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Operationalisin the Economic Clahses of the Freedom Charter:

' Notes for Discussion

BY

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The main clauses of the Freedom Charter dealing with matters related to economic policy are the following:

"THE PEOPLE SHALL SHARE IN THE COUNTRY'S WEALTH S

The national wealth of our country, the heritage of all South Africans, Shall be restored to the people;

The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole;

. All other industries and trade shall be controlled to assist the well-being of the people;

All people shall have equal rights to trade where they choose, to- manufacture and to enter all trades, crafts and professions." ' ' '

"THE LAND SHALL BE SHARED AMONG THOSE WHO WORK IT!

Restriction of land ownership on a racial basis Shall be ended and all the land re-divlied amongst those who work it, to banish famine and land hunger;

The state shall help the peasants with implements, seed, tractors and dams to save he soil and assist the tillers;

Freedom of movement shall 1, guaranteed to all who work on the land;

All shall have the right to occupy land wherever they choose;

People shall not be robbed of their cattle, and forced labour and farm prisons shall be abolished."

. "THERE SHALL/ BE WORK AND SECURITY!

911 who work shall be Wren to farm trade unionu, to ulgot their officers and to make wage agreements with their employers;

The state shall recognise the right and duty of all to work, and to draw full employment benefits;

Men and women of all races shall receive equal pay for equal work;

There shall be a forty hour working week, a national minimum wage, paid annual leave for all workers and maternity leave on full pay for all working mothers;

Miners, domestic workers, farm workers and Civil servants shall have the same rights as all others who work;

Child labour, compound labour. the tot system and contract labour shall be abolished."

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"THERE SHALL BE HOUSES, SECURITY AND COMFORT !

All people shall have the right to live where they choose, to be decently housed, and to bring up their families in comfort and security:

Unused housing space shall be made available to the people;

Rent and prices shall be lowered, food plentiful and no one shall go hungry; %

A preventive health scheme shall be run by the state;

Free medical care and hospitalisation shall be provided for

all, with special care for mothers and young children;

Slums shall be demolished and new suburbs built where all have transport, roads, lighting, playing fields, creches and social centres;

The aged, the orphans, the disabled and the sick shall be cared for by the state;

rest, leisure and recreation shall be the right of all;

Slums, fenced locations and ghettos shall be abolished, and laws which break up families shall be repealed."

Examining these clauses, it is apparent that the Freedom Charter envisages:

X Profound changes in the pattern of control of the economy;

X A radical land reform programme sufficient, at least, to banish land hunger;

X Substantial improvements in conditions of workers with guaranteed employment, increased wages, a 40 hour working week and full trade union rights: 1

X An extensive social welfare programme.

It has often been stated that the Freedom Charter is not a socialist programme, although it has been described as being "not incompatible" with socialism. Rather it defines the goals and objectives of a national democratic revolution in South Africa.

The economic clauses of the Charter are based on a recognition of the basic reality that, in the specific conditions of capitalist exploitation based on national oppression which lie at the heart of the system of apartheid, the national democratic goals and objectives must, in addition to political and social changes, also embrace profound democratic transformations of the economy.

NMF members will be aware that that the types of

transformations envisaged in the Charter will not be accomplished at a stroke. Implementing them will be a process. We are acutely conscious of the disasters that have befallen revolutionary movements which have concentrated on baking slogans instead of bread during the transition phase. We also recognise that taking control of the economy implies accepting responsibility for managing it. The movement's recognition of the necessarily protracted nature of the process of realising the economic and social objectives of the Freedom Charter is reflected, inter alia, in repeated public statements by our leadership that there are

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will be a "mixed economy" in a liberated South Africa. However, acknowledging the necessarily protracted nature of the process of implementing the objectives of the Freedom Charter is decidedly not the same thing as accepting that the economic clauses of the Charter are mere utopian visions which should be abandoned in favour of "practical" policies which WbUdj in practice, leave the basic structures and institutions of the apartheid capitalist economy intact. The various solicitations made to restrict ourselves to seeking to change only racist political and social structures are based on the entirely false premises that, &he basic structures and institutions of apartheid capitalism are "healthy" and "neutral" in relation to institutionalised racial discrimination. Since the apartheid economy is in reality both rooted in the system of national oppression and in the midst of a profound structural crisis, yielding to these pressures would amount in practice to accepting a programme aiming at resolving the crisis in a way which would ensure the continued subordination of the interests of the majority of our people to those of the minority who currently own and control the means of production. The challenge which is posed to our movement in the face of such pressures is to develop a strategy and tactics for achieving the goals defined in the Freedom Charter, in a way which adequately recognises and takes account of the objective difficulties as well as of our own points of weakness and strength. Here it must be admitted frankly that debate on these questions within the ranks of our movement is just beginning. This is not because of any failure to appreciate their importance, but because at the present moment of our struggle priority has necessarily to be given to questions of 4 how we are to advance towards a democratic, non-racial South Africa rather than to questions of what we do once we have got there. Moreover, there is a general recognition in our ranks that much will depend on when and how we come to power, and on the precise correlation of forces existing at the time of liberation. These factors will delineate concrete limits and possibilities which are currently unpredictable, but whose impact in practice may be decisive.

The present paper represents no more than an attempt to sketch out in an extremely broad way some of the general issues that will be raised in a struggle to operationalise the economic clauses of the Freedom Charter. It begins with a brief overview of some of the main structural characteristics of the South African economy and examines some of the major dimensions of its current crisis. 4The paper then looks at some of the likely immediate economic needs of the people, which will preoccupy the people and a democratic government after liberation. It then proceeds to examine some of the implications of a struggle to address these concerns within a perspective informed by the Freedom Charter. The paper's central contention is that there is no one set of goals in the Charter (e.g. the welfare programme) which can be embarked on to the exclusion of the others. A strategy needs to be developed, which while allowing for priorities and the timing of different elements to vary, has as

its strategic aim the realisation of all of the objectives defined in the Charter. '%

## 1. A BRIEF OVERVIEW OF THE CURRENT STRUCTURE AND CONDITION OF THE SOUTH AFRICAN ECONOMY

### i. The Apartheid Context

No attempt will be made here to provide any detailed historical analysis of the emergence of the institutions and structures; of South Africa's capitalist system; and the specific system; and structures of exploitation which capital accumulation in South Africa developed. No study of the South African economy can, however, ignore the context of apartheid.

Apartheid has been described as a system of; capitalist exploitation based on national oppression. National oppression pre-dated the emergence of capitalist production and was rooted in colonial conquest. With the emergence of capitalist production, it was, however, taken over, moulded and intensified to serve as the basis for capitalist relations of exploitation of a specific type. at . '- , gt

Capitalist production in South Africa "burst on the scene" at the beginning of the age of imperialism, at the end of the nineteenth century. Before that; from 1652 to 1870, South Africa was subordinated within the world economy through relations of mercantile colonialism. Production inside South Africa itself was not, with few exceptions, based on the wage labour system of exploitation characteristic of capitalist relations of production, but on other pre-capitalist forms of exploitation. It was the emergence of the mining industry at the end of the nineteenth century, which led to the extensive implantation of the wage labour system. Capital accumulation in the mining industry depended from the start on the availability of abundant cheap, unskilled labour power. Historically, this was obtained from the nationally oppressed black population through the application, on a racially discriminatory basis, of a number of measures described in the literature as "exploitation of colour bars". The objective of these was to compel blacks to make themselves available as low paid migrant workers. A number of mechanisms were also established to control black workers at the point of production. To this end; capital accumulation in the mining industry depends on the migrant labour system. closed compounds and the Like (even though some aspects of the application of these measures have been: "modernised"). The development of the mining industry created conditions for the emergence of capitalist production. This was a much slower process than that which developed in South Africa "from above" (along what Lenin described as the "Prussian ... , a 'Twu

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road") through a protracted process of intense class struggle, in which former non-capitalist settler landowners transformed themselves into capitalist farmers and their former tenants into wage labourers (1). The national oppression of blacks was again critical in shaping these relations. First, it was the basis on which blacks were deprived of independent access to the means of production and, most particularly, land (outside of designated "reserves"). Second, it was the basis on which a series of coercive measures were applied to force blacks to become low paid wage labourers. In the period between the first and second world wars, and more particularly after the second world war, a significant industrial sector also developed. This is now the largest productive sector in the South African economy. The industrialisation of South Africa also led to, and was accompanied by, a process of urbanisation which resulted in the creation of the largest industrial urban proletariat in Africa. While the apartheid system contains a number of specific features, certain core elements or pillars of contemporary apartheid can be identified.

Firstly, apartheid is a system of racist minority rule. It is a system in which the majority of the population are excluded on explicitly racist grounds from all but token, ineffective participation in the political system. Political power is thus effectively monopolised by a minority consisting exclusively of members of one (white) "racial group".

Secondly, apartheid is a system in which access to means of production has, historically, been differentiated according to position in the racist hierarchy and in which, therefore, the vast bulk of the wealth, income, higher paid jobs as well as ownership and control of the major means of production has become highly concentrated in the hands of a minority of whites.

Thirdly, apartheid is a system in which patterns of land occupation and spatial relations have been structured on explicitly racist criteria. The majority of the people have been prohibited from occupying land outside of the townships. Urban residential space has been segregated and Africans have been prevented from moving freely to urban areas. A racially compartmentalised system of spatial relations has thus been created and millions of people have been forcibly moved over the years to give effect to this.

Fourthly, apartheid is a system of labour controls applied on a racially discriminatory basis. These have ensured that the black population provides abundant cheap labour power for capital accumulation. -

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Finally, apartheid is a system of repressive social control. Unable to govern by consent, its rulers depend to a high degree on repression and coercion to maintain themselves in power. The emergence of all of the above elements of the apartheid system!

system was historically interlinked. South Africa is a capitalist society divided into classes, but race has been the concept around which relationships in the state have been structured. Rights of citizenship have varied with "racial category" and, indeed, in the Verwoerdian schema the majority of the people were declared not to be citizens of South Africa at all (only one of ten ethnic "homelands"). This categorisation has greatly affected the process of assigning agents to particular places in the social division of labour. As indicated earlier, during the phase of primitive accumulation, in which the present pattern of ownership and control was established, different categories of whites used their exclusive access to political power to gain control of means of production at the expense of blacks. Blacks, who did not have political rights, were subjected to a number of racially discriminatory measures, whose objective was to compel them to make themselves available as low paid wage workers. After 1924, and particularly after 1948, state intervention of various kinds was directed at promoting the specific interests of particular capitals with initially industrial and agricultural capital, later an ethnically defined "Afrikaner capital". It was thus through explicitly racially discriminatory measures that the current patterns of ownership and control over the means of production were established and there is no doubt that what has been called the "exploitation colour bars" - exploitative measures directed exclusively at blacks - were the sine qua non on which capital accumulation in South Africa developed and depended.

How far the reproduction of the social and economic aspects of the system have now become endogenous and how far they depend on continued racist minority control over the political system is one of the major points of debate within "white politics". The position on this question varies in part according to class. In very general terms, the major monopoly corporations with their accumulated capital and economic power do not consider continued white monopolisation of political power to be as essential as the most vulnerable sections of the white petty bourgeoisie and white labour. The latter fear that any abandonment of racial exclusivity will lead to a loss of privileges. However, this generalisation is subject to a number of qualifications. Afrikaner monopoly corporations (Sanlam and Rembrandt), although controlling vast assets, still benefit from particular forms of state patronage and support. There are also many corporations involved in arms production. These "interests" too have shown themselves to be wary of any change which might put their particular privileged access to state patronage in question. The positions of the oppressed and exploited majority also vary to some extent according to class. Among the small stratum of black capitalists and petty bourgeois, there is perhaps a certain tendency to look towards a future in which capitalism survives without racism. Among the working class, by contrast, there is a strong thrust towards wanting to see the elimination of apartheid oppression accompanied by a transition to a society not characterised by exploitation i.e. for socialism. However, whatever the different emphases, there is a broad general consensus: ' \_ . a : s.?i

recognition among the masses of the oppressed that changing the political system will not on its own be sufficient. There is little faith in the power of the "free market" to rectify the injustices and inequalities of apartheid. Even many black capitalists, who generally tend to look more to the disadvantages they suffer compared to their white counterparts than to the advantages they possess vis a vis black workers, seem to have arrived at the conclusion that unfettered market forces would merely lead to the reproduction of existing patterns of economic power. In the specific conditions of apartheid capitalism, a broad consensus thus exists among the vast majority of the nationally oppressed that any new government which emerges should have the will and capacity to effectively intervene to rectify social and economic inequalities generated by apartheid, including those relating to the existing patterns of ownership and control of the means of production.

11. Sectoral Analysis of Contemporary South African Economy  
The above provides a general background against which we can approach an examination of some statistical data about the South African economy in the contemporary period. The following table shows the contribution to the Gross Domestic Product (GDP) of different sectors in recent years.

Table 1: Sectoral Contribution to Gross Domestic Product  
(at constant 1975 prices " Rand billion)

1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Agriculture	2,1	2,1	2,3	2,4	2,3	2,6	2,6	2,4	1,9				
Mining	3,2	3,2	3,3	3,4	3,5	3,5	3,4	3,4	3,3				
Manufacturing	6,0	6,1	5,9	6,4	7,0	7,7	8,2	8,0	7,5	5			
Electricity & construction	2,0	2,0	1,9	1,8	1,9	2,0	2,1	2,2	2,2				
Trade	3,7	3,7	3,4	3,3	3,6	3,9	3,9	3,9	3,9				
Transport & Communications	2,4	2,5	2,5	2,6	2,8	3,0	3,3	3,2	3,0				
Financial Services	2,4	2,5	2,5	2,6	2,8	3,0	3,2	3,2	3,0				
Government Services	2,5	2,6	2,7	2,8	2,9	3,0	3,0	3,1	3,				
Other Services	1,6	1,4	1,8	1,8	1,3	1,4	1,9	1,8	2,1				
Total	25,9	26,2	26,3	27,1	28,1	30,1	31,6	31,2	30,2				

Source: Republic of South Africa Central Statistical Services:  
Bulletin of Statistics, Quarter ended September 1984.

The table shows that manufacturing is currently the most important single sector of the South African economy accounting for 24,83 of Gross Domestic Product in 1983 - nearly one-third.

half times as much as agriculture and mining combined. The table also shows that manufacturing has historically been the most "dynamic" productive sector of the economy. Its average rate of growth over the period 1975- 83 was 2, 9% per annum, compared to the average rate of growth of 1, 9% for the GDP as a whole. This placed manufacturing second only to government services, which grew at an annual average rate of 3, 5%. Agriculture by contrast experienced negative growth averaging minus 1,2% per annum over the period, with the result that its percentage contribution to GDP declined from 8,1% in 1975 to 6,3% in 1983. 1

with an industrial sector accounting for nearly a quarter of GDP. South Africa is a relatively industrialised country. It is often regarded as being in the group of "middle level" industrialised capitalist countries, a category which also includes Brazil and the so-called NIEs (newly industrialising economies) - South Korea, Singapore, Taiwan etc. However, unlike some of the NIEs, which have built up significant manufacturing exports, South African manufacturing industry has, despite considerable effort and encouragement from the state, failed to emerge as a major export sector.

There is an important exception to this, however. South Africa's trade with Africa shows a consistent imbalance in South Africa's favour. For example in 1985 exports to Africa were R 1.577,? million compared to imports from Africa of R- 456, 8 million. No detailed breakdown of this trade was provided (for "security reasons") but it is certain that a considerable part of this consists of sales of manufactured goods to neighbouring states. Despite the specific importance of this trade, however, in overall terms South Africa's economy continues to depend to a very high degree on the sale of primary products, particularly minerals, for its foreign exchange earnings. This is illustrated in Table 2 below. , , 'W



Table 2: Compositign of gxgorEg L285

Items H Value (R million) LjEr Z of Total

Unclassified goods 16.670,3 45,6

(mainly gold bullion) :y

Mineral products 4.913,; 27p, 13,4

Ban. Mutqln 4.02b,ajgah , 11,0

Other unclassified 1 2.432.2 ;, , 6,b

goods (mainly platinum

& uranium)

Diamonds 2.274,1

Agricultural products 1.820,7

Textiles (including" 1.047,?

wool)

Chemicals 935,6

Pulp & papbr 630,5

ntermediate manufacturing 528,1

goods , ,

Krugerrands m3 342,2

Vehicles/transport,, 288,9

equipment

Other ' 667,7

Tatal 36.574

Sources, SA Barometer 1,2. 27/3/1987

The table shows that mineral product. 31

80% of export earnings, while manufacture export

Although there are same sectors wHich produce

(Marx' s DepartmenE L), the country remains highly depehaent

composeEEion

imported technology. This is reflected in the

imports shown in table 3 below.

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Tabre 3: Compcsition of Imgorts 1985

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Items	Value (R million)	Z of Total
Machinery & Equipment	6.485,5	28,2
Unclassified (mainEy oil	4.127,8	17,9
aWB arms)	F	
Vehicles/transpott,equipment	2.456,b	10,7
Chemicals V	2.370,2	10,3
Mining & Quarrying	1.933,0	8,4
Agricultural products	1.571,1	. 6,8
Professional & Scientific	952,8	4,1
equipment		
Rubber & Plastic	840,7	3,7
Textiles ,;	816,9	1 a 3,5
Pulp & Paper	620,1	2,7
Miscellaneous manufactured	193,8	0,8
articles		
Intermediate manufactured	177,3	0,8
materials ' 1		
Others '2 .	473,6	2,1
Total	23.016,3	100

Source: Ibid./

The table shows that machinery and equipment alone account for nearly a third of total imports and that much of the rest consists of inputs of various kinds for manufacturing as well as .mining and agriculture. The Governor of the Reserve Bank, Gerhard de Keck, has \$Estimated that as much as 80% of imports are of capital equipment hand intermediate goods without whl.hz the economy cannot suskain itself (2).

Taken together these figures highlight a number of crucial features of the South African economy: First, although South Africa's capitalist economy is "advanced" in the sense that it is relatively industrialised compared to the norm for countries located outslde the main centres of capitalist production, its manufacturing8 sector is not a major earner of foreign exchange. On the contrary, through its dependence on imported means of production, manufacturing is a net absorber of foreign exchange. This is generated principally by the mining sector, which.remains characterised by, ahd dependentyon, "backward" forms of labour, exploitation and qmntrol (migrant labour, compounds etc). This is'v true also of the strategically importaht agricultural sector, responsible fur fmwd preduction as well as a little over 5% of visible export earnings (including wool). This too is dependent on "backward" farms of labaur exploitation and control (including low paid contract and seasonal labour). The above tables also point to another key feature of the Smuth African economy: its high level Qf dependence on international economic relations. To sustain its industrial base it has to import on a substantial scale and this implies earning foreign exchange from sales of raw materials. Thisg means that, in addition to its own 'internal

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:chless of upswing and downswing, its performance is critically  
Raffected by externally controlled variables - principally the  
price of gold and other minerals and alsq by its capacity. to  
Wimport technology for the manufacturing sector.

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fii. Patterns of Ownership and Cmntrol

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LFresent day South African capitalism is characterised by an  
5EXceptionally high degree of monopoly control. Half a dozen  
monopoly conglomerates currently control the vast bulk of  
economic activity in all sectors. This 15 illustrated in the  
following table which shows the extent monapoly control of share  
capital listed on the Johannesburg Stock Exchange (JSE).

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:5 Table 4: gDNPDPLY CONTROL OF JSE MARKET CAPITALISATIDN

W.Broup Z JSE Capitalisation

1983 . 1984 1385 1986 1987

5: 'mi'f' .1

i Anglo-American 52,5 54,1 g::6 54,1 60,1

' Sanlam 9,4 10,7 12,2 11,3 10,7

8A Mutual 0,6 2,7 10,6 10,9 8,0

Rembrandt 2,1 2,8 3,8 4,4 4,3

Anglovaal 1,7 1,7 2,1 2,1 2,4

Liberty Life 1,1 2,1 2,0 2,3 2,0

Sub Total Top 6 1339 67.4 74.1 84.3 85.1 87,5

I Foreign Controlled 5,4 K 5,7 5,9 6,1 4,1

' Others 27,2 '1 20,2 9,8 8,8 8,4

1 Total , 100 100 100 100 100

Source: Robin McGregor Research Services, quoted in Weekl Mail,  
'3 - 19 February, 1987. 5

Whe top six monopoly corporations thus controlled nearly 9 out of  
,every 10 shares listed on the JSE in 1987. The5Anglo American  
,Corporation alone controlled 6 out of every 10 shares.

Even capitalist agriculture, which 15 still dominated by  
#ndlvldual as distinct from corporate ownershlp, has experienced  
an extremely pronounced concentration and centralisation of

:apitnl ln recent years. The followlng figures show that between  
5 976 and 1985 -the number of farm units in the rural areas  
eserved under apartheid legislation for whites decllned by 22%.

t the same time the average capital value per unit less debt  
gose three-and9a- half fold from R 2,9 million in 1976 to R 10,1  
hlllipn in 1985. ,

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'Table 5: Aggregate Capital Value in "White" Agriculture  
; No. of Units Capital Value Debt.

; (R million) (R million)

f1976 75.562 250.741 30.407

?1980 69.372 422.516 55.334

i%985 59.088 782.490 184.334

(Source: D.Gooper, "Ownership and Control of Commercial  
iAgriculture" in South African Review 4, Johannesburg, Raven  
iPress, 1987.

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(The degree of centralisation of capital in the sector is also  
!illustrated by produmtion statistics. In 1983:

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(1% of white farmers Or 590 units produced 16% of gross farm income

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(\$ox " / Dr 17.770 unets " 75% "

goqrcl Ibid .

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Jiv. The performance of the economy in recent years: the extent  
fand nature of the current crisis %

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gSince the midel9705 the apartheid economy has been enmeshed in a  
(chronic crisis of prolonged low growth and stagnation. This has  
been described as depression, as distinct from mere cyclical  
kecession. The decline in average real growth rates is shown in  
;Table 6 below.

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aTable 6: Real GDP Growth (

31960-1970 5,82 per annum

:1970-1979 3,12 " , .

(1&75-1932 1,92 H I L

f' '1933 -2,5x - (

. 1984 5 , 07.

;I 1985 -1,5%

H 1986 0.72

2 1987 more than,22 but less than 3%

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gSources: J. Natrass, The South African Econom , Cape TOWN, OUP,  
E\$981i gul;et;n of Statgggcs, op Cit; "South African Reserve Bank  
?Qovernor's Address" 25/8/1987 in Financial Mail 28/8/1987.' l

.Mainstream econoMists (whose previous forecasts have ggnerally  
been wildly "overwoptimistic") are predicting positive growth of  
.between 2 and to 3,52 this year.. They are virtually unanimous,

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lhowever, that a Dmbination of "soft" export markets, rising  
52mports, high inflation, possible "labour unrest" and rising  
fsgate expenditure will lead the economy back into recession 'in  
:1 89 (3) 3

With population growing at an estimated 2,41 per annum, these Low economic growth rates have led to an actual decline in per capita GDP. According to wne estimate, it fell from from'R 2.071,52 per person in 1971 to R 2.030,79 in 1985 (4)

The preseni phase of chronic low growth, or depression, exhibits el number of feature: which distinguish it sharply from earlier phases of recession. Am David Kaplan has cogently argued, "Periods of economic recession have historically been characteristic of the South African and other economies. But in contemporary ?outh Africa, recession uncharacteristically no longer gives way to significant and sustained economic growth. Since 1977 South Africa has experienced a number of 'upturns1(1975, 1980, 1983, 1985 and again in 1986) but each of these has entailed limited growth and has rapidly petered out. Moreover, historically the normal pattern was for the . prior recession to condition the following upturn, sL'i'th that generally more severe recessions would be succeeded by more substantial upturns. But the economic 'upturns' at the end of 1985 and that which commenced in the second half of 1986 show l all the signs of being very limited and of short duration , - and this after a lengthy recessionary period punctuated only by short periods of revival. Recessionary periods have become the South African norm and periods of expansion only limited and temporary aberrations. It is these exceptional features which justify the term 'crisis'" (5).

The current economic crisis - which has taken the form of a chronic inability to sustain economic growth - is, of course, an of the wider multi; , organic crisis of the apartheid system provoked by the growanq challenge of the oppressed and exploited people. A fundamewial cause of the inability to transform 'upswings' into :ustained economic growth has been the unwillingness on the mart of either domestic and foreign capital to commit themselves to new fixed investment. The 19805 has seen he level ef new xnveatment in fined agents declining at an erage rate of 4% pew annum. The centrality of this factor has been highlighted in numerous official reports. For example, in his 1987 "Annual Report to Stockholders", the Governor of the South African Reserve Bank, Gerhard de Kock, noted that despite a favourable Balance of Payments situation, a rising goldg-orioe, low interest rates and a willingness to provide credit, "Money is chasing paper in the financial markets instead of bricks, mortar and steel". "The evidence suggests", he wrote, "that a major part of the answer still lies, as it has done for some time, in lack of sufficient consumer and business confidence. This, in turn, appears to stem from uncertainty associated with the present process of political and social reform, and from concern about the deterioration since late 1984 in overseas perceptions 'of ueuth Afrieu'n phmnpctn. Thu lore. diucount QH thu financial rand compared with the commercial rand during the past two years reflects the unfavourgble perceptions of non-resident investors. But the weak performance of domestic fixed investment reflects the uncertainty of Sr Ch African businessmen themselves"(6).

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The trend towards declining fixed investments has been particularly marked in the manufacturing sector where new investment in plant in 1986 was less than half that of 1983. Its effect has been a declining and ageing capital stock.

## 2. THE IMMEDIATE NEEDS OF THE PEOPLE

Thusfar we have examined some of the structural features of the South African economy and examined some aspects of its current crisis from the standpoint of the system's own expanded reproduction. We have seen that the South African economy is relatively industrialised, but dependent on exports of primary products and imported technology. It is characterised by a high degree of centralisation of capital and is in fact dominated by a handful of monopoly corporations, which control the vast bulk of economic activity in all sectors. The economy is enmeshed in a profound and deepened crisis of chronic low growth. This is largely an effect of the growing challenge of the oppressed and exploited people which has created a crisis of confidence in the system's long term future on the part of both domestic and foreign capitalist investors. The result has been a prolonged and continuing investment strike.

This crisis of accumulation of apartheid capitalism will undoubtedly continue, and indeed almost certainly worsen, in the period between now and the time of liberation. The regime has demonstrated beyond any doubt that it is committed to a path of attempting to hang onto power whatever the economic and social costs to the country as a whole. Advancing our people's struggle to the point where the racist minority regime is finally dislodged, will, in such circumstances, necessarily lead to further damage to the economy. Even if the regime were to abandon power tomorrow, we would inherit an economy in a profound state of crisis. The longer racist minority rule continues, the deeper will that crisis become. I

But, of course, the task facing the liberation movement will not be to restore the ailing apartheid economy. It will be to transform it to serve the interests of the people.

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It is not necessary in a forum of this nature to establish the point that apartheid capitalism has been, and continues to be, rooted in the ruthless exploitation of the nationally oppressed black majority. Some of its effects on the economic conditions of the people are nevertheless worth repeating.

According to recent estimates:

X 5% of the population owns 88% of the wealth (7);

while half of all households receive an income below the least generously defined poverty line" (8); 'w

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t Dyer half of the African population (13,1 million out of a total of 24 1 million) are forced to subsist in nthe bantustan areas; 81H 6 households in these areas receive an income below the "minimum living level" while 13% receive hm incmmme at all; the average landholding pek family in the bantustans is 1 hectare (ranging from 0,2 ha in GwaGwa to 1,5 ha in thy Transkei) but this is highly unevenly distributed and many households have access to much less than the average and even no :cess to land at all (9). I

K At least 3 million people ( between a quarter awH the third of the labour force), and possibly even twice this hummer according to some estimates, are unemployed; most of the Aiamployed can be identlflled as "surplus" to capital's requirements; 3,5 miTlion such "surplus people" were forcibly removed to tho bantustans between 1960 and 1983 (10).

x Between 30 and '702 of African mchuml-age children are underweight while 22 to 66% have stunted growth due to malnutrition (11);

X 7,4 million urban African residents live in 466.000 "small housing \_units" with an average density of 16 inhabitants per unit. The officially estimated "shortage" of housing units in 1986 was 221.572 units outside and 281.269 units inside the bantustan areas (12). a

These figures illustrate the extent to which the apantheid system continues to subject the majority of the oppressed and exploited xpeople tb conditions Cf acute Joverty, in which rot even the most basic requirements of life are satisfied. This is so deepite the relatively "advanced" nature of the economy's prwductive base. As indicated earlier, cheap ultra-exploitamin labour power provided by the nationally oppressed community was the foundation 8'upon which capital accgmglatibn in South Africa wxs built and on which it still, gaggiwikiggxrge extent, depends. Conditions of acute poverty for the majority were features of ide system even at times of relative stability and "prosper-./", They are, however, being exacerbated by the current rriais. For example, official statistics show that the total number in wage employmnt fell by. 32 from 5 million to 4,87 million betwcan 1982 and September 1986. In the industrial sector alone employment dropped from 1,5 million in 1981 to 1,3 million in 1986 w a loss of 200.000 jobs (13).

Such statistics highlight some of the "practical" problems which will confront a democratic, non-racial government in its attempt (to respond to the needs of the people. It is going to have to find salutions to acute and deep seated problems Df/ poverty, landlessness and unemployment. It is going to have to deal with grossly iradequate heusing, transport, health, 'education and other services. It is also going to have to act to rectify the deep-seated historical injustices and inequalities generated by apartheid.

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Moreover, the abolition of apartheid restriction on the freedom of movement ( which is specifically provided for in the Freedom Charter) will, of itself, probably mean that the demand to address these questions will be felt more urgently and intensely. We can expect a substantial number of people to be "voting with 'their feet" very shortly after the removal of apartheid restrictions on movement. A proportion of those who have been 'barricaded inside, so forcibly removed to, the bantustans can be expected to move to the urban areas in search of jobs, income, housing etc. If the experience of other post-colonial transitions is anything to go by we can expect large numbers of others to move to what are now "white" rural areas seeking land; a proportion of the latter will, moreover, be people returning to particular areas from which they were evicted in their own lifetimes. ?

All of these problems will, as we indicated earlier, have to be addressed in circumstances where the inherited economic system will be in a state of crisis. The challenge will thus be not just to "distribute the fruits of a declining and flawed productive base, but to transform production in ways which guarantee the production of basic necessities on a sustained long-term basis.

### 3. OPERATIONALISING THE ECONOMIC CLAUSES OF THE FREEDOM CHARTER

A variety of proposals from various "mainstream" liberal economists have suggested that the way to tackle the acute problems of poverty and inequality is to maintain the essential structures of the existing capitalist economy and use fiscal and taxation policies to redistribute income and encourage the emergence of labour intensive industries to provide employment (14). The essential weakness of such prescriptions is that they locate the fundamental problems at the level of distribution rather than production relations. They therefore set out from the assumption, which we have already challenged, that the productive base is "healthy" and "neutral" in relation to the system of institutionalised racial discrimination. The income redistribution approach fails, moreover, to draw on the lessons of many other progressive and even socialist orientated third world countries. There have been numerous experiences of attempts to launch ambitious social welfare programmes without bringing about transformations in the structure of production capable of sustaining them. The result, too often, has been that the programmes have functioned fairly well during times of boom, but collapsed disastrously, amidst state budget deficits and IMF pressures, at times of recession.

In a recent suggestive article, Innes and Gelb (15) have argued for an approach which, while not a blueprint for socialism, does not either seek merely to salvage capitalism from the ravages of its own contradictions. This would imply not simply accepting the constraints imposed by capital accumulation, but rather



formulating a strategy to progressively transform those constraints. This would aim at challenging and dismantling specific constraints and substituting new forms of democratic control over production. Such an approach would involve selecting priorities, acting from points of strength and building up capacity to make transformations in the future in areas where the democratic forces are initially weak.

The Freedom Charter itself does not directly specify the type of development policy the government of a democratic non-racial South Africa should follow: It does not say whether it should give priority to heavy or light industry or to agriculture. Innes and Gelb have, however, suggested, reasonably enough, that its thrust is towards increasing production of basic consumer goods (both agriculture and industrial) for the mass of the population. This implies bringing about certain shifts in priorities in both agriculture and industry: in agriculture food production for the local market would receive a higher priority than production for export, while in industry the production of basic goods and services would take precedence over that of luxury items. In themselves these transformations, should not encounter any insurmountable objective constraints. Table 2 above shows that agricultural products account for only 5% of total exports - a little more if wool is added. The foreign exchange losses entailed in shifting the focus towards food production should not be insurmountable. Indeed, Table 3 above shows that nearly as much agricultural produce is imported, suggesting the probability that considerable scope exists for import substitution. The industrial sector is already largely a consumer goods producing sector, although a substantial part is luxury items. There should not be any overwhelming technical constraints on reorientating its focus towards producing basic necessities. Indeed, such a change in orientation may, in the context of the potential opening up of new markets in Third World countries following the end of apartheid, provide a more solid base for achieving the goal which has eluded apartheid planners, - transforming South Africa into an exporter of manufactured goods. Moving in this direction will in any case be an important medium term strategic necessity. Gold and other minerals are wasting assets. A recent article has suggested that, while it would be premature to describe the gold mining industry as dying, it is in an advanced stage of senescence". In 1970, South Africa produced 1,000 metric tons of gold. In 1987 it produced 605 tons - a decline of 40% over 18 years (16).

The types of changes in the orientation of production implicitly called for in the Freedom Charter are not going to be brought about through the operation of market forces. They will require substantial investments, but, as we have already indicated, there is already a serious investment strike by capital. It would be highly imprudent to count on this changing substantially after a democratic, non-racial government takes over. In any case, private capitalist investors, guided by the criterion of profit maximisation rather than social need, will probably gravitate towards extractive industries producing for export and the luxury

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market - where "effective demand" is greater.

Bringing about a change in orientation of production towards meeting the needs of the majority will therefore require asserting a significant degree of social and public regulation within the economy (something which is also implicitly called for in the Freedom Charter). In particular, effective democratic control will have to be established over the appropriation and allocation of surplus. This will necessitate at least the following: First, the establishment of mechanisms to gain control over sufficient investible surplus and, second, the creation of structures and institutions to channel this to priority sectors, branches and areas.

The traditional route to the achievement of such aims has been nationalisation and, indeed, the Freedom Charter does call for the mineral wealth, banks and monopoly industry to be transferred to the ownership of the people as a whole. However, it is becoming increasingly widely recognised within our movement that this has to be seen as a long term rather than an immediate goal. In the first place, this derives from a recognition of the objective constraint and our own weaknesses. Nearly 95% of positions classified as "managerial, executive, and administrative" continue to be filled by whites (17). As one of our spokespersons put it in a recent press interview, "Can we honestly say that on day one we will be able to replace all the skills, the entire skilled strata, with skilled managers, planners and workers of our own" (18). There is also a growing view that nationalisation of the type which took place in many African states after their independence has not contributed much towards establishing the type of democratic control over monopoly corporations envisaged in the Freedom Charter. The case of the Zambian copper mining industry has been cited as a particular example. The Zambian government nationalised the mines, taking 51% of the share ownership. But it was not able to run the mines and so entered into a contract with the former owners, Anglo American. The current situation is that Anglo continues to run the mines but does so through an offshore company. The Zambian government, though the nominal major shareholder, relies in practice entirely on Anglo's goodwill and cannot even check the books because the holding company's head office is located abroad. There is thus a growing recognition within our ranks that the transfer of control over monopoly corporations envisaged in the Freedom Charter will have to involve much more than the mere transfer of formal property rights to the state. It has been argued, indeed, that the premature transfer of much property rights to the state under conditions where there is no capacity to exercise effective control could do more to impede than to advance the struggle to establish democratic control over such enterprises (19).

Although some enterprises will, without doubt, be nationalised shortly after the installation of a non-racial, democratic government, the recognition of the essentially long term nature of the goal of transferring the monopolies to the people implies

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looking for a range of mechanisms to assert a social and public regulation within the economy. Investible surplus is, of course, at present largely channeled through the banking and financial system - which in South Africa relatively "sophisticated" with a number of specialist institutions and links to the financial centres of world capitalism. The allocation of surplus to particular uses under the present capitalist system largely regulated by the criterion of profitability. However, specific state intervention to divert some part of total social surplus to particular sectors as a means is not unprecedented in South Africa. The 1924-1933 Pact government used taxation and tariff policies to channel unmet surplus produced in the mining industry (which might otherwise well have been invested abroad) to finance agricultural and industrial development (including the establishment of a significant state capitalist sector). The mining industry today, remains, as indicated above, the major source of foreign exchange. The re-orientation of production priorities in a democratic, non-racial South Africa will depend on ensuring that sufficient of the investible surplus in the economy as a whole, of the foreign exchange earned by the mining industry in particular, is made available for investment in democratically defined priority sectors. This will of course have to be done in ways which simultaneously guarantee the reproduction of the mining industry. Here there are a number of issues which will have to be faced. The mining industry is already subjected in a number of regulations. Bold mining companies are obliged to mine at or below the average grade of ore to prevent them merely "picking the eyes" of mines. They operate under leasehold concessions with mineral rights belonging in the last instance to the state. All of these existing mechanisms need careful study to identify the options which will be available to a democratic state in seeking to maximise the benefits to the people as a whole - of what is already a wasting asset.

Taxation which we will certainly not be sufficient to assert the degree of social regulation of investment required by the needs of a transition to a democratic economy. Too many loopholes for evasion and sabotage will remain. Effective control will have to be established over foreign trade, mineral marketing and access to the foreign exchange. Here again there are some existing precedents. The marketing of gold at least is already handled by the Reserve Bank, which also makes regulations for the allocation of foreign exchange. Existing procedures in all these areas also need careful specific study in order to identify options. We need to be able to reach a conclusion on the central question of how much effective control can be established by regulation, and to what extent we will be obliged to move towards nationalisation of at least parts of the banking system. What is certain is that decisions in this area will be vital. The experiences of many other countries have shown how the failure to establish sufficiently effective controls over foreign trade and banking systems can leave scope for large scale flights of capital which might have deleterious effects on the economy for years.

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Asserting democratic control over the allocation of surplus will require the establishment of a planning system to channel investment funds to priority sectors and activities. Again there are some precedents. There is already a substantial state sector controlling nearly a quarter of the combined assets of the top 137 companies (20). The existing state sector not only embraces central banking, communications and the bulk of the transport sector, it also extends into key strategic productive activities - such as iron and steel, energy (electricity and synthetic fuel from coal) and armaments production. In addition, through the Land Bank and the Industrial Development Corporation (IDC), the state has a substantial stake in capitalist agriculture and the non-monopoly industry and service sectors. The IDC controls assets valued at R 3.058 billion in 1986. Its operating subsidiaries include the Atlantis Diesel engine plant, and it owns 30% of the share capital of SASOL, 50% of the Small Business Development Corporation as well as having a substantial stake in the electronic industry (21). All of this would, of course, be inherited by a democratic government and provide some initial base for winning the struggle to direct investment to meet the needs of the people.

But, of course, The Freedom Charter seeks much more than the mere establishment of a state-owned Iscor, Escoms and IDCs. The type of planning system appropriate to a struggle to implement the goals of the Freedom Charter would have to differ from existing institutions in quite fundamental respects. First, it would differ in scope and scale. Although all productive activity and investment would not immediately fall under its purview, it would have to have access to a sizeable part of total investible surplus and would aim at progressively expanding the scope and area of activity. Secondly, it would differ fundamentally in the type of productive activity and forms of production it sought to encourage. Instead of, as at present, being geared towards areas of strategic importance for the survival of the apartheid system, a democratic planning system would seek to promote the development of productive activities which meet the basic needs of the people. It would also in principle have considerable scope to promote and encourage particular forms of production. It could, for example, offer more favourable terms and specific material incentives to cooperatives in either agriculture or industry. It could establish new state enterprises or take over some private enterprises. It could also set regulations and conditions for the operation of privately owned enterprises awarded franchises or operating under its auspices. What has to be found in practice is the right "degree of combination of private interest, of private commercial interest, with state supervision and control of this interest...and subordination to the common interests" (22) which is appropriate and practical in the concrete conditions of the national democratic revolution in South Africa. It will also be necessary to find the appropriate level of decentralisation, and a formula for democratic participation and involvement in decisions at various levels. However, although social need rather than profit

.would increasingly determine decisions over the allocation of surplus, it will be imperative from outset not to allow cost considerations to be ignored or suppressed. Strict financial accounting and clear lines of responsibility must be established in enterprises and cost-effectiveness will have to play some part in decisions. In this respect we have much to learn from the experience of purestataala. \_

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The fact that we have argued in favour of an approach seeking ways to assert democratic control over the appropriation and allocation of surplus without immediate far reaching nationalisation: should not be read as implying that the goal of transferring the monopolies to the ownership of the people is postponed sine die. Defining this as a long term rather than an immediate goal is based on a recognition of the objective constraints that would confront any attempt to directly take over the management of the large number of productive enterprises in existence in our country. However, the Freedom Charter does call for a comprehensive extension of workers' and trade union rights as well as material improvements in workers' conditions. This will not only be desirable in its own right. It will also be necessary, in the likely conditions of class struggle in the national democratic stage, to rely to a considerable extent on the vigilance of workers organised at the point of production to prevent sabotage and manoeuvres by bourgeois managements. To effectively combat these it will be necessary to support and encourage workers to seek greater participation and involvement in management decisions as well as to establish appropriate structures for them to do so. It will also be an integral part of affirmative action programmes to demand and insist of managements that previously disadvantaged blacks be given training in technical and management skills. It has been argued that these two processes, and particularly the first, could lay a more solid basis for an eventual, secure transfer of control of monopolies to the people than premature widespread nationalisation in circumstances where there are insufficient cadres to take over the management of enterprises (23). Workers' struggles to gain greater access to, and participation in, management decisions in enterprises will not only involve their acquiring technical and managerial skills, they will also incrementally change the balance of forces within enterprises. This has the potential to lay the base for an eventual qualitative shift in the locus of control in enterprises in favour of workers and create conditions for a future real, as distinct from purely formal and often illusory, transfer of control of these enterprises to the ownership of the people as a whole.

The other key question is, of course, that of land. This merits a study in its own right and is beyond the scope of the present paper. Only one passing observation will be made here. The production statistics quoted on page 12 suggest that there is considerably more scope for a land reform programme that does not seriously disrupt output, than most bourgeois economists - who recommend that it should be confined to the bantustans or, at

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most, include only "idle" land in "white area? wnnli credit. The figures suggest that, in princinle, somvihing line 70% of -white farms (Dr 41.300 units) could be taken Over without affecting more than 25% of output M which migh? n any case increase if inefficient white capitalist farmers wvru suustituted by properly suppjrted family or cooperative production. Although the national, democratic revolution in South Africa will lhave many of its own epecificitiee, it will be wkin km the NEP in the Soviet Union in at least some important reapecte. Like the NEP, it will be a period in which there exivt substantial openings for private capital - small non-monopoly capital. but also monopoly corporations not yet taken over. It will also be a period in which, as Lenin put it with reference to cooperatives in the USSR, "more than ordinary assistance" (24) wit; have to be providet by a democratic state in a liberated South Aleca tn the .forms of production in the sectors of the econom' most able to respond to the bas:c needs of the people. Thv superimrity of these new forms of economic organisation will, moraoveri have to be established not principally by blocking or impeolrg capitalist alternatives but rather by demonstrating in prattice that they grey better able to satisfy the contreie material heeda of the people. It is only this which can in the lem; rm. ; arentee the successful realisation of the objectives defined 2- Khe Freedom Charter.

July 1988 E

#### FOOTNOTES 1

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2. Quoted in SA Barometer 1.2, 27/3/1987 p. 20.
3. See EinaLCle Mail 4/9/1987, 15/1/1988.
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5. iD.Kaplan, "Beyond the Indicators: A PeGCecti e mm the South African Economy". South African Review 4. Johannewburg, Raven Press, 1987 page 525.
6. , "Address by Dr Gerhard de Hock, Governor of tir Sowth African Reserve Bank, at the sixty-seventh ordinary g weral meeting of stockholders of the Bank on 25 Al3ust 1987'. reyrocucer in Financial Mall 28/8/1987 (emphasis in original).
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14. See, inter 5115, J. Natrassi Ige Wutn Qiggg5r Ecclomy: 135 Growth and Change, Cape Town, Oxford Univere4tv Press, 1981, Chapter 11; Simkinsg op cit; M.Mc8rath and G.i.&m. ado p, "Some Limits" to Redistribution" paper presented at York conference; S.J.Terreblanche, "A New Fiscal Policy and Ecomomic Philmsophy fer SA in Tranaition" paper presenked at "Inkernatimnal Conference on SA in Transition" New yorlq October 1987 and to University of the witwatersrand Business 8choo. .amlmar, March 1988.

9.15. D. Innes and SJGelb, "Towards a democratiu mxmwmw'in South Africa", Ifgjp World Quarterly, 9.2, April 1987.

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17. Figures given in Race Relationamgggye y 1981. 9age 248/9 show 170.491 'whites occupying a total of 180.111 p:uri. Ana in this category in 1983. There were 4.113 vacancieg.

18. Comments on national seminar on draft 4-hn5L.itutl0nal guidelines" quoted in Southscgu 2,30, .3/1/19B, and WQELLLJ H511 29/4/1988.

19. See R.Eavies, "Nationalisatibn, Faciali"atlan ant the Freedom Chafter", South African Labour Bullet551 12.2. J&m/FQh 1987 20; See Ibid, appendix.

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g. Davies, op cit.

24. Lenin, op cit, page 421.

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