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Draft Resolution
on
ANC Economic Policy
for
National Conference



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National Workshop held by the Department
of Economic Policy on 11 - 12 May 1991*

Draft - for Discussion within the ANC

Draft ANC Economic Manifesto

For National Conference

1. Preamble

The South African economy is in need of fundamental restructuring. For decades forces within the white minority have used their exclusive access to political and economic power to promote their own sectional interests at the expense of black people. Black people have been systematically exploited and oppressed economically and South Africa now has one of the world's most unequal patterns of distribution of income and wealth. A disproportionate part of the burden of poverty and inequality has fallen on black women who have been subject to systemic gender oppression. Economic deprivation has created a fertile base for the violence and instability now engulfing our country.

Poverty and inequality are only one aspect of our current economic reality. Since the mid 1970's, the South African economy has stagnated. Economic growth has been less than the growth of the country's population. Average income has thus been falling while unemployment has risen.

Successive minority governments and business have tried to promote growth by encouraging local production of manufactured goods which were previously imported. This growth path led to the emergence of a significant manufacturing sector in our country, but it was oriented primarily towards providing luxury consumption goods for the wealthy minority. The manufacturing sector has failed to become internationally competitive. It has low productivity but has survived because of low wages. It makes little contribution to foreign exchange earnings, but depends to a very great extent on imported machinery and equipment paid for out of foreign exchange earned by mineral exports.

The agricultural sector and rural economy are also in crisis.

Many white-owned farms are deeply indebted and vast tracts of land designated for occupation by whites are inefficiently cultivated. Many thousands of black rural households are, meanwhile, crammed into tiny plots unable to produce or buy affordable food. Government decentralisation policies have failed to channel resources to the rural areas which remain the most deprived parts of the country.

A further unacceptable consequence of the current growth path is that the vast bulk of productive assets are concentrated in the hands of a small number of conglomerates. Anglo American, S A Mutual, Rembrandt and Sanlam, through their control over a vast network of subsidiary companies now dominate production, distribution, exchange and financial activities. Land ownership outside the 13% of the country designated as 'reserves' continues to be monopolised by white people.

The policies promoted by government and business, including privatisation and deregulation, have failed to have any significant impact on growth, let alone on poverty and inequality. The result is that South Africa has lurched into the 1990's with the crisis of the economy unresolved. This has led to a continuous deterioration of conditions in the rural areas and intensified pressures on the urban areas. The burden of this has to a very large extent fallen on women. If current trends continue, the problems confronting the majority of our people will become worse.

The ANC views it as absolutely imperative to promote economic growth along a new path. Without significant growth in a restructured economy we will not be able to address the pressing problems of poverty and inequality confronting our people. Unless we deal with these problems we will not be able to build a stable, viable democratic society. Growth in a democratic South Africa must be oriented towards satisfying the basic needs of the majority and empowering those who are disadvantaged and deprived.

2. Building a Democratic Mixed Economy

The fundamental framework of our economic policy is that of a mixed economy based on the principles of democracy, participation and development. We are convinced that neither a commandist central planning system nor an unfettered free market system can provide adequate solutions to the problems confronting us.

The ANC is committed to the creation of a democratic mixed economy which will foster cooperation between the state, private companies, financial institutions, trade unions and other organisations of civil society. Longer term developmental objectives should have priority over short term sectional interests. Such a system will best function within an environment of democracy and accountability.

We are convinced that we need a developmental state to lead, coordinate, plan and dynamise a national economic strategy. An efficient public sector will be needed to orientate production towards meeting basic needs. Public corporations operating in such areas as transport, housing, electricity supply, water provision and telecommunications will all have a central role to play in providing an infrastructural base for development.

In addition to public utility corporations, which the ANC is committed to maintaining in state hands, it is envisaged that strategic enterprises will be identified in other sectors whose role is central to the realisation of development objectives. Where the balance of evidence suggests that it would be advantageous, particular enterprises will be incorporated on a case-by-case basis into the public sector. This may take place through nationalisation, purchasing through the market or the establishment of new state enterprises. In all such cases, a future democratic government will bear in mind the need to maintain confidence and bind itself to proceeding according to constitutional principles.

The ANC's policies will encourage and support a more dynamic and efficient private sector. The private sector will be expected to make a more significant contribution to national economic development, especially in the area of employment creation. The continuing trend in South Africa in recent years towards conglomeration is not compatible with a democratic economic system. The ANC is not opposed to large firms as such, but would undertake a major inquiry into the impact of the conglomerate structure. This would be done with the objective of encouraging a more equitable and efficient ownership pattern in the private sector. Particular attention will be given to rectifying race and gender imbalances in the business sector and encouraging small business. Anti-trust and anti-monopoly legislation will be considered as mechanisms to promote greater efficiency in the private sector.

Neither the state nor a private sector should be the only forces in the economy. Organisations of civil society - including trade unions, community organisations, women and youth organisations - need to be empowered. The ANC would seek to create a climate conducive to the emergence of cooperatives, joint ventures and other community-based initiatives. Appropriate institutions will be established to assist these organisations. The ANC will seek actively to involve trade unions and other organisations of civil society in the formulation and implementation of a national development strategy. It would encourage the extension of the collective bargaining system and review industrial relations legislation and practices to remove impediments to effective worker organisation and participation in the economy.

3. The Goals of Economic Policy

The overall goals of economic policy can be identified as:

- * *Creating new jobs and progressively eliminating unemployment;*
- * *Raising real incomes, particularly for those who are most impoverished and deprived;*

- * *Increasing output and productivity and promoting a more equitable pattern of economic growth;*
- * *Correcting racial and gender imbalances in the economy through affirmative action policies;*
- * *Addressing the material base of gender oppression, especially, but not only, women's unpaid labour and the unequal distribution of domestic labour;*
- * *Implementing a land reform programme capable of simultaneously addressing a major national grievance,*
- * *responding to the acute land hunger and increasing food production;*
- * *Promoting integrated rural development and regional development to ensure a balanced distribution of economic activity across the country.*
- * *Developing major new housing, education, health and welfare programmes capable of addressing the pressing needs in these areas;*
- * *Improving the provision of infrastructure to deprived areas;*
- * *Promoting greater democratic participation in economic life;*
- * *Supporting the 'informal sector' so that it becomes both commercially viable and capable of sustaining acceptable levels of wages and working conditions;*

- * *Creating a more democratic industrial relations framework based on full rights of workers in all sectors including domestic and farm workers;*
- * *Establishing an equitable wages policy including the revaluation of wages to provide for equal pay for work of equal value;*
- * *Guaranteeing high standards of administration in economic affairs and ensuring that destabilising financial imbalances (eg. unmanageable budget and balance of payments deficits) do not occur;*
- * *Ensuring that growth takes place in ways which harness the*
- * *environment in a constructive, sustainable and responsible manner;*

It will not be possible to achieve all of the above goals in full at once. We will need to set priorities and make realistic choices.

4. Immediate Priorities

The immediate priority of a democratic government will be to lead a major national effort to address the most pressing problems of poverty and inequality and create employment. This will involve:

the removal of obstacles to participation by all people in economic activity;

- * *the creation of a rising welfare floor capable of progressively guaranteeing freedom from hunger and preventable disease through provision of inter alia, safe drinking water, sanitation and minimum levels of nutrition;*

- * *the launching of a major housing programme to provide affordable and adequate housing for our people;*
- * *the overhaul and expansion of the education and skill base of the country;*
- * *the implementation of a land reform programme and the creation of rural infrastructure;*
- * *the application of principles of affirmative action to correct racial and gender imbalances in the economy.*

The new state must accept ultimate responsibility for the provision of welfare. State pensions will be equalised immediately. A national retirement scheme underwritten by the state and a compulsory, comprehensive unemployment scheme, involving contributions from workers and employers as well as the state, will be introduced.

All this implies a progressive redistribution of resources to the poor. Redistribution programmes need to be accompanied by measures to promote employment and make beneficiaries productive where possible and to be implemented in such a way as to stimulate growth. Redistribution needs also to take place within a framework of responsible fiscal and monetary discipline.

5. Financing The Reconstruction

5.1. The ending of Apartheid can be expected to yield real material benefits for the South African economy. This will come about as a result of the ending of South Africa's international isolation, the abolition of Apartheid expenditures and the removal of restrictions and inefficiencies associated with Apartheid.

This post-Apartheid dividend will not, however, be sufficient to meet all needs. Taxation will have to become an important instrument for mobilising additional resources for redistribution and growth. Tax reforms will be essential in order to

achieve our objectives. The incidence of the present tax burden rests disproportionately on both personal taxes and indirect taxes. The ANC supports shifting more of the tax burden towards corporations and applying principles of progressive taxation. In addition, the ANC will consider the introduction of new taxes including a capital gains tax, a capital transfer tax and progressive property and land taxes. Changes in expenditure patterns and priorities in the state budget will be a major instrument for redistribution and responding to basic needs. A further option in mobilising funds for redistribution and growth will be the introduction of prescribed asset requirements for financial institutions. Foreign investment will also make a contribution. The ANC, however, holds the view that the main emphasis in financing the reconstruction should be placed on domestic resources.

6. Institutions for Reconstruction

6.1. Reconstruction will require a new institutional framework for development. A ministry specialising in development will be necessary. Existing government departments and parastatal institutions will need to be democratised and transformed.

6.2. Development finance institutions and private sector banks will also have to play an important role in mobilising resources to finance the reconstruction. A democratic government will need to restructure and rationalise the financial sector in order to develop new institutional arrangements. Consideration will be given to the establishment of new state and cooperative financial institutions, as well as the transformation of existing ones, to channel domestic and international finance to the critical development needs of the country.

The immediate post-Apartheid period must see a democratic government adopting a new growth strategy capable of guaranteeing steadily rising living standards for our people. Redistribution can provide a kickstart for the growth process, eg. a new housing programme will create employment and generate income. This together with other redistributive

measures will expand demand for basic goods. A new growth path will necessarily require a strategy of industrialisation. Our future lies in becoming a manufacturing nation and in transforming the economy from its current reliance on mining exports. Laying the basis for sustainable growth will require new policies for all major sectors.

7.1. Industrial policy will be aimed, in the first instance, at meeting basic needs and increasing employment. It will further aim to enhance our technological capacity and, in the longer term, ensure that South Africa emerges as a more significant manufacturing exporter. A democratic industrial restructuring process should involve the state, business and the trade unions and other organisations of civil society. It should also aim to promote a more balanced pattern of industrialisation, capable of overcoming the current acute over-concentration of economic activity in certain urban areas.

7.2. A major element of a strategy for the mining industry will be the formulation of a plan for the optimal extraction of gold in the national interest. This will aim at promoting a plan in full consultation with the leading producers and trade unions. In conjunction with this, a new system of taxation, leasing and financing will be developed, with measures of public ownership where appropriate. This is an urgent imperative in view of the changing structure of the industry at a world level, uncertain prices and current threats of retrenchment - and the need to transform employment conditions in and around the mines. A strategy for the energy sector will also be of vital importance to create the infrastructural base to sustain the new growth path and provide environmentally acceptable energy needs to the majority.

7.3. A programme of rural development requires an approach sensitive to the differences between regions and land-types. It will include land redistribution as part of a strategy to provide both exports and, primarily food for do-

7. Promoting Redistribution and Growth

mestic consumption. Those who have suffered dispossession of land by removal will be given priority in land redistribution. The state must have the right to acquire land to enhance output and employment in the agricultural sector through land redistribution. This will be supported by extension services, marketing, credit and training, and complemented by schemes for rural development and employment. A variety of forms of land tenure will be encouraged with guarantees for wages and conditions of workers; special attention will be paid to the needs of women, the landless and the underemployed. All land characterised by heavy indebtedness, absentee ownership, or underutilisation will be considered for redistribution. And where a private market for land continues it will be subject to regulation.

7.4. A successful national development strategy depends on developing and upgrading our human resources. A comprehensive programme of education, training and skills acquisition will have to be developed. Many more opportunities will have to be created for black people, especially women, to acquire technical and managerial skills. The content of all education and training will be made more relevant. The general level of education, including basic literacy and numeracy skills need to be raised considerably.

8. International Economic Relations

8.1. Trade and Foreign Investment

A democratic government will seek to promote mutually beneficial trade relations with all other countries, giving special attention to co-operation among developing countries. The ANC would encourage foreign investment on terms consistent with its developmental goals. Foreign investors will be encouraged to invest in activities which lead to increased employment and the development of local technological capacity and capability. A law on foreign investment - "an investment code" - would be needed to govern the rights and obligations of foreign investors. This would oblige foreign investors:

- *to follow labour practices acceptable to trade unions and compatible with the broad democratic principles of society at large;*
- *to cooperate with government in achieving developmental goals;*
- *to operate in ways which are not detrimental to the environment;*
- *to re-invest part of their profits to promote continuing growth.*

8.2. The African Continent and the Southern African Region.

In return, foreign investors will be given certain guarantees relating to the security of their investment and the right to repatriate a part of profits. Consideration should be given to providing incentives for foreign investment to locate in designated areas.

Trends in the world economy make it essential for countries located outside the major trading blocs of the advanced industrialised countries to forge greater cooperation. An ANC government would give high priority to re-examining existing links and promoting close ties with other countries on the continent and, most especially, with our neighbours in the Southern African region. At the same time, we are aware of the need to address the acute imbalances in existing relations as a precondition for building economic unity with other African countries. The new state will be prepared to enter into negotiations with its neighbours to promote a dynamic and mutually beneficial form of cooperation and development. While all of us stand to benefit from such an arrangement, it should be recognised that creating a new non-exploitative form of regional cooperation will require tilting the balance of advantage in favour of the most impoverished of our neighbours in specific spheres.

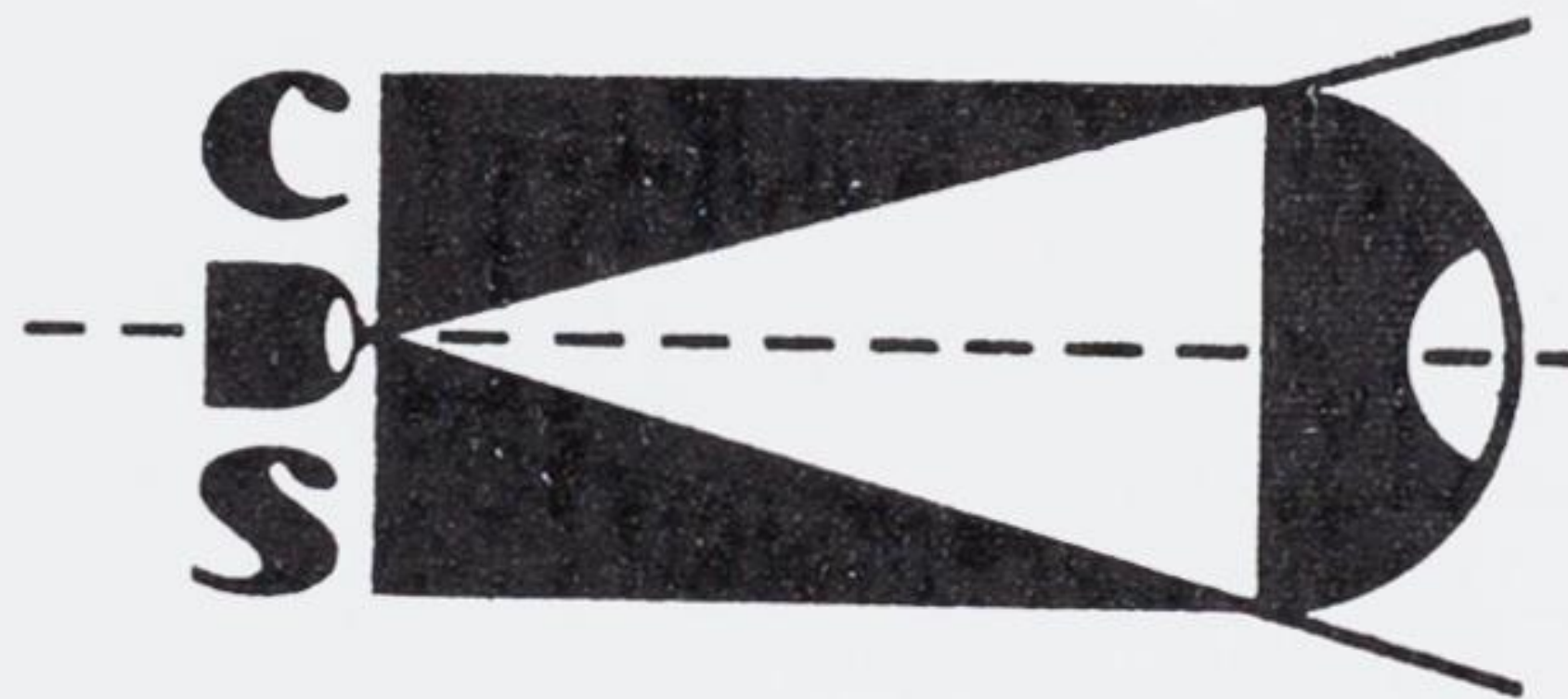
9. Conclusion

We who subscribe to this manifesto proclaim that our aims and policies are just and viable. They are sufficiently flexible to anticipate changing and uncertain circumstances. The basic principles outlined here are fundamental. We are committed to redress the inequities in the ownership and control of economic resources that have deprived the majority of our people of even the most basic needs. Our strategy is premised on the priority of redistribution and to achieving a stable climate of reconciliation through the fullest popular participation and representation in decision making at all levels.

Forward to a Democratic Mixed Economy!!

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