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State and business in post-colonial societies: what lessons can South Africa draw from the contrasting experiences of India and South Korea

It's a tremendous honour to be here today, a tremendous pleasure to be back in South Africa. This is my third trip and every time I've been here I feel I've learnt so much. And to see comrades, colleagues, well-wishers, students in the audience, to have MISTRA organise this, to cooperate with the University of Johannesburg and with all the very honoured guests and delegates here, it's really quite humbling and quite an honoured experience for me. MISTRA had asked me to say something about the prospects for development in a country like South Africa and what the lessons from previous attempts, both successful and less successful, might have to offer to a country like South Africa.

Indeed, I think there is much to be learnt from the experiences of other countries coming out of the colonial era. South Africa, of course, is one of the last ones to experience a liberation struggle and at least an internal decolonisation if not an external one. Nevertheless, the modalities of its independence struggle, the challenges that it faces now with the extreme poverty, the small industrial base and the extraordinary ambitions and demands on the state to foster development as a means of increasing incomes, increasing standards of living – those challenges, even though they come at a later stage and later era in 20th century – in 21st century – capitalism, nevertheless they are quite similar to what countries like India and Korea faced.

It seems to me that there is in fact quite a bit to be learnt, therefore, from these older, more venerable, efforts and I'd like to say something about one particular dimension of that which is a central dimension and that has to do with the role of the state in fostering industrialisation. That might seem like a somewhat exotic, perhaps adventurous, ambitious subject in this era of liberalisation and neoliberalism, but it would be folly to think that even today, despite the rolling back of the state, that a role for the state has either become irrelevant or that the state, in fact, has become absent in any role from development because, in fact, even in the countries that are today called neoliberal, even in the countries that have privatised and rolled back regulations, for any kind of industrial policy, even in those countries, states play a crucial role in the actual nitty gritty of industrialisation even though it's quite often hidden from view and therefore not always of the form that a democratic country would like to take.

I think the way forward is to bring out and conceptualise explicitly how and when states have intervened effectively so that a debate and a dialogue might start in countries of the south today of, on the one hand, avoiding the errors of the past, but at the same time building on the real strengths and real accomplishments that state guidance of industrialisation actually manages to deliver.

Now, why India and Korea? I think the reason is these countries are exemplars in some very important respects. They both have something in common. They both have in common a certain set of ambitions and a certain set of mechanisms that they put in place which South Africa can learn from, but they also diverge from each other in important ways and that divergence is also systematic.

And what I mean by systematic is that it has identifiable sources and the reasons for the divergence and the dimensions in which they differ from each other are also representative of the same follies and same differences that many other countries experienced. So India and Korea are exemplars, both in what they share and also in the way that they diverge from each other.

Now, let me start with the first issue. What would India and Korea have in common as post-colonial countries that South Africa might learn from? Well, the central fact is the absolute, the key, role that they accorded to the state as the overseer and as the regulator of industrialisation.

It's easy to forget today in this era of liberalisation that, not only during the forties, fifties and sixties, but indeed, throughout the history of capitalism and late industrialisation in capitalism, every single late industrialising country gave a very prominent role to state guidance of the economy in their effort to catch up with the more advanced countries. What was common in these efforts and what did it entail?

The single biggest challenge that late developers faced, whether it was in the 19th century or the 20th

century, when they tried to industrialise, was that either they lacked an industrial base altogether and had to invent literally a class of entrepreneurs, a class of capitalists, or the class of capitalists that they had, the local industrial base that they had, was very small and faced very bleak prospects of being able to compete with the more advanced, more productive, more dynamic industries from the advanced world.

In order, therefore, to find some way of industrialising under these settings, in all of the late developers, what they found was that local industry could not survive. It was exposed to the rigours of international competition at a very early age. Either foreign capital would come in and squelch the very emergence of local industry or, if local industry were exposed to it, foreign capital would wipe it out because of its increased, its greater dynamism and greater productivity. In all these countries, therefore – whether it's the United States, whether it's Germany, whether it's France, whether it's Italy, whether it's Japan or later on the countries that I'm talking about – in all of them entrepreneurs, industrialists turned to the state for assistance so that they could have the room and the space to grow in order to be able to make their entrance into the global economy. States, therefore, not only kept the background conditions in place for industrialisation, they actively helped and abetted the growth of a domestic class of capitalists.

This was true in the 19^{th} and it was also true in the 20^{th} century. But the mechanisms that states used in these two centuries were quite different. In the 19^{th} century, what states basically tried to do was to fuel and in some way encourage local industry through indirect means. What I mean by indirect means is that they tried to create the conditions where local industry could make profits where it otherwise would not without the state, and the main way they did this was through some kind of subsidy. These subsidies could be, and usually were, indirect and indirect subsidies basically means they set up various forms of protection for local industry against foreign competition. That's a kind of subsidy because what that inevitably meant was that these industries could charge higher prices to local consumers than the products coming from foreign industries. So, basically, this was a transfer of resources from the local population into the pockets and into the firms of capitalists because the local population was having to pay higher prices than it otherwise would have. That's a kind of indirect subsidy.

But they also subsidised by providing cheap credit, low interest rates, easy access to finance. All of these were conditions which, without the state, could not have existed. That was the kind of 19^{th} century helping hand of the state. The 20^{th} century – by which I mean after World War I but really starting in the

1930s and 1940s – the 20th century carried over all of these mechanisms of tariff protection, of cheap subsidies, cheap loans, but they added to it a very important dimension which changed even the goal of state intervention. In the 20th century, not only did states try to help industry indirectly by creating healthy conditions for its growth, the difference in the 20th century was that the state also tried to intervene directly and affect the investment decisions of firms themselves, whereas in the 19th century they would, as they say, 'throw money' at these firms but leave the investment decisions to the firm to do with it whatever they wanted.

In the 20th century states also tried to influence the flow of investment and the quality of the investment. There are various terms for this. It's sometimes called 'industrial policy'. Sometimes it's called 'industrial planning'. But what was common to it was a move away from macro level state intervention to micro level state intervention. This was made possible in large measure because of all the increased techniques and knowledge that became available to states partly as a consequence of the Russian revolution which pioneered the various instruments of industrial planning, but also in the capitalist world because of the experience of the two World Wars.

In both World War I and World War II, capitalist economies fundamentally became, in very important ways, planned economies. They were directly guided by the state and a series of instruments were developed by economic planners in bourgeoisie countries which enabled them to both forecast the direction of investment but also influence and channel it in a variety of ways. Now, this attempt to intervene directly into the actual investment decisions of firms is something that distinguishes India and Korea from earlier generations of late developers like Germany, Italy or the United States.

India and Korea represent the exemplars of what is called late-late development to distinguish it from the earlier, the 19th and 20th century, late developers. But there was a problem over here. If you're going to move from simply creating the background conditions for accumulation to actually trying to affect accumulation itself it's going to require a particular conceptualisation of what subsidies are because the nature of subsidies changes. And that in turn changes the kinds of demands that are placed on the state. Let me address both of these one at a time.

Subsidies can be taken in two ways. One is, you take money, you give it to an entrepreneur, to a capitalist, and you tell him this is to help you grow your business and then you step back. What that person does with the money you don't know. He could invest it. He could keep it in his pocket. He could put it in a bank. He could take it out of the country and maybe invest it somewhere else or put it in a stock market.. All of these kinds of subsidies are based on a kind of trust. In effect it's a gift. It's a gift to the capitalist from the public, from the community, and says we will trust you to do what you want with this money. That's what the 19^{th} century was.

For that, the state has to have certain capacities to do it effectively. Not every state can do it. In particular, what the state needs to have is enough taxing and extractive capacity to have the finances to run all the programmes it wants for ordinary fiscal policy and, on top of that, have money left over to hand over to capitalists. So it has to develop some kind of tax base, some kind of revenue base, and that's something that cannot be taken for granted. Now, many states in the 19^{th} century did not have that; states in the 20^{th} century did not have that; but successful late developers were the ones who could generate such capacity on the part of their governments.

But once you go to actual industrial planning the nature of subsidies changes. They go from being gifts to becoming something quite different which is something akin to contracts. Let me explain why. When I as a state give a capitalist, an entrepreneur, money and I'm not saying to him make of this what you will, I'm saying to him I now expect you to invest this in the steel sector or in automobiles or in chemicals, I am trying now to affect the actual flow of investment. But if I am to know that my money as a planner is in fact going into the sector that I had prioritised I cannot simply leave it to trust because the industrialists might have designs and priorities of their own which do not accord with the priorities of the planner. Indeed, this is why countries felt they needed planning because what they found was that the income structure and the economic structure of late developing countries was such that capitalists could easily make gigantic profits for themselves but by investing in lines, in products and industries that have very few beneficial effects for overall growth and development.

They could create little enclaves for themselves. They could invest and produce luxury products. They could invest and produce very niche markets which had very high mark-ups but no real connection to the rest of the economy. Knowing the capitalists have an incentive to take the money and do with it activities that are highly profitable, but not conducive for developers, planners had to know that the money they were giving to these entrepreneurs was going into the sectors that had been targeted. Now, for that to happen, that money, that subsidy has to be seen as kind of an agreement that I give you protection and subsidies which you wouldn't otherwise have, but in exchange you do with them what we agreed you would do which is instead of investing it in luxury hotels you invest it in a steel plant.

Now the subsidy becomes something that's not a gift but a contract. If you have subsidies and protection and state regulation simply as gifts it requires certain abilities on the part of the state which I said earlier. You need to have enough revenue to be able to give it to industrialists, but if you're going to look at them as contracts you need to have capacities over and above the simple extraction of taxes from society. You also have to have the capacity to, as it were, impose some discipline on your local industry so that you know what they're doing with their money.

You have to be able to monitor them first of all. Secondly, you have to be able to come up with adequate priorities and enforce those priorities. And, in order to enforce the priorities, you need to have some mechanism in place to punish industry if it doesn't do what you've asked it to do. Punish how? Well, the first thing that comes to mind is you'll jail them. No state did that. There are other grounds on which you might want to jail your industrialists. Not abiding by the contract is not always the best one, but the typical punishment was next time you come for a subsidy you don't get it.

I will give you money the first time around and I will monitor you to see what you do with it. The second time around, when it's time to renew the subsidy, we have a performance criterion and if you don't meet the criterion or criteria of performance you don't get it. Somebody else does. That's a kind of discipline. But, in order to be able to impose discipline like that, your government needs to have the right kinds of agencies which are empowered to monitor regulation, and monitor industry. It needs to have enough internal communication for the industries, the agencies to coordinate amongst themselves about who to prioritise, what to prioritise, who to give the monies to.

And then you need to have enough political will and enough information inside the state to know who to discipline and when to discipline. All of these are an added set of capacities that states need to have. Now, just as in the 19th century some states had the capacity to generate subsidies and some did not, so in the 20th century some states had the capacity to discipline their industrialists while others did not and this is where the India and Korea experience comes in. Whereas both India and Korea had the ambition to foster industry through state subsidisation and did have the taxing capacity, just as South Africa does, to generate the revenues to help local industry, they diverged in one important respect.

Korea did have the capacity to impose discipline on its firms and one result of that was the most rapid industrialisation the world had ever seen over the course of a 30-year period because firms now not only got lots of money to invest in lines, they were also forced to make sure that they were the lines most conducive to economic development and also that monies were being routinely put into the best practice techniques and the most dynamic forms of equipment and machinery.

In India, however, that attempt at discipline failed. What happened, therefore, was that – whereas in Korea subsidies were not just gifts but contracts – in India subsidies remained gifts. They amounted to a giant transfer of public money from the people of India into the pockets of the capitalist class. It was not a complete failure. India did still build a fairly broad industrial base. It did enter and generate industry in sectors where there would've been no prospect without some kind of state guidance, but the dynamism of the industry, its rates of growth, its linkages with other sectors remained much short of what expectations had been and didn't come anywhere near the success of South Korea. So this is the divergence.

And the question for us is why? Why was it that the Indian state was not able to have the capacity to impose discipline on its capitalist class whereas the Korean state was? This is where politics comes in. It had been assumed at mid-century that whatever capacities the state needed in order to be able to carry out its tasks were capacities that it would be able to generate for itself. And the reason is that the two most powerful agencies, constituencies in any capitalist economy, which is the domestic bourgeoisie and the state, had reasons to consider this a common project, a project that both sides wanted.

The state wanted to foster rapid industrialisation and rapid industrialisation could only, of course, mean the rapid growth of a class of domestic capitalists. And, of course, the capitalists themselves would look favourably on any state policy designed for its own expansion. So it was assumed that, whatever capacities the state needs, if it needs to be able to monitor, if it needs to be able to discipline, industrialists would say absolutely, go ahead and get these capacities. Develop these abilities. Develop the agencies that'll be able to carry it out. And then we will both march forward together into the new industrial future.

But what happened was that the inability of the Indian state to develop the capacities to discipline its class of industrialists was no accident and, ironically, the attempts to generate those capacities were scuttled, were undermined and were attacked by the industrialists themselves. This is an extraordinary puzzle. Why would the natural beneficiary of a goal of rapid industrialisation and the expansion of the industrial base turn around and attack the ability of the state to carry out this mission?

In Korea we saw the opposite happening. In Korea a partnership did develop between the state and capital around the same goals. So how could we explain this? Well, for the longest time, the explanation was that Korea was a dictatorship and India is a democracy and in dictatorships it's easier to carry these things out. I will come back to this in a few minutes and I will urge that this is a quite profound misconceptualisation and misunderstanding of the roots of Korean success. The real roots of the success have to do with the interests and the power of the domestic capitalist class when it comes to this project of industrialisation.

Let me now explain. I said earlier that the goal of late-late development was the acceleration of a local industrial base and the creation and the accelerated growth of the class of domestic capitalists. In other words, making them more profits. But there was a problem in the particular mechanism through which this was to be carried out, which was industrial planning and industrial policy, which, as I said, involved the imposition of discipline on the capitalists. Remember what discipline means. It means getting capitalists to abide by, not their own priorities of investment, but the state's priorities.

Herein lies the problem. Industrialists in a country like India wanted to make profits but the conditions in which profits were promised to them in the planning regime made it rational for them. In other words, it created incentive for them to accept one component of the subsidisation process which is all the gifts that they were getting while rejecting the idea of discipline. What capitalists wanted in India, like any capitalist wants, is lots of free money. I have a certain rate of return. I have some internal funds as an industrialist. I will use those funds. If I can double those funds by getting access to the state, beautiful. No capitalist has ever in my knowledge, if he or she has been in their right mind, rejected or turned down the prospect of getting a gift from the state. So they were very happy with getting the gifts. However, in return they were asked to deprioritise their own goals and to prioritise what the state was demanding. Now, the state wasn't demanding that they make zero profits. No capitalist would ever agree to that. The state was promising them some degree of profits.

But it was also asking for them to target sectors which, in the business' own mind, may not be the ideal sectors for them. To now put up with an overweening, intrusive bureaucracy which the state, that they had better understanding of what their businesses involved than the bureaucracy might, but most importantly, what they were being asked to consider was a choice between a planning and regulatory regime in which they would get all the gifts – thus without the discipline – versus a regime in which they would get all the gifts and subsidies but accompanied with discipline.

And naturally what they chose was: I'll just take the gifts but I won't accept the discipline. This is an important point. All throughout the 20th century, in every post-colonial country, it was understood that, whatever else happens, we have to help develop the local industrial class, which means we have to protect them from international competition. We have to give them subsidies. One unshakeable pillar of post-colonial development strategy was the subsidisation of domestic industry. This was through programmes called import substituting industrialisation also known as 'ISI'.

Every country that tried to industrialise used ISI other than England – in fact even England in the 18th century used ISI. Every single capitalist country that has developed in the context of international competition from other countries has always relied on some kind of domestic protection. That means every single country has guaranteed its capitalists: you will get subsidies from us, no matter what. Now, once you've guaranteed them subsidies, essentially what you're doing is guaranteeing them free profits.

In those conditions, when you demand of them that, in exchange for that, they accept the state's power over them, if they have reason to believe that they can reject the power of discipline while keeping all the gifts the rational strategy on their part is to keep the gifts and reject the discipline. This is what Indian capitalists did. The fact that import substitution offered them basically guaranteed profits made it reasonable for them as capitalists to reject all the conditions that were being attached to those gifts. Okay. If it was rational for them, so what did they do?

In the five to ten years after independence, when India announced a very ambitious regime of industrial planning, the capitalist class which was quite big, bigger than the South African capitalist class in 1994 when South Africa got its liberation, the Indian capitalist class said we love the idea of planning but here's what we mean by planning: what we mean by planning is you protect us from international competition, basically 19th century planning; what we reject is the idea that you get to tell us what to do.

So they launched an attack on the planning regime and this was no ordinary group of people. This was not a group of peasants or a group of indigenous people or even a group of shopkeepers. It was the most powerful economic agent in any capitalist society because they control the purse strings, the heart of growth in that economy, which is investment.

What they did was a two-step measure. They went on an investment strike for five years. They sent the post-colonial economy into a tailspin. And they basically said to Nehru and the Indian National Congress: you back off from your planning measures and we will recommence with our investment. And there's this fantastic speech that Nehru gave in which he said our industrialists seem to be like a group of children; they seem to go into a panic every time we talk about planning; don't they understand this planning is for them? In the end he relented and he pushed back all the designs to restructure the state to endow it with the capacities to be able to demand discipline from capitalists. And what the Indian state ended up being was a state very good at pouring public money into private pockets but very bad at having those people to whom the money had been given owe anything in return.

And why then did this not happen in Korea? Korean capitalists were also rational. Korean capitalists were also promised subsidies and free profits. Why did they partner up with their state? The reason is that the Korean state, in addition to providing protection to its capitalists, also persuaded them or forced them to agree to something added to what the Indian capitalists were doing which is to have a go at export markets.

Korean capitalists from a very early stage agreed that they would not simply make their profits from behind the protection of the tariff barriers and tariff walls and cheap subsidies that they were getting from the Korean state, but they would also commit to success and expansion in American, primarily American, but also European markets. Now, the thing about those export markets was, unlike domestic markets which were protected and essentially free profits, export markets were highly competitive. In order to survive in those markets Korean firms had to have the latest techniques, the most dynamic firms, the best practice types of machinery and the best practice kinds of business organisation.

So now, when the state said to them in exchange for these subsidies you must also establish linkages with other sectors, you must engage in best practice techniques, these Korean firms had it in their interest to actually be as dynamic, as competitive as the state was asking them to be, whereas in India there was no reason to be competitive because you were behind essentially protected and free profits. The reliance on competition in export markets changed the incentive structure for Korean capitalists so that they had it in their interest, not only to accept the gifts, but also to upgrade in much the same way that the state was asking them to upgrade when it asked them for discipline. So you got two very different outcomes.

In Korea, when the state tried to build its capacities to create the agencies which would monitor the firms which would then discipline them if they didn't listen, Korean capitalists said it's fine with us because having a state that can do this would actually enable us to better compete in those markets which are cutthroat and brutal. In the Indian case there was no such threat and anything that the state tried to do to impose its will on industrialists was seen as an imposition, an unnecessary imposition, which they pushed back against. The result therefore was a divergence in outcomes.

In Korea, the planning regime results in a very dynamic, incredibly fast-growing industrial sector, rising incomes, rising per capita income, rising standards of living because the state is able to control its domestic bourgeoisie. In India it's the bourgeoisie that sets the agenda for the state and the result you get is a very, very rich capitalist class but subpar developmental outcomes because of an enfeebled state that cannot carry out its own mission.So, this is the divergence between India and Korea. The question for us now is what lessons does this hold for South Africa?

Well, the obvious lesson is the following. Even in the era of liberalisation you can get high growth rates but, if historical experience is any lesson, for those growth rates to also translate into a sustainable path of industrialisation, rapid development and high per capita income, it's typically required that entrepreneurs and industrialists not be trusted to carry out their mission simply on the profit motive because it is very possible to make high profits without generating rapid development. For the profits to translate into development has required in the past some degree of state intervention to create links between different lines of industry to encourage them to invest in ways that are growth and development enhancing, not just profit enhancing, and to generate the kind of infrastructure which industry is hesitant to build on its own because it doesn't generate the profits that more consumer-oriented and more light industries will generate.

So the first lesson is that liberalisation pure and simple is a poisoned chalice. And, where it's worked in the past, has been under very specific and very unusual conditions, if it's worked at all. So, if some degree of state intervention is required, is it possible to go back to an era of developmentalism that we saw in the sixties and seventies? Now, South Africa is one of the countries in the global South where the idea of a developmental state is still in currency. Even though it is not today as powerful as it was say 10 or 12 years ago it's still very much in debate.

And I think it's going to actually continue to be in debate as we come out of the neoliberal era which I think could be on the cards. If South Africa, therefore, is to embark on some kind of state intervention in the economy, even if it isn't the full-fledged developmentalism that we saw in the sixties, is it possible? Well, in my view the kind of developmentalism we saw in the fifties and sixties is probably not on the cards today. There are a couple of reasons for this. As I just explained with the India/Korea case, the essential determinant of Korea's success was that it had a domestic class of industrialists who were willing to abide by a planning regime, some kind of disciplinary planning regime. What distinguished India and other countries like India – Turkey, Brazil, Mexico, which tried the same thing and like India failed – was that their domestic industrialists rebelled against the idea.

That suggests that the essential precondition for South Africa to be able to embark on some kind of, if not state-led, at least state-regulated path of industrialisation, the essential precondition will be at the very least neutralising the opposition from domestic industry if not bringing them on board altogether. Now, is that on the cards in South Africa? I think the chances for that are limited. And they're limited because, in today's world in semi-industrialised countries like South Africa, even though you don't have the kind of ramified and large class of industrialists that you do in Europe or that you did even in India in 1947, you do have enough of a quite powerful and internationally oriented capitalist class that will see the regulatory hand of the state and the possibility of discipline as simply an encumbrance.

And the reason is they're doing quite well for themselves in the neoliberal era and, because they're very large firms, because they have enormous economic clout, they also therefore have political clout, which means that on their own they may not be too willing to do it. This has been true across the world. I don't think it's an accident that, in the more developed parts of the global South, a return to a state-led industrialisation path has been off the political agenda for 20 to 25 years now. The reason for that isn't that there is no justification from the standpoint of the public for state regulation. It is as great as ever.

The reason is that the power centres in these countries, which are the largest segments of capital, no longer think they need it whereas 30, 40, 60 years ago enough of them still thought they needed some degree of state regulation, some degree of insulation from the global economy. They're much less willing today to accept discipline than they were before. So does that mean, therefore, that the era of any kind of state guidance of capitalist development is over and the only choice we have now is this liberalised neoliberal path? I would caution against that.

Let me go back to the logic of my argument. The logic of my argument is that, in any capitalist economy, you have to contend with the political power of the capitalist class. In India and Korea the fulcrum on which their success turned was how the capitalist class reacted to this agenda on the part of the state to regulate. In India, because the capitalist class was unwilling to abide by it, the state had to step back. It had to step back because it was unable to overcome the resistance on the part of this class. This suggests that the key is one of two things: either bringing the class to your side as the state or, if you cannot bring it to your side, to overcome its resistance.

Well, in any capitalist economy there is a means of overcoming capitalist resistance and that was done in another set of countries which also relied on some degree of state intervention which are not looked at as much in the development literature because they're considered to be advanced countries. But I suggest you ought to look at them because, when they embarked on their path of industrialisation they were also semi-industrial countries. The example here is countries like Japan, countries like France, countries like some of the Nordic countries, which embarked not on an authoritarian developmental path like Korea but on a more social democratic labour-led path of development.

And what was common to all of these countries was that: a) their domestic capitalist class much like the Indian one was not very happy with the idea of a heavy hand on the part of the state but, unlike India which (somewhat like South Africa and I hope nobody kills me for saying this) demobilised its labour movement. Unlike these countries, the European countries, the states in these countries, rested on a mobilised labour movement which, because it posed a threat to the everyday making of profits on the part of business, was able to put demands on the table for greater regulation, for greater planning, for more discipline on the part of capitalists which they had to agree to because of the power that labour was able to bring to the table and the state was able to rely on that mobilised power.

This brings me now to the final point. What I'm saying here is the very opposite of what the development literature tends to say, which is that the Korean success story can be attributed to the fact that it was a dictatorship. Now, there's an intuitive plausibility to this argument. The intuition is discipline sounds like punishment. Punishment is an authoritative act and, because it's authoritative, if people have fewer freedoms you can punish them more easily and, therefore, having an authoritarian state means you can have a Korean style developmentalism which is a problem for countries like South Africa because they're democracies.

So, how then if you're a democracy can you have any kind of developmentalism? This argument rests on a fundamental error and that error is that curbing the power of capital requires – or let me put it differently – having an authoritarian state curbs the power of capital. Think about that for a second. For that to be true it would have to be the case that capital's power flows through the channels of democracy, that for industrialists to have their political clout with the government they must use the institutions of parliament or elections or freedom of speech or freedom of assembly.

None of that's true. The power of capital flows directly from its control, its unilateral control, over the investment decision. It flows directly from the fact that it holds the purse strings not only to economic growth but also to politics: funding elections, funding politicians, bribing them if need be. The power of capital owes nothing to democracy and this is why for 300 years capitalists everywhere and always fought against the expansion of democratic rights. What authoritarianism curbs, is not the power of capital but the power of labour. It's labour that relies on democratic institutions, not capital.

An authoritarian country therefore is a country in which it is not the power of industrialists that has been curbed. In fact, the power of industrialists will be advanced and enhanced because the key channels that they use to influence governmental decisions are all still in place. And, because the power of labour is decreased, the relative power of industrialists is enhanced even more disproportionately. In Korea, therefore, what we can say is that the Korean state succeeded in disciplining its industrialists not because it was authoritarian but in spite of it.

Now, you might say this sounds like a cock and bull story. Look at the record of developmentalism in the post-war era. There are four cases of unimpeachable success when it comes to industrial planning that everybody agrees were successful. Two of them were authoritarian, Taiwan and Korea, but two were democracies, France and Japan. The empirical case for linking authoritarianism to a developmentalist agenda is quite weak. At best you can say it's half of the cases we know. Conceptually, as I've just said, theoretically there's no reason to think that taking away people's rights gives less power to capitalists. Actually it increases this power.

What this means, therefore, is that democracy need not be an impediment to imposing discipline on capital. Indeed, let me make the strongest possible argument, it can actually be an advantage and the reason is simple. When you're giving them subsidies in South Africa with the people's money, through the public exchequer, what you are essentially doing is taking money from ordinary citizens, working people, and handing it to a class of highly privileged entrepreneurs. Now, if you in public come out and say this is our money, your money, that we're giving to them and we are going to hold them publically accountable and if they do not abide by this we have the mandate from the people to discipline them, to punish them in some way, that is actually an enormous lever to use against the depredations and the private and highly narrow priorities that industrialists might have.

This is what the labour-led developmentalism that we saw in the West relied upon. It was not the crushing of democracy that enabled them to discipline capital but its relying on these democratic institutions, on the power of unions, on the power of the press, on the power of the public. So it seems to me, if the key to installing some degree of a regulated state-led developmental path is overcoming the resistance of business, the best way around it, the best way to do so, is through relying on the natural base of parties like the ANC which is the labour movement that led them to power.

But the final proviso is this. If you're going to do that, it'll have to be a different kind of developmentalism. It'll have to be a developmentalism which does not see the interests of local industry as the priority but as a necessary constraint, as something that has to be used as an instrument so the priority can be the interests and the needs of your actual base which is the labour movement and the power of working people that you're relying upon. That will be a developmentalism insofar as it is enhancing and accelerating the rate of industrial growth.

But it will be an industrialisation in which labour enters as an actual participant, somebody that has real political power and a political voice which will be different both from the authoritarian developmentalism we saw in Korea and the highly compromised fractured democratic developmentalism we saw in India. For 25 years from the eighties into the nineties many of us in the West and in the global South looked to South Africa as a potential beacon, as potential for a new example, a shining light of what a post-colonial developmental path could be. My hope is (and I think the instrument, the power is still there in this country), my hope is that, if it embraces this kind of labour-led developmentalism, that hope could turn out to be true once again.

Thank you.