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# IDEAS AND POWER

## ACADEMIC ECONOMISTS AND THE MAKING OF POLICY

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*From the struggle years of the mid-1980s to the gearshift of the mid-1990s, progressive academic economists played a tangled role in the development of South Africa's post-apartheid economic policy.*

### THE DECADE OF LIBERATION

For the progressive anti-apartheid academic community, the mid-1980s was a period of feverish excitement. Led by the United Democratic Front (UDF), labour, civic and political mobilisation reached new heights following the township turmoil that began in November 1984. The independent non-racial trade union federation, the Congress of South African Trade Unions (Cosatu), was formed in December 1985. Internationally, the sanctions campaign intensified, culminating in the US Comprehensive Anti-apartheid Act of 1986. In mid-1985, a partial state of emergency was declared; it became total one year later. These and other developments stimulated the establishment of new research organisations to provide support to progressive movements and formations.

These networks – which were frequently harassed by the state security police and forced to meet and work secretly – were led by young social scientists and economists, mainly white and male. Many had returned from studies in British and European universities in the 1970s, where they had fallen under the spell of Western Marxism. Some South African academics linked up with non-university-based research networks. Others set up or joined the externally funded research centres that were formed in the second half of the 1980s. These included the Labour and Economic Research Centre, the Community Agency for Social Enquiry, the Community Research and Information Centre, the Community Research Unit, the Labour Research Service, the Labour and Economic Research Project, the Sociology of Work Programme, Planact, the Centre for Health Policy Studies, the Centre for Development Studies and various regional education policy units.

A research consortium called Economic Research on South Africa (Erosa) was formed in the United Kingdom in the mid-1980s by a small group of progressive economists (including University of London SOAS-based Marxist economists Ben Fine and Laurence Harris and the well-known

South African émigré banker Vella Pillay), together with some members of the African National Congress (ANC)'s department of economic planning (DEP). Erosa's research moved beyond critique into policy recommendations, including work on the minerals-energy complex, the savings-investment constraint, and the nature of the South African financial system. The group related to the ANC-in-exile through Pillay, Max Sisulu and Pallo Jordan.

The development of academic-led thinktanks was boosted by a number of milestone international conferences. The first was held at York University in England in 1986, with the theme: "The South African economy after apartheid". The conference brought together anti-apartheid liberal and leftwing economists whose participation was closely vetted by the ANC. Off-agenda meetings between South African academics and the ANC delegation, which included Essop Pahad, Harold Wolpe, Rob Davies and Wally Mongane Serote, were held under conditions of secrecy. While the conference did not come up with any significant policy positions, it did bring together for the first time some key people who would play an important role in the economic policy debate in South Africa.

A veritable flood of anti-apartheid policy conferences followed. Progressive South African social scientists and economists were able to connect with high-ranking members of the still-banned ANC, South African Communist Party (SACP) and South African Congress of Trade Unions (Sactu).

## ECONOMIC TRENDS RESEARCH GROUP

The Economic Trends Research Group (ET) was initiated at Cosatu's request in late 1986. Co-ordinated by Stephen Gelb, a Canadian-trained South African economic historian-turned-economist,



## From neo-Marxism and socialist alternatives in the 1970s and '80s to a conservative and "pragmatic" Washington Consensus model by the mid-'90s: how can this shift to the right be explained?

ET began with eight researchers based in Johannesburg, Durban and Cape Town. By late 1990, membership had grown to 21. ET's initial work was to examine the likely impact of sanctions on the economy and on Cosatu membership. However, it soon broadened its scope to examine the structure of the South African economy and the nature and origins of the crisis that had beset the economy since the early 1970s. That culminated in a major report to Cosatu and a 1991 book, *South Africa's Economic Crisis*. The theoretical foundation of the research was "racial Fordism", Gelb's South African adaptation of the French Regulation School.

One of ET's main claims to fame is to have forged an effective working relationship between mainly university-based researchers and a major national labour movement. However, the links were neither highly structured nor as strong as many believe. Key to its success were the mainly white male "organic intellectuals" of the union movement, most from the National Union of Metalworkers of South Africa (Numsa),

including Alec Erwin, Jay Naidoo, Bernie Fanaroff and Geoff Schreiner. Even as late as September 1989, there was an intense debate about extending ET's reach more formally into the union federation. According to original hand-written notes from a Cape Town meeting, Alec Erwin argued passionately for ET to form closer relations with the structures that some unions had set up to look at economic policy: "This is a time of acute political change. Organisations and intellectuals need to engage. Let's not establish a broad bank of knowledge first and then intervene, but get into research and policy formulation, learn from other experiences and press on". But this plea met with resistance.

I would argue that the ANC in London was highly suspicious of the ET leadership. Some ET researchers were also reluctant to have their work directly associated with the political movement. There were also concerns, both within and outside the group, about the appropriateness of the theoretical approach. As Ben Fine noted a few years later:

Gelb's 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)

## THE MACRO-ECONOMIC RESEARCH GROUP

During a visit to Canada in June 1990, ANC President Nelson Mandela spoke 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). A team of Canadian and African economists (headed by Gerry Helleiner, and including >>

John Loxley and Benno Ndulu) was appointed to make recommendations to the political leadership for improving the movement's capacity to formulate economic policy. Their work was co-ordinated by Canada's International Development Research Centre (IDRC).

The team made two major recommendations. The first suggested that the movement enhance its capacity to monitor economic developments arising from the actions and policies of the apartheid state and the private sector. The second called for the establishment of a local and international Macroeconomic Research Group (Merg), to "stimulate and co-ordinate policy research and training in the identified priority areas" (Van Ameringen 1995, 41).

Merg was led by a steering committee of representatives from the ANC, Cosatu and the South African National Civics Congress (Sanco) – although Sanco was hardly a presence at any level of the Merg process, for reasons that remain unclear. Merg's training and capacity building programme aimed to build a core of some 200 to 300 black economists by the end of April 1994. The research programme, launched in January 1991, identified 11 projects, including a macroeconomic framework and a model of the South African economy. Leading international economists (among them, Australian modeller Peter Brain and the New School's Lance Taylor) came for lengthy periods to train South African researchers, and selected young black South African economists were sent abroad for short courses or formal postgraduate studies. Some of the leading bureaucrats now in the National Treasury and other state departments were beneficiaries of this scheme. Over two years, Merg research teams produced 45 research papers.

In March 1993, the Merg steering committee set up a reference team and

editorial committee of both local and international economists to produce a macroeconomic framework. Their meetings with key ANC policymakers were particularly tense. The DEP argued that they were regularly ignored or countermanded by Merg officials, and that ANC policy documents were not being used as a basis for Merg's work.

At a formal media launch in December 1993, following widespread debate involving the ANC and Cosatu, the editorial committee presented the final report to the democratic movement. At the meeting, the head of the DEP publicly rejected it in its entirety. The report was later published as *Making Democracy Work: A Framework for Macroeconomic Policy in South Africa* (Bellville: Centre for Development Studies). Vella Pillay had secured a foreword from Nelson Mandela, but this was vetoed by the DEP.

The Merg exercise holds several lessons concerning the role of progressive academics in policy research. Firstly, the antagonistic relationship between local and foreign (mainly British) academics reflected different cultures and histories of policy engagement. Secondly, the urgent need to present policy options tended to conflict with the longer-term task of training and capacity building. Thirdly, the role of international economists was unnecessarily controversial. It was argued that the "disproportionate" number of foreigners effectively wrenched the policy process out of the hands of South African nationals, and made it more "top-down" than was originally envisaged. Kentridge (1993) writes that Stellenbosch economist Servaas van den Berg complained to DEP head Trevor Manuel, "that not since colonial days had South Africa's economic policy been drawn up by foreign economists".

Despite all the difficulties, the Merg Report was widely acknowledged as an

important challenge to the National Party government's Normative Economic Model (NEM). Sanco placed it "among the most rigorous, even-handed and stimulating ever produced about the South African economy". The SACP's Jeremy Cronin said it demonstrated that "we [on the left] can reconstruct without resorting to voodoo economics" (personal correspondence with Merg co-ordinator). The Sunday Times (28 November 1993) observed that the Report's tone was "sober" and "considered", and positive reviews appeared in international journals like the *International Review of Applied Economics*:

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)

So why was it dumped in such a public manner? Jeremy Cronin argued that the absence of Merg's "outstanding British economists" in the debate following the Report's launch contributed to the project's marginalisation (*Weekly Mail*, 20–26 June 1997). This may be part of the explanation, but I would argue that the ANC leadership and some local economists had become convinced that an interventionist, Keynesian, social democratic "growth through redistribution" model was outdated and that, given prevailing global power relations, there was no alternative to a Washington Consensus approach. Ironically, even the World Bank – following its 1993 East Asian Miracle report – was beginning to distance itself from this hardcore neo-liberalism.

In 2007, in the context of an increasingly strident debate over economic policy, Terry Bell noted,

“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 thinktank, the Macroeconomic Research Group (Merg), which drafted – and controversially discarded – the first post-apartheid macroeconomic statement” (Bell 2007).

## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME

In contrast to Merg, academic economists had almost no role in drafting the Reconstruction and Development Programme (RDP), which was launched as the ANC economic manifesto just before the April 1994 elections. Instead, as Patrick Bond observed, “several dozen praxis intellectuals from the NGOs and labour drafted the document, partly, I 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).

Four or five workshops were held, each attended by about 100 members from movement structures, making it arguably the most democratic process to formulate an opposition economics document. But it did not involve many academics. It appears that the grassroots leaders charged with driving the RDP did not trust what may have seemed endless theoretical debates when the need for decisive policy positions appeared most crucial. Bond, who was a key figure in the process and later served in President Mandela’s RDP office, believed that the ANC leadership was not entirely comfortable with the RDP, and that their acceptance of it as a basis for post-apartheid reconstruction was a political act. It became little more than a discursive symbol around the time of elections and immediately thereafter (ibid.).



## The antagonistic relationship between local and foreign (mainly British) academics reflected different cultures and histories of policy engagement.

The final version of the RDP was not the radical document many people thought it was – and some still believe today. Its recommendations in respect of trade, monetary and exchange rate policy and the independence of the Reserve Bank, among others, closely tracked Washington Consensus thinking. As Bond noted, “status quo” forces, both South African and international, had made great efforts since 1990 to influence the political leadership of the ANC. In the end, the RDP reflected an uneasy compromise that combined “a social welfare state in the developmental sphere with neoliberalism in the economic sphere” (Bond 2000:54).

## THE GROWTH, EMPLOYMENT AND REDISTRIBUTION PROGRAMME

The publication in February 1996 of South African Foundation’s Growth for All strategy, followed shortly thereafter by the labour movement’s Growth and Equity document and the dramatic collapse of the currency in the first quarter of 1996, all forced the hand of the ANC-led Government of National Unity into producing its own macroeconomic framework document,

in part to reassure jittery international markets of its fiscal prudence. On 14 June 1996, Finance Minister Trevor Manuel unveiled the “non-negotiable” Growth, Employment and Redistribution (Gear) programme.

The document acknowledges the assistance of a team of 17 technical experts, of whom 16 were white and 16 were men. Six were from South African universities, 3 worked at the Development Bank of Southern Africa, 2 at the World Bank, 2 at the South African Reserve Bank, and one each were from the departments of finance, labour, trade and industry, and the deputy-president’s office. Only 7 of the economists had been involved in the earlier policy processes of the movement.

There is still surprisingly much that we do not know about the process that led to the production of Gear. Who did what? What databases were used for the modelling work? Was the secrecy surrounding it and the announcement of its “non-negotiability” just the normal way that governments produce policy documents? Was former SARB Governor Tito Mboweni correct to claim that most of the problems surrounding Gear would not have surfaced had there been better consultation within the movement (Sunday Independent, 1 June 1997)?

## SOME CRITIQUES

In a prescient 1996 article, Mike Morris referred back to the Economic Trends research group and its relationship with COSATU, warning that the legacy of the past may lead political activists and intellectuals in two dangerous and contradictory ways: one to return to a totalising framework – romantic, appealing, unrealisable slogans of the past – and the other to slide into the “technicist logic” of apartheid-era policymakers. This is dangerous 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: 53) argued that left intellectuals largely followed the current into the “corporatist statism” of the 1990s and conformed to Mamdani’s characterisation of African intellectuals as “state fetishists”. He charged progressive economists with placing too much faith in the new state to resolve the problems of development and ignoring popular organisations. By the early 1990s, the responsibility for economic transformation was left entirely to the state.

In a blistering polemic, Desai and Bohmke traced what they term the current “retreat” in the thinking and practice of progressive South African social scientists and economists from the mid-1980s. The mainly white male economists in the ET group, knit together in an anti-apartheid “Bohemian” sub-culture, were closely allied to the non-racial trade union movement and distinguished themselves by criticising the ANC-led liberation movement when they felt this necessary. However, with the demise of apartheid, the “bottom fell out of their market” and as “the new government moved to the right”, the 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 by quickly becoming consultants to the ANC, and then by providing academic rationalisation for the new neoliberal economic philosophy: “Because this same set had so dominated left-thinking in South Africa, their betrayal has all but crushed a critique of the transition” (Ibid: 32).

## THE CHANGING CONTENT OF POLICY ADVICE

Two general trends are evident from the above account. First, that the decade of liberation was characterised by a gradual process of organisational coherence in the relationship between academics and social and political movements. However, before Merg’s work was complete, divisions began to emerge as the democratic movement edged towards power.

The second trend is the relatively rapid change of the theoretical foundations of the advice offered by economists. From neo-Marxism and socialist alternatives in the 1970s and 1980s, to regulation theory, to a Keynesian approach, to a post-Fordist vision of global competitiveness, and finally, by the mid-1990s, to a conservative and “pragmatic” Washington Consensus model: how can this shift to the right be explained?

A number of explanations – some mutually reinforcing, others contradictory – come to mind:

- relative isolation, which intensified after 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
- a global political and intellectual swing after the collapse of Soviet and eastern European style socialism. The Washington Consensus was the hegemonic view that South Africa’s progressive economists had to confront and counter in the 1990s
- the marginalisation of many civil society organisations in the 1990s, and the decision by Cosatu, the SACP and Sanco to accept

the leadership of the ANC in the liberation struggle. Progressive academic economists lost direct touch with the radical traditions of the mass-based movements, and related more and more to the pressures of the ANC leadership, whose agendas were increasingly being set by conservative forces

- the growing influence of South Africa’s corporate conglomerates over the direction of economic policy further eroded spaces for progressive thinking and ideas
- the mainstream media exerted huge pressures on the progressive community, including its academics and political advisors.

Most of these factors also directly influenced and shifted economic thinking within the ANC, and I would argue that it was this that made the most significant impact on the small progressive economics community. The reason lies in the attraction to power that academics all over the world have displayed throughout history. For the left in the 1980s, “power” rested with the socialist-oriented workers’ movement and Cosatu. In the 1990s, it shifted to the multi-class nationalist-oriented ANC. Many progressive academics followed this trend, contributing to their subsequent disempowerment when, after the initial honeymoon was over, critical intellectual skills were most needed. Noted Berkeley sociologist Michael Burawoy (1997:1) sets out the context:

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 spellbound by the magic of the market.

Given the change in the economic philosophy of its political leadership, progressive economists suddenly found themselves having to make difficult choices. Many chose to move into state jobs. Some *nominally* accepted this new thinking with the objective of trying to influence developments from within movement structures. Others accepted the change more easily and chose to stay close to the ANC in order to secure the lucrative contracts that they believed (correctly) would come their way. Yet others retreated into their universities to resume the task of critique, albeit in new conditions. One group, feeling demoralised and defeated, settled into a period of academic silence. Only a handful have tried to combine a vigorous, progressive critique with direct engagement with state structures and structured links with civil society organisations.

## SINCE GEAR

As predicted in Padayachee (1998), the spaces for progressive engagement over the really big questions of development strategy and macroeconomic policy within the state have closed up. 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 old apartheid state machinery. Many can be found in the two pre-eminent economic institutions of the new South Africa: the National Treasury and the Reserve Bank. The National Treasury has also funded Economic Research Southern Africa (Ersa), which supports research and organises high-level workshops on both theoretical and policy issues that are often attended by state bureaucrats. For monetary and

fiscal policy, state institutions turn principally to economists at the Universities of Stellenbosch and Pretoria.

Among international economists, the state values the input of the so-called “Harvard Boys”, including Dani Rodrik and Ricardo Housman. Of those international comrades engaged in previous economic policy networks, to my knowledge, the Reserve Bank and the Treasury only call regularly on SOAS’s Laurence Harris. Technical advice from independent academic economists is no longer that important and radical alternative ideas and critique appear to be eschewed – despite occasional talk from the top of the importance of “robust and critical intellectual debate” in shaping policy. In contrast, some Cosatu affiliates and Numsa continue to engage the services of the still radical SOAS economist Ben Fine and some of his associates now based in the Wits University economics department.

Challenging and important tasks remain for South Africa’s progressive academics, including its economists, to busy themselves with in the post-apartheid era. In John Bellamy Foster’s words – which I quoted in my University of Natal inaugural address nearly 15 years ago, and which remain valid today – 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”. (Foster 1990: 286)

The acute economic, social, environmental and political crisis facing both South Africa and the world today, and the dramatic growth and rapid spread of anti-establishment protest movements, all suggest that progressive economists and social scientists need to take up both old and new challenges with even greater urgency than when the Berlin Wall fell and Nelson Mandela walked out of prison over 20 years ago. [NA](#)

## NOTE

This is a shortened and edited version of the author’s 2011 Dr AB Xuma Memorial Lecture at Rhodes University.

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