most optimistic (but least probable!) scenario, 2030 unemployment will be 12% — not the zero promised by the defunct National Development Plan, but also not the 37% where we are headed at present, according to the forecasts of the economic model.

Gordon Young's contribution on Black Economic Disempowerment also points to the need for a policy shift – away from concentrating on black ownership as an end, towards black business success as the means for real, wider empowerment. Portraying our government as a well-meaning but blind, clumsy giant (new acronym BCG?) he points the way, but expresses no optimism for sense prevailing.

Eskom is the underlying theme of our cover illustration. *New Agenda* reflects on the cold war between the upfront CEO of Eskom and the obdurate and blinkered minister responsible for energy foresight and planning. There is no short-term recovery possible and the journey onwards – whoever comes out on top – will mean several more years of the self-created power blight that deadens our economic prospects.

Etienne Vlok points to the launch of the African Continental Free Trade Area as an impressive achievement that could assist economic regeneration. This will, however, require considerable investment in infrastructure, completely new attitudes to border controls and actual goodwill between countries. Free trade presents threats to labour standards for organised workers. The nature of many international supply chains also present major obstacles for link-climbing, particularly when some parties prioritise "localisation" strategies.

Finally, IFAA is delighted that world-renowned development economist, Professor Ha-Joon Chang of the University of Cambridge, accepted an invitation to deliver the inaugural Ben Turok Memorial lecture in Cape Town on 30 November. The full lecture will be available on the IFAA website and on the UWC Facebook page. NA

Sustainability in all dimensions

and phantsi neo-liberalism, phantsi!

By Martin Nicol

Dr Nicol is the guest editor of the Institute for African Alternative's flagship magazine, *New Agenda*, and the senior researcher on IFAA's Checks and Balances Project. With a background in trade unionism and political activism, he retired from the research unit of the South African Parliament in 2019.

The inaugural Ben Turok Memorial Lecture was delivered in Cape Town on 30 November 2021 by the eminent economist and author, Ha-Joon Chang, Professor of Political Economy of Development at the University of Cambridge. The title of the lecture was "Structural Transformation and Sustainability – Changing Role of the State in Developing Countries." MARTIN NICOL provides a summary of what the professor had to say.

The lecture was given before an audience in the Ashley Kriel Memorial Hall at Community House, Salt River – the same complex as the IFAA offices. It was also streamed online via Zoom and Facebook. The lecture was introduced by Cde Kgalema Motlanthe in a recorded message. Introductory remarks were also made by Professor Tyrone Pretorius, Rector and Vice-Chancellor at the University of the Western Cape (UWC), Zunaid Moolla, Director of IFAA, Ivan Turok, representing the family, and Umesh Bawa, Director: International Relations, UWC. Professor Julian May, director of the Centre of Excellence in Food Security, UWC, introduced the keynote speaker. ››

In the spirit of Ben Turok, the lecture was argumentative and challenging. Professor Chang did not pull any punches as he outlined the dire effects of economic orthodoxy, neo-liberalism and so-called independent institutions on the growth path of developing countries, particularly since 1980. As he has said elsewhere, for him, economics is a tool for changing the world, not for explaining why the world is as we find it. (Pilling, 2013). The key point of the lecture was that the first step in making the world a better place is to challenge conventional wisdom about what is possible.

This came after a concise but wide-ranging reflection on the role of the state in developing countries by examining the global history of capitalism in the last few centuries.

Professor Chang said he had first met Ben Turok in the early 1990s. Just a few years on, the initial hope of a new, progressive South Africa, embodied in the Reconstruction and Development Programme (RDP) of the early transition years, was fast fading away. As someone who had been involved – on the margins, he said – in South African policy debates since 1991, he was deeply upset by the neo-liberal turn that the country was taking under the iron grip of the Growth, Employment and Redistribution (GEAR) framework at that time.

Many people in the ANC, including Ben, were unhappy about this policy shift, but—unlike Ben!—most of them kept quiet. GEAR was said to be, as its promoters then put it, "non-negotiable". Professor Chang, in his first challenge to the audience, asked how something can be non-negotiable in a democracy.

In his tribute to Ben Turok, Professor Chang said Ben seemed to be one of the few people in the ANC who were willing to keep his "head above the parapet", as one of his book titles went, and to criticise GEAR openly. As a progressive thinker and actor, Ben

"... economics is a tool for changing the world, not for explaining why the world is as we find it.

was a great believer in the power of democratic collective action, where the national government, or the state, is the main theatre. He said Ben always fought for the South African state to implement economic and social policies that benefitted all citizens, and not just a small group of privileged people, whether it was under apartheid or under the ANC rule.

This explains the themes Professor Chang covered in the lecture: what the role of the state should be in developing societies, how it has been changing, and how it should change.

In a brief review of capitalism, Professor Chang said so-called developing countries today are all products of colonialism and imperialism by the core capitalist countries. Like South Africa, many of them were colonised, ruled and settled by people from the imperialist countries. Even countries that were not formally colonised, such as China, Iran, or Thailand, were not free from imperialism. They were subjected to so-called "unequal treaties" which deprived them of much of their autonomy.

Typically, the subjugated country would lose land to the invaders, he explained. It would be forced to sell natural resources, such as minerals and forests, at below-market prices. And it would be forced to practise free trade. The "free" in free trade only means freedom of those who are engaged in international trade from government interference – nothing more.

Given this history, it was natural that the oppressed countries sought to promote economic development through state intervention after they were decolonised or were free of unequal treaties. They abandoned the free-trade, free-market policies that had been imposed on them by their former colonial masters and started pursuing state-led economic development.

According to Professor Chang, by the 1960s and the 1970s, what came to be known as state-led industrialisation (SLI) or import-substitution industrialisation (ISI) was pursued in most developing countries – albeit with different degrees of success. Policy packages included economic planning (of varying effectiveness); state-ownership of key industries; import protection (through tariffs, quotas and bans); restrictions on foreign investments; and state control over foreign exchange.

However, most developing countries were forced to abandon their state-led development strategy, when the Third World Debt Crisis of 1982 hit and they were subject to the Structural Adjustment Program (SAP) of the International Monetary Fund (IMF) and the World Bank. This involved liberalisation of international trade

> **Ben always fought for the South African state to implement economic and social policies that benefitted all citizens, and not just a small group of privileged people.**

At the rostrum: (left) Umesh Bawa, Director of International Relations, University of the Western Cape; (right) Zunaid Moolla, Director of the Institute for African Alternatives.

and investments; deregulation of the domestic economy, including the financial market and the labour market; privatisation of state-owned enterprises (SOEs) and many government services; fiscal retrenchment, especially in relation to social spending; pro-cyclical macroeconomic policy (e.g. "austerity" in economic downturns); and giving disproportionate power to a politically independent central bank that pursues low inflation in a single-minded way.

"Neo-liberal policies that were introduced during the 1980s still dominate the policy-making scene in much of the developing world," the professor said.

Supporters of neo-liberalism claim that their policies "saved" the developing countries from the inefficiencies and stagnation of ISI policies. This is a total misrepresentation.

He referred to the records of neo-liberalism which instead tell stories of rising inequality and increasing economic instability. While price stability has generally – although not universally – increased under neo-liberalism, other forms of economic instability – output, employment and especially financial instabilities – have increased. The professor recalled the many major financial crises across the globe we have witnessed.

The ultimate problem, however, with neo-liberalism, said Professor Chang, is that it has failed to generate faster economic growth in whose name neo-liberal reforms were justified. In the "bad old days" of protectionism, regulation and higher taxes, between 1955 and 1980, the world economy was growing at 2.6% in per capita terms. In the next four decades of neo-liberalism, the growth rate was nearly halved to 1.5%.

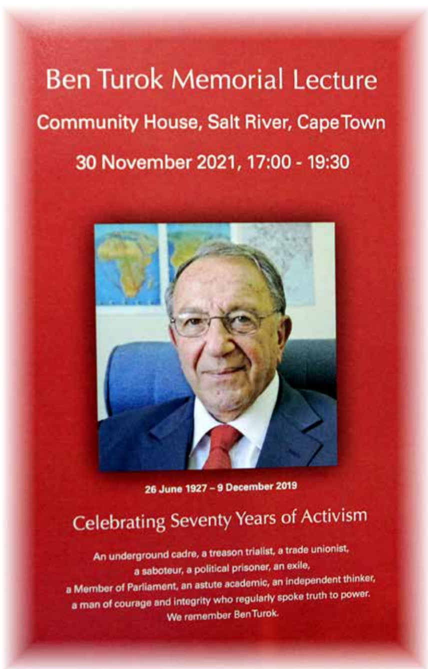
Neo-liberalism cannot be good for growth because it discourages long-term investments, he said. Liberalisation of international trade and investments not only destroyed "infant" industries built up during the ISI period, but also made it extremely difficult, if not totally impossible, for developing countries to develop new high-productivity industries.

Indeed, economic theories and the history of capitalism tell us that neo-liberal policies are not going to lead to structural transformation and economic development, Professor Chang argued.

"There are numerous economic theories that tell us that leaving things to the market, as the neo-liberals recommend, is not going to encourage long-term investments, productivity growth and innovation, especially in developing countries."

Professor Chang said that virtually all of today's rich economies used trade and industrial policies that go against the neo-liberal orthodoxy in achieving their economic success (Chang, 2002 and 2007). In order to develop »

> Neo-liberal policies that were introduced during the 1980s still dominate the policy-making scene in much of the developing world.



themselves, rich countries relied on trade protectionism (especially, but not only, "infant industry" protection); government subsidies and procurement policies; regulation of foreign direct investments (FDI); active use of state-owned enterprises (SOEs); and lax intellectual property rights (IPR) laws.

The exact combination of these policies differed across countries, he said, but the principles were the same – you need the state to play an active role to achieve structural transformation towards higher-technology, higher-productivity sectors.

CHANGING ROLE OF THE STATE

With characteristic irony Professor Chang said this does not mean that all that the developing countries of today have to do is to go back to the "good old days" of the 1960s and the 1970s. "The world has changed and there are new opportunities, challenges and constraints. Today's developing countries need to take those things into account in re-formulating the role of their states."

For instance, there have been changes in the rules of the global economy that have affected the policies that can be used. People have mistakenly claimed that, whatever their merits were in the past, the new global economic system – represented by the World Trade Organisation (WTO) and various Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs) – make it impossible to use most of the policies that could be used before the 1980s.

Professor Chang joked that the WTO has become the best friend of lazy government bureaucrats in developing countries. "Whenever a minister wants to introduce a new policy, the official is able to say 'Minister, that is banned by the WTO'. This is an overwhelming tendency, but it is not true! The policy space has by no means shrunk as much as people say."

As Professor Chang and his co-authors said in 2016, in a major report for the UNECA, that he referred to in the lecture:

> Many industrial policy measures are "domestic" and therefore not affected by the changes in global rules, while there is still a lot of room for manoeuvre even in areas covered by the new (more restrictive) global rules. Moreover, developing country industrial policy-makers need to fully understand the global rules, if they are not to give up on implementing certain policies simply because they think it may be banned. There are also grey areas to be exploited – rules that are *de facto* not observed by anyone (e.g. rules on R&D subsidies) or rules that are complex to interpret and thus ambiguous." (UNECA, 2016: 158)

Also, people argue that the rise of global value chains (GVCs) means that many "old-style" nationalistic industrial policies (especially regulation of FDI) are counter-productive and therefore that developing countries should develop their economies by liberalising FDI.

The professor's argument went: FDI *can* bring in additional capital, better technologies and higher quality standards. GVCs *can* make it easier for developing countries to enter a new industry without having to be able to conduct a huge range of activities. They can, but that does not mean they will!

The benefits of FDI can be fully reaped only if there are appropriate regulations regarding ownership, local sourcing, technology transfer, research and development (R&D) and worker training. Without such regulations of transnational corporations (TNCs), GVC participation is likely to result in an "enclave economy", he said. Developing countries need to be more innovative in dealing with TNCs in a more informal, negotiated way.

He added, there is a view that we now live in a post-industrial knowledge economy and therefore former industrial policies focused on manufacturing industries are outdated. People say the way forward is high-productivity services – like engineering, design, research, consulting, IT and finance.

This argument is based on misunderstanding and exaggeration, said the professor. Manufacturing is still by far the most important source of productivity growth and innovation. Most of the high-productivity services are actually not new. It is just that activities that used to be conducted in-house by manufacturing firms were spun off in corporate restructuring. Given this, it is not surprising the manufacturing sector is the main source of demands for these high-productivity services.

"At the same time, it is true that the boundaries between economic sectors (manufacturing, services, mining, agriculture) have become blurred, so industrial policy-makers need to think laterally when they decide what sectors to promote." Professor Chang said it would be much more productive to think in terms of *productive capabilities* rather than economic sectors when you are thinking of structural transformation.

The challenges of environmental sustainability open new "windows of opportunity" to carve out a space in new technological fields, like energy, production, and the organisation of living space and consumption, for a small number of technologically more advanced developing countries, such as China, Brazil and South Africa. "All developing country policy-makers need to pay more attention to the accumulation of technological capabilities than before," he said.

The professor made the point that there is a need for sustainability in all dimensions, not just environmental sustainability.

"First, we need economic sustainability, which means that developing countries need to develop their economies on the basis of greater productive capabilities, rather than simple access to greater amounts of resources, whether they are natural resources or financial flows.

"Second, we need political sustainability, for which we need to build durable political coalitions that can support a dynamic and fair economy.

"Third, we need social sustainability, for which developing countries need to more closely integrate the productive economy and the reproductive economy, care work, mostly done by women on an unpaid basis or at very low wages, while building a citizenship-based welfare state."

Professor Chang's conclusion, based on his clear historical survey, was that there are many pathways to change the world for the better. But people have to resist the glib contention that "structural factors" constrain the options open to developing countries so much that there is no point in trying to change anything significant. The WTO system, GVC, the so-called Fourth Industrial Revolution technologies, all need to be prodded and challenged. They are not insurmountable barriers or rigid channels – unless they are allowed to be. Developing country industrial policy-makers just have to be "smarter" than ever before! (UNECA, 2016:163)

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The presentation slides for the lecture are available on the IFAA website and on the UWC Facebook page. NA

THE BEGINNING OF A NEW PARTNERSHIP BETWEEN IFAA AND UWC

The Institute for African Alternatives (IFAA) together with the Institute for Social Development (ISD) and the International Relations Office from the University of the Western Cape collaboratively hosted the Ben Turok Memorial Lecture to commemorate the contribution of Ben Turok to the development community and the discourse and practice on socioeconomic alternatives for development in South Africa and Africa as a whole.

The ISD and IFAA have formally entered into a collaborative relationship to strengthen the ties for a socially just society through the development of a cohort of new scholars equipped with the cognitive tools to give voice to the marginalised through progressive and alternative approaches to economic and social development. It is in this spirit that we co-hosted this event.

Through this collaboration the parties will strive to offer progressive perspectives on social and economic policies, stimulate debate and discussion on issues of national importance, advocate for an open and inclusive society, and provide a platform for youth to explore ideas on decolonising Africa.

This event was the first joint project of IFAA and UWC's ISD.