for development strategy typically assess issues such as the relative power of international financial institutions over policy-choice and direction, as well as the balance of power among domestic constituencies such as capital, labour and civil society, and their differential access to state policy processes. These are issues, that in respect of South Africa, we have addressed elsewhere (see eg Habib and Padayachee, 2000; Michie and Padayachee, 1997).

Some of the ideas set out in this paper were first raised in Padayachee's professorial inaugural address (Padayachee, 1998). Here we not only update that paper, but also re-assess the value of the judgements made then, and examine developments in the intervening decade (roughly coinciding with the first 10 years of South African democracy). An attenuated review of the general and South African literature on the role of intellectuals and academics in our economy and society leads us onto an assessment of the role of academic schools and traditions, as well as party political and independent policy-think tanks in the policy process. Case studies of Chile and Indonesia are considered, and the lessons from these experiences are drawn out. In the main body of the paper, we reflect on the way these and other local factors, impacted upon the making of economic policy and development strategy in the decade or so either side of the South Africa's 1994 democratic elections (c1985-to date).

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## **INTELLECTUALS, POLICY-MAKING AND SOCIAL CHANGE: A REVIEW OF SOME OF THE KEY ISSUES IN THE LITERATURE**

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### **The international and African literature**

University-based academics have displayed little reticence in joining outsider critics in assessing their own role as intellectuals in the society in which they are located. Not surprisingly, opinion, argument and debate on this question has been sharply divided. We have surveyed in some detail the international, African and SA literature on this theme elsewhere (Padayachee, 1998).

Let us summarise this briefly here in the following way. The international literature on the role of intellectuals has, from various perspectives, attempted therefore to come to grips with the issue of 'choice' which confronts intellectuals in the context of the political realities of the modern world: do they retreat into private abstract theorising in their ivory towers; or work more actively within institutions to preserve, advance and hand-down their ideas, traditions and roots to new generations of scholars; or develop an essentially critical, yet relatively disengaged, role in relation to all social and political forces; or lend their expertise and knowledge to the service of the powerful and privileged; or join with, and actively support the cause of, the weak, the oppressed, the exploited and the unrepresented in society; or, if it is at all possible, engage in some combination of the above?

We wish to convey key message: that in the modern, contemporary world, the role of intellectuals, including university-based academics in the social and economic sciences, is less about whether or not one should engage in matters of political and social change, than it is about (i) with which social and political forces one engages (ii) in what form this engagement takes place, and (iii) with what implications for the traditions, values and principles of intellectual life, for one's discipline, for one's political beliefs, and for one's personal integrity.

These are concerns which African scholars and academics too have attempted to grapple with, especially during the struggle for political independence and in the 'post-independence era'. Mamdani has argued that African academics and intellectuals were 'intoxicated' in the immediate post-independence period and chose to place their energies narrowly in the service of the post-independent state.

We celebrated. We had arrived. We read off the social history of the national movement, as a national history of the social movement. We reduced social history to political history and political history sometimes to political biography of national leaders. We articulated a state nationalism...We did not touch the question of popular struggle (Mamdani,1992:194).

The African debate on the role of intellectuals covers many of the issues raised by western commentators. It appears, on balance, to reiterate the case for a strongly engaged academic community, warns about the dangers of statism which flows from being disarmed in the euphoria of 'political victory', and urges academics to get more directly involved both in the building of mass organisations and their universities, in order to advance democracy and development.

### **The South African literature**

South African scholars, as well as foreign commentators with an interest in South African development, have also reflected on these issues. In reviewing this South African literature, we want to narrow the focus somewhat, to a consideration of the role played by progressive economists, political economists and social scientists in social and economic analysis and policy-formulation for social and political forces opposed to the apartheid regime since the upsurge in labour and political activity in the early 1970s. This will set the stage for the South African case study covered in section 6.

One set of articles addresses the growing complexity in the relationship between progressive social scientists and social and political movements in the 1980s and early 1990s. Cloete and Muller remarked on the fact that progressive intellectuals, both individually, as well as those operating through research networks such as the Economic Trends Research Group, The Sociology of Work Programme (SWOP), the Community Agency for Social Enquiry (CASE), and PLANACT, were impelled more 'by the evident need than by any clear idea about how to move into progressive reconstructive policy work (Cloete and Muller, 1991:29). They argued that the intellectuals who were seriously attempting to get down to reconstructive work were essentially pursuing 'technical mastery concerns' in a 'junior partner' or 'handmaidenly' relation to the unions or emerging political parties, and wondered whether 'intellectuals can indeed accept the challenge

of reconstruction without slipping into either technicism or obdurate critique' (1991:38).

Lewis (1992) and Sutcliffe (1992) discuss the role of intellectuals in two 'think tanks' or research networks which emerged in the late 1980s. These are the Economic Trends Research Group (ET) and the Centre for Development Studies (CDS). Lewis traced some of the difficulties experienced in forging the relationship between the ET economic researchers and COSATU, difficulties emanating both from within the unions and the universities. And he warned about the potential negative impact on universities and for society at large, if 'come the revolution':

all the policy-oriented university researchers who have been vainly attempting to get the university to understand the importance of policy-work, and the mass organisations to appreciate the potential role of the universities...charge off to the Reserve Bank or some other deadly establishment for the privilege of doing policy work in institutions that, they will discover, are even more bureaucratic and unresponsive to real world competitive pressures than are the universities (Lewis, 1992:95).

In an article dealing with the post-1985 era, Morris (1996) referred, among other issues, to the Economic Trends Research Group and its relationship with COSATU. He warned then that the failure to deal adequately with the legacy of the past may lead intellectuals and political activists in two dangerous and contradictory ways: one to return to a totalising framework - romantic, appealing, yet unrealisable, slogans of the past; the other to slide into the 'technicist logic' of apartheid-era state policy-makers, which these same progressive economists had so vociferously opposed in the past. This is dangerous, he argued, 'because if social problems are reduced to technical ones in the tense and fraught transition currently under way in South Africa, it is a short step to authoritarian repression to ensure the implementation of unpopular technical solutions' (Morris, 1996:270/1).

Mike Neocosmos (1997), has examined the role and response of left intellectuals in South Africa, through a review of two key left debates (the civil society debate and the workerism vs populism debate). He argued that opposition debates during the decade (1985-1995) were largely located within a statist framework regardless of its ideological leanings (nationalist, liberal or socialist), and that the discourse of left intellectuals contributed by

the early 1990s to the eventual domination of statism and the defeat of the mass popular movement. Left intellectuals who emerged out of earlier popular struggles have largely followed the current into what he calls the 'corporatist statism' of the 1990s; they now conform, he contends, to Mamdani's characterisation of African intellectuals as 'state fetishists' (Neocosmos, 1997:53). Those committed to popular forms of democracy have been sidelined or silenced. He concludes:

All indications are that the left in particular, will remain irrelevant in South African politics unless and until it finds something to say regarding democracy (Neocosmos, 1997:54).

Turning specifically to progressive economists, Neocosmos has charged, that they placed too much faith in the new state to resolve the problems of development, ignoring totally the organisations of the people. By the early 1990s the responsibility for South African transformation, was through the process of marginalising people and their mass organisations, left entirely to the state. 'As a result', Neocosmos, concludes, 'it became much more difficult for the Left to withstand the critique of statism by economic liberalism for example, when the latter made itself felt on the issue of 'development' in particular (Neocosmos, 1997:52).

In a blistering polemic, Desai and Bohmke (1997) have traced what they term the current 'retreat' in the thinking and practice of the small group of progressive South African social scientists and economists from the mid-1980s. The mainly white, male economists in the Economic Trends Research Group (ET), they observe with approval, were closely allied to the non-racial trade union movement, and distinguished themselves by being unafraid to criticise the tactics and strategies of the ANC-led liberation movement, when they felt this necessary. An anti-apartheid, 'Bohemian-style' sub-culture, they assert, knit this exclusive group together. However, with the demise of apartheid, beginning around 1990, the 'bottom fell out of their market'. As the 'new government moved to the right', these critics contend, so the research work and theoretical disposition of progressive economists, 'moved in tandem' (Desai and Bohmke, 1997:30/31). Most of the ET group, they contend, tossed their main weapon - critique - into the sea and sought their political rehabilitation as the balance of power shifted to the ANC by quickly becoming consultants to the ANC, and then by providing academic rationalisation for the neo-liberal economic philosophy of the new ANC-led government. 'Because this same set had so dominated

left-thinking in South Africa, their betrayal has all but crushed a critique of the transition' (Desai and Bohmke, 1997:32).

The South African literature which we have surveyed has traced the growing complexity and contradictions in the relationship between progressive social scientists and labour, social and political movements since the early 1970s: from rather naive beginnings at the time of the Durban strikes, pressured relationships were forged in the early years of the decade of liberation, which entailed charting unexplored territory; but this period also gradually saw progressive South African social scientists coming to the forefront in debating new ideas and formulating alternative policies for social and economic reconstruction. Changing political dynamics in the run up to democratic elections, and after 1994, appear to have elicited new, varied, and not always positive, responses to social and political transformation, from the community of progressive social scientists and economists.

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### **THE ROLE OF ACADEMIC 'SCHOOLS' IN INFLUENCING DEVELOPMENT POLICYMAKING IN A NON-SOUTH AFRICAN CONTEXT: CHILE AND INDONESIA.**

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The Chilean case study provides what is likely the starkest example of how an academic 'school' can come to gain influence in the policymaking process of a national government. In the mid-1950s, the economics department of the University of Chicago, finding it hard to draw American students to its more 'anti-interventionist' academic environment in comparison to the Ivy League schools (Harvard, Yale) preaching the popular ideas of Keynes (Barber, 1995: 1943), sought to attract students from overseas to increase its enrollment numbers. Through contacts at the United States embassy in Santiago, the university came to establish links with the Catholic University of Chile, an institution whose own economics department was poorly regarded within Chile and the wider Latin American region due to its reluctance to accept and promote the 'structuralism' being advocated by Raul Prebisch and the Economic Commission for Latin America (ECLA) (Barber, 1995: 1942).

These two institutions, whose economists refused to buy into the 'popular' modes of thought at the time ('Keynesianism' and 'structuralism' respectively) signed an agreement in 1956 whereby an 'intellectual transfer' would occur to send talented Chilean students to study for masters and

doctoral degrees in Chicago, with the expectation that these students would eventually return to Chile and staff the Catholic University's own economics department (Silva, 1991: 390).

From 1956 until 1970, over one hundred Chilean students studied at Chicago under the tutelage of such luminaries as Milton Friedman, Frederick von Hayek and Theodore Shultz. Upon their return to Chile in the mid-1960s, many of these students (who came to be known as the 'Chicago Boys') did indeed take up positions as lecturers at the Catholic University and were, according to Valdes, convinced of the Chicago-based idea that economics was a completely objective and rational 'science' whose intricacies they had wholly mastered (Valdes, 1995: 314). However, the academic environment within Chile at this time was often overtly hostile to the pro-market ideas (i.e. calls for complete privatisation, an abandonment of import-substitution-industrialisation in favour of export-oriented growth, etc.) being promoted by these newly-returned scholars. Indeed, it was the pro-statist views of ECLA which remained in vogue (Silva, 1991: 392). As such, the 'Chicago Boys' lived a largely isolated existence whereby they were given few opportunities to present the views they had learned in Chicago for wider domestic consumption, even amongst Chile's pro-statist (i.e. pro-subsidy) business community (Silva, 1991: 392). While this isolation undoubtedly harmed the intellectual standing of these economists, it also provided a rationale for the 'Chicago Boys' to form a tightly-knit scholarly unit at the Catholic University where they could promote each other's views in an environment free from opposing voices. This reality allowed the 'Chicago Boys' to maintain a high degree of ideological purity and reinforced their commitment to the free market fundamentalism imparted to them by Friedman and von Hayek.

The 'Chicago Boys' standing in Chilean politics and society changed completely after Augusto Pinochet launched his military coup against the Marxist government of Salvador Allende in September 1973. Soon after coming to power, Pinochet sought to undo Allende's large-scale programs of industrial nationalisation. The country's business community, whose pro-state views had been dimmed by the losses they suffered under Allende's nationalisation policies, suddenly saw the anti-dirigiste positions of the 'Chicago Boys' as being worthy of consideration. As a result, the 'Chicago Boys' soon found themselves being invited to contribute to business journals, they were asked to give lectures at state business schools and they were given an opportunity to promulgate their pro-market views at



‘workshops’ involving business leaders (Barber, 1995: 1944). It was through this increased activity that the ‘Chicago Boys’ came to Pinochet’s attention. In particular, the journal articles these economists penned declaring the dangers of allowing ‘politics’ and ‘sectoral interests’ to influence the ‘rational science’ of economic policymaking, were highly appealing to Pinochet as they seemed to provide a rationale for his authoritarianism and desire to exclude such ‘sectors’ as trade unions from public life (Barber, 1995: 1944).

Eventually, Pinochet chose to meet with many of the ‘Chicago Boys’ at the Catholic University and finding their rigid free market ideas and belief in ‘scientific’ policymaking appealing as a bulwark against the possible return of ‘ideologically-driven politics’ (namely Marxism), he chose to provide funds for the ‘Chicago Boys’ to establish their own think tank (CESEC) and publishing company in the hope that doing so would allow their ideas to be widely disseminated (Fourcade-Gourinchas and Babb, 2002: 547). More importantly, Pinochet appointed a number of Chicago-trained economists to staff the State Planning Agency (ODEPLAN), where they used their new influence in directing fiscal and monetary policy to impose what they termed a ‘rational economic model’ on the Chilean state; a model in which a ‘therapy’ of privatisation and liberalisation (among other measures) would be utilized to ‘cure’ the country’s post-Allende economic ills. The policies that the ‘Chicago Boys’ chose to promote and which became implemented through the influence they wielded on the state through ODEPLAN included a complete elimination of trade barriers, the privatisation of practically all state-owned enterprises (except for some banks and copper mining firms) and perhaps most ideologically, an attempt to promote an ‘ethos of entrepreneurialism’ through the publication of government pamphlets, newspaper articles, etc. meant to both secure popular support for ‘neo-liberal’ policies and to ensure that Chileans were imbued with an entrepreneurialism that would make them hesitant to support nationalisation, protectionism and leaders like Allende in the future (Silva, 1991: 395).

While opposition certainly existed within Chilean society and even amongst certain political elements of the military regime to the ideas of the ‘Chicago Boys’, the means by which Pinochet went about suppressing his opponents meant that little in the way of formal political opposition ever arose to the ‘Chicago Boys’ ideas once Pinochet expressed a desire to listen and adhere to the policy advice they presented to him through ODEPLAN (Fourcade-Gourinchas and Babb, 2002: 549). In other words, the lack of democratic

opposition existing in Chile allowed the ideas of the 'Chicago Boys' to be imposed on the state on the basis of Pinochet's own enthusiasm regardless of the 'structural' issues that were actually confronting the Chilean state throughout the dictatorship's time in power (i.e. Pinochet adopted the 'Chicago Boys' enthusiasm for privatisation regardless of the fact that most Chilean firms were not competitive and would not effectively compete once exposed to foreign competition). The end result of this enthusiasm, as has been well-documented, was the 'Chicago Boys' and Pinochet coming to turn the Chilean economy into one of the most 'free' in Latin America by the mid-1980s, something which produced both substantial economic growth as well as growing inequality.

It is debatable whether the academic 'school' which would eventually hold influence within Suharto's Indonesia (a group termed the 'Berkeley Mafia') ever held the same level of power as the 'Chicago Boys' did in Pinochet's Chile. Indeed, while the 'Chicago Boys' enjoyed support from almost all levels of the Chilean junta, members of the 'Mafia' were regarded with deep suspicion by many of Suharto's economically 'nationalist' military backers, thus forcing the Indonesian president to periodically curb the influence of his technocrats to offset the potential for an army revolt. However, the origins of the 'Chicago Boys' and the 'Berkeley Mafia' are similar. Most of the students who would eventually go on to constitute Suharto's team of economic advisers began as undergraduate economics students at Jakarta's University of Indonesia (FEUI), an institution that began to suffer a severe shortage of trained lecturers after independence as the Dutch expatriates who staffed many of the university's faculties fled the 'dangerous nationalism' of Sukarno (Interview with Emil Salim, August 7, 1993). To continue providing its students with opportunities to study, the FEUI turned to the Ford Foundation and eventually, to the University of California at Berkeley (and its generally pro-market economics department) to provide scholarships for able students to go to the United States to pursue postgraduate economics degrees.

By the late 1960s, many of these students had received their doctorates and had returned to Indonesia convinced (like the 'Chicago Boys') of the 'rationality' and 'correctness' of calling for the removal of state interventionism from economic affairs (Milne, 1982: 406). More important for their political future, however, was the fact that many of these returned economists gained tenure at the Army Staff and Command College (SESKOAD) in Jakarta, thus establishing a relationship with the country's

military that would be vital in allowing them to gain influence once Suharto consolidated his hold on power. Ironically, despite members of the 'Berkeley Mafia' never coming to enjoy a great deal of wide-ranging support within the military ranks, it was their presentation of a series of seminars at SESKOAD on the merits of trade liberalisation and privatisation that first allowed them to catch Suharto's attention (Suharto personally attended each of the seminars) (Yasui, 2002: 10). Within a matter of months, each of the Berkeley-trained SESKOAD economists had been named by Suharto to a 'Team of Experts in the Field of Economics and Finance', a type of government commission that would personally advise Suharto and his cabinet of the fiscal and monetary policies they should pursue to achieve such goals as reducing inflation and achieving price stability (Yasui, 2002: 11). By 1973, Ali Wardhana, a prominent 'Mafia' member, had been named Suharto's Finance Minister while other significant individuals, such as Widjojo Nitisastro, were appointed to important positions within the National Development Planning Body (BAPPENAS).

Once in positions of influence, either in cabinet or in BAPPENAS, 'Mafia' thinkers were able to propose their ideas with little in the way of political opposition. More specifically, while opposition most likely existed amongst Indonesia's parliamentarians (many of whom were members of the military), the fact that most of them owed their political careers to Suharto and the fact that Suharto supported the influence of the 'Mafia', meant that they typically raised few objections to the policy ideas emanating from BAPPENAS or from the 'Team of Experts' (Yasui, 2002: 11). By relying on their personal relationship with Suharto, in other words, 'Mafia' members were able to secure a political guarantee that their 'neo-liberal' ideas would be easily translated from theory to policy with little need for their basic recommendations to be amended or compromised. Perhaps more important, however, is that while many 'Mafia' thinkers spent their early years in BAPPENAS focusing on issues of inflation and how to best pursue effective monetary policies, their concerns (like those of the 'Chicago Boys') never rested *solely* with these issues.

Like their Chilean counterparts, 'Mafia' members sought to use their influence to 're-mould' the Indonesian economic landscape by such measures as attempting to 'permanently instill' the value of trade liberalisation and firm privatisation into the minds of the country's political elites. They also sought to promote the value of private initiative and entrepreneurship to the national population; a populace these economists

believed had become too reliant on the state as the result of Sukarno's rule (Milne, 1982: 416). While these ambitions were not necessarily realised in a comprehensive way, especially once Suharto himself began promoting the value of a 'strong state' to justify his rule once his power began to weaken, they are representative of the 'Mafia's' desire to deliver more than just basic change to Indonesia's economic reality.

A number of conclusions can be drawn from an examination of these two case studies. First, both the Chilean and Indonesian examples suggest that in a developing country context, academic 'schools' become most influential when the states they are seeking to influence have already put into place a political framework conducive to suppressing ideological dissent or even basic policy debate (at least at the legislative level if not amongst the grassroots). This does not mean that 'schools' such as the 'Chicago Boys' or the 'Berkeley Mafia' would not have still found room for influence had the Pinochet or Suharto governments been democratic, but their ability to have their policy ideas adopted in such an *ideologically pure* form would come into question had they been subject to the rigours of parliamentary debate or popular contestation. However, because both Pinochet and Suharto so thoroughly suppressed opposition voices, even within their own governments, it was possible for both of these 'schools' to have their ideas adopted and implemented without undergoing modification simply because they enjoyed the support of a powerful executives who took it upon themselves to make all important decisions about which policies to adopt.

Second, the experiences of both the 'Chicago Boys' and the 'Berkeley Mafia' suggest that academic 'schools' have little interest in simply promoting piecemeal changes to the economic structures of their respective states. Instead, it is more accurate to suggest that such institutions endeavour to undertake what Radhika Desai calls a 'hegemonic project' when it comes to the policymaking process. (Desai, 1994). Rather than using their newfound positions of influence within ODEPLAN or BAPPENAS to simply affect changes in monetary policy or to call for the privatisation of *select* industries, the 'Chicago Boys' and the 'Berkeley Mafia' sought to *completely* alter the economic priorities of the Chilean and Indonesian states away from a tendency towards supporting interventionism towards a belief in the unquestionable superiority of the free market in generating positive economic outcomes.

Even more notable, the ‘Chicago Boys’ and ‘Berkeley Mafia’ also sought to re-mould how Chilean and Indonesian citizens themselves saw their economic reality. Specifically, they sought to introduce an ‘ethic’ of entrepreneurialism by way of government pamphlets, newspaper articles, etc. that they hoped would permanently entrench the values of individual initiative and non-reliance on the state within the ‘national consciousness’ of their people. What these efforts suggest is that academic ‘schools’ are not interested in delivering change on an issue-by-issue basis but are more interested in trying to deliver *transformative change* in those overriding beliefs (i.e. support for interventionism vs. support for the market) that act to guide how politicians and citizens make their economic choices in the first place. At the same time, it should also be acknowledged that regardless of this desire to deliver wide-ranging change, the reality of politics always acts as a constraining factor in the ability of academic ‘schools’ to accomplish this goal. The free-market fervor by which the ‘Chicago Boys’ influenced Pinochet to undertake large-scale privatisation, for example, was never extended to Chile’s copper industry (despite the ‘Chicago Boys’ insistence) because doing so ran the risk of depriving the regime of direct control over Chile’s main source of revenue. Also, privatising the copper industry ran the risk of creating a massive loss of jobs for miners (a key employment sector) and this inspired fear within the regime that dispossessed workers could act as a rallying point for anti-junta opposition. Political considerations still play a key role in determining the extent to which change is adopted regardless of the zeal by which institutions such as academic ‘schools’ seek to make that change occur.

Third, both the Chilean and Indonesian examples demonstrate that for academic ‘schools’ to gain the influence needed to translate their ideas into policy, they must be capable of establishing links with a political benefactor who will *unconditionally* favour their involvement in the policymaking process. The ‘Chicago Boys’, through their publications and speeches to the Chilean business community and the ‘Berkeley Mafia’, by way of delivering a series of economic-based seminars at SESKOAD, were able to establish such links by way of having their ideas appeal directly to those political elites (Pinochet and Suharto) who were most capable of giving members of these ‘schools’ positions of influence within government structures. Had the ‘Chicago Boys’ or ‘Berkeley Mafia’ not been able to establish access to direct support from a powerful executive, they would not have been able to establish a base of support within government and their ideas would likely

not have been seen as being any more important to policy creation than the interests of other actors (i.e. military leaders).

Fourth, the degree to which political power is centralised within a state plays an important role in determining the extent to which academic 'schools' can pass their ideas along to those with policymaking power. In Indonesia, the fact that major decisions were overwhelmingly made in Jakarta and not in the confines of a federalist structure (i.e. in the country's far-flung provinces) allowed 'Mafia' members to utilise their positions in a centrally-located institution like SESKOAD to gain access to and influence the country's major policymakers (i.e. by holding the seminars that introduced them to Suharto). Had a decentralised system of governance existed, on the other hand, policymaking power vis-à-vis major economic issues such as privatisation would have been concentrated in a plurality of locations (i.e. Java, Sumatra, etc.) and it would have been far more difficult for a limited number of 'Mafia' individuals to reach policymakers in all of these locales with the same intensity as they could when access to power could be found in a single location (Jakarta).

In Chile, on the other hand, the fact that political power was centralised in Santiago and more specifically, in the hands of Pinochet and his closest military allies, meant that a relatively small number of 'Chicago Boys' simply had to influence a few top officials to gain policymaking influence. Once again, had the Chilean state been federally constructed to allow major economic decisions such as privatisation to be made by sub-national elites or even by more junior members of the junta, it is questionable whether the 'Chicago Boys' would have been able to have so thoroughly influenced Chilean economic policy in such a *wide-ranging* manner.

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## **ACADEMIC ECONOMISTS AND POLICY THINK TANKS IN THE SOUTH AFRICAN EXPERIENCE, C1985-DATE**

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This paper deals with the role of progressive (anti-apartheid) academic economists in the period after 1985; but it is worth noting that academic economists served other South African government in many ways. There is evidence of tension between the state and English-speaking economists, as well as more liberal Afrikaner academics, for most of the 20<sup>th</sup> century, apart from periods in which Smuts (who had a broader South African vision than most other leaders of this time (see on this Saul Dubow, 2006) held power

and influence (Botha, 2002: 124/5). The one really big name international economist, who almost made this list, was John Maynard Keynes - who was invited by his friend General Jan Smuts in 1920 to 'come to South Africa for two months to assist in formulating a currency policy for the country'. But Keynes was unable to accept as he was at the time trying to secure his own career and future in the UK economic policy world. It is a little known fact that he did serve on the selection committee for the post of the first governor of the South African Reserve Bank, a post which went to the South African born, former Bank of England Chief Accountant, WH Clegg. (Botha, 2002:13/14).

Jack Holloway and MH de Koch (the two *plaas seuns*, who held senior positions in both the academy and state institutions) were arguably the most influential economic policy advisors of the pre-1994 era. Professor Joubert Botha has argued that 'There were very few people in public service in South Africa *over the whole of the twentieth century* whose influence on national economic policy at the highest level was as significant, pervasive and enduring as that of [Professor] Jack Holloway, who in 1922 became the first full Professor of Economics at the University of Pretoria (Botha, 2002:18). Among many distinguished positions in and outside government, Jack Holloway was a key member of the South African delegation to the 1944 Bretton Woods conference, and served as a member of the Native Economic Commission, which (interestingly for that time) observed that 'full economic segregation would be uneconomical even if possible.' (Botha, 2002:20/1).

But let us return to our main theme and consider the role of progressive academic economists in the debate over an appropriate economic policy and development strategy for a democratic South Africa.

### **The early years**

The mid-1980s were a period of ferment and excitement for the progressive, anti-apartheid academic community. Political mobilisation and activity, led by the United Democratic Front, reached new heights following the Johannesburg-based township turmoil which began in November 1984. The giant, independent, non-racial trade union federation, COSATU, was formed in December 1985. Internationally the sanctions campaign had intensified, culminating in the US Comprehensive Anti-apartheid Act of 1986. In mid-1985 a partial state of emergency was declared. This was made total one year later. These and other developments combined to stimulate the

establishment of new research networks and organisations, which focussed on providing support to progressive labour, social and political movements and formations which were beginning to take the anti-apartheid struggle to new heights. One central theme of this work related to studies into the impact of sanctions on the South African economy and especially on employment. Other work related to issues such as housing, health and safety, and pensions.

These networks, which were frequently harrassed by the state security police and were sometimes forced to meet and work under conditions of secrecy, were led by young, progressive social scientists and economists, mainly white and male. Many had just returned to South Africa from studies overseas. Some worked from within universities (which were at the time invariably unsympathetic to this kind of work) and linked up with non-academic research networks; others set up and worked within, largely externally-funded research and service centres. These groups, which were formed in the second half of the 1980s, included the Labour and Economic Research Centre (LERC), the Community Agency for Social Enquiry (CASE), Community Research and Information Centre (CRIC), the Community Research Unit (CRU), the Labour Research Service (LRS), the Labour and Economic Research Project (LERP), the Sociology of Work Programme (SWOP), PLANACT, the Centre for Health Policy Studies (CHPS), the Centre for Development Studies (CDS), and various regional Education Policy Units (EPUs).

At about the beginning of this period (1984/5) in the United Kingdom, a small group of progressive economists (including Ben Fine, Laurence Harris), together with the ANC's Department of Economic Planning (DEP), formed a research consortium called Economic Research on South Africa (EROSA). EROSA produced a number of papers on the South African economy which (according to Ngoasheng, 1992: 121) went beyond a critique into areas of policy recommendations. This included work on the minerals-energy complex, the savings-investment constraint, and the financial market and system. This work was largely unfunded, and the group related to the ANC-in-exile through Vella Pillay, Max Sisulu and Pallo Jordan (IDRC, 1991:7; and Fine, personal communication, 1997).

The development of academic-led think tanks focussing on economic analysis and policy issues was boosted by some milestone international conferences in the second half of the 1980s. The first major conference of



this kind was held at York University in England in September/October 1986 and was entitled 'The South African economy after Apartheid'. The conference brought together a group of liberal and left wing economists opposed to the apartheid state, and participants were closely vetted by the ANC. Off-agenda meetings between the ANC delegation (which included Essop Pahad, Harold Wolpe, Rob Davies and Wally Mongane Serote) and South African academics were held under conditions of secrecy, given the state of emergency prevailing in South Africa at the time.

While the conference did not come up with any significant policy options, it did bring together for the first time some of the key academics who over the next decade would play an important role in the policy debate in South Africa. Selected papers from the conference were published (Suckling and White, 1988). A veritable flood of economic, social policy and other 'anti-apartheid' conferences followed: these included Beijing (1986), Amsterdam (1986), Boston (1987), Freiburg (1987), Harare (1988, 1990), Paris (1989), and Lausanne (1989). Progressive South African social scientists and economists were able, at these conferences, to come in touch, some for the first time, with high ranking members of the still-banned ANC, SACP and SACTU.

### **The Economic Trends Research Group (ET)**

ET was initiated at the request of COSATU in late 1986. It was initially located within the auspices of the Labour and Economic Research Centre in Johannesburg and was co-ordinated by Stephen Gelb, a Canadian-trained South African economic historian-turned-economist. The project was funded mainly by Canadian, British and German foundations, and locally by the South African Council of Churches. ET began its work for COSATU, with a membership of 8 researchers based in Johannesburg, Durban and Cape Town. By late 1990 membership had grown to 21 (Gelb, 1991:xi). By this stage all but two of ET's members were white and two were women. When the project began a few key members of the group were based in institutions outside universities but by 1990, nearly all were located within university academic and research departments. A few, including Dave Lewis, Mike Morris and Doug Hindson, had extensive experience as union organisers or employees in the [then] recent past. The driving forces behind ET were its national co-ordinator, Stephen Gelb who had earlier co-founded the Johannesburg based Labour and Economic Research Project (LERC) and was later a senior researcher at the Institute for Social and Economic Research at Durban-Westville University, and Alec Erwin, a former

Economics lecturer at the University of Natal, Durban, who led the COSATU delegation to ET meetings. The group had strong and varied skills in a wide range of economic issues, except in more technical macroeconomic modelling methods and in fiscal expenditure restructuring. The former gap was not at the time such a major disability, given the largely critique-driven nature of ET's work.

Membership to ET was by invitation: this seemed a logical decision, though it was one that was resented by some 'progressive' academics who felt unfairly excluded. The IDRC Report on policy formulation for post-apartheid South Africa observes that 'while this outlook ensures some broad compatibility in terms of theoretical and political outlook, this has led to accusations of exclusiveness' (IDRC,1991:10). The focus of the group's work was on research, and although many of its members were university-based researchers, ET did not help directly with training. As the IDRC Report notes, ET did not 'have any clear idea of how to go about this, although it recognises the problem (IDRC, 1991:10).

ET's initial work on behalf of COSATU was to examine the likely impact of sanctions on the economy and on COSATU membership. However, it soon became necessary to broaden the scope of ET's work to examine the structure of the South African economy, and to begin to understand the nature and origins of the crisis which had beset the economy since the early 1970s. That work (Phase One) culminated in the publication of a major report to COSATU and a book, *South Africa's Economic Crisis* (1991) edited by Stephen Gelb, which provided both a macroeconomic overview of the economy and a detailed look at some key sectors. The theoretical foundations of the research were located in terms of an adaptation to South African conditions of the French Regulation School, what Gelb called racial Fordism (1991:13). This approach, it was argued, provided a useful basis for explaining the transformation of South Africa's economy from the long post-war boom to economic crisis. Not unexpectedly the book was primarily critical and analytical although there was some preliminary consideration of policy options. In the chapter on employment, for example, Dave Lewis assessed several alternative paths to employment generation (1991:261ff). Mike Morris has pointed out that ET's failure to produce a fuller set of alternative prescriptions was, at least in part, because this was not 'initially viewed with much favour by trade unionists' (Morris, 1996:264fn).

One of ET's main claims to fame was that, despite initial difficulties, it did manage to forge an effective, productive working relationship, linking mainly university-based researchers to a major national labour movement, perhaps the first on this scale in the history of this country. However, the links between ET and COSATU, even in its most developed phase, were neither highly structured, nor as deep and strong as many believe. Key to the success of its operations were two thirds white, male, 'organic intellectuals' of the union movement, mainly from its metal affiliate, the National Union of Metalworkers of South Africa (NUMSA), including Alec Erwin, Jay Naidoo, Jayanendra Naidoo, Bernie Fanaroff and to a lesser extent, Geoff Schreiner. Even as late as September 1989, there was an intense debate within ET about whether to extend ET's reach more formally into the union federation, and, if so, how. Alec Erwin argued passionately for ET members to relate more closely to the new structures which some of the unions had set up to deal with economic policy issues. 'This is a time of acute political change' he argued. 'Organisations and intellectuals need to engage. Let's not establish a broad bank of knowledge first, then intervene, but get into research and policy formulation, learn from other experiences and press on' (Original hand-written minutes, ET meeting, Cape Town, September 1989). But this plea met with resistance from some of the researchers, who felt that the theoretical issues which were preoccupying ET at the time would be beyond the understanding and reach of union officials. A compromise approach was agreed upon, including some exclusive ET theoretical workshops combined with a few more wide-ranging discussions involving the more advanced cadres of the union movement. (Original hand-written minutes, ET meeting, Cape Town, September 1989).

Weak links with the ANC can of course be explained by the fact that in the early years of ET's existence, the ANC was still banned from operating in South Africa. There was however, little or no attempt by the ANC in exile to forge closer links with ET researchers. Although some attempt was made to establish links between ET and the ANC-supported EROSA in London, this led only to the one-off participation of EROSA members, Laurence Harris and Ben Fine in two ET meetings, rather than to closer and structured relationships. Relations with the ANC-aligned Centre for Development Studies (CDS) was always strained although this was largely because of the rather chaotic structures and operations of CDS, rather than any fault on ET's side. However, as the IDRC Report notes, the absence of a closer relation with ANC structures, could also in part be explained 'by the reticence of some members of ET to have their research associated directly

with the political movement' (IDRC, 1991:11). Despite the very obvious wariness with which some ANC members viewed the ET leadership, Stephen Gelb and ET played an important and leading role in the Harare Conference and in the drawing up of the economic policy discussion document in April 1990 when, following the unbanning of the ANC, some of the major progressive economists and economic think tanks met to consider economic policy options for post-apartheid South Africa.

Formal relations between ET and the universities from which most of its members were drawn were extremely tenuous and poor. Even the more liberal English-speaking universities and the rapidly transforming Historically-Black Universities (HBUs) such as the University of Durban-Westville, from where ET drew many researchers, did not regard research for social movements and or policy-work very highly. As Dave Lewis points out (1992:96), this problem was especially acute in the social sciences. Universities, according to Lewis, tended to treat policy work, especially 'where it is directed at the liberation movements and trade unions as 'extension work', something we do for the underprivileged out there and to whom we allocate a marginal amount of resources...' (Lewis, 1992:96). But as Lewis points out, the social movements themselves also needed to understand the concerns which universities had over the kind of work some academics were engaged in on their behalf. The concern was that university-based academics should even in such relationships be able to develop independent conclusions, for (as Lewis observes) 'research that seeks to rationalise the pre-determined conclusions of powerful interest groups is hagiography...[i]f mass based organisations are to deal with universities then they have to appreciate this...' (Lewis, 1992:97).

By September 1989 national ET co-ordinator Stephen Gelb resigned from the post and the project, and plunged ET into something of a crisis, especially over the future direction of research. Following months of tension and conflict the headquarters moved from the Institute for Social and Economic Research at the University of Durban Westville to the Development Policy Research Unit at Cape Town University's Economic History Department, from where Phase Two of the project was to be launched.

As a participant in this initiative, including a period as Regional Co-ordinator for the Durban area, we would argue (with the benefit of hindsight) that ET placed relatively more attention on what all of us believed was

important, that is a proper understanding the nature of South Africa's capitalist crisis. It paid less attention to what the unions appeared to want to hear: innovative policies for socialist transformation. The latter was simply not on the ET agenda, as the majority of us simply did not see the possibilities of such a radical transformation as being feasible or sensible under the global and national circumstances which prevailed in the late 1980s and early 1990s. The ET approach, which appears to have been accepted by the Cosatu leaders who served on ET structures, was to argue for a (left?) social democracy sympathetic to worker rights and needs, by among other things insisting on measures that would protect such worker rights and for the establishment of a social compact and a corporatist labour relations model. Some participants including Charles Meth and Ben Fine warned about this within the group, especially about the value of the regulation theory or racial Fordism approach to the South African situation. Thus a few years later, Fine noted:

Gelb's (1987) notion of racist Fordism... quite clearly reflects the imposition of a questionable regulation theory originally developed for other purposes with limited purchase on the peculiar features of the South African economy. It is quite incapable of dealing with its complexities and differences at the level of detail (Fine, 1996:242)

In a response to a paper by NUMSA's Bobby Maree, an unnamed Cosatu member, in a paper entitled 'Lunch at the Charlton with Bobby and the Boys' makes this telling observation:

The failure of the Economic Trends Group (originally set up by COSATU as an economic think tank) to produce any original thinking for a socialist Way Forward is similarly an indictment of the progressive intelligensia. The tragedy is that COSATU seems to have remained mired in their thinking – captive to discredited assumptions: discredited by the reality of increasing poverty and deprivation all over the Third World (in Padayachee's personal archives: (c1992:2).

### **The Industrial Strategy Project (ISP)**

ET's Phase Two entitled 'Economic Prospects for South Africa' which was aimed at elucidating a framework for macroeconomic policy did not get off the ground. ET swiftly moved into a narrower focus in Phase Three in 1990, a body of research around industrial restructuring and trade policy, again at COSATU's suggestion. The ISP became a distinct and dominant part of

ET's work, so much so that the rest of ET largely withered away. The unbanning of the ANC, the shift to negotiations politics, COSATU's open alliance with the movement and the 'certainty of the immediate accession to power of COSATU's political ally (Joffe et al, 1995:xi) combined to create a very different and more open environment under which research work for social and political movements occurred and also ensured that work such as that of the ISP focussed more closely on policy.

The ISP was led by four co-directors, all university-based economic historians or sociologists - they were Dave Kaplan and Dave Lewis of the University of Cape Town, Avril Joffe of the University of the Witwatersrand and Rafael Kaplinsky of Sussex University's Institute for Development Studies (IDS). The arrival of Kaplinsky to co-direct the ISP helped 'to inaugurate post-Fordist thinking in South Africa' (Bond, 1996:24), with its emphasis on creating international competitiveness, supply-side interventions, skills upgrading, technological and work place re-organisation and the like.

Twenty-three researchers and administrators (again predominantly white and male) began work on the ISP, 16 being (mainly university-based) researchers each with responsibility to undertake a detailed examination of one or more key sector of South African manufacturing. There were in addition 5 cross-cutting studies. The study of each sector was initially expected to take 14 months, but eventually took slightly longer. In ET Phase 1, the participating academics' teaching and research commitments limited their participation in ET work and most academics drew on their own research projects and post-graduate theses as a basis for their ET research. However the ISP, needing substantial new work in often unexplored areas in a short space of time, decided to buy-out its university-based academics for the duration of the project. In another significant departure from ET Phase 1, the ISP also engaged in training, the 6 trainees being union employees or ANC members nominated by the DEP. Each ISP researcher was also expected to consult regularly with the relevant COSATU affiliate, and research results were made available to COSATU on an on-going basis. All in all the ISP had a much clearer, better structured and more effective relationship with COSATU (and the ANC to some extent) than ET did in Phase 1, but then political conditions were different and there were many lessons which were drawn upon from that earlier phase of work. Nevertheless the ISP's work remained that of an independent research collective, its relationship with COSATU being described on the completion

of the project by COSATU President John Gomomo as an ‘arms-length’ one, ‘we do not agree with every line of each report, we do not accept every recommendation’ (in Foreword to Joffe et al, 1995).

A noticeable feature of the ISP was its gradual embrace of policy options advanced by some (admittedly more enlightened) sections of South African capital and by the advance guard of the World Bank team. The ISP ‘developed a great ideological fondness’ for the Nedcor/Old Mutual Scenario planning proposals, which was led and championed by Bob Tucker, and was based on ideas developed by the rather conservative economic philosophy of his Harvard Business School collaborator, Bruce Scott (Bond, 1996:24). Tucker had in turn been highly successful in selling these ideas to the ANC leadership. The ISP in some of its preliminary reports had also recorded its agreement ‘with most of the World Bank’s proposals for trade reforms (Joffe et al, 1993.; Bond, 1996:25). The ISP also saw positive signs in other World Bank proposals such as those relating to aspects of land reform, special employment creation schemes, and labour market policy (see Padayachee, 1998:198/9), especially as these were on the surface less severe than those imposed in many other African countries (Bond, 1996:25).

One aspect of the ISP’s work culminated with the publication of a book edited by its co-ordinators, entitled *Improving Manufacturing Performance in South Africa*(1995). Also produced were a series of sectoral and cross-sectoral studies. This account of the ISP experience thows up a number of intriguing questions which go to the heart of any proper understanding of the role of progressive economists in policy-formulation for post-apartheid South Africa. Were ISP researchers leading or accommodating the ANC in respect of proposals for trade and industrial policy, as the ANC leadership was itself shifting to the right under pressure from South African business, the apartheid state and the international financial institutions? And why was COSATU initially happy to go along with the broad thrust of the ISP’s approach when some aspects of the ISP’s proposals were so antithetical to workers and workers? (see eg. Bond, 1996:25/26). In numerous pieces, for example, Ben Fine has criticised the foundations of ISP thinking, in which he emphasises the narrow benefits of a flec-spec strategy in terms of employment in the South African context. (Fine, 1997:127). How does one explain the significant departures between the analysis and recommendations of some ISP industrial sector reports and the final ISP Report and recommendations? (Valodia, 1996:61).

ISP ideas and policy recommendations appeared both seductive and influential at the time (the DTI was initially very keen to facilitate national clusters in key industries linked to exports, but success appears to have been muted, one reason, as Morris et al put it ' being the lack of a clear funding programme backing up the state's promotional hype about the importance of clustering.' (Morris, 2006:207).

### **The Macro-economic Research Group (MERG)**

During a visit to Canada in June 1990 ANC President Nelson Mandela raised the issue of the 'urgent need for a better understanding of economic policy issues in South Africa within the anti-apartheid movement as it prepares for forthcoming negotiations.' (van Ameringen, 1995:2). The Canadian government moved in to offer tangible support. A team of Canadian and African economists (headed by Dr Gerry Helleiner, and including Dr John Loxley and Dr Benno Ndulu) was appointed to make recommendations to the political leadership about how to improve the movement's capacity to formulate economic policy. Their work was co-ordinated by the Canadian development agency, the International Development Research Centre (IDRC).

The IDRC Mission found that the economic policy capacity of the movement was both underdeveloped and uncoordinated. Even where capacity existed (eg, among local university based economists who were sympathetic to the movement) their research often duplicated other work, was not sufficiently focussed on policy, and was poorly linked to the ANC's DEP, which had by now relocated from Lusaka to Johannesburg. The DEP in turn was understaffed, poorly organised, and its leadership appeared to have made little or no effort to mobilise the sources of relevant experience available at some of the universities.

The team made two major recommendations for immediate action. The first suggested an enhancement of the movement's capacity to monitor developments in the economics arena arising from the actions and policies of the (then) apartheid state, the private sector and the global economy. The second called for the establishment of a network-based Macro-economic Research Group (MERG), to 'stimulate and co-ordinate policy research and training in the identified priority areas' (van Ameringen, 1995:41) The most urgent priority, they argued, was the development of a 'macro-economic policy framework' within whose terms and parameters various policy options could be tested and economic policy-making take place. MERG, they argued,



should be an 18 month project which would eventually be absorbed into a more permanent Institute for Economic Policy and Training.

The DEP-led task force which was asked to give effect to these recommendations, decided to locate the MERG research projects (wherever feasible) at the HBUs of Western Cape, Durban-Westville, Fort Hare and the University of the North. The full participation of Wits University came later. It was felt that the development of capacity on the economic front was best coordinated through the HBUs, who would benefit in various ways (funds, new human resources etc) as part of their own efforts at institutional transformation. The objective of MERG's training and capacity building programme was to train a core of some 200-300 black economists by the end of April 1994.

Eleven research projects (nearly all headed by progressive South African economists in participating universities) were initially identified: these included projects on a Macro-economic Framework and Model of the South African economy; Fiscal Policy; Monetary and Exchange Rate Policy; Labour Markets; Agriculture and Rural Industrialisation; Fiscal Implications of Bantustan Reincorporation; the Role of the State; Mining, Minerals and Energy; Regional Economic Integration; Trade and Industry Policy; and Housing and Infrastructure. Two other projects were later added on 'Savings and Investment' and 'Inflation'. The research side of the project was launched at an academic conference in Johannesburg in January 1992.

At some of the participating universities international economists were brought in for lengthy periods to train (or support) South African researchers, especially in areas such as macroeconomic modelling, where South African expertise was deficient. Training and capacity-building workshops were held at various centres and funding was obtained to send selected young black South African economists abroad for varying periods to complete short courses, or begin formal post-graduate diplomas or Masters/PhD degrees.

By late 1992, however, little by way of working papers on policy options had been produced by the MERG research teams. In December 1992 the ANC-leadership requested the newly appointed MERG co-ordinator to accelerate the process of producing the Macroeconomic Framework, as negotiations at the World Trade Centre, suggested that a political settlement was close at hand. There were claims at the time that the ANC's DEP was not informed of this 'instruction' from above. This accelerated process was put to MERG

research leaders at a workshop in Cape Town in January 1993. Many researchers argued that were simply unable to produce what they initially thought was expected of them, in the time schedule being proposed. They agreed however, to do all they could to support the process.

In order to undertake this task of producing a Macroeconomic Framework, a Reference Team (RT) and Editorial Committee (EC), consisting of both local and international economists, which would work alongside the research teams was set up at the instigation of the MERG Steering Committee in March 1993. The five-person EC which worked closely with the RT and research teams was expected to draft the structure and content of the movement's macroeconomic policy framework, which would then be presented to the ANC and COSATU as a basis for their policy-making. The EC called upon the 13 research teams to provide inputs to its work, and a few workshops were convened at which the research teams met with the RT and EC to discuss their research findings and recommendations. The RT and EC also held meetings with the policy-makers of the democratic movement (ANC, COSATU). The first of these workshops, with researchers and the representatives of the democratic movement took place in Johannesburg between 13-23 April 1993. The second occurred on 8/9 July 1993.

These meetings were particularly tense affairs. The already poor relations between MERG administration and the DEP deteriorated further, the latter arguing that as the elected representatives of the ANC they were being regularly ignored or countermanded by appointed MERG officials, and that official ANC policy documents were not being used a basis for MERG's work; many of the international experts were upset by a remark made by a member of the Steering Committee which they interpreted to mean that they were in South Africa only to provide 'technical back-up to the policy process'; some local research team leaders felt that they were being marginalised in planning and in the writing up parts of the 'Framework Vision'; some complained to the DEP that their contributions were being misrepresented; and finally that the process was being taken over by 'foreign' radical economists.

The draft framework was completed and distributed to ANC and COSATU structures on the instructions of the ANC and COSATU, and to the reference team and to local project leaders for further comments. The draft was also presented by MERG leaders to workshops organised by COSATU, the South African National Civics Organisation (SANCO) and the South African

Communist Party. Following final comments from the ANC, COSATU, the reference team and project leaders, the policy framework was revised and presented to the democratic movement at a formal media launch in Rosebank on 3 December 1993. It was later published by MERG as a book entitled '*Making Democracy Work: A Framework for Macroeconomic Policy in South Africa.*' (1993). In addition 45 research papers and reports were produced by the MERG research teams over two years.

So what problems and lessons (in the relationship between progressive academic economists and the policy process) did the MERG exercise reveal? A number come to mind.

Firstly, a poor relationship between some research team leaders and the MERG administration existed and was complicated by the fact that some research team leaders frequently by-passed the MERG administration, and took their problems directly to the DEP and to other senior ANC leaders and even in some cases to funders. Research team in turn leaders often complained about the rather brusque and unsupportive attitude of Vella Pillay and the MERG leadership towards them.

Secondly, MERG's decision to concentrate equally on two major objectives, ie policy formulation and training, created many tensions. The need for policy options to be argued and presented quickly tended in practice to conflict with the much longer-term task of training and capacity building. In some cases these tensions resulted in a neglect of training as a central part of MERG's objectives. The lack of interest in training young black economists shown by some research team leaders meant that their trainees often became administrative assistants, doing routine work (photocopying, organising meetings, generally fetching and carrying) rather being trained in the more exciting and important areas of policy-research.

The role of international economists in the MERG process, thirdly, was the subject of much controversy. The 'disproportionate' number of foreigners in the RT and EC, it was argued, had the effect of wrenching the policy process out of the hands of South African nationals, and of making the process more of a top-down one than was originally envisaged. Kentridge (1993) points out that Stellenbosch economist and Reference Team member Servaas van den Berg 'made his disquiet on this matter known to DEP head Trevor Manuel, 'complaining that not since colonial days had South Africa's economic policy been drawn up by foreign economists'. We would argue that it was not so

much the 'foreignness' of some economists which was at issue, but rather their perceived ideological positions and histories.

Despite all the organisational, political and ideological difficulties and differences which beset MERG, virtually from its inception in November 1991, the MERG Report was widely acknowledged as being an important academic and policy contribution, a challenge to the previous government's Normative Economic Model. SANCO, in commenting in a press statement on the release of the MERG Report on 3 December 1993, remarked that 'even opponents of MERG will have to concede that this document is among the most rigorous, even-handed and stimulating ever produced about the South African economy.' The SACP's Jeremy Cronin referred to the MERG report as 'a broad macroeconomic framework that demonstrates that we [on the left] can reconstruct without resorting to voodoo economics.' (Correspondence with MERG Co-ordinator).

Even *Business Day* (December 1, 1993), on the eve of the MERG launch, noted in a leader-page article that 'the MERG framework, for all its faults, presents a serious challenge to the [previous] government's approach [the NEM]. The *Sunday Times* (November 28 1993), whilst critical of some parts of the MERG report, observed that 'the tone [of the report] is sober, considered and in general coincides with other reports on the economy such as those by the World Bank, Development Bank and the Platform for Investment.' In their reports some donors paid high tribute to MERG's achievements while not failing to comment critically on some of its shortcomings. And numerous positive academic reviews of the MERG book were published in international journals. In the *International Review of Applied Economics*, Chris Edwards argued that:

... it is hard to see a peaceful or prosperous society emerging from the application of the 'orthodox economics' of the NEM. In comparing MERG and the NEM in the light of the appalling legacy of apartheid, it seems clear that there is no alternative to an approach modelled on that of the MERG' (Edwards, 1995:108).

Yet, despite all the MERG macroeconomic framework and recommendations were dumped by the ANC just before it was launched. SACP Deputy Secretary-General, Jeremy Cronin argued that the absence from the South African economic debate of MERG's 'outstanding British economists'

contributed to the projects marginalisation (*Weekly Mail*, 20-26 June 1997). This may be part of the explanation, but not all of it.

The significance and value of the MERG report was, however, surprisingly, re-affirmed by senior ANC leaders, at a special event/dinner on 23 November 2006, organised by the Wits Economics department and supported by the Presidency, in honour of MERG co-ordinator, Dr Vella Pillay. Both Cabinet Ministers Essop Pahad and Alec Erwin spoke to this point. Both argued that though the ANC and government chose another development path, MERG's contribution was highly valuable, with some of its key recommendations, especially in respect of the role of state infrastructure spending, currently finding its way into the current policy debate. Minister Pahad noted that 'MERG was not marginalised. Work of that magnitude cannot be ignored and it continues to influence the economic thinking of the broad revolutionary movement in South Africa even now.' (Padayachee's notes at the dinner). As if confirming this, journalist Terry Bell, writing in the *Business Report* in early June 2007 in the context of an increasingly strident debate within the alliance over the direction of economic policy, notes that 'Behind the latest series of spats between senior members of the governing tripartite alliance is the spirit and legacy of the late Vella Pillay. Pillay headed the first alliance economics think tank, the Macroeconomic Research Group [MERG) which drafted the first – and controversially discarded – post-apartheid macroeconomic statement.'

### **The Reconstruction and Development Programme.**

One of the most exciting trends in South African academic life during the late 1980s and early 1990s - at least in the English-speaking universities and some of the HBU's such as Western Cape and Durban-Westville - was the rise of the policy expert and policy advisor to social, labour and political movements. The most significant and ironic comment that can be made about the formulation of the ANC-alliance's Reconstruction and Development Programme (RDP) in so far as the theme of this paper is concerned, is that this trend was not reflected in any serious role in the RDP, which was launched as a book just before the April 1994 elections. There were a few exceptions of course: a Wits economist co-ordinated the writing of the RDP's Chapter 4 on 'Building the Economy'; UCT's Energy and Development Research Centre assisted with the technical advise about electrification (Chapter 2); a UWC social welfare expert drafted the welfare sections of Chapter 2; and this writer, from a UDW base made extended technical comments on the whole of the

penultimate draft. But no organised academic-linked think tank, ala ET, ISP, or MERG lay behind the formulation of the RDP.

Instead, as Patrick Bond has observed:

... several dozen praxis intellectuals from the NGOs and labour drafted the document, partly we think because they had close working relationships with the Democratic Movement social forces who mandated the drafters to move in this or that direction (Personal communication, July 1997).

Part of the process of finalising the RDP involved holding 4/5 workshops which were attended by about 100 members each from democratic movement structures, making it arguably the most democratic process by which an opposition economics document was formulated. But that process did not involve the participation of many academics in any organised sense. Why was this? It cannot be argued that most progressive academic economists were otherwise engaged, especially in MERG, and that process was almost complete by the time most of the RDP was being put together.

The answer then appears to be that the more grass roots leadership of the movement which were charged with driving the RDP either did not trust or have much faith in what they may have perceived to be the more theoretical/intellectual approach of academic economists and social scientists. One result of this, incidentally, was that MERG did not effectively feed into the RDP's formulation. Those relatively more senior movement leaders, who did have a better history of relating to progressive academics, mainly because of ET and MERG, and were champions of the RDP, such as Alec Erwin and Jay Naidoo, were fighting mainly on the political front, to secure the ANC's acceptance of the RDP as official policy. And that was no easy task at the time. For we would suggest that the highest level ANC leadership had by this time all but abandoned the idea of developing a radical alternative macroeconomic framework to the late-apartheid neo-liberalism of the previous government's Normative Economic Model. Their acceptance of the RDP as a basis for post-apartheid reconstruction was a political act, the RDP was to become little more than a discursive symbol around the time of elections and immediately thereafter (Bond, personal communication, July 1997).

By the time the final version of the RDP was accepted, it was, not the radical document, many argued and some still believe today. In the details, it proposed sometimes contradictory ideas. As Bond has noted, it was, in the course of its formulation, impacted upon by 'status quo' forces, both South African and international who had made great efforts since 1990 at influencing the political leadership of the ANC. In the end the RDP reflected an uneasy compromise between 'the feasibility of combining a social welfare state in the developmental sphere with neo-liberalism in the economic sphere' (Bond, 2000:54).

### **The Growth, Employment and Redistribution Programme (GEAR)**

Sometime late in 1995, it became known that the GNU had assembled a high-powered team to draw up a new, modelled, macroeconomic framework. The publication in February 1996 of South African Foundation's 'Growth for All' document, followed shortly thereafter, by the Labour Movement's 'Growth and Equity' document, together with the dramatic collapse of the currency in the first quarter of 1996, appears to have forced the GNU, to accelerate the production of its own macroeconomic framework document, in part to reassure jittery international financial and currency markets of its fiscal prudence. And so on June 14 1996, Finance Minister Trevor Manuel, unveiled 'The Growth, Employment and Redistribution' Strategy (GEAR),<sup>2</sup> with the announcement that it was 'non-negotiable'. Despite his position as Head of the ANC's Economic Transformation Committee, Labour Minister Tito Mboweni, it has been pointed out, 'was not a central player in its formulation' (*Sunday Independent* 1 June 1997). So who were the central players?

GEAR acknowledges the contribution of a 'technical team' which assisted with the document. That team consists of 17 technical experts, of whom 16 were white, and 16 were men. Six were economists drawn from South African universities: 3 from UCT, 2 from Stellenbosch and 1 from Durban-Westville. Three worked at the Development Bank of South Africa, two at the World Bank, two at the South African Reserve Bank, and one each from the departments of Finance, Labour, Trade and Industry, and the Deputy-President's office. Was there much continuity here with former policy processes of the movement? Of the economists, Stephen Gelb, Dave Lewis, Alan Hirsch and Brian Kahn, were all part of ET Phase 1 or 11, as well as part of MERG. Andre Roux was involved in GEAR and the RDP(WP). Dirk van Seventer from the DBSA and Servaas van den Berg from Stellenbosch were involved in aspects of MERG's work. The others were either marginal to or absent from earlier movement processes, for one or other reason.

GEAR is a modelled macroeconomic framework constructed along neo-classical lines, unlike the structuralist MERG and DBSA models. Adelzadeh (1996) has argued that the model used was in fact that of South African Reserve Bank, which was used to underpin the apartheid regime's, neo-liberal Normative Economic Model. Neither the NEM nor the GEAR model has ever been made public, and thus has not been subjected to independent and rigorous critique by other professional economists. There is no evidence that the SARB model was adapted to take account of new circumstances or the policy-goals of the RDP (Adelzadeh, 1996:70).

The GEAR process still poses more questions than answers. Who did what in producing GEAR? What data bases were used for the modelling work? Was the secrecy surrounding it, and the announcement of its 'non-negotiability' just the normal way in which policy-documents are produced by governments, including ours? Is current SARB Governor Tito Mboweni correct, when he claims that had there been better consultation and discussion within the movement, most of the problems now surrounding GEAR would not have surfaced? (*Sunday Independent*, 1 June 1997).

### **Explaining the changing content of policy-advice**

What trends can one disentangle from the above account? There are of course a host of issues which can be analysed more fully: issues of race, gender, foreign-influence, political loyalty etc. However the remarks in the body of this paper on these issues, will have to suffice. Two more general comments can be developed, one related to changing organisational relations with the social movements, the second to the changing nature of the policy advice offered by progressive economists. The first trend in the complex process set out in the previous section is that of small, disparate, fragmented groups of mainly white male progressive economists and networks from the English-speaking universities working with a number of different social and labour movements in the mid-1980s, gradually merging by 1991 into a co-ordinated national and international research, training and policy-think tank, the Macroeconomic Research Group, in order to develop a macroeconomic framework for one major client, the ANC-led alliance. So a gradual process of organisational coherence in the relationship between academics and social and political movements characterised the decade of liberation. However before MERG's work was complete, fragmentation and divisions, some along new lines, began to emerge again among this community of economic experts and advisors as the democratic movement edged towards power. If the unbanning



of the ANC led many progressive economists to shed their misgivings about the Congress tradition and join in the movement's efforts to develop a programme for post-apartheid reconstruction, so the adjustments and compromises of the ANC since mid-1993, as part of the negotiations process, began to splinter the progressive economic community: some went along with what some have labelled the 'shift to the right in ANC economic thinking' others continued to hold out for more radical left alternatives.

A second major trend is that of the fairly rapid, albeit uneven and complex process through which the theoretical foundations of the economic analysis and policy advice offered by progressive economists changed over the decade of South Africa's liberation. From Neo-Marxism and the pursuit of a socialist alternative, to Regulation Theory, to a Cambridge approach in the tradition of Keynes, Marx, Kalecki, Robinson and Kaldor; to a post-Fordist vision of global competitiveness, and finally to a conservative and pragmatic Washington Consensus model.

Of course, there was nothing straightforward and unilinear about the processes of change either in the organisational form of this relationship or in the economic ideas advanced. Thus eg, although 3/4 economists were involved in nearly all of the policy think tanks from ET to GEAR, different coalitions of progressive economists led each of the think tanks which we have discussed. We would suggest that the 'fulcrum' of the policy-advice of this community of scholars, undoubtedly shifted to the right over the decade of South Africa's liberation. How can this be explained? A number of, sometimes mutually reinforcing, occasionally contradictory, explanations come to mind.

- Fine and Rustomjee have noted that social sciences in South Africa have been 'insulated or cushioned from intellectual developments elsewhere' (1996:248). Although some intellectual ideas were imported from time to time, differing from discipline to discipline, 'economics has been underdeveloped even from orthodox perspectives and political economy had tended to be practised more by those originating in other disciplines' (1996:248). Relative isolation, which intensified since the mid-1980s, a lack of innovative thinking, the absence of a broad-based and rigorous economics debating tradition, and the fact that most progressive economists working with social movements did not originally train as economists, left them extremely vulnerable to the neo-liberal juggernaut,

when these right-wing ideas, backed by powerful, global institutions and resources, entered South Africa in a big way after 1990.

- The engagement of progressive academic economists with social movements in South Africa coincided with a global political and intellectual swing to the right, a trend which began in the UK and US in the late 1970s and gathered momentum in the wake of the collapse of Soviet and eastern European style socialism in the late 1980s and early 1990s. The Washington Consensus, the belief that ‘free markets and sound money are the key to economic development’ (Krugman, in Bell, 1997:84), and that there is no alternative to this approach in contemporary conditions, was the hegemonic view, which South Africa’s progressive economists had to confront and counter in the 1990s. Many simply caved in to the Washington Consensus (albeit in various disguised forms) and some joined with the World Bank, for example, in co-writing economic policy documents for that organisation’s South African desk.
- The defeat, emasculation or disappearance of many civil society organisations in the 1990s, and the decision by many others, including COSATU, the SACP and SANCO, to accept the leadership of the ANC in the anti-apartheid struggle of the 1990s, gradually removed them from the policy world. In this way progressive academic economists lost direct touch with the dynamic and more radical traditions of these mass-based labour and social movements. Progressive academic economists found themselves relating more and more to the pressures of the ANC elite leadership, whose concerns and agendas were increasingly being set by conservative external forces and institutions. It is therefore not altogether surprising that this set of concerns, revolving mainly around notions of building business confidence, liberalisation, and deregulation, fiscal and monetary prudence, also became the language of the still rather naive, progressive economics community.
- The growing power and influence of South Africa’s corporate conglomerates over the direction of economic policy further eroded spaces for progressive thinking and ideas. Progressive ideas and policies coming from the academic community, which may have had the effect of reducing the power and profits of the conglomerates, were gradually shelved by the ANC leadership after about the middle of 1993. Thus, for example, the ISP researchers who earlier pushed hard for legislation and other measures

which would effectively break up the white-dominated South African conglomerates, later fell silent on this issue.

- The (business-supporting and financed) South African media also exerted huge pressures on all sections of the progressive community, including its academics and political advisors. Tito Mboweni, recalls, for example, how, when he was Deputy-head of the DEP, the campaign by the media scuttled his proposal for a reconstruction levy to finance reconstruction and development. 'The media's success in my case is clearly illustrated by the unwillingness of the ANC leadership to touch the issue of a reconstruction levy' (Mboweni,1994:72). This kind of pressure was also brought to bear on progressive economists, and reached its most intense and vitriolic form in the second half of the 1993, when MERG's relatively far-reaching proposals for transforming the financial system, among other issues, were leaked to the press.
- Most of these factors also directly influenced ANC economic thinking, and it was, we would argue, the shift to the right (a more pragmatic approach, some would argue) in ANC economic policy thinking, which made the most dramatic impact on the decisions and choices of South Africa's small progressive economics community. The reason for this, we would contend, lies in the attraction to power which academics have displayed for most of this century. For the left in the 1980s 'power' rested with the socialist-oriented workers' movement, and in particular with COSATU. In the 1990s it shifted to the multi-class, nationalist-oriented, ANC. Academics followed this trend, rather than resisted it, in the main.

Noted Berkeley sociologist, Michael Burawoy sets out the context within which this change in ANC economics thinking occurred:

Without a critical stance toward ... Soviet socialism, having never partaken in the debates about the meaning of socialism --- real and imaginary --- the liberation movement in power found itself without a cognitive map to navigate the enormous problems of national reconstruction. An 'exodus without a map', as Adler and Webster call it, became vulnerable to a neo-liberal redemption, especially when the entire globe is spell bound by the magic of the market (Burawoy, 1997:1).

Given this change in the economic philosophy of its political leadership, progressive economists suddenly found themselves having to make difficult choices. Many still chose to move into state jobs. Of the university-based progressive economists, some accepted this new thinking in the ANC *nominally* with the objective of trying to influence developments in a progressive manner from within movement structures. Others accepted the substance of the change more easily and chose to stay close to the ANC in order to secure the lucrative contracts, consultancies and commissions, which they believed (correctly) would come their way. Yet others, retreated into their universities to begin the important task of critique, albeit in new conditions. Some moved into relatively more abstract theoretical and empirical work. One group feeling demoralised and defeated settled into a period of academic silence. Only a handful have tried to combine the more complex task of a direct engagement with state structures, including over policy and governance, an association with civil society organisations of one form or another, and a with vigorous, progressive critique from a university-base.

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## **ACADEMICS AND ECONOMIC POLICY ADVICE AFTER GEAR.**

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As predicted in Padayachee (1998) the environment and context nearly a decade and a half after the 1994 transition, has changed in a way that allows little space for intellectuals, academics, or policy think tanks outside government to make any contribution to the truly big questions of macroeconomic policy frameworks or development strategy. Even constituencies such as COSATU and the SACP regularly complain about their ‘marginalisation’ from government policy forums and processes, something that government itself has equally regularly denied. For government these big questions have been answered by what it sees as the continuing salience of the RDP as a broad development strategy and by the macroeconomic framework of GEAR. (Manuel speech, as newsmaker of the year, 2006). But some important interactions have continued. Let’s look at a few examples of academics involvement in policy analysis and advice since 1997.

### **The Poverty and Inequality Report**

In 1997 the Office of the Deputy-President commissioned a Poverty and Inequality Report. The team headed by UKZN’s Julian May, consisted of the leading academics in South Africa, most with distinguished track records of work on poverty and inequality, and from all the major South African

Universities. Stephan Klassen, then Professor of Economics at the University of Munich and Liv Torres then Research Director at Fafo, Norway were the only 'foreigners' on the team. Pundy Pillay then Head of Policy Co-ordination in the Presidency noted that 'There is little doubt that the PIR represents the most comprehensive documentation and analysis of poverty and inequality that has been undertaken in South Africa since the University of Cape Town-led Second Carnegie Inquiry into Poverty of 1984. (May, 2000:viii/ix). Twelve major policy recommendations were proposed. These included maintaining or increasing the share of current government expenditure on social services; in the medium term, increasing the resources available to programmes for the redistribution of assets; maintaining the current system of social pensions while improving its efficiency; promoting labour-intensive approaches to the delivery of infrastructure and services by government; expanding micro-finance facilities; redirecting government resources to targetted schools at provincial level; prioritising urban and rural housing programmes and tenure. Pillay argued that 'the overwhelming majority of the reports recommendations have been taken into account in departmental policy and implementation strategies.' (May, 2000:ix). But what can one say about government's commitment to and implementation of, these policies 7 years later?

This is Julian May's assessment:

Unlike the RDP or the reports produced by ANC affiliated think tanks such as the LAPC, the footprint of the PIR is hard to discern in government policy. This is surprising since the report made numerous recommendations and indeed was described by Amartya Sen who was visiting South Africa at the time as resembling India's First Five Year Plan. However, although many of these recommendations have since become policies, the report itself is seldom mentioned in government documents. This may be because the PIR was never actually accepted as a government report, partly due to its silence on the labour market (a requirement of PIR's steering committee) and partly because it questioned aspects of GEAR at a time when the government would not engage in debate over its macroeconomic strategy. Critically, recommendations concerning poverty monitoring have not been taken up, and South Africa still has no official mechanism with which to measure progress in well-being. As a result, the most President's Review makes extensive use of data from the advertising industry disregarding what data is produced by Statistics South Africa. (Email correspondence 29 June 2007).

### **Policy-advice via Commission: The Lund Commission<sup>3</sup>**

Both the old and new governments have utilised the route of making policy via the appointment of Commissions, comprising a panel of external experts. The Wiehahn Commission appointed in 1977, to examine various aspects of labour relations in the wake of the on-going worker struggles, is arguably the most significant example in the late apartheid era. Note the following commentary of its value: ‘The recommendations of the Wiehahn Commission... produced a veritable watershed in labour relations in South Africa. After Wiehahn nothing would ever be the same again...no other official enquiry had as incisive an effect on the South African economy as the Wiehahn report had. An independent study found that more than eighty percent of the recommendations had been positively reacted to by government.’ (Botha, J, in Parsons, 2007:5).

Although the post-apartheid South African government employed commissions and committees to examine such pertinent policy issues as taxation (i.e. the Katz Commission sought to examine the country’s tax structure and devise reforms for how it could be improved), the Lund Committee (as it was later to become known) was one of the first of these types of organisations to emerge with a specific focus on *social policy*. The Lund Committee, headed by UKZN’s Professor Francie Lund, was established in 1996 to critically examine the existing system of state support (in all government departments) provided to South African families, to provide alternative policy options vis-à-vis improving access to social services for women with children and to develop strategies that would allow the state to more effectively target social programs to children and to families with children. The primary outcome of the research conducted by the Committee was to call for the adoption of a Child Support ‘Benefit’ (later to be re-phrased as a Child Support Grant (CSG)) to benefit (usually single) mothers. More broadly, the Committee sought to advocate the idea that providing *direct cash transfers* from government to the poor (in such forms as grants) could act as a viable and sustainable anti-poverty measure and was not, as many critics claimed, simply a means to generate ‘welfare dependence’ on the part of the poor.

The Committee was established largely out of the enthusiasm generated by Mandela’s Government of National Unity (GNU) and was aided by the GNU’s desire to make-good on a promise to provide strong ‘welfare’

programs to a *broadly-based* portion of society; something the apartheid-era government had obviously failed to do. As such, the Committee's operations largely became localised within the Department of Welfare, a government ministry whose capacity in terms of expertise was very low (although the Ministry of Health sought to play an active role in influencing Committee research at various points). While initially headed by members of the National Party, the Welfare portfolio soon came to be handed to Geraldine Fraser-Moloketi, whose enthusiasm for the Committee's work and desire to maintain stability in maintaining the same director-general to oversee the Committee's work at every stage of its consultations proved vital in guaranteeing the Committee relatively easy access to the ears of South Africa's new political leaders. At the same time, because the Committee was not cabinet-appointed but was set up by the welfare MINMEC, its status and access to funds was always in a tenuous position and influenced the way in which the Committee sought to operate (i.e. the Committee was cautious in its recommendations out of fear that the state would simply use its leverage over the MINMEC to deny it funding if its members advocated 'radical' positions).

Unlike apartheid-era commissions/committees dealing with social issues, which were almost always (white) male-dominated and thus often influenced by the conservatism of the Dutch Reformed Church, the welfare MINMEC assisted the Committee by helping it identify non-governmental organisations that would be willing to contribute members to the Committee or who would at least be open to consultation with Committee directors. As such, representatives came from such diverse organisations as the Rural Women's Movement, the National Children's Rights Committee and the Joint University Committee for Schools of Social Work. The fact that many of these representatives were women and that most were non-white, enhanced the Committee's representative nature and in addition to providing the Committee with the legitimacy of being supported by civil society, this representativeness enhanced the Committee's standing in the eyes of the state. The Committee was representative of the ideals of the 'new' South Africa and so the 'new' South African government was more willing to consider its ideas than would have been the case had this diversity not been in place. At the same time, because the Committee itself recognised that a lack of capacity plagued the welfare department at the national level and even more so at the provincial level (where MECs would have a great deal of responsibility in ensuring the CSG's distribution), its expectations were always 'realistically optimistic' and not too grandiose; something which also

probably gave the Committee higher standing in a government dealing with a huge array of often competing demands (i.e. between business and labour). The fact that the Committee was willing to compromise on some of its demands rather than hold to them in a rigid ideological fashion, seems to have made the Commission's demands more palatable to state actors.

Controversially, the Committee chose to work within the confines of the more 'restrictive' macroeconomic structure being devised by the new government (i.e. as partly laid out in GEAR) and this undoubtedly played a large role in explaining why the Committee was able to secure eventual support for its CSG idea (unlike other proposals which were rooted in the more interventionist approach to policymaking that was being cast aside by the ANC leadership). The Lund Committee itself justified adhering to 'fiscal restraint' in its own CSG proposals as a means to not only show the government that it was serious in not wishing to 'waste' the state's money but also as a protective measure to ensure that once government cost-cutting began, it would not come to identify an expensive and cumbersome child-based 'benefit' as something easy to eliminate in order to save money. Adhering to this 'restraint' brought severe criticisms from certain elements of civil society, most notably from COSATU, which claimed that the Committee was 'betraying' women and children by not calling for a higher degree of social spending on the CSG initiative. However, had the Committee not been flexible enough to adopt its ideas to the government's overall economic outlook, it *does* seem fair to suggest that the CSG itself would more likely have been viewed as a burden on the state's budget and its survival may have been less certain. Because the Committee did demonstrate this flexibility, however, the CSG was accepted as a necessary aspect of social policy *within* the more conservative macroeconomic framework being devised and its survival was thus basically guaranteed (even if the final CSG outcome was modified to the Committee's frustration in order to be accepted).

While the Committee was not successful in having all of its policy recommendations adopted by government (i.e. it was never able to generate political support for a wider-ranging set of social services for South African children), the successes it *did* achieve demonstrate a number of key lessons for how committees and commissions may go about influencing the policymaking process in different national contexts. First, it seems important for such bodies to seek out and take advantage of any prevailing academic or policy ideas (particularly when considered in other countries) that reinforce



the validity of the types of policies these groups intend to advocate. By doing so, it will likely be easier for the Commission or Committee to impress upon the state actors they seek to influence that their ideas have a basis in academic analysis and are not merely the product of interest-group politics or emotion-based advocacy.

The Lund Committee, for example, actively utilised the increasing body of research that was emerging both within South Africa and abroad on issues relating to social spending and child welfare (both of which were becoming popular in the early 1990s, perhaps as a response to a decline in neo-liberal orthodoxy and a belief in the 'minimalist' state?) as a means to influence state policymakers. Specifically, Committee members utilised this research in order to point out arguments that supported their idea of using direct cash 'benefits' as a means to lessen poverty and inequality and to provide single mothers and children with better access to resources. In the eyes of the new ANC government, which after the adoption of GEAR would have been hesitant to accept the expenditures that providing such a 'benefit' would entail, the Committee's ability to back-up their policy ideas with this wider body of research would have acted as a re-assurance that the Committee was basing its ideas on sound analysis and was not merely calling for rash spending on an intellectually 'unconsidered' idea with little chance of success.

In a similar vein, the fact that the Lund Committee was such an inter-disciplinary and demographically diverse body also seems to have increased its legitimacy in the eyes of the state. While it would have been easy for the government to merely dismiss the recommendations of a committee made up entirely of social workers or entirely of women, for example, the fact that the Committee was made up of (or at least actively consulted) economists (including men), social workers, grassroots NGO activists, labour representatives, etc. all ensured that the Committee's recommendations would be seen as having a broad-base of support within diverse sectors of society and would thus be more difficult to dismiss. Also, the fact that this diversity was enshrined in the make-up of the Itala Think tank (which played a key role in organising the Committee's research in the latter stages of the CSG-design process) acted to further bolster the group's credibility. For committees/commissions operating elsewhere, ensuring that this same heterogeneity of interests and perspectives are involved in the policy design process thus seems to be a strong pre-condition for enhancing the potential

of these groups' findings being taken seriously as a basis for government policy.

The most important issue for committees and commissions to consider when seeking policymaking power, however, lies in the politics of the states in which they operate. As our earlier comparative country-case studies suggest, if these groups are able to secure the support of a willing minister to support their cause, they (not surprisingly) have a greater chance of having their views considered at the formal policymaking level. The Lund Committee *was* able to access such a minister in the form of Geraldine Fraser-Moleketi, who took over as minister of welfare once the ANC took over the ministry (after the National Party which controlled the ministry immediately after 1994 withdrew from the GNU). Moleketi also ensured that the same supportive director general (Leila Patel) was maintained to oversee the Committee's work and to provide Moleketi herself with information on the Committee's ideas that she could then communicate to her parliamentary colleagues (with the result that she was able to drum-up support and interest in the Committee's work even before the Committee had released its recommendations). Had such a supportive minister and director general not been put in place (or had there been a re-shuffling of individuals in these two positions), political elites in charge of overseeing the Commission would never have been exposed to the Committee's members, goals or day-to-day activities on a consistent enough basis to become as personally invested in securing positive outcomes for the Committee's work as Moleketi undoubtedly was. When this political involvement is forthcoming, however, committees have access to a 'patron' who will be more likely to help ensure a 'fair hearing' for the committee's ideas.

At the same time, national politics also played a role in holding back the Committee's speed of success. In particular, while the Committee was able to work well within the confines of a supportive welfare department, the fact that this department had comparatively little leverage within the wider government compared to more powerful ministries, slowed the Committee's work and forced it to continue justifying its ideas even when they seemed to be gaining traction amongst a wide cross-section of political elites. For instance, despite the support the Committee received from the welfare department and (more grudgingly) from the Ministry of Health, the Ministry of Finance often expressed concern at the cost of providing the planned 'benefit' to women and children. Indeed, this ministry sought to convince the Committee to abandon its idea for the CSG and instead simply pursue

the distribution of less costly food vouchers as a means to ensure that women and children had access to needed resources. While the Finance Ministry eventually backed-down and accepted the adoption of the CSG (at distributive values below what the Committee desired), this example demonstrates how even within supposedly 'unified' governments, competition between ministries and a disparity of power between government departments (i.e. finance is always more powerful than welfare) may influence the extent to which Committees or Commissions are able to have their views accepted. At the very least, as the example of the Lund Committee demonstrates, this difference in ministerial interests and capabilities will at least force committee groups to defend the validity of their ideas against considerable scrutiny on a consistent basis and it will also force them to listen to competing ideas on how certain policy proposals should be put into practice; both of which may be frustrating for committee members but which serves to strengthen the democratic legitimacy of the policies they propose.

#### **South Africa's own 'Harvard boys':**

An interesting development on the South African policy advice scene has been the involvement of the 13 mainly Harvard-based economists, who it would appear have been brought in by the Treasury and the Presidency to conduct a 'fresh appraisal' of the government's economic policy. Not much about the Group's mandate, about how they were chosen, about how topics for research were chosen, about how their work is structured between the six monthly meetings in Pretoria etc is public. In fact there would appear to be two groups; The Harvard Group, consisting of Ricardo Hausmann, Dani Rodrik, James Robinson, Phillippe Aghion, Robert Z Lawrence, James Levinsohn (all Harvard), as well as a few from MIT and Princeton; and an International Panel of Experts, including all the above plus three from the UK (including LSE's Jonathan Leape and Lynne Thomas, and notably, Professor Laurence Harris (SOAS), who was a leading player in MERG, and a co-author of the MERG Report).

Based on their other research and publications, we would classify them broadly as having heterodox economic perspectives, arguably representing a kind of post-Washington Consensus. *Business Report* (3 February 2006) characterises the Group as being in broad agreement 'that the one-size-fits-all approach to promoting sustained growth in developing countries was just not working', and the Report quotes Hausmann was saying that the team was chosen 'on a criterion of excellence in the themes that we thought would be

relevant to South Africa', and that it was relatively 'free of orthodox hangups'. (3 February 2006). In an interview with the *Financial Times* (April 10 2007) The Minister of Finance, Trevor Manuel, who appears to have been the one who assembled the Group and whose Ministry funds their work, explains the mandate of the Harvard-Group as follows: 'We started working about two years ago with an international team of economists, a number of them Harvard-based, also from MIT, from LSE, from SOAS...and we're focusing on an approach to dealing with the binding constraints [in the economy]. The most recent work published on this was by Dani Roderick [sic] and Ricardo Hausmann. We are advancing on that ...Top of the list is the skills constraint...' Hausmann and Rodrik are well known for what has come to termed 'growth diagnostic analysis', which looks at the most significant constraints to economic growth: according to Rodrik 'the trick is to find those areas where reform will yield the greatest return, or where we can get the biggest bang for the reform buck' (quoted in *Business Report* 3 February 2006).

Though the Group and Panel meet with a variety of economists working within government, no independent South African academic economists are formally part of the group. It would appear that some, such as the economists at Stellenbosch's Bureau for Economic Research, are occasionally invited to participate and are invited to workshops depending on the topic under debate. We wonder what those so openly critical of the role of 'foreign economists' in the MERG process would say about this bunch of 'foreigners.' Perhaps little, as these are not left-wing radicals; nor is there currently as much at stake as there appeared to be in the mid-1990s. Local private sector economists generally welcomed the work of the Group, Pan-African Capital Holdings' Iraj Abedian, for example, argued that they were 'presumably fresh, unbiased and have no legacy and/or local political agendas attached to them' [meaning, presumably, unlike most local economists]. Raymond Parsons, currently an Economics Professor at Pretoria and convenor of Nedlac's Business Forum, welcomed them as a 'valuable addition' to current economic debate (*Business Report* 3 February 2006).

### **Formulating policy for Durban's Informal Economy**

In November 1999, a Technical task Team (TTT) was established by the North Central Local Council and the South Central Local Council to formulate an 'effective and inclusive' informal economy policy. The TTT invited academics Francie Lund and Caroline Skinner from the School of Development Studies (UKZN) to serve as 'external advisers.' (Lund and

Skinner, 2004: 440). Both had been integrally involved in research for a national organisation of informal women workers known as the Self-Employed Women's Union (SEWU), which (uniquely) had been active in significant policy-making forums during the transition. Both these social scientists had also played active roles in the international research and advocacy network called Women in Informal Employment: Globalising and Organising (WIEGO).

The TTT report that was adopted at the end of 2000, was a clearly progressive one: it argued that the informal economy was here to stay, and that the informal economy 'should be mainstreamed into thinking about the city's economy and development' (Lund and Skinner, 2004:441). Not surprisingly, Durban's informal economy policy (especially the way in which it integrated street traders into city plans, as exemplified, among other things, by the urban renewal project around Warwick Junction which provided well-designed and attractive trader infrastructure) has been described as impressive (Grest, 2002; Hemson, 2003; Saunders, 2004, noted in Lund and Skinner, 2004:437).

Although questions have more recently arisen about the City's continuing commitment to the informal economy policy this was within its limits, an interesting example of a successful intervention by progressive academics in the local policy process. How is this to be explained? Lund and Skinner address this issue, and among the factors they point to, is the critical role of a 'champion' a city official within the Council who was a member of the TTT; the time given to the Team by the Council, which allowed for the external advisers to get 'institutionally connected' and for new research to be commissioned where necessary; a knowledgeable and committed Chair; and an adequate budget, covering line item expenditure for the vital communications and consultation process (Lund and Skinner, 2004:453).

We would argue that an additional factor here (also relevant to the national scene in the late 1980s and early to mid 1990s) is what Adam Habib (2004) has defined as 'substantive uncertainty': a political context which enhances ordinary citizens' leverage over state elites. We understand the notion to include a situation in which elites and state bureaucrats and elected representatives in a transitional context are caught in state of flux and uncertainty; yet to settle into their positions and understand the relative power of their multi-class constituencies and led by their recent past (likely

to be progressive and activist) progressive ideas and agents are ‘allowed’ the space to inform policy.

Durban’s local government bore the hallmarks of a unsettling transition in the post-apartheid period: since the 1996 local government elections the ANC held the balance of power, but with 6 sub-councils all with different political configurations of party political representation, this power was rather dispersed: the IFP, DP, NP, and the Minority Front were not insignificant players across some Councils (Durban had 6 major Councils, widely different in race and class terms) and a degree of competition over power, authority and resources characterised this phase. And even within the ANC rivalries, traditions and personal differences among its elected representatives over development priorities, began to surface.

In the early period (the second half of the 1990s) progressive bureaucrats (many former activists), were also able to push through more progressive policy positions in the intestines of this complex transition. This was the period in which external academic advisors appear to have most influential. But this changed after the December 2000 elections when the ANC assumed a firmer grip, and settled into power, and began to control the policy process from City Hall. With the concentration of power after the sub-councils were reduced in number and then scrapped, the centralised Metro had to incorporate the (often conflicting and competing) needs of local poor communities, local capital and small traders across the entire municipality: in this context the space for progressive interventions narrowed: issues such as cleanliness and order become as or more important than, say, street trader needs, better to attract foreign tourists and accommodate capital’s needs. Not surprisingly in this context reactionary responses towards street traders (harrassment, confiscation of goods, and even brutality and violence) have since become regular occurrences (see eg *Mercury*, 19, 20 June 2007 for accounts and visuals of the brutal attacks by City Police on street traders, ostensibly for not being able to display their trading licenses) – a far cry from earlier claims that Durban’s street trader policy was the most progressive in the country.

In an article responding to the June 2007 ‘beating and arrests of hawkers’ reporter Greg Arde quotes Caroline Skinner as follows on this point: ...the clashes were also a show of force by some council officials preoccupied with pitching Durban as a world-class city of European standards ahead of the Fifa World Cup in 2010. She said council’s attitude

towards street traders hardened in 2005 about the time national police strategies mistakenly lumped street traders and crime together (*Mercury*, 29 June 2007).

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## CONCLUSION

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In 1997/8, Padayachee argued that South Africa's transition to democracy and development was far from complete. The task of progressive economists, political economists and social scientists in this transitional context, he argued, was actively to re-build relationships with modernising social movements in civil society, while at the same time, wherever possible, to expand the new spaces opened up at the level of the state by the triumph over apartheid oppression (Padayachee, 1998).

A number of problems have emerged in recent times in regard to giving effect to the multi-pronged approach we have proposed. One is that the strategic and political vision, as well as the organisational capacity, of most civil society organisations, including the unions, have been badly affected by aspects of the transition. The capacity within, and indeed the willingness of, such organisations to relate to the academic community and absorb its ideas in dynamic interaction (like the unions did in the 1980s) have deteriorated.

A second is a sense we have that the spaces for progressive engagement within the state over really big questions of policy have closed up. The conditions that prevailed in Chile and Indonesia, and which facilitated the absorption of the ideas of academic economists and think tanks, do not appear to have obtained in South Africa over the period under consideration here. The government has consolidated a new, committed and pragmatic economic and technical elite, drawn in part from the former progressive economic community, but also from the rump of the old apartheid state machinery. Many of these highly competent people are to be found in the two pre-eminent economic institutions/policy centres of the new South Africa: the National Treasury and the South African Reserve Bank, where truly formidable, world class teams have been recruited and trained around macroeconomic policy formulation and research support. Technical economic advice from independent academic economists is no longer that important, and more radical alternative ideas and critique that challenge existing policy

appear to be eschewed, despite some talk from the top of the importance of robust and critical intellectual debate in shaping policy.

However, even if direct forms of engagements with the state and civil society organisations over the hegemonic economic frameworks are ruled out for these or other reasons, there still remain challenging and important tasks for South Africa's progressive academics, including its economists, to busy themselves with in the post-apartheid era. These tasks, which Padayachee first raised 10 years ago, remain equally valid. On the one hand, university-based and independent academic economists need to continue to play their traditional and vital role of critic on the side of the poor and vulnerable. In Bellamy Foster's words, these include the necessity:

to advance a politics of the truth; to avoid easy compromises; to address the immediate and long-term needs of the mass of the population and of those who suffer the most severe forms of oppression; to search for the common ground of that oppression; to resist ideological claims that 'we are all in the same boat' in this society; to reject what Mills called the 'crackpot realism' that makes the status quo into a kind of inescapable second nature and closes off the future; to fight market fetishism. In short, to avoid making what Raymond Williams called 'long-term adjustments to short-term problems' (John Bellamy Foster, in Padayachee, 1998).

On the other hand, for those who had been part of the progressive academic economic community opposed to the apartheid regime, there is an equally important task and obligation – and that is to support economic institutions in the new context, both in terms of offering independent research-based policy advice and economic analysis as well as (where possible) in areas of administration and governance. This may be easier said than done: for one thing, it involves the difficult task of balancing one's commitment to academic traditions (including independence) one's personal history and support for working class, poor and marginalised communities and their organisations, and one's commitment to making the new South Africa work.

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## ENDNOTES

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1. Vishnu Padayachee is Senior Professor, and Graham Sherbut a Masters student and Research Assistant, in the School of Development Studies, Howard College, University of KwaZulu-Natal, Durban. We thank Jannie



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2. For a critique of the GEAR programme see Michie and Padayachee (1997); Michie and Padayachee (1998,); Adelzadeh (1996).
3. The analysis in this section draws on Lund's forthcoming monograph (2007).

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