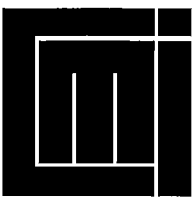


Political Institutions and Economic Reform: Zambia and South Africa in Comparative Context

Lise Rakner and Tor Skålnes

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Summary:

This paper presents the theoretical and methodological framework of a joint research project by Lise Rakner and Tor Skålnes, "Political Liberalisation and Economic Reform in Southern Africa". The project consists of two separate studies. Lise Rakner analyses the interconnections between political and economic liberalisation in Zambia between 1991 and 1996. Tor Skålnes examines the politics leading to the establishment in South Africa of NEDLAC, a corporatist body with representatives drawn from unions, business organisations and the government. The two research projects share a theoretical and methodological framework. In the first section, we briefly discuss some major theoretical issues raised by these cross-national studies. In the second and third sections, we present the tentative results of the two research projects. The fourth section is devoted a discussion of our choice of design and method. The paper was presented at a conference organised by the Norwegian Research Council at Leankollen in November 1995.

Indexing terms:

Economic reform
Economic liberalisation
Political development
Democratization
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Interest groups
Zambia
South Africa

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Introduction

This paper presents the theoretical and methodological framework of our research project, "Political Liberalisation and Economic Reform in Southern Africa". The project consists of two separate studies. Lise Rakner analyses the interconnections between political and economic liberalisation in Zambia between 1991 and 1996. Tor Skålnes examines the politics leading to the establishment in South Africa of NEDLAC, a corporatist body with representatives drawn from unions, business organisations and the government. NEDLAC and its predecessors (NEF and NMC) have played important roles in the process of economic liberalisation and world market integration in that country. The two research projects share a theoretical and methodological framework. From the comparative literature on the politics of economic reform in the developing part of the world we extract two central hypotheses regarding the prospects for designing and implementing fundamental policy changes in democratic institutional settings. The first of these is the "honeymoon thesis", which argues that new and weakly institutionalised democratic regimes may be able to implement economic reforms if and only if the new leadership acts resolutely during the first few years of its incumbency. During this grace period, the argument goes, reforms will have to be implemented in a rather authoritarian fashion. Political coalition-building must be postponed until the reforms have been made to stick and clear winners can be discerned. The second hypothesis is somewhat at odds with this reasoning; this is the "corporatist thesis". The basic premise of corporatist thinking is that interest groups may in fact play an active and positive role in the process of implementing economic reform, to the extent that the government is willing to grant these groups a formalised and institutionalised place together with government at the bargaining table. To the extent that such democratic- or societal-corporatist institutions are successfully established, a fairly thoroughgoing democratisation of society's institutions can be achieved simultaneously with economic liberalisation and macroeconomic stabilisation.

Lise Rakner argues that Zambia is an important testing ground for the honeymoon thesis. Right after being propelled into government on a wave of popular enthusiasm in 1991, President Frederick Chiluba and the MMD implemented one of the most resolute and thoroughgoing programmes of stabilisation and liberalisation ever being undertaken. What are the experiences so far with these policies and the way they were implemented? Does this experience provide support for the honeymoon thesis? Can Zambia provide a model for other African countries ostensibly trying to achieve both economic and political liberalisation simultaneously?

Tor Skålnes argues, among other things, that corporatist institutions were established in South Africa largely as a result of pressure by the country's trade unions and, playing a secondary but nevertheless important role, business associations. These institutions have been quite essential when it comes to fashioning a set of economic policies which try, in a gradualist fashion, to liberalise the economy and make the industrial sector more competitive, reduce

the budget deficit, and find new and creative ways to effect a modicum of asset redistribution.

By analysing the political and economic reform processes currently being undertaken in Zambia and South Africa, the aim is to contribute to the ongoing international debate on the politics of economic reform. Africa has long been all but ignored by leading theorists in this field. On their part, Africanists have only too seldom systematically related their studies of the political economy of structural adjustment to the theoretical issues raised by mainstream comparative scholarship. Consequently, Africanists have been sidelined in the debate on economic reform politics. We wish to counter this trend, by systematically relating our two in-depth case studies to a debate which, to the extent that it has been grounded empirically, has thus far been dominated by cross-national analyses of reform efforts in Latin America, Eastern Europe and East Asia. In the first section, we briefly discuss some major theoretical issues raised by these cross-national studies. In the second and third sections, we present the tentative results of the two research projects. The fourth section is devoted a discussion of our choice of design and method.

I: The Politics of Economic Reform

Several countries in Latin America, Asia, Eastern Europe and Africa recently replaced authoritarian governments with elected ones. At the same time, many of these countries were grappling with the consequences of failed economic policies. This failure was often among the direct causes of demands for political change. Both internal and external actors pressed for reform. A dual process of political and economic liberalisation was thereby set in force in several corners of the world, a process which reached the African continent by the end of the 1980s. Consequently, the relationship between economic and political change has again become the subject of a lively theoretical debate. As yet, the causal connections between economic development strategy and form of government are far from established. Among the unresolved questions are the following. Are certain political regimes better able to undertake structural economic reforms? Are democratic institutions capable of promoting rapid economic change? These questions constitute the point of departure for this joint research project.

The concept of political liberalisation refers to the relaxation of government controls of the political activities of the citizens by allowing for greater pluralism of opinion and associations (Bratton and van de Walle 1992). Political liberalisation may, or may not, lead to fully fledged democracy, which may be understood as systems of governance guaranteeing free elections at regular intervals between competing parties, and in which freedoms of speech and association are underpinned by the rule of law (Dahl 1971, Diamond, Linz and Lipset 1990). Economic liberalisation implies a greater role for markets, reduced state intervention and greater world market integration (Haggard and Kaufman 1989).

The authoritarianism thesis

The conventional wisdom of the 1970s and 1980s considered democratic regimes less able to undertake economic reform than authoritarian ones. Consequently, democratisation was viewed as detrimental to necessary policy change. As the argument went, economic stabilisation and liberalisation would typically be undertaken by authoritarian regimes since such regimes did not face electoral pressures that gave rise to political business cycles and were, more generally, able to insulate themselves to a greater extent from interest group pressures and achieve state autonomy (Skidmore 1977, Kaufman 1985). The great majority of scholars agreed that economic changes would, in the short run, be strongly opposed by existing interest groups because, among other things, losers would feel the pain before winners experienced the gain (Lal 1983, Nelson 1984, 1990, Haggard and Kaufman 1991 and Haggard and Webb 1992). This reasoning was inspired by public choice theory, and especially the work of Mancur Olson (1982).

As the decade progressed, however, it became increasingly clear not only that many authoritarian regimes were incapable of dealing with the severe economic crises gripping their countries, but also that many democratic countries

did have capacity to do so (Remmer 1986, 1990, 1993). Nevertheless, research undertaken in the late 1980s and early 1990s indicated that authoritarian regimes were better than democracies at certain specific tasks – such as stamping out very high inflation (Haggard and Kaufman 1992:272) and pushing through thoroughgoing trade liberalisation, not just macroeconomic stabilisation (Kaufman and Stallings 1989: 205-212). Some evidence was also found that newly formed democracies experienced deeper problems stabilising and liberalising than did either established democracies or authoritarian regimes, due to high popular expectations of economic improvement and significant redistribution in the wake of transitions from authoritarian rule (Haggard and Kaufman 1989).

As far as Africa was concerned, however, the authoritarianism thesis was not widely supported (major exceptions of sorts are Callaghy 1990 and Callaghy and Ravenhill 1993) since it had become quite evident that most authoritarian regimes on the continent were responsible for gross mismanagement of their economies. Most of these governments were incapable of instigating reform in any but the most half-hearted way. A number of political scientists argued that there was a direct causal link between autocratic exercise of political authority and economic crisis. Authoritarian leaders, it was held, lacked legitimacy and remained in power only on account of patronage and repression (Sandbrook 1985, Herbst 1990, van de Walle 1994). Authoritarian states on the African continent were deemed to be far from autonomous and strong; in fact, they were weak and had become penetrated by rent-seeking coalitions. Authoritarianism itself was often said to have encouraged the very formation and multiplication of such coalitions (e.g., Bates 1989, Skålnes 1995). By the late 1980s, aid donors belatedly concluded that political change and better governance were prerequisite to economic reform in sub-Saharan Africa. These ideas were given quasi-official sanction by the publication in 1989 of a World Bank report, From Crisis to Sustainable Growth, which emphasised the importance of the rule of law, property rights, increased accountability of public officials, and greater transparency in decision-making. From then on, the donor view has been that economic and political liberalisation are not only compatible but interdependent and should be promoted simultaneously (Moore 1993, Robinson 1995).

The honeymoon thesis

Reflecting this change in donor thinking, as well as new empirical realities, the academic climate had changed fundamentally by the mid-1990s. It is now well accepted that regime type is not a particularly good predictor of economic policy change (Bates and Krueger 1993: 459; Haggard and Webb 1993: 144-147; Williamson and Haggard 1994: 568-569). The authoritarianism thesis has been discarded. It is widely agreed that even the earlier belief that new and unconsolidated democracies face unusual problems when trying to implement thoroughgoing liberalisation or eradicate hyperinflation, has not held up to empirical scrutiny. Elected governments in countries such as Poland, Argentina,

Peru, Venezuela and Zambia – some of them new democracies, some not-so-new – all moved in the 1990s to implement the most comprehensive and far-reaching of reform packages in the context of high, sometimes extremely high, inflation. The conventional wisdom of the mid-1990s is that newly elected leaders enjoy a honeymoon period before politics reverts to its reform-resistant normal state, especially to the extent that the government has the solid backing of a large or even dominant party and the opposition is fragmented and disorganised (Williamson and Haggard 1994, Haggard and Webb 1994, Nelson 1993).

However, the fact that it is often democratic governments which implement the most far-reaching policy changes does not mean that these policies are necessarily democratically arrived at in the sense that they are products of a deliberative process. In fact, according to Joan Nelson, "[i]nitial stages of adjustment were almost always carried out in an autocratic and technocratic manner, even in countries with firmly democratic political systems" (1993: 438). The tendency for reform to entail delegation of responsibility to the executive, concentration of power into a few hands (typically the central bank and the finance ministry) and insulation of technocrats from interest-group pressure has been noted by many (P.H. Smith 1991: 623, Bates and Krueger 1993: 462, O'Donnell 1994, Haggard and Webb 1994: 13). The honeymoon period is frequently used to spring surprises upon one's supporters, as Carlos Menem did to the Peronists in Argentina or Carlos Andrés Pérez did to his Acción Democrática party in Venezuela (Naim 1993). Sometimes such resolute reformers have managed to put the economy back into sufficient shape to win the next election (Menem, Peru's Alberto Fujimori), sometimes not (Pérez, Solidarity in Poland, several other reformist parties in Eastern Europe).

The comparative literature, then, has moved to focus on the politics of economic reform within formally democratic institutions. The emphasis is on formally since many democratic governments behave somewhat like their authoritarian counterparts and resort for a while to insulated, technocratic policy-making. By implication, state autonomy is possible to achieve within formally democratic institutional arrangements, and it is such autonomy which accounts for reform. For various reasons, mobilising support for stabilisation and liberalisation looks difficult: costs are certain but benefits unclear; sacrifices are immediate while rewards may be long postponed; losers are identifiable and often concentrated to politically important urban areas while potential winners are diffuse or dispersed, often over remote rural areas. Under such circumstances, organised interest groups would seem to represent major brakes on reform, whether or not they contributed to implementing protectionist and populist economic policies in the first place (Bates 1990, Lofchie 1994). If interest groups are status quo-oriented, then unusual politics would seem to be required for some time, until the new institutions and policies have been given sufficient time to induce the formation of a new set of interests tied to economic liberalism, interests which can then be safely mobilised politically (Nelson 1993; Haggard and Webb 1994: 16).

Recent research has questioned, however, the contention that in every country undergoing structural adjustment there exists a politically aroused, solidly anti-reform civil society. At the very least, it has become clear that organisations representing business and labour, the very groups that protectionism and expansionary fiscal policy are intended to benefit, are rarely able, and sometimes not willing, to block reform. According to Robert Bates and Anne Krueger, "one of the most surprising findings of our case studies is the degree to which the intervention of interest groups fails to account for the initiation, or lack of initiation, of policy reform" (1993: 455). Barbara Geddes similarly paints a picture of passive or ineffectual civil society organisations and locates, instead, opposition to liberal reforms in the bureaucracies, militaries and ruling parties of the developing world (Geddes 1994a, 1995; see also Bienen 1990: 727). This, then, would seem to indicate that what finance ministers and other economic policy-makers need is insulation from fellow politicians and bureaucrats and not so much the often called-for autonomy from business groups and trade unions.

The corporatist thesis

While modifying the long-held presupposition among political economists that interest groups play negative roles during policy reform, Bates and Krueger, and Geddes, fail to capture the complexity of empirical reality when they characterise interest groups as largely irrelevant. Even for crisis-ridden Argentina of the 1980s, a case which has figured prominently in the literature on the politics of economic reform, this is much too simplistic. William C. Smith has documented that Argentine business and labour, seeing the need for policy change (though not necessarily agreeing on what kind), actively engaged in policy deliberations with the Alfonsín government during its attempt to stamp out inflation. Even as such concertation failed, largely because of the disinterest shown by the economy minister, the government continued to negotiate with organisations representing particular sections of business and the trade union movement (W.C. Smith 1991: 278-291). What this shows is the heterogeneous nature of economic interests in this important Latin American country, as well as the active involvement of organisations in, and their sometimes positive attitude towards, policy reform. Argentina is no exceptional case. In fact, heterogeneity of interests and complex variation in interest group policy response and degree of political initiative are themes which run through Joan M. Nelson's comparative study of Latin America and Eastern Europe. While, in her view, labour unions react mostly to government initiative (often opposing, sometimes acquiescing in specific changes), business associations happen on occasion to be deeply involved in designing new liberal policies, such as in Bolivia in the mid-1980s (Nelson 1994b: 180). Skålnes' research on Zimbabwe similarly documents that broad-based industry associations can be among the initiators of structural adjustment even though the businesses they represent have often benefited from protection in the past (Skålnes 1993, 1995).

Does the sometimes active involvement of interest groups in policy discussions give rise to more formalised and institutionalised co-operation between them and the government, that is, to democratic or societal corporatism? To the extent that concertation is attempted, is it successful or does it fail the way it did in Argentina? It has long been recognised that societal corporatism can facilitate necessary policy change and economic adjustment and contribute to economic growth (Cameron 1984; Katzenstein 1985; Lange and Garrett 1985; Pekkarinen, Pohjola and Rowthorn 1992; Henley and Tsakalotos 1993). However, almost all the evidence comes from Western Europe. Rarely do developing countries possess the strongly centralised and broad-based trade unions and other interest groups found in Europe (Nelson 1991). Nevertheless, Bates and Krueger argue that "when political leaders in our sample set of countries committed themselves to more liberal economic policies, some [in Chile, Zambia] appear to have sought to form structures of corporatist bargaining " (1993: 460-461). State-society relations in Zimbabwe are also strongly reminiscent of Western European corporatism, although labour has so far been excluded (Skålnes 1995).

To sum up, the theoretical debate on the politics of economic reform in the mid-1990s has evolved to varying degrees from its initially statist orientation in the 1980s. The literature now documents that economic reforms may be undertaken by democratic as well as authoritarian governments, by weakly as well as strongly institutionalised regimes, and by autonomous as well as corporatist states. Two distinct arguments can be discerned: One group of scholars see implementation of reform as necessitating autocratic practises in the initial phases, that is, the insulation of a technocratic elite from popular and interest group pressures. When the reforms have been put in place, however, such technocrats must reach out to the population and build coalitions of support among reform beneficiaries. From this perspective, which has not departed all that much from statism and the authoritarianism thesis of the 1970s and 1980s, interest groups are seen as reform-resistant and should therefore be politically controlled or isolated during the implementation of economic reform.

The other group of scholars employ an institutionalist analysis which departs from statism by emphasising the positive role of intermediation between state and civil society throughout the reform process. According to this view, democratisation of political life may have positive effects on economic policy. Given certain institutional conditions, interest groups will, on balance, serve to improve economic policy-making rather than hinder the reform process. Popularly elected officials enjoy greater legitimacy and are not as dependent as are authoritarian rulers on rent-seeking and patronage so as to remain in power. The various counterweights to state power that exist in more democratic regimes increase governmental accountability and are regarded as fundamental to the improvement of policy and economic performance (e.g., van de Walle 1994, Bratton 1992). Arguably, the positive role ascribed to interest groups in several World Bank documents and some scholarly literature appears to be based more on hopes than on empirical evidence. Some of these writings imply, fallaciously, that

since authoritarianism was bad for the economy, democracy must be good. However, as seen above, some empirical evidence does exist to document that broad-based interest associations can be among the initiators of economic reform and thus play an active role in the implementation of structural change.

In the next two sections the two theoretical positions will be discussed against two contemporary reform efforts in sub-Saharan Africa, namely Zambia and South Africa.

II: Testing the theoretical positions

II.1: The Honeymoon Thesis: The Case of Zambia (by Lise Rakner)¹

In 1991, Zambia reintroduced multi-party democracy. The new government simultaneously embarked on a wide-ranging economic reform programme aimed at restructuring the formerly state-controlled economy. The aim of this study is to examine how democratisation has affected economic decision-making during the first election period of Zambia's third republic². As an example of a new and weakly institutionalised democracy which attempts to implement economic reforms, Zambia seems ideally suited among the sub-Saharan African countries to "test" the honeymoon thesis. This thesis, and the more specific implications that can be derived from it, form our analytical framework.

At the time of independence in 1964, Zambia had great economic promise compared not only to other African countries but also to later NICs such as Korea (World Bank 1989). The new nationalist government embarked upon a strategy of industrialisation through import substitution. Economic and political resources were increasingly monopolised; in 1972 Zambia became a one-party state and the authorities took control over the major economic resources (Burdette 1988). By 1980, due to economic, political and administrative decay, Zambia was under heavy pressure from the international financial institutions to restructure the economy. However, the various reform programmes implemented during Kenneth Kaunda's reign failed. This failure is usually attributed to the existence of strong urban interest groups opposing reforms. Scholars have argued that due to a long tradition of subsidising consumer goods, the United National Independence Party (UNIP) was very vulnerable to urban protest (Callaghy 1990, Bates and Collier 1993). This points to the special character of Zambia's contemporary political and economic situation. The unabating decline of the Zambian economy throughout the 1980s became a main rallying cry for opposition against the one-party regime. Former opponents of the economic reforms now campaigned against Kaunda and UNIP on a ticket of economic liberalisation (Rakner 1992). The forces opposing one-party rule had their organisational base in the Zambian trade union movement, but the unusual "rainbow coalition" also included the business community, UNIP dissidents, the church, students and academics. The economic reform programme which has been pursued since 1991 is thus implemented by a government which initially based its support on an alliance of labour and business interests.

The honeymoon thesis posits a need to balance political and economic considerations and consists of two main hypotheses:

¹ The project is entitled: "Do all good things go together?" Political and economic liberalisation in Zambia 1991-1996. To be presented as a Dr. Polit. Dissertation.

² The second parliamentary and presidential elections in Zambia's third republic are scheduled for October 25, 1996.

(i) Newly elected governments, though unconsolidated, may be able to implement far-reaching economic reforms if the new leaders display an adequate understanding of the economic crisis and an ability to act quickly. In the initial stages economic considerations must take the centre stage. Reforms should be implemented immediately after the first election in order to take advantage of electoral legitimacy and the fact that traditionally reform-resistant interest coalitions are in organisational disarray and need time to regroup.

(ii) In order to consolidate economic reforms after the first autocratic implementation phase, governments must in due time before the next election seek to renew and institutionalise contact with groups and associations deemed to have benefitted from new policy. It is assumed that it is possible to discern such winners and that they can be mobilised to support the governing party based on their economic interests.

Based on these hypotheses, we raise some further questions:

- How was the economic reform programme in Zambia implemented?
- Were the major interest groups in the Zambian society opposed to the structural adjustment reforms in 1991?
- To what extent have interest groups affected the implementation of the economic reform programme?
- Which actors outside civil society influenced the economic reform programme?
- Is it possible, during the 1991-96 period, to detect a shift of emphasis in MMD policies away from economic considerations and towards the politics of support mobilisation and even consensus building?
- To what extent can the growing political opposition be explained as reaction against economic reforms?
- How can, in the future, the 1996 election results be related to the government's policies?

The centrality of the upcoming elections means that major fieldwork and data collection must be undertaken in 1996. Nevertheless, let us focus on what we know so far about Zambia's experience with economic reform under formally democratic auspices.

Economic considerations: The first stages of implementing reform

On November 2, 1991, Frederick Chiluba was sworn in as Zambia's second president. The tasks ahead were enormous for the new Movement for Multiparty Democracy (MMD) government. The country had difficulties servicing the huge external debt. There were severe shortages of foreign exchange. The budget deficit amounted to 6-10 per cent of GDP. Inflation was into triple digits. Infrastructure

and social services were deteriorating. Throughout the election campaign, the MMD expressed a clear intent to implement the structural adjustment reforms recommended by the donors. The landslide election victory which gave the MMD a 125-seat majority in parliament and reduced UNIP to a regional party with 25 seats from the Eastern Province, provided the government with a clear mandate for change. It was such mandate and legitimacy that UNIP had lacked. The MMD had mobilised both organised and diffuse and dispersed support around the country. The party used it to push a number of politically difficult reform measures. Due to the increasingly deteriorating economic situation, the government viewed an attack on inflation as its most urgent task. It moved just as quickly to free up foreign exchange. It took a number of measures to reduce the budget deficit; most importantly, maize subsidies were removed. In both 1986 and 1990, attempts to reduce maize subsidies had led to riots and it was therefore widely believed that such policies would amount to political suicide. But the MMD eliminated all maize subsidies within a year without political turmoil. As a result of the efforts of the new government, by 1994, Zambia's progress on stabilisation was impressive. The generosity of donors did arguably play a large role. Nevertheless, in addition to a good record in terms of inflation and fiscal probity, Zambia could boast one of the most liberal foreign exchange regimes in Africa. Reflecting on the first phases of reform implementation in the Zambian Third Republic, van de Walle and Chiwele conclude:

"The landslide victory of the MMD gave it a legitimacy and popular support that UNIP had lacked and the MMD took full advantage of the honeymoon period right after the election By moving quickly, the MMD ensured that opposition would not yet have mobilised effectively, while pressure groups like the labour movement that had supported the MMD would take time to redefine their relationship with the government" (van de Walle and Chiwele 1994: 30).

Van de Walle and Chiwele's analysis lends credence to the honeymoon thesis. He argues that reforms in the initial phases were implemented fast, insulating economic policy-makers from potentially reform-resistant interest groups. Our own preliminary analysis of the first years of reform supports the view that the initial reforms were implemented rapidly and without interest group consultation.³ However, we question the notion that the major interest groups were opposed to reform. As stated above, the failure to implement the structural adjustment reform measures advanced by the World Bank and IMF under UNIP rule, are by most analysts attributed to the organised and vocal opposition of labour (Ncube and Ndulu 1987; Loxley and Young 1990). Bates and Collier, on the contrary, attribute the failed economic restructuring in Zambia not to the strength of interest groups, but rather to the marginality or near absence of interest group influence on

³ The fact that the Zambian government on a number of occasions was criticised by the World Bank for moving too fast and for giving too little consideration to social safety nets and the protection of local industry further illustrates the 'shock therapy' manner in which the initial reforms were implemented. Personal interviews, World Bank, Lusaka June 1995, and Africa Confidential vol. 34, no 3, 1993.

Zambian economic policy (Bates and Collier 1993, 1995). According to these authors, the political structure of the Zambian one-party state created a bias against producers, rural as urban. They argue that through the authoritarian practices of UNIP, all the main interest organisations in Zambia – organised labour, private business, commercial farmers – had become enemies of the party. UNIP therefore lacked the institutional means to secure backing for policy reforms from these key interests (ibid.).

The political events taking place in Zambia in the late 1980s support the argument presented by Bates and Collier. The MMD's 1991 election campaign indicated clear support for economic liberalisation and structural adjustment reform. The representatives at various ladder steps in union hierarchy declared their support for the economic reform proposals. Interviews with trade union officials in 1991 nevertheless paint a picture of more ambivalent union attitudes to change. Understanding of terms like privatisation and the impact of reform on employment and consumer welfare was shallow⁴. On balance, however, it is not possible to argue that the trade union movement was antagonistic to the economic reform programme in 1991 and therefore an obstacle to reform. The business community and the commercial farmers supported the measures. From the time of independence, the UNIP government's attitude towards African business was ambivalent, and the government did not wish to be seen to directly promote their interests. As a result, the government largely failed to develop institutions for meaningful co-operation and bargaining (Beveridge and Oberschall 1979). As a result, large parts of Zambian business remained estranged from UNIP. When the one-party state began to crumble towards the end of 1989, businesspeople formed the financial backbone of MMD (Rakner 1992, Akwetey 1994). Neither were farmers very influential in the Second Republic. A small, largely white-owned, commercial farming sector was represented by the Commercial Farmers Bureau. Though well organised, the CFB's influence was limited due to its historical role as a white settler organisation and its small size. The bias against agricultural producers during the one-party state in Zambia is well documented (Bates 1976, 1981, Burdette 1988). Commercial farmers had for a long time argued in favour of freeing agricultural markets and farmers became prominent in the MMD (Bratton 1992). The co-operative movement, representing the bulk of the numerous small-scale farmers, was, in the Second Republic, so tightly controlled by UNIP that the Zambian Co-operative Federation never became a significant pressure group. On the basis of their organisational strength, opinions and actions it is therefore difficult to argue that any of the main interest associations representing workers, business and agriculture constituted strong anti-reform forces that would either want, or be in a position to, if they wanted, oppose the economic reform measures in 1991.

Whereas the initial stabilisation and liberalisation measures were relatively successful, progress has been much slower in a number of reform areas which do not immediately affect the stabilisation programme of the government, but without which long-term economic growth will be pie-in-the-sky. We refer to these

⁴ Personal interviews September and October 1991, see Rakner 1992.

reforms as the structural aspects of reform because they involve institutional change. The three main aspects of structural reforms laid out in the 1990 Policy Framework Paper included agricultural marketing liberalisation, privatisation of parastatals, and civil sector reform. Despite some progress made in liberalising the agricultural sector, little success has been seen in the main sub-sector, maize distribution. By the start of the 93/94 season, all maize production and marketing subsidies had been removed and distribution was in principle determined by market forces. However, the rapid liberalisation met with significant transition problems as the private sector did not immediately replace the government. The adjustment problems in agriculture were exacerbated by a devastating drought in 1991/92. Agricultural producers were therefore very vulnerable to the credit squeeze imposed as a consequence of stabilisation policies (Geisler 1992, van de Walle and Chiwele 1994). By the end of 1993, a number of important commercial farmers were bankrupt and the government was forced to introduce emergency measures which again put the cash budget under strain (Profit Magazine, August 1993). These problems have greatly undermined confidence in the adjustment programme and led to calls for its reversal by politicians and the press.⁵

The second area of structural reform in Zambia on which, until the spring of 1995, very little had been achieved, is the privatisation of approximately 150 state-owned companies. The privatisation effort appears initially to have been blocked by political intrigue and administrative bottlenecks. While this issue calls for further examination than can be achieved here, it is evident that privatisation has been slowed down by actors within the parastatal body Zambian Industrial and Mining Corporation (ZIMCO). When Zimco was finally liquidated in March 1995, the pace of change grew markedly. Within months, the number of companies sold increased from four in January to 19 in May (ZPA Status Report, May 31, 1995). So far, the third aspect of structural policy, civil service reform, has stalled. A Public Sector Reform Programme was launched by the MMD government in 1992 and promised to cut staff by 25 per cent within three years. However, as yet not one person has been fired. The main obstacle seems to be the high cost of retrenchment packages negotiated with the unions (Personal interviews, ZCTU and World Bank, Lusaka, June 1995).

Can the variance in reform performance be attributed to interest group pressure? On balance, it cannot be argued that the economic adjustment programme has been much affected by democratic concerns and interest group participation. With regard to the initial phase of reform implementation, there are few signs of consultation between the government and key interest associations. The leader of the Zambian Congress of Trade Unions (ZCTU), Fackson Shamenda, has on a number of occasions criticised the government for leaving the labour movement out when designing the programme. Increasingly, labour is attributing the problems of the working class to government policies (The Weekly Post, 8-14 October 1993, SAPEM, November 1994, The Post, 15 August 1995).

⁵ During the last two years, the critical comments on the agricultural reforms have increased in the independent press. See: "The Mad Maize Merry-Go-Round, Profit Magazine, August 1993, The National Mirror, June 25, 1995.

The influence of the Zambian trade union movement seems to have diminished with the introduction of democracy. Due to its strong electoral showing, the MMD does not fear the capacity of ZCTU to organise social unrest the way UNIP did. During Kaunda's rule, every major strike and each single protest by unions shook the government because it lacked popular legitimacy. The position of labour in the third republic is further weakened by the fact that its membership constitute a small proportion of the voting population and is almost entirely limited to the Copperbelt and Lusaka. Most parliamentarians therefore have little or no reason to fear the power of organised labour in their district. As a result, the political influence of ZCTU has not reached the levels hoped for by its advocates. The fact that ZCTU rarely figures in the public debate on economic issues, is evidence of its marginalisation. Compared to the 1980s, the ZCTU of the 1990s appears more selective in its opposition to government policies. The trade unions have accepted inevitable sackings from the public service and instead concentrates on defending redundancy packages (van de Walle and Chiwele 1994). With the exception of civil service reform, it is therefore difficult to ascribe the slowness of reform to the opposition of the labour movement.

Turning to the associations representing business and farming, it is equally difficult to ascribe variance in economic performance to the active opposition from these groups. The entire business community favours certain aspects of reforms, such as the cash budget, privatisation and the fight against inflation. On other aspects, business speaks with several tongues. Many businesses have been hurt by the side-effects of stabilisation, such as extremely high interest rates. The trade liberalisation policies were widely supported by the trading sector but led to bitter accusations from the manufacturers. While the business community has become a more influential force in the Third Republic, the influence of its main lobby group, the Zambian Chamber of Commerce and Industry (ZACCI) should nevertheless not be overestimated. At present, ZACCI membership totals 105 businesses – a limited organisational base. The associations representing farming can at this stage not be regarded as a strong lobby for agriculture. In 1992, the Commercial Farmers Bureau became the Zambian National Farmers Union and announced its intention to speak for all farmers. ZNFU at present has a membership of about 1,600 individual farmers. According to van de Walle, the number of small-scale farmers (farm size less than 20 hectares) in Zambia is about 120,000 while approximately 26,000 farms in private ownership are above 20 hectares and are classified as commercial farms (van de Walle and Chiwele 1994: 24). The restricted membership, coupled with the association's limited capacity for technical and policy analysis, are viewed at present as undermining its ability to participate in policy debate (ibid.).

Referring back to the first hypothesis of the honeymoon thesis, it is evident that the implementation of economic reforms in the Zambian Third Republic aptly illustrates the theoretical model: The initial stabilisation measures were implemented rapidly and influence by interest groups in civil society was designed by the government to be limited. However, contrary to the assumptions of the honeymoon thesis, we argue that the main interest associations in Zambia were

not opposed to the changes. The organisational strength, density of network and analytic capacity of Zambian interest groups must not be overestimated (Rakner 1994). The MMD government does not appear to have attempted to utilise and strengthen this potential support base. While the issue must await further analysis, the varying degrees of success in terms of reform implementation may indicate the limits of the reform strategy presented in the honeymoon thesis. The Zambian experiences suggest that stabilisation measures can be implemented rapidly and without the direct support of any particular group in civil society. The structural reforms, involving institutional change, take longer and may require the active fashioning of consensus and a wider support base, a factor that so far has not been taken seriously in the Zambian Third Republic.

The limited results in terms of structural adjustment reforms point to a larger problem of trying to undertake structural reforms while at the same time undergoing a far-reaching macroeconomic stabilisation programme. However, the Zambian case also indicates that forces within the state bureaucracy may constitute as important obstacles to reform as interest groups. According to Barbara Geddes, the biggest, most articulate and politically influential losers from the transition to a more market-oriented economy are government and ruling-party officials and their cronies and allies (Geddes 1994b: 113). The preliminary findings from the Zambian case suggest a need to widen the analytical perspective to include actors within the state apparatus.

Political considerations: The second phase of the Zambian reforms

As argued above, the honeymoon thesis presupposes a two-track policy in terms of implementing reform in which the reforming government, in good time before the next election, seeks to renew and institutionalise contact with groups and associations deemed to have benefited from reforms. To what extent does the Zambian experience so far support the two-track notion of political and economic considerations expressed in the honeymoon thesis? Is it possible to detect any changes in the attitudes of MMD during this election period? Can it be argued that at some stage, political considerations have set in and a political project of coalition-building has begun?

In 1996, the Zambian people will again be able to voice their opinion on the country's political and economic leadership in a national election with more than one presidential candidate and a number of political parties⁶. While a final evaluation cannot be provided at this point, recent events in Zambia give credence to the existence of a two-track policy in Zambia and a recent shift to political considerations. January 1995 may be regarded as a turning point. Until this date, the immediate stabilisation elements of the economic reform programme were regarded to be "on track". However, in 1995, many of the achievements in terms of reduction of inflation and elimination of the budget deficit appear to

⁶ Second time in the Third Republic (1991-). Zambia had a democratic constitution between 1963 and 1972 when the one party state was created.

have been lost. The main event causing these changes was the government's decision to divert K 70 billion from the government budget in a failed attempt to save the Meridian Bank BIOA from bankruptcy. A sharp increase in the defence budget has further increased the budget deficit. In addition, the government has recently decided to postpone the introduction of a Land Bill, which opened up for private ownership of land, when the Bill came under criticism by NGOs and the press. The government has also indicated that discussions on privatising the mine holding company ZCCM is to be postponed. Observers in Zambia suggest that both the privatisation of the mines and the Land Bill will be left until after the elections in 1996 (Personal interviews, Zambia Privatisation Agency, Lusaka June 1995 and Anglo American Cooperation, Johannesburg, July 1995). By September 1995 it is reported that the entire Structural Adjustment Programme has been placed on the backburner until after the 1996 election (Africa Confidential, 25 August 1995, National Mirror, September 24, 1995).

The political decision to halt the economic reform programme at this stage must be related to the present political situation in Zambia. Rather than attempting to build reformist coalitions, the MMD evidently has discarded the reform project for fear of defeat in the upcoming elections. Ironically, one of the strongest threats to the electoral survival of the MMD government may be Kenneth Kaunda and UNIP. Kaunda, Zambia's president for 27 years, was recently reelected as the leader of UNIP and has declared himself a presidential candidate. Equally disturbing for MMD and Chiluba is the fact that their Bemba support base on the Copperbelt is dwindling. A splinter group from MMD, Zambia Democratic Congress, appears to be gaining support there (Africa Confidential, 25 August 1995; The Post, 15 August 1995). While the economic situation appears to be the main focus of opposition, none of the challenger parties has suggested an alternative strategy to the structural adjustment programme agreed with the donor community. The opposition criticises MMD's implementation record and claims that the economic misfortunes are largely caused by corruption and fraud by government ministers (Weekly Mail and Guardian, January 20-26, 1995, Africa Confidential, 36, 13, May 1995).

A thorough analysis of the second stage in the honeymoon thesis, the coalition-building phase, will be done after the 1996 election. The present political and economic situation in Zambia nevertheless points to a number of problems with reform implementation in the manner prescribed in the honeymoon thesis. Alternative positions found in the comparative literature clearly underscore the need for establishing viable institutional mechanisms for cooperation and consultation between the state and interest groups in society in order to build constituencies of support around the economic reforms. However, the lack of political tradition for consultation and the inherent weaknesses of the Zambian civil society have so far produced few changes to the old order of conducting politics. The present government has indicated little interest in consulting major associations. We have argued above that the main associations representing commercial farmers, labour and business constituted a potential support base for economic reforms. It is evident that, so far, the government has made little attempt

to institutionalise ties with these groups. The weak position of interest groups, and their shallow networks around the country, suggest, however, that even if particular groups in Zambian society can be singled out as winners of the reform programme, such as some business groups and possibly some farmers, their impact on the current process of political and economic liberalisation should not be overestimated. Current political and economic developments in Zambia indicate that the political project implied by the honeymoon thesis may prove extremely difficult to achieve in a sub-Saharan African context, at least within a five-year period between elections. Will the 1996 election spell the end to economic and /or political liberalisation? Arguably, in the coming year Zambians will indeed be living in interesting times.

Methodological considerations

It is not possible to make a final evaluation of either the economic or political reforms in Zambia based on a five-year period. Institutional change both with regard to economic and to political reforms may well take decades. Institutional evolution is often path-dependent in the sense that existing institutional structures and history affect present and future reform efforts as well (North 1990, Putnam 1993). Nevertheless, studying the first election period in the Zambian Third Republic provides important insights into the process of implementing and consolidating economic reforms within new and weakly institutionalised democracies. While the main focus of the research project is the period between 1991 and 1996, the analysis will also pay great attention to the economic and political history leading to the events of 1991.

The discussion above has aimed to portray the current state of the dual reform process in Zambia and discuss the empirical situation within a theoretical framework. While the data already collected provide some tentative answers, the empirical discussion has served mainly to form new questions and hypotheses to guide further analysis. The main fieldwork is to take place between May and December 1996. The work will mainly be carried out in Lusaka, but approximately one month will be spent in Kitwe to consult the archives of the Zambian Congress of Trade Unions and to carry out interviews with representatives of the labour movement. During the preparatory fieldwork in Lusaka from May to June 1995, we took part in the formation of an informal research group including a group of researchers from Harvard University and Michigan State University, Uppsala University as well as Zambian economists and political scientists which will seek to co-ordinate research on the 1996 election process. This network will greatly facilitate the fieldwork in Zambia.

While in Zambia, newspaper sources, primary documents such as parliamentary speeches, documents from the trade union federation, business associations and farmer organisations as well as statistical material will be collected. Contextual data regarding macroeconomic indicators of reform, election data etc. can be obtained from the World Bank and the School of

Business Administration in Gothenburg which has carried out surveys on various aspects of the economic reform programme in Zambia. Regarding election results and survey data, contacts established with Michael Bratton (Michigan State University/USAID) and Dan Posner (Harvard University) will give access to additional information. The short fieldwork conducted in Lusaka during the summer of 1995, however, indicated that personal interview data will be of vital importance in this analysis. Due to the current nature of the subject and the weak analytical and technical capacity of major interest groups and parliament, there is very little written material to base the analysis on. These interviews should follow a loosely structured interview guide to ensure that a number of issues are touched upon with all respondents. The discussion above has illustrated that it will not be conducive to analysis to limit oneself to focus on interest-association responses to government policy. It will be necessary to include a number of respondents among public servants. As a result, the analysis will be structured around interviews with representatives from labour, the business and farming lobbies, government ministers, public servants in the ministries, and civil service as well as representatives of the main opposition parties (UNIP, the National Party and Zambia Democratic Congress) and the donors.

II. 2: Corporatism and the Change to Liberal Economic Policies in South Africa (by Tor Skålnes)

Contrary to popular fears among South African whites and against the expectations of many foreign observers who have long been witnesses to the decline of economic management in post-independence Africa, the African National Congress (ANC)-led Government of National Unity (GNU), formed in the aftermath of South Africa's first election under universal suffrage in April 1994, has so far resisted the temptation to resort to populist and protectionist economic policies and is instead pushing for a programme of slow but steady trade liberalisation coupled with fiscal and monetary restraint. Through the Reconstruction and Development Programme, the GNU tries to redirect funds towards education, health and housing for blacks without significantly expanding the share of government expenditure in the Gross Domestic Product.

Although tariff reductions have been externally influenced – such reductions were necessitated by the Marrakesh agreement of GATT, which is now the World Trade Organisation (WTO) – trade and industry minister Trevor Manuel has recently announced that he would like to see deeper tariff cuts for the important motor industry and for textiles and clothing than those agreed with the WTO. Foreign exchange controls have already been reduced through the scrapping of the so-called financial rand. Meanwhile, proponents of state ownership of productive enterprises are in retreat from the advances of those who promote privatisation. Rather than nationalise the huge conglomerates that dominate South Africa's economy, Trevor Manuel wants to encourage competition and stimulate companies such as Anglo American to sell off subsidiaries. Such

'unbundling' could benefit blacks directly to the extent that they are able to pick up the shares. Greater competition and lower barriers to entry are promoted as policies beneficial to consumers, helpful to black business, and attractive to foreign investors. The agriculture minister, Derek Hanekom, is trying to devise a plan to use both market and administrative mechanisms so as to effect a redistribution to black small-scale farmers of 30 per cent of the land currently owned by often inefficient, input-intensive and heavily protected white commercial farms. Together, these policies mark a momentous shift in the ANC's economic philosophy away from statist socialism and towards liberal economic thinking – with an egalitarian twist. This change in philosophy has, in part, been documented by Kentridge (1993), Nattrass (1994) and Skålnes (forthcoming), among others.

How can we account for the change to liberal economic policies in South Africa? A standard interpretation of the ANC's change of mind is that the organisation has been compelled to be realistic and to dampen the allegedly high expectations of its mostly impoverished constituency so as to keep investors and property owners happy. As a country with one of the most unequal income distributions in the world, South Africa's newly established democracy would seem to be a prime candidate for descent into the macro-economic populism characteristic of many highly polarised societies (Dornbusch and Edwards 1991) – were it not for the power of the white bourgeoisie. If this argument were correct, we should expect the representatives of this bourgeoisie – the National Party, the business associations – to be the lone forces behind fiscal prudence and liberalisation. We should expect organisations representing blacks to ignore such concerns and press for massively increased social expenditure and the creation of jobs in the state sector and protected industry. It is true that the NP has stood, since the mid-1980s, for policies of privatisation, liberalisation and a reduced role for government in the economy, after having spent four decades using all manner of state regulation to promote apartheid and economic improvement for (in particular originally poor, Afrikaans-speaking) whites. The business community has stood for many market-oriented policies but has generally been divided over tariff reductions. In any case, the NP and business are only part of a fairly large coalition of interests pulling in the same direction. Where the 'standard interpretation' most definitely does not fit the facts is when it comes to the role of trade unions. Workers organised in the Congress of South African Trade Unions (COSATU) have, ever since the freeing of Nelson Mandela in February 1990, been in the forefront in trying to devise for the the 'tripartite alliance' (COSATU, ANC and the South African Communist Party, SACP) a set of long-term policies for economic restructuring and growth. There are of course internal divisions within COSATU on these issues and not all liberal policy prescriptions have won wholehearted support. Privatisation of public utilities and the speed of tariff reform are particularly contentious issues among unionists. Nevertheless, although many people's expectations may be 'high' and 'unrealistic', this is not necessarily true of the most organised among the ANC's constituency. This has had a notable effect on policy.

There is of course a confluence of several factors which explain the change to liberalism in South Africa as elsewhere. Among them are the often-mentioned fall of communism and the disappearance of the bipolar world, the growing global influence of business in an age of falling barriers to capital transfers and trade, the increased hegemony of institutions like the International Monetary Fund (IMF) and the World Bank, the need to placate domestic property owners who happen to be whites, etc. In such circumstances, one could argue, what would be truly remarkable was if the ANC went against the grain and started to nationalise banks and industries, tighten capital controls and raise tariffs. But we know such argument to be false, from African as well as other experience. Even with the economy in shambles and all the forces of the world seemingly arrayed against them, governing elites have been known to resist 'inevitable' liberalisation of the economy if sufficiently fearful of losing power resources, opportunities for graft or domestic political support.

South Africa's economy, while growing slowly, is neither debt-ridden nor in severe external imbalance. The budget deficit is set to decline to a level just below 6 per cent of GDP during the 1995/96 fiscal year. The rate of inflation is rather stable around 10 per cent. Economic circumstances do not directly compel South Africa to liberalise, and the direct influence upon policy of the IMF and the World Bank is consequently small. While the fall of communism certainly spurred the rethinking that has gone on within the ANC, the SACP and COSATU, this and other external ideological and political forces are only loosely constraining. When explaining economic policies in South Africa, we probably need to devote most of our attention to domestic factors. We feel this argument is sound although there is no way we can actually measure the relative weight of the various potential explanatory factors.

Judged in isolation, some aspects of the South African situation seem to accord fairly well with the "honeymoon thesis" presented in the theory section above. The ANC received close to two-thirds of the votes in 1994. The GNU was formed, as required by the interim constitution, with participation from the ANC, the NP and Inkatha. This government, which is of course supported by an overwhelming majority in parliament, moved fairly rapidly to design the policies of liberalisation we have described. But, contrary to the honeymoon thesis, many of these policies had been fairly extensively debated, prior to the elections, in the National Economic Forum where trade unions met with business associations and government officials. Emphasis was therefore placed from the start on mobilising support from what could otherwise be called South Africa's 'vested interests'. The resultant policies are implemented in a gradual fashion rather than as 'shock therapy' designed to take civil society by surprise (which is also not called for by the state of the economy). A significant part of this project is to study the process of policy deliberation within the NEF, the National Manpower Commission (NMC) which dealt with labour relations issues, and the successor to these two bodies, the National Economic, Development and Labour Council (NEDLAC). NEDLAC was created in early 1995. By undertaking such detailed analysis, we expect to be able to delineate quite accurately how the various powerful domestic

actors – business associations, labour unions, the old NP government and the ANC – defined their interests initially, as well as how positions changed in the course of the deliberations. Such a detailed analysis has still not been completed, but a start was made during fieldwork in 1994 and will be followed up by more fieldwork in 1996. We rely heavily on interviews with major participants in the deliberations and with staff associated with the NEF, NMC and NEDLAC. Because negotiations were conducted with some amount of secrecy, we failed to get access to written minutes from meetings. Some organisations were also reluctant to give us written material on their policy positions. However, there were sometimes ways around this and we do have access to important statements of initial policy positions on the various issues debated. The contents of the agreements reached are also to a large extent available in written form. The local press is also a valuable source of information, as are some local scholarly studies (although these are not always painstakingly empirical).

The healthy lack of commitment to past dogma characteristic of South Africa's new political elite may be partly accounted for by that elite's lack of entrenchment in the bureaucracy (cf. Geddes 1994, 1995 and the theoretical discussion above). It is the old Afrikaner elite which is thus entrenched, a fact that also explains the weakness of COSATU in the public sector. COSATU is strongest in the largely privately-owned mining and manufacturing sectors and this may account for the willingness of COSATU to contemplate policies designed to enhance efficiency, competitiveness and growth over the longer term. Indeed, the trade unions linked to COSATU have long argued that there is a need for restructuring of South African industry, and for workers to 'drive the process'. Although it was always a bit overoptimistic to expect the unions rather than the government itself to always be in the forefront of policy changes, South African unions certainly have played a large role. The very establishment of the NEF came as a result of COSATU pressure, as we shall see below. Unions have sometimes been as willing as have sections of business to contemplate policy measures which may hurt in the short run.

By arguing that COSATU's crucial role in the establishment of corporatist institutions in South Africa should be seen against the background that COSATU and other black unions organise the sectors exposed to competition, we link up to the general literature on the 'rise and decline' of democratic corporatism. Although our argument on this particular score is still undeveloped, we present a rough sketch of the state of our thinking so far. An important argument says that corporatist institutions worked well only in a specific historical period (roughly, after World War II up until the mid-1970s). This period was characterised by gradual liberalisation of trade in goods but extensive capital controls (for example, Moses 1994, 1995). When, in the late 1970s, capital started to flow more freely between countries, national policy autonomy became heavily restricted because monetary policy had to be redirected towards maintaining external balance and a competitive currency. Cheap credit policies could no longer be used, and devaluation could only be resorted to with difficulty. Fiscal policy became the main device for dealing with recessions and this limited the possibility for

resorting to Keynesian counter-cyclical policies. With fewer policy tools at hand, governments became unable to underwrite corporatist deals between business and labour. Businesses increasingly demanded greater labour market flexibility so as to increase competitiveness under a (semi-)fixed exchange rate.

While this argument has its greatest utility when analysing countries in Europe where integration is very far advanced and where monetary union is an aim, the argument has been generalised beyond Europe (an example is Nelson 1994). It also crops up in the South African debate (Tørres 1994: 66; Baskin 1993: 10). One problem with the argument is that it flies in the face of Spanish and Australian experience in the 1980s. This experience strongly suggests that corporatist 'pacts' between government, labour and business can sometimes be fashioned in the context of (and are indeed a response to the perceived need for) extensive liberalisation. We are talking not only of liberalised trade in goods but also of freer capital flows (de la Dehesa 1994; Archer 1992).

A different interpretation sees corporatism as a set of institutions that typically arise in small, trade-dependent countries where labour and business perceive a need to remain competitive in export markets. An early formulation along these lines is Katzenstein (1985). Recently Karl Ove Moene and Michael Wallerstein (1995) have interpreted the rise and decline in Norway, Sweden and Denmark of a specific corporatist institution, centralised wage bargaining, along similar lines. According to Moene and Wallerstein, centralised wage bargaining constituted a means whereby capital and labour in the export sectors gained control over wage formation in the entire economy. As employment in the export-oriented industries decreased over the decades, and as it increased in the non-traded goods and public sectors, centralised wage negotiations became disassociated from the goal of maintaining competitiveness. Instead, they were used by public sector unions to achieve interoccupational income equality. Within the export sectors, business and labour joined hands to demolish the system when it no longer served their interests (Moene and Wallerstein 1995). By implication, the reduced support in Northern Europe for corporatist arrangements have relatively little to do with increased globalisation and market integration and a lot more to do with changing employment patterns, changes that are not discernible to the same extent in South Africa although the country is far from unaffected by them. Crucial from the viewpoint of the politics of COSATU and South African business associations, however, is that they have a common interest in policies which enhance long-term competitiveness in the private sector. There are other obstacles to the long-term effective functioning of corporatism in South Africa, notably the lesser degree of centralisation of unions and business associations in that country than in Northern Europe (Baskin 1993). These are issues which will be explored further as this project develops.

South Africa's current liberalisation effort is certainly helped by the prudent macro-economic management of the previous regime as well as by the fact that in the mid-1980s that regime got rid of quantitative import controls, instituted export subsidies and devalued the currency to a level more suited to encouraging manufactured exports. The economic dislocations have therefore not

been nearly as large as in most Latin American, African or Eastern European countries undertaking economic liberalisation. Nevertheless, the country is faced with some fairly hard choices over import tariffs, labour market legislation, level and direction of government expenditure, privatisation and deregulation that involve real political conflicts. These conflicts are inherently difficult to handle in the best of circumstances. In South Africa they must be dealt with against the background of decades of struggle inflamed by polarising ideologies.

The main argument is that the South African experiment with the NEF, NMC and now NEDLAC is extremely interesting because it may come to represent a distinct contribution to the theory and practice of economic policy-making in the developing world: A democratic-corporatist institutional arrangement involving all major elements of civil society, launched not as a government device to coopt business and labour to its designs but actually as a result of lobbying undertaken by business associations and, in particular, trade unions, and in which the terms for South Africa's reintegration into the world economy can be negotiated. We will try to document this assertion before going into some detail on the nature of the deliberations undertaken within the NEF, NMC and NEDLAC.

South African labour relations before 1990

South Africa's black, or non-racial, trade unions were built in a highly repressive political climate. In 1924, Africans were excluded from registered unions and could not bargain collectively. This did not change until the 'Wiehahn reforms' 1979-1984. There were unregistered black unions and they formed the South African Congress of Trade Unions (SACTU) in 1955 and allied with the ANC. They were subjected to crushing defeat at the hands of the government in the 1960s. In the 1970s black unions again began to grow. After the Wiehahn reforms such growth was massive. Because of the experience of repression, the union movement was for a long time divided between so-called 'workerists' and 'populists'. The former did not want to engage in wider struggles for political rights on the pattern of SACTU, because they feared government repression and also suspected that more immediate issues such as wages and working conditions would be subordinated to the nationalist struggle. 'Populists' maintained that workplace issues were inseparable from wider community struggles and the fight against apartheid (Baskin 1991). COSATU, formed in 1985 as a national federation, can be interpreted as an organisational fusion of these otherwise divergent tendencies. Within COSATU, those who wanted to get involved in anti-apartheid mobilisation prevailed. They stressed the need for cross-class alliances while also upholding the principles of class struggle, working-class leadership and the goal of socialism. But 'workerist' fear of being dictated to by self-appointed community leaders and nationalist politicians was placated by COSATU's strong emphasis on internal democracy – 'mandates' and 'report-backs'. COSATU became a fairly strong national federation of democratic trade unions

conscious of the need to reconcile class-based demands with wider collective goals – so-called 'social-movement unionism' or 'political unionism' (Lambert and Webster 1988; Seidman 1994). The launch of COSATU set off a process of union mergers into industry-based organisations that became strong enough to resist repression and engage in negotiations with the far-sighted sections of business.

In order to explain the emergence of such negotiations one needs also to analyse changing interests in the business community. Merle Lipton (1985) argues forcefully that apartheid was far from functional for the growth of capitalism, contrary to the views of South African Marxists, including many prominent COSATU organisers. It would take us too far to go into these issues in detail here. Suffice it to say that as the economy grew more complex and the need for black skills increased, apartheid policies such as reservation of skilled jobs for whites, controls on the movement of Africans, the enforced maintenance of a migrant labour system, and other restrictions became antithetical to the efficient functioning of the economy. Political unrest and rising strike activity also pointed up the need for business to have black leaders with whom to negotiate. Businesspeople began to lobby the NP government for reforms, including the legal recognition of black unions. Importantly, and as stressed by Lipton, businessmen and their organisations did not have uniform positions on the various issues involved. Among the business associations, the Federated Chamber of Industries (FCI) and the Associated Chambers of Commerce (Assocom) were fairly liberal, while the Steel and Engineering Industries Federation of South Africa (SEIFSA) and especially the Afrikaanse Handelsinstituut (AHI) were conservative. However, the tendency was for even the AHI to support more reformist policies during the 1970s. By legally recognising African trade unions, businesspeople hoped they could restore industrial peace. They also hoped that regularised collective bargaining would provide a model for handling the wider political conflict within the country (Lipton 1985: 173).

The explosion of unrest in the 1980s confounded hopes of greater stability. Instead, there were massive increases in strikes, sit-ins and stayaways. Police were frequently called in to detain union leaders and break strikes, often with deadly result. This was especially the case during the successive states of emergency from 1985 on (Baskin 1991). Renegotiation of a 'social contract' between white property owners and the largely black working class, and the establishment of new and more cooperative economic and political institutions, was exceedingly difficult in a situation where such negotiations were influenced by a 'third party', the NP government, which was far from a neutral arbiter but rather a self-interested, ideologically-inclined actor that often worked at cross-purposes with perceived mutual interests of business and labour.

In the mid-1980s, prominent businessmen began to make overtures to the exiled ANC which they felt had to be drawn into the process of negotiating a more democratic future. Such businessmen realised that stable industrial relations could only be achieved if apartheid was eliminated (Lambert and Webster 1988: 36-37). However, increased strike activity and general protest led the government, with the support of large parts of business, to restrict trade union rights in 1987 by

introducing a Labour Relations Amendment Act (LRAA). Among the effects of the Act were greater employer discretion regarding dismissals and retrenchment, increased restrictions on strikes and related activity (such as sympathy strikes and consumer boycotts), facilitation of damages actions by employers against striking union members, and encouragement of union fragmentation (Benjamin 1990; Baskin 1991: 263-265, 291). The LRAA touched off a long campaign by unions to preserve earlier gains. Despite this polarisation, COSATU continued to negotiate with the employers' federation, the South African Consultative Committee on Labour Affairs (SACCOLA), over the LRAA (Fine and Webster 1990: 269-271; Baskin 1991: 291 ff, 325-326).

By successfully carrying out illegal strikes and protests in the midst of a state of emergency, COSATU effectively foreclosed the option of repression as a strategy for dealing with unions in the future. In May 1990, a few months after the unbanning of the ANC and the release of Nelson Mandela, a deal was struck over the Labour Relations Act. COSATU, the National Congress of Trade Unions (NACTU), and SACCOLA signed the Laboria Minute, which aimed to reverse the changes introduced in the LRAA. The three civil society organisations then jointly appealed to the government to write a new Labour Relations Act. After some foot-dragging and faced with continued demonstrations, the government concurred (Baskin 1991: 437-440; Roux 1990). The resulting government-business-labour accord promised to extend trade union rights to all workers and laid down the principle that all future changes to labour law be subject to tripartite negotiation before being presented to Parliament. Unions agreed to sit on a 'restructured' National Manpower Commission (NMC), which had previously been an advisory body composed of government officials and appointed experts but now took on more of the character of a representative body. A Labour Relations Act based on the new agreement was introduced in February 1991. Parallel to the opening of negotiations on the transition to majority rule, the start had been made to a process whereby civil society organisations cooperated to set up democratic-corporatist institutions for the deliberation of policy, dragging an initially reluctant government along.

Labour - business - government relations during the transition

It is no accident that the COSATU-NACTU-SACCOLA agreement was signed soon after the release of Nelson Mandela. This was the point at which it became clear that negotiations would start in earnest about a democratic future for South Africa. From then on, the authorities could not be counted on to serve as strike-breakers and union bashers. All incentives changed in favour of negotiation and peaceful resolution of conflict. This became all the more imperative because of the perceived need on the part of business to impress upon the ANC and its allies that private enterprise and a market-based economy could be made compatible with the interests of the majority. The old idea among liberal businessmen of using cooperative arrangements in the labour relations field as a

springboard for launching wider negotiations on political and economic institutions resurfaced.

Labour unions were cognisant of the fragility of their newly-won power. The time of transition to democracy was also a time of recession and of pressures to liberalise the economy, both of which threatened jobs and union strength. Soon after the signing of the Laboria Minute, unions began discussing how they could develop a coherent economic strategy so as to meet the challenges of world-wide integration of markets, introduction of new ('post-Fordist') technologies, and global away-turn from protectionism (von Holdt, 1991b). In response to these challenges, some unionists perceived a need to change from a 'politics of resistance' to a 'politics of reconstruction' and to "take responsibility for economic growth and development" (von Holdt 1991a: 15-16).

As we have seen above, a large group within COSATU were strongly sceptical of nationalist politicians and wanted unions to keep their distance from organisations such as the ANC. The strength of such sentiment put pressure on the federation's leaders to demonstrate that it could act as an independent force within the tripartite ANC-SACP-COSATU alliance, that they could exert real influence on behalf of workers. COSATU therefore took care to formulate independent policy positions, to take initiative in developing the alliance's economic and labour policies, and to seek a large role for itself in negotiations about the country's future. The organisation was rather well placed to do so at a time when it was the only member of the alliance with a real organisational presence inside the country – this represented a window of opportunity that COSATU was wise enough to exploit. But the relationship with the ANC was not without its frustrations. Complaints were heard that the ANC lacked a culture of democracy and consultation, that it negotiated with the National Party in secret, and that it was dominated by exiles with little understanding of the importance of mass action and thorough organisation (von Holdt 1991c; Schreiner 1991).

As early as the fall of 1990, the National Unions of Metalworkers of South Africa (NUMSA) resolved to develop its own economic policies regardless of the policies of the ANC and SACP. Only from this independent position would it negotiate with political parties for a 'reconstruction accord', to be implemented after political power was captured. In part, this NUMSA strategy developed in response to overtures from business to join them in negotiating a 'social contract' involving wage restraint, fewer strikes, increased productivity and labour market flexibility. NUMSA felt that such a social contract must be avoided, because businessmen did not have a national perspective on things but only looked at issues from the perspective of their own businesses and with a view to their own profits (von Holdt 1991 b: 20-22). This charge of employer myopia was frequently heard over the next few years, as union leaders argued for the development of a national plan to restructure the economy so as to counter the sectoral and plant-level initiatives taken by business and the NP government (SALB 1992: 15) However, the scepticism of negotiating with employers was not shared by all within COSATU. John Copelyn, at the time general secretary of the South African Clothing and Textiles Workers' Union (SACTWU), argued that national-level

bargaining with business was important to the unions as a means of keeping their independence from political parties. A new government's proper role would be, according to Copelyn, to give practical effect to agreements reached by civil society organisations (Copelyn, 1991: 32).

The labour federation tried, but failed, to get independent representation at the Conference for a Democratic South Africa (CODESA) negotiations on a new constitution, but succeeded in its campaign for the establishment of a National Economic Forum (NEF). The setting up of the NEF was agreed to in early 1992 after a series of demonstrations by COSATU that were initially motivated by opposition to the government's introducing a value-added tax (VAT) but soon developed into general resistance against 'unilateral' implementation of policy reforms by an increasingly illegitimate regime (SALB 1992). On the concrete issue of VAT, COSATU managed to force the government to reduce it slightly to 10 per cent and to exempt some foodstuffs altogether. The first meeting of the NEF was held in November 1992.

The idea of establishing the NEF was initially treated with quite some scepticism by both the NP and ANC. A major issue of contention was whether the NEF should be merely advisory or become a real bargaining forum and hence, in effect, a policy-making body. Neither the NP nor the ANC wanted business and labour to be able to dictate policies to parliament and to government. The government argued that unions and employers could send representatives to the long-standing President's Economic Advisory Council, but COSATU refused. That would have signified cooptation; the unions would have been used to legitimise policies without having the means to ensure concrete benefits for their members. The same problem had arisen earlier, in 1990-1991, with regard to the National Manpower Commission. COSATU's position then had been that once the Commission was turned into a truly representative body, the government could not choose to disregard its decisions. The trade union federation had wanted the NMC to have near veto rights over labour legislation (CALC 1991: 77), although this was soon modified to a right to draft legislation and to have that legislation placed before Parliament without alteration (Schreiner 1991: 39). Several leading politicians within both the NP and the ANC upheld the principle of parliamentary sovereignty and refused to accord either the NEF or the NMC formal decision-making status. (SAIRR 1993: 324-327). Some in the ANC also felt that the NEF would divert attention from negotiations about the new constitution. Furthermore, it would become superfluous once the ANC became the governing party and would be able to act in the interests of the working class (Bird and Schreiner 1992: 31).

Business tended to lean towards the government's position that the proper role of corporatist institutions was an advisory one, perhaps realising that in a system like South Africa's, the policy-making role of extra-parliamentary bodies could not be formalised without creating a tangle of constitutional problems. The most pressing issue for business was to make the institutions as representative as possible, so as to prepare the ground for the development of truly broad consensus on a future economic strategy for the country. On this issue, it differed with a

government that argued that business should be represented by a single organisation, SACCOLA. Employers, however, countered that SACCOLA was their representative on labour matters only and that all major national associations should be individually represented – the South African Chamber of Business (SACOB – a result of the 1990 merger of FCI and Assocom), AHI, SEIFSA, the Chamber of Mines and the National African Chamber of Commerce (NAFCOC). Eventually, this inclusive approach prevailed (SALB 1992: 14-15).

COSATU had to back down on the issue of formal decision-making power. Nevertheless, it became a matter of common understanding among the various actors that it would become exceedingly difficult for any government to ignore agreements between business and labour that had been thrashed out within these institutions. Events were to show that the NP government, as it became increasingly ineffectual and powerless with the advent of regime change, came to rely quite heavily on the NEF to decide urgent issues. It was also understood at the time that a future government dominated by the ANC could not easily override the NEF since the party placed so much emphasis on the need for a 'participatory' democracy that would extend beyond the mere act of voting every five years (Patel 1993: 59). When the successor to the NMC and NEF, NEDLAC, delivered its first major compromise on yet another Labour Relations Act in 1995, this piece of legislation was hurried through parliament without alteration or even significant time for public debate. The corporatist institution had, informally but effectively, become a legislative body.

Development of policy positions

Leftist opponents of corporatism and social accords pointed out that wage restraint and less strike activity were the usual concessions unions were expected to make and that this very fact proved that corporatist deals were inherently detrimental to the interests of workers. Supporters of corporatism were at pains to point out that compromises would only be entered into to the extent that they be part of a strategy leading to socialism (Schreiner 1991: 35; Bird and Schreiner 1992: 23; Godongwana 1992: 23). In 1992, halting strikes was rejected outright by COSATU's Sam Shilowa as a possible concession although it might not be ruled out in the future if conditions were right (SALB 1992: 16). This is still a thorny issue, although in fact the number of person-days lost due to strikes has come down after the 1994 elections. When we interviewed union leaders in late 1994, they maintained that an incomes policy, with attendant wage restraint and lower militancy, could be contemplated but that the necessary structures for collective bargaining had to be put in place first. COSATU pressed for mandatory, centralised collective bargaining both at the national level and within each industry. Once this set of institutions was in place, COSATU maintained, unions, employers and government officials could start the debate on an incomes policy in the light of industry restructuring and an increased 'social wage' – greater government expenditure on social welfare, education, and active labour market

policies (retraining of dismissed workers). The new Labour Relations Act that just passed NEDLAC and parliament, represents a compromise between COSATU and employers who generally pressed for greater decentralisation of bargaining. The system is to remain voluntary and this means that the degree of centralisation of wage bargaining will vary from industry to industry as at present. It is industry-level in some important sectors such as mining and engineering, plant-level in others. There will be industry-level bodies for the negotiation of issues that have to do with restructuring, however, plus of course the national-level NEDLAC. This has happened too recently for us to have had time to adequately study the implications; but the unions fear that the wage bargaining system, being neither here nor there in terms of degree of centralisation, will not be able to underpin effective deals on the economy in the future. The academic literature also indicates that either highly centralised, or decentralised, wage bargaining systems are most conducive to industrial peace and economic growth (Calmfors and Driffil 1988).

In resisting further centralisation of wage bargaining, employers may have calculated that COSATU would not have been strong and centralised enough to have been able to make such industry-level and national wage deals stick. COSATU itself admits that its members are rather militant and not always reliable when it comes to respecting agreements made by their leaders. Employers may also have calculated that fundamental agreement on issues such as tariffs, privatisation, macro-economic policy would be possible to arrive at within NEDLAC even in the absence of formal incomes policies. After all, this was what happened within the NEF during 1993 and 1994. Among the successes of the NEF was the participants' ability to come up with a schedule for reducing tariffs that went a long way to satisfying GATT. It would take us too far to go into more detail here, but both unions, employers and former NP government officials agree that in the absence of the NEF, South Africa would have been unable to produce a policy on tariff reductions at a time when the NP government was a lame duck.

In an important respect, the discussions on corporatism that took place on the South African political left can be seen as a continuation of the old workerist-populist debate that had earlier taken place in the trade unions. In the 1990s as in the mid-1980s, those who favoured active engagement with the government and with business within the country's evolving bargaining fora – and thereby accepted the potential for positive-sum outcomes of social conflicts – won out over militants who viewed conflicts as inherently zero-sum and all compromise as capitulation. Pressing for the establishment of a restructured NMC, of the NEF and NEDLAC and participating actively in these bodies represented in fact but a logical extension of the principle of political unionism. It was also necessary if unionists were to win concrete gains for their members. In the words of NUMSA's Enoch Godongwana, "[w]hat do we tell the 9000 workers in the tyre manufacturing industry when tariffs are removed and their jobs are at stake? Do we tell them to wait for a socialist revolution?" (Godongwana 1992: 21).

Despite the continuing rhetoric about socialism, COSATU developed a set of more immediately realisable goals. In the words of the deputy general secretary

of the COSATU-affiliated Southern African Clothing and Textile Workers Union, Ebrahim Patel: "[COSATU has been] absorbing the lessons from the decline of trade unions elsewhere in the world – unless the movement addressed the needs of the broader society at the same time as that of its constituency, it would become isolated, deemed no more than the voice of another special interest group ... [COSATU also] accepted that international trade liberalisation would fundamentally restructure the South African economy" (Patel 1993:3). The union federation's concern with economic efficiency can also be gleaned from more concrete policy statements calling for stepped-up production of manufactured goods which meet the needs of the poor and are "comparable in terms of price and quality with international standards. In this way, local production will not need to be protected with tariffs. This will also make the economy competitive in international trade" (COSATU 1992: 73). The trick, of course, is to be able to produce cheaper goods while at least maintaining real wages and jobs. Increased productivity is key to the success of this strategy.

In April 1993, the COSATU-sponsored Industrial Strategy Project (ISP) presented some preliminary results of its research into manufacturing sector restructuring. Although this was not a policy statement attributable to COSATU as such, some of the points raised were quite interesting to the extent that they revealed the thinking of at least some labour leaders. Reporting on a World Bank document on the trade regime in South Africa, the ISP group noted that although the level of overall South African tariffs is not very high, the dispersion of such tariffs is. Furthermore, export subsidies had only very ineffectively countered the anti-export bias of the system, and at high cost to the treasury. The ISP group supported this analysis by the World Bank and agreed with its primary recommendations that South Africa must become more outward-oriented by rationalising its tariff system and providing exporters with automatic access to inputs at world prices. After this had been achieved, overall levels of protection should be lowered in a gradual manner so as to avoid loss of industrial capacity. Some selective protection should continue. However, basic wage goods – having benefitted from particularly high trade barriers in the past – should be liberalised immediately so as to make them more affordable to the poor. (Joffe et al. 1993). Our interviews in 1994 revealed that this particular suggestion was extremely controversial among trade unionists. The most highly protected sectors, some of which produce basic wage goods such as clothing and textiles, are often the most labour-intensive. Nevertheless, unions such as that for textiles and clothing (SACTWU) have generally been more willing to discuss reductions in protection than have employers in these sectors. Negotiations on tariff reform for textiles and for the motor industry have been extremely protracted. Only in June 1995 did the trade and industry minister Manuel finally decide the issue in favour of fairly rapid and extensive tariff cuts. We will look into these sectoral negotiations in detail during the course of the project.

Much of the ISP's analysis and suggestions were later incorporated into the report, Making Democracy Work, produced in December 1993 by the ANC's Macro-Economic Research Group (MERG, 1993). Recommendations on tariffs

were cautious, as were suggestions on export subsidies. But exceedingly high tariffs should be down-sized, and lobbying by individual firms discouraged through the introduction of more uniform tariffs. Significantly, exchange rate management should be flexible, according to the report, and aim at maintaining the real effective rate; i.e., the South African rand should be allowed to slide so as to make up for a higher domestic than international inflation rate – a policy that would help promote manufactured exports.

The private/public ownership issue has been a particularly thorny one for the liberation movement. For a long time, nationalisation of 'the commanding heights' of the economy was central to the liberation movement's programme of redistribution. As recently as February 1990, Nelson Mandela maintained that "the nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our views in this regard is inconceivable" (quoted in Kentridge 1993: 3). Nevertheless, a more flexible position was soon adopted. After a March 1992 meeting, COSATU came up with the following rather unexceptional candidates for full state control: education, health, posts and telecommunications, electricity supply, water provision, public transport and steel. State takeovers in other sectors would be contemplated, but only after "consultation and negotiation". A much more useful suggestion, given the oligopolistic structure of South African industry, was to formulate anti-trust policies in the interest of increased competition and efficiency (SAIRR, 1993: 330-331). It is this latter suggestion that has become ANC policy recently.

The MERG report said that "the decision on whether an enterprise should be publicly or privately owned should be made on a case-by-case basis" (MERG 1993: 273) although the gist of the report's argument was in favour of state-owned enterprises, which were seen as able to increase investment and promote efficiency if only politicians would refrain from interfering in their operations – a sweet dream, hardly down to earth. The report also contained a commitment to renationalise recently privatised enterprises but stressed that foreign investors should be given a firm guarantee that their assets would not be taken over by the government. The report also recommended state marketing of certain minerals. On the issue of nationalisation, unions soon became increasingly divided. In July 1993, NUMSA and SACTWU held their congresses. While 59 per cent of NUMSA congress delegates voted in favour of a resolution supporting "nationalisation without compensation", the economic policy statement adopted by the SACTWU conference recognised that in practice nationalisation could not take place without compensation, and that such compensation would be "beyond the resources of a democratic state". Even more tellingly, the SACTWU document went on to argue that "the inefficiencies associated with state-owned enterprises elsewhere in the world would be difficult to avoid. The goal of greater economic democracy in state-owned enterprises has been elusive elsewhere, and no concrete proposals have been advanced to suggest that we can achieve these ...". (SALB 1993a: 17-18).

The reports referred to above were used in the preparation of a joint Reconstruction and Development Programme (RDP) by the ANC, COSATU and

the South African National Civics Organisation, under the coordination of former COSATU general secretary Jay Naidoo, before the April 1994 elections. The RDP went through six drafts and was extensively discussed at various meetings and conferences of the democratic movement. Debates revealed three main issues of contention: macro-economic stability, nationalisation, and cooperation with business. At COSATU's special congress in September 1993, for example, delegates from several union affiliates voiced the opinion that an overly firm stress on macro-economic stability could block significant redistribution. It was also felt that "nationalisation of strategic sectors should be included" and that relations with business would not always be cooperative (SALB 1993b: 23). Significantly, however, few voices were apparently raised against the document's emphasis on lower tariffs and greater world-market orientation. Critics made little headway in pressuring the ANC and COSATU to adopt more 'radical' postures on government expenditure, nationalisation and relations with business. The RDP introduced the idea that the public sector could be reduced if this would "enhance efficiency, advance affirmative action and empower the historically disadvantaged" (RDP 1994: 35). After extensive internal and public debate, and after participation in the NEF where COSATU representatives – many of whom later became government officials and ministers – the tripartite alliance faced the electorate in April 1994 with an economic programme that said farewell to statist socialism and opened up debate as to how market-orientation and egalitarian principles could be effectively combined in a developing country.

III: Common Methodological Considerations

In the sections above, we have extracted two hypotheses regarding the prospects for implementing economic reforms in democratic institutional settings. The honeymoon thesis and the corporatist thesis have been discussed against two separate cases in sub-Saharan Africa, Zambia and South Africa. More comprehensive analyses and theory testing will be presented at later stages. What we try to do is to confirm or disconfirm established analytical positions. We do not compare South Africa and Zambia. But our studies are comparative in the sense that experiences in the two countries are held up against comparative theory. We will also aim to compare policy outcomes over time – and thus between changing institutional settings – within each case (Rustow 1991).

The research projects presented here are case studies. Case studies, we argue, imply a rather holistic approach, as their purpose is to examine the historical, economic, political and cultural features of individual cases (Bradshaw and Wallace 1991: 165, Ragin 1987: 49). By analysing such cases, we hope to avoid some of the problems associated with cross-sectional analyses. When a great number of countries are compared, it is difficult to cover long time spans (Nelson 1994a) and studies become ahistorical. It is also difficult in these studies to incorporate very detailed information on institutions and other contextual knowledge (Geddes 1994, Hawkins 1991). Cross-sectional studies of the politics of economic reform therefore often emphasise the immediate reasons for reform/failure to reform whereas the deeper roots of political resistance/support are largely ignored. Cross-sectional analyses may reveal interesting correlations between different social phenomena present at the same time but fail to reveal how these phenomena are causally related. In many interest group analyses, these weaknesses are noticeable. Due to the methodology employed and the large number of cases included, the fact that interest group pressure may change considerably over time, and during the process of implementing economic reform, is largely ignored (Hawkins 1991).

The literature on economic reform discussed so far has been much influenced by the 'new institutionalism' (Steinmo, Thelen and Longstreth, 1992; Powell and DiMaggio, 1991, March and Olsen, 1989; North 1990; Cook and Levi 1990). The new institutionalism is important for, among other things, pointing out that interests should not be seen as directly deducible from some extra- or pre-political, economic logic, as well as for contributing to explaining why certain practices and policies persist long after they have apparently lost their rationale. It is our belief that the way political and economic reforms are undertaken, may have deep historical roots and that these roots sometimes are peculiar to a given country. The particular, nevertheless, is best understood in the context of the general, and that is why we relate our institutionalist analyses to the comparative cross-sectional studies.

It is not possible to generalise from a single case. Therefore, the theoretical relevance of case studies is determined by the extent to which they refer to theoretical debates and contribute thereby to the refinement of theory (George

1979, Eckstein 1975). In this sense, our case analyses should become components in a longer process of theory-building. Because the case studies are joined to a wider comparative debate they may be considered theory-informing and possibly generalisable (Glaser and Strauss 1961, George 1979, Rustow 1991). According to Arendt Lijphart's categories (1971), our analyses can be called theory-confirming or theory-infirming case studies as both analyses take a theoretically established thesis as its point of departure and aims to either confirm, and strengthen the hypothesis, or weaken it (Lijphart 1971: 691-693). Confirmations of the theoretical hypotheses may contribute to strengthening the theoretical positions. Infirming results in relation to theory, however, cannot be regarded as strong enough evidence to deem the theoretical argument false. But they ought to stimulate search for better or more general theory so as to account for the newly-discovered anomalies.

Both research projects discussed here investigate processes of political and economic change. Contextual data informing the process of change can be obtained from a variety of sources such as statistics on macroeconomic policies and electoral results, survey data, newspapers, and secondary sources. The study of process, however, is inherently qualitative and the main sources of information will be obtained through personal, open-ended interviews. In order to examine the interconnections between the two processes of reform, we ask actors in the process, such as representatives of major interest groups, policy makers, government ministers, donor representatives and bureaucrats to describe their position and role in the processes of change. The extensive reliance upon personal interviews as our source of information is also necessitated by the fact that we deal to a large extent with current affairs. It is important to be aware that examination of current processes tends to highlight the role of actors rather than the structural and other constraints within which these actions take place ('voluntarism') (Nelson 1994a: xv). This tendency may be further exacerbated in analyses relying heavily on interview data, as some respondents tend to distort the character and importance of their own roles. Ideally, interview sources should be backed by written sources. This is sometimes, but not always possible. But oral information can and should be checked with other interviewees. Extensive fieldwork is necessary.

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