

# **HISTORICAL PERSPECTIVE OF PAST- EMPOWERMENT PRACTICES IN SOUTH AFRICA (1652-2000)**

by  
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## **A SUMMARY**

This is a summary of an original document of almost 100 pages. In the original document all the references to the books, articles and documents used to compile the original document, are extensively given. If what is stated in the summary is not clear or convincing enough, the reader should please consult the original document. To facilitate such consultation, the relevant sections in the original document are given in the different headings of the summary.

Submitted to the Development Bank of Southern Africa  
for Black Economic Empowerment Commission  
(BEECOM) Research Project

24 May 1999

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## 2. INTRODUCTION: EMPOWERMENT AND ENRICHMENT VERSUS DISEMPOWERMENT AND IMPOVERISHMENT

To describe the different *empowerment* practices in the South African history, it was necessary to divide the historical process in the following seven periods:

1. Dutch colonialism and the development of a white Feudal socio-economic system (1652-±1800).
2. British colonialism, the humanitarian movement and the rise of agricultural racial capitalism in the eastern Cape (±1800-1870).
3. British imperialism, wars of conquests and the broader institutionalisation of racial capitalism (1870-1910).
4. The political hegemony of the English Establishment and the close symbiotic relationship between white political supremacy and a fully fledged racial capitalism (1910-1948).
5. Afrikaner Establishment and the ideology and the policy of apartheid (1948-1974).
6. The crisis of white political supremacy, neo-apartheid and the intensification of the Liberation Struggle (1974-1994).
7. Black controlled democracy, reconstruction, development and black empowerment (since 1994).

The power structures that have been in place in South Africa in the first six historical periods (distinguished in this study) from 1652 until 1994 were – in general – very much to the *advantage* of the white population groups and very much to the *disadvantage* of black population groups. In each of the six historical periods at least a part of the white population has been *empowered* by the relevant political authorities while at least some of the black population groups had been disempowered.

## 2. EMPOWERMENT OF THE WHITE BUSINESS SECTOR (INCLUDING AGRICULTURE) BY GOVERNMENTS IN SIX SUCCESSIVE PERIODS

### 2.1 EMPOWERMENT OF A SMALL LANDED GENTRY IN THE WESTERN CAPE BY THE COMPANY (1652-±1800) (SEE SECTION 2)

As indicated in section 2.3 a dual economy developed in the Cape during the Dutch period. In the winter rainfall areas of the western Cape a relatively intensive tillage agricultural system

developed, while extensive pastoral farming developed towards the northern and eastern parts of the western Cape.

To enable the *freeburghers* in the western Cape to produce the products the Company needed, they were *empowered* with freehold land tenure, large numbers of (imported) slaves as cheap labourers and lucrative opportunities to sell their products to the Company. The Company also used its official commando to defeat the Khoikhoi and to turn them into a cheap labour force for the *freeburghers* and the pastoral farmers. The landed gentry – a mere 7 per cent of the free settler population in 1731 – developed, together with a small mercantile elite into a prosperous, powerful and influential colonial bourgeoisie at the Cape.

The *trekboere* (peasant farmers) were not *empowered* to the same degree by the Company. The Company was not dependent on their products and it also lacked the capacity to empower them. The Company, however, did sanction the *trekboere* to organise themselves in commando's for its own protection and to deprive the Khoikhoi and the San of their land and cattle. The commando system was therefore used – in a rather dubious way – for “self-empowerment” by especially the leader core of the commando's.

## 2.2 EMPOWERMENT OF THE BRITISH SETTLERS IN THE EASTERN CAPE BY THE BRITISH AUTHORITIES IN CAPE TOWN AND LONDON DURING THE BRITISH COLONIALISM (±1800-1870) (SEE SECTION 3)

A contingent of 20 000 British settlers arrived in the eastern Cape in 1820. The British settlers were extraordinarily successful to evoke the British Colonial authorities in Cape Town and in London to protect them against the (alleged) onslaught and plundering of the Xhosas. The justification of the settlers' case against the alleged barbarian actions of the Xhosa was articulated and propagated relentlessly by the Grahamstown Journal. The conflict in the eastern Cape was presented as a conflict between light and darkness, truth and error, order and confusion and between the (white) civilisation and (black) barbarianism. Against this racist background the British political authorities *empowered* the settlers by conducting three costly frontier wars (from 1834-1853) and by depriving the Xhosas of a large part of their land and cattle. The large war spendings also enriched the settlers quite handsomely.

The British settlers were also empowered through the abolishment of the feudal principles that have been applicable on the use of land and labour. These principles were replaced by

capitalistic orientated legal and moral principles applicable to the ownership and exploitation of the three important production factors, i.e. labour, land and capital. The lucrative export opportunities of wool to Britain contributed very much to the economic prosperity of the settlers. (The same kind of empowerment was given to the British colonialists developed sugar plantations in Kwazulu-Natal from 1860 onwards).

The British authorities were originally sensitive not to harm the economic interest of the Dutch landed gentry in the western Cape and pampered them in the same way as the Company had done before. The abolishment of slavery in 1838 was, however, an economic setback for this landed gentry. Although slave owners were not fully compensated when slavery was abolished, the total amount paid out stimulated the process of capital accumulation in the Cape. The British authorities were less sympathetic towards the economic interests of the *trekboere* (pastoral farmers). These farmers were forced to apply for new title deeds to replace the old loan farm system. The officials in Cape Town discriminated against the *trekboere* by blatantly giving preference to registering the title deeds of British settlers.

Under the influence of the humanitarian movement the British made an attempt to improve the position of the Khoikhoi (when Ordinance 50 was proclaimed in 1828) and the slaves (when slavery was abolished in 1838). But from 1841 onwards several Master and Servant acts were enacted that "enslaved" the Coloureds (earlier Khoikhoi and slaves) and the Xhosas to a system of labour repression. These laws gave all the whites – English and Afrikaans speakers – easy access to cheap labour and proved to be a strong instrument of white *empowerment*. From 1840 a system of racial capitalism was institutionalised in the agricultural sector of the eastern Cape. It was ideologically legitimised in terms of the ideology of liberal utilitarianism.

The pastoral farmers (*trekboere*) were deprived of their easy access to land (when the loan farm system was abolished) and also of their easy access to cheap labour (due to Ordinance 50 of 1828). These events not only impoverished the *trekboere*, but were also important reasons for the Great Trek in the 1830s.

The 8<sup>th</sup> Frontier War (1850-1853) and the Cattle killing episode (1857) resulted in widespread dispossession and significant proletarianisation in Xhosaland. The Xhosa proletariat became wage labourers in the Cape Colony. At the same time Sir George Grey *empowered* a very small Xhosa (and especially Mfengu) elite by supplying land tenure to them and by creating educational

institutions for their children. The impressive development of this elite is an indication of what could have happened if larger numbers of blacks were given these privileges from 1850 onwards.

### 2.3 EMPOWERMENT OF BRITISH MINING COMPANIES IN SOUTH AFRICA BY BRITISH AUTHORITIES IN SOUTH AFRICA AND LONDON DURING BRITISH IMPERIALISM (1870-1910) (SEE SECTION 4)

The British economy reached its zenith roundabout 1870. In the period from 1870 to 1910 Britain experienced a relative economic decline especially vis-à-vis Germany. When diamonds were discovered in 1867 and gold in 1886, these lucrative mineral deposits were regarded by the British government and by British capital as great opportunities to exploit in order to turn around the relative decline of the British economy. Consequently Britain went out of its way to *empower* the mining industry in a great variety of ways.

To ensure the greatest possible benefit from the mining industry, it was important to keep the cost of diamond and gold production at a level as low as possible. When the African society was reluctant to deliver the required number of workers into wage labour at low wages to the goldmines, the British conquered all the African tribes and enacted additional legislation to force them into wage labour. Due to a lack of co-operation by Paul Kruger of the ZAR (or the Transvaal republic) the labour problems of the mines remained unresolved. The need of the mining industry to get full control of the labour supply, food stocks and certain other conditions – e.g. transport, urbanisation and certain legal matters concerning property ownership – Britain was prompted in 1899 to engage itself in a war against the two Boer Republics. The Anglo-Boer War was undoubtedly an *economic* war. It was fought not only to *empower* the British mining companies, but also on behalf of British and Jewish capitalism at a time when the British were in a stage of contraction. It was a war to secure and to perpetuate Britain's lucrative imperialistic plundering with scant sensitivity for the devastating effect the war exerted on all the local people – both white Afrikaners and Africans<sup>1</sup>. The British spent £200 million on its war effort in South Africa. At that time it was a very large amount of money.

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<sup>1</sup> Although the British promised the Africans that "equal laws, equal liberty" would be given to them after the war, they reneged on this promise to the Africans in order to attain peace in 1902. It promised the Boer generals that the question of granting the vote to Africans (in the Transvaal and the Free State) would be postponed until *after* self-government had been restored to the ex-republics. This promise was honoured by the Act of Westminster (1909) in which qualified voting rights of Africans and Coloureds in the Cape were not extended to the Transvaal and the Free State.

After the Anglo-Boer War the mines still experienced problems to recruit enough cheap African labourers for the mines. The fact that Lord Milner granted the Chamber of Mines concessions to import 64 000 Chinese coolies in 1904 to work in the mines, is an indication how desperate the labour situation was on the gold mines. In a final attempt to solve the labour problem, Milner appointed the South African Native Affairs Commission (SANAC) in 1903 under the chairmanship of Sir Godfrey Lagden. Its report was published in 1905. The SANAC report was in due time (when the Land Act was enacted in 1913) a powerful instrument in the *empowerment* of not only the British orientated mining industry, but also of the Afrikaner-orientated maize industry.

After the Anglo-Boer War Lord Milner was unsuccessful in his attempt to create conditions conducive for gold production by British companies. When he was recalled to Britain in 1905, general Jan Smuts paid a visit to London and convinced the new Liberal Party government that the situation in Transvaal can only be stabilised (on behalf of the gold mining industry) if the larger Afrikaner farmers (the so-called notables) were given special privileges. Lord Selbourne succeeded Milner and played a key role in the *rapprochement* between the British mining companies and the Afrikaner elite. Through this *rapprochement* Generals Louis Botha and Smuts were “co-opted” by the local English Establishment. A close alliance between “gold and maize” was forged – i.e. between British capitalists and Afrikaner politicians. This alliance played not only an important role in the unification of the four colonies into a Union in 1910, but remained the basis of the close *symbiosis* that was forged between the South African Party (governing from 1910 until 1924) and the United Party (governing from 1934 until 1948) and the English business community.

From 1886 to the end of 1913 the gold mining industry absorbed £130 million in equity and loan capital. The investment was highly profitable, with the Rand gold mining companies returning more than £100 million in dividends between 1887 and 1913. Foreign shareowners were the main beneficiaries of the South African mining revolution. It is rather sad that South African mineral wealth was used to *empower* foreigners, while the wars fought on behalf of the mining industry *impoverished* a large section of the Africans and (white) Afrikaners. The impoverishment of these two groups has had ramifications that reverberated in the South African economic and political history until this day.

#### 2.4 EMPOWERMENT OF THE ENGLISH BUSINESS SECTOR BY THE SOUTH AFRICAN PARTY (SAP) (1910-1924) AND THE UNITED PARTY (UP) GOVERNMENTS (1934-1948) (SEE SECTION 5)

The Union of South Africa came into being on 31 May 1910 in accordance with the Act of Westminster of the British Parliament of 1909. The constitution supplied by the British entrenched white political supremacy.

One can put forward a strong argument that both the system of *white political dominance* and the economic system of *racial capitalism* - and the legal structure and ideological justification in which they were embedded - were *constructed and institutionalised* during the last decade of the 19th century and during the first quarter of the 20th century. From 1924 until 1974 the systems of *white supremacy* and *racial capitalism* were maintained intact and - if anything - strengthened, i.e. they became even more exploitative, discriminating and unjust. From the point of view of white business these systems became even more advantageous.

During the first half of the century it was mainly the business sector of the white English Establishment that was in cahoots with the Botha/Smuts governments to promote its economic interest. In the third quarter of the century it was mainly the business sector in the white Afrikaner Establishment which was in a very close co-operative - one can even say "conspiracy" - with the Afrikaner orientated NP government to strengthen the "racist" character of racial capitalism on behalf of both the Afrikaner and English business sectors.

The new government of the Union of South Africa - under the leadership of Louis Botha and Jan Smuts - wasted little time in extending its racial prejudices in the political field to the economic field - albeit in a haphazard and piecemeal manner. The Mines and Works Act (1911) laid the basis for the statutory colour bar in the workplace, and the Black Labour Regulation Act (1911) made it an offence for a black miner to break his employment contract. The 1913 Land Act not only restricted black access to land, but also introduced strict measures against "squatting" on white farms in order to increase the supply of cheap black labour. *This Act was undoubtedly the single most important piece of legislation to lay the basis for the system of racial capitalism and segregation.* The Land Act was undoubtedly the single piece of legislation that *empowered* white business more than any other single piece of legislation. It deprived Africans of land ownership and farming opportunities and proletarianised the majority of the Africans. (See 5.2 in the original for a more detailed discussion of the Land Act). Racist legislation was consolidated when the Smuts government enacted the Industrial Reconciliation Act of 1924.



In accordance with the Land Act, the Chamber of Mines was *empowered* to recruit migrant labour in the African reserves (and in neighbouring countries), while the white (mainly Afrikaner) farmers were *empowered* to evict African sharecroppers, squatters and other tenants who would not submit to the full control of their time and labour by the landowner. By these arrangements the Alliance of Gold and Maize reached an equation for both the goldmining industry and the large maize farmers to attain access to cheap African labour *without being in direct competition with each other*. For the next 60 years the goldmining corporations were successful in producing yellow gold profitably by employing cheap and bound migrant labour from the native reserves and from the neighbouring countries. For the next 60 years maize farmers were successful in producing yellow maize profitably by employing cheap and pass-carrying Africans "outside" the native reserves. The Land Act allocated only 7,8 per cent of South Africa's territory and native reserves. This was increased to 13 per cent by the Native Laws Amendment Act of 1936.

Both the SAP (1910-1924) and the UP (1934-1948) governments were very positively orientated towards the economic interest of the English business sector. In 1939 this business sector controlled 95 per cent of all economic activity in the private sector, i.e. outside the public and outside the agricultural sectors. In 1949 this business sector still controlled 90 per cent of the private sector. Both the SAP and the UP was predominantly English speaking parties who attained election majorities in six general elections (in 1910, 1915, 1920, 1921, 1933, 1938 and 1943) due to the support of elite groups of Afrikaners.

During the 28 years in which the SAP and the UP governed South Africa, General Jan Smuts was either a prominent minister (1910-1919 and 1934-1939) or Prime Minister (1919-1924 and 1939-1948). He regularly went out of his way to protect or to promote the business interest of the English (and Jewish) business sector. No other political leader has used his considerable political power more blatantly to *empower* the English business sector (and especially the mining sector) than Jan Smuts<sup>2</sup>. All the actions of Smuts on behalf of the goldmining industry were not accidental. In the 41 years from 1907 until 1948 a very close interaction existed between Smuts

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<sup>2</sup> He was the responsible minister when imperial troops were used in 1907 to suppress a mineworkers strike. He used the South African Defence Force to suppress the white railway and mineworkers strikes of 1913 and 1914. During the First World War Afrikaners' employment in the mines increased quite sharply. Consequently all matters concerning gold production became politicised. In 1918 Smuts was instrumental in the enactment of legislation that created an "exploitative colour bar". In 1920 a black mineworkers strike was suppressed relentlessly. He was Prime Minister when the Airforce was used to bomb the white mineworkers during the Rand Revolt of 1922. In 1933 Smuts, on behalf of the mining industry, entered into a coalition with General Hertzog to prevent him from taxing away the "gold bonanza" that resulted from South Africa's abolishment of the gold standard and the increase in the

and the successive presidents of the Chamber of Mines who acted as a pressure group to inform (or to command) Smuts about what favours the Chamber expected from the SAP and UP governments.

When the English Establishment regained political power in 1934 (through the Fusion of Hertzog and Smuts) a very close symbiotic relationship was forged between the UP and the English business sector. (See section 5.4) When industrial development accelerated during the war years, the demand for African labour in manufacturing increased sharply. Due to the fact that manufacturing needed semi-skilled labour on a more permanent basis, industry could not use the kampong and the migrant labourer system of goldmining. Consequently it was necessary for the Smuts government to relax influx control. The living conditions of Africans in the urban shantytowns were dismal. During the 1940s the Smuts government also relaxed, or turned a blind eye, to a lot of discriminatory legislation in the workplace. At the same time strict measures, reminiscent of the mining industry, were introduced to control Africans in urban areas.

Jan Smuts became Prime Minister in 1939 on the war issue. South Africa's participation in the Second World War was very much to the advantage of the English business sector and especially for the emerging industrial sector. Through a multitude of "war favours" the South African "industrial revolution" was for all practical purposes launched during the period 1934 to 1948. The Industrial Development Corporation (IDC) was created by Smuts in 1940 to promote industrial development.

Smuts empowered the English and Jewish business sector in two ways. Firstly, by creating conditions conducive for capital accumulation and, secondly, by supporting the powerful mining press in the *legitimisation* of the activities of the English business sector through the ideologies of liberal capitalism, the racist Social Darwinism and "protectionist segregation". Smuts' high popularity in the larger English speaking world (he was a member of the British War Cabinet during both World Wars) was also conducive for the influx of foreign capital to South Africa.

## 2.5 EMPOWERMENT OF THE AFRIKAANS BUSINESS SECTOR BY THE NP GOVERNMENT FROM 1948 UNTIL 1974 (SEE SECTION 6)

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price of gold by 45 per cent. He was again Prime Minister when a black mine workers strike was suppressed by 16 000 policemen in 1946.

When Hertzog and Smuts decided on "Samesmelting" (Fusion) in 1934, DF Malan and a section of the NP decided to break away and launched the "Gesuiwerde" (Purified) NP (G/NP). This caused a sharp division in Afrikaner circles between the so-called "Hertzogiete" and "Malaniete" which stimulated an unprecedented fermentation about the true nature or soul of Afrikanerdom. Within the G/NP a new group of young urban intellectuals emerged to lead the *redefinition* of Afrikaner nationalism into a much more aggressive and exclusive version of nationalism, called "Afrikaner Christian-Nationalism"<sup>3</sup>.

It is often alleged that the Afrikaner business was on its own responsible for the Afrikaner's *economic upliftment* – i.e. that it pulled itself up economically "by its own shoelaces" before the NP's election victory of 1948. This theory about the Afrikaners' "great leap forward" before it attained political power, is true in a rather limited sense of the word. In the 1910s Afrikaner corporations like the Nasionale Pers, Sanlam and Santam were launched by mobilising the capital of the relatively wealthy landed gentry in mainly the western Cape. The Symbolic Great Trek of 1938 – to commemorate the Great Trek of the 1830s – caused a great surge in Afrikaner nationalism. On the strength of this nationalistic fever, the first economic *Volkskongres* was organised by the Afrikaner *Handelsinstituut* in 1939. At the congress the *Reddingsdaadbond* and *reddingsdaadbeweging* ("salvation movement") were launched to improve the Afrikaners' position in the South African economy. Partly as a result of this movement the percentage of Afrikaner control in the private sector (excluding agriculture) increased from 5 per cent in 1938/9 to 9,6 per cent in 1948/9.

Farming constituencies played a decisive role in the NP electoral victory of 1948. Consequently, the Afrikaner farming community was an extraordinary strong pressure group from 1948 until ±1978. (The power of this pressure group can be compared with the power of the Chamber of Mines during the Smuts-period). Afrikaner farmers were *empowered* rather blatantly by the NP during its first 30 years in government. The NP almost immediately reorganised the labour bureau's to prevent Africans from migrating from farms to the cities. The 1937 Agricultural Marketing Act was implemented by the NP to secure higher prices for agriculture - the maize price rose by almost 50% from 1950 to 1954. But in applying its policy of favouritism - i.e. subsidies and Land Bank loans, etc. - the NP explicitly favoured the more efficient and larger farmers. The policy of favouring the larger farmers led to a continuous outflow of whites from

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<sup>3</sup> They exulted the sufferings of Afrikaners - especially women and children - during the Anglo Boer War into a "folklore" to instigate anti-British and "anti-imperialistic" feelings - also against the local English-speakers. On top of this, they used the traumatic dislocation of "poor white" Afrikaners by circumstances created by the mining and

agriculture<sup>4</sup>. In this way an economic culture of favouritism was nourished in the ranks of Afrikaner agriculture capitalism. Although their ideological orientation became as *haute bourgeois* as their industrial opposite numbers, the majority of the "capitalist farmers" remained vulnerable due to their enslavement to rising indebtedness, on-going subsidies and cheap African labour<sup>5</sup>.

The NP played a very instrumental role in the *empowerment* of an Afrikaner business sector (outside agriculture) from 1948 onwards. The initiative of the *Reddingsdaadbond* during the 1940s was strongly stimulated by the NP government. As part of its policy of *statism* the NP "infiltrated" the parastatals like Eskom, Yskor and the IDC by appointing and promoting Afrikaners in key positions. Additional parastatals like Sasol and Soekor were created also under the corporate leadership of loyal Afrikaners. The experience the Afrikaners attained in the parastatals was quite valuable for Afrikaner entrepreneurs.

The NP policy of Afrikaner *favouritism* enriched the richer Afrikaners in a spectacular manner! In an awkward twist of destiny, in the early 1960s the emphasis of the NP shifted away from the ideological aim of uplifting the poorest Afrikaners towards assisting the emerging Afrikaner entrepreneurs. By extraordinary generous types of favouritism an Afrikaner *haute bourgeoisie* was created. They quickly became the champions of a system of (unbridled) Afrikaner capitalism. Examples of Afrikaner favouritism were the allocation of fishing quotas, mining and liquor concessions, government contracts and especially all kinds of inside information. Several Afrikaner corporations – like Rembrandt, Sanlam, Volkskas, Trustbank, etc. – grew spectacularly due to lucrative favours and inside information received from the NP government. If I were to identify the Afrikaner corporations that benefited the most from NP favouritism, then

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industrial revolutions, to target foreign (both British and Jewish) capitalism as the scapegoats to be blamed for Afrikaner poverty and deracination.

<sup>4</sup> The number of whites in agriculture, forestry and fishing fell from 180 000 in 1936 to 96 000 in 1970. The number of white farms likewise declined from 120 000 in 1950 to 75 000 in 1976 (p. 143).

<sup>5</sup> The low interest policy during the 1960s and 1970s (as part of Verwoerd's economic policy to create a white economy), stimulated an unhealthy process of mechanisation in agriculture. It is estimated that more than 50% of all the money spent by the government on research in the 1950s and 1960s was agriculture related. In spite of all this support, agriculture did not succeed in attaining independence and self sustainability. Although the average real income of white farmers grew by 7,3% per annum between 1960 and 1975, most white farmers were virtually totally dependent on state support. A commission reported in 1972 that state assistance provided 20% of an average white farmers income. This was the state of affairs in spite of the fact that black agricultural wages barely increased from 1866-1966. The almost total dependence of Afrikaner farmers on a great variety of state interventions in labour and other markets, rendered them (and particularly the maize producers), as much as ten times less efficient than their European and US counterparts! The buttering up of agriculture was not only an economic failure, but also a costly failure from a political point of view. When the NP could not maintain the high level of subsidies from the late 1970s onwards, the "love affair" between the NP and the maize farmers turned sour and directly led to the defection of the majority of these farmers to the Conservative Party of Andries Treurnicht.

it would be Naspers. As a printing company it received lucrative government contracts, i.e. to print the school books for the Department of Bantu Education.

Until the middle of the 1970s it was the “official” philosophy of the NP, the Broederbond of Afrikaner cultural organisations, Afrikaner churches and Afrikaner universities, *that the economic interests of Afrikaners should be promoted by Afrikaners through all kinds of assistance and “networking” in order to close the economic gap between Afrikaans and English speakers*. The Afrikaner Broederbond played a key role in organising and propagating the “philosophy” that a “loyal” Afrikaner should only support Afrikaner business and Afrikaner institutions. Almost all the Afrikaner corporations gave – in especially the third quarter of the 20<sup>th</sup> century – unqualified and loyal support to the apartheid regime of the NP as a *quid pro quo* for the *empowerment* it received from the NP government. During the third quarter of the century a rather quick – and undoubtedly too quick – *embourgeoisment* of the Afrikaners took place.

It was, however, not only Afrikaner business that profited in the 1950s and 1960s. Apartheid proved to be good for every white business – also the English business sector. Dan O’Meara made in his 1996-book the important point that although English speakers have had moral and theoretical qualms with the NP racial policy, *he knows of no anglophile liberal businessman who declined to profit from NP “interference” in the “free market” and raise their worker’s wages*.<sup>6</sup>

An interesting example of indirect “empowerment” took place at the end of the 1960s when Anglo-American assisted Afrikaner business to attain a stake in the goldmining industry. This version of empowerment happened when Anglo-American assisted General Mining to enable Afrikaner business to get a foothold in the goldmining industry. At that stage the rather hostile relationship that existed during the 1950s between the NP government and the English business sector was replaced by a relationship of co-operation. During the 1960s the English business establishment realised that the NP government would remain in office for quite a long period and in order to qualify from government favours an important section of English business started to develop alliances with Afrikaner business. This tendency became much stronger in the 1980s,

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<sup>6</sup> A good example in this regard was the goldmines of Anglo American and other goldmining corporations in the English Establishment. During the 1960s and early 1970s these mines continued with migrant labour, the compound system and extraordinary low wages. (See section 5.4 for the criticism of the Truth and Reconciliation Commission on the Chamber of Mines and on Anglo American.

when many English businesses became part and parcel of the NP government's network of patronage.

At the end of the 1950s, Dr Verwoerd was astute enough to realise that the upliftment of the (alleged) poor Afrikaners was no longer an adequate ideological justification for the system of Afrikaner power and privilege. Consequently, he announced that the policy of apartheid was to be replaced with the "non-racist" policy of separate development. According to the Verwoerdian ideology "national" sovereignty and political freedom would be granted to each of the nine African ethnic groups.

To give a measure of credibility to the Verwoerdian policy of Separate Development, it was supplemented by a policy of border industry development. The idea was that white industrialists should build industries near the borders of the Homelands and to use (cheap) ethnic (black) labour from the relevant homelands. This policy was used as ideological justification to *empower* white businesses who were prepared to move to "border areas" with lucrative subsidies. From the 1960s until the 1980s billions of Rand were spent – and in effect wasted – to subsidise uneconomic business activities in the border areas in the vain attempt to give economic viability to the homelands. Through this ideological driven empowerment process a section of the (mainly white) business community was enriched in a spectacular way by tax payers money.

## 2.6 EMPOWERMENT OF THE WHITE BUSINESS SECTOR BY THE GOVERNMENTS OF PW BOTHA AND FW DE KLERK (1978-1994) (SEE SECTION 7)

A series of dramatic events that took place in the middle of the 1970s caused a serious survival crisis for the white hegemonic order<sup>7</sup>. This crisis caused a profound paradigm shift in the ideological thinking of the whites and changed the power relations within the structures of white political supremacy and racial capitalism quite dramatically.

A somewhat tense relationship existed between the NP and Afrikaner business on the one hand, and the business orientated English Establishment on the other hand from 1948 onwards. The

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<sup>7</sup> The cluster of events (from 1973 to 1976) that precipitated the survival crisis for the white hegemonic order, were the "unlawful" strike by black trade-unions in 1973, the OPEC oil crisis of 1973, the *coup d'etat* of General Spínola in Lisbon in April 1974 and the Soweto unrest of June 1976. In 1973 South African industry was shaken by a series of unlawful strikes by African workers demanding higher wages and the right to organise. The longevity and wide support of the strikes demonstrated the strength of African "labour power" in a way that surprised even the Africans. The coup of 1974 in Lisbon and the subsequent independence of Angola and Mozambique, broke the *cordon sanitaire* of white colonial regimes around South Africa and exposed the white minority regimes to the rest of "uhuru" Africa and communist penetration in Africa. The abortive invasion of Angola by PW Botha's army in 1975 and the deployment of Cuban troops in Angola complicated the matter quite seriously from the NP point of view.

crisis of the mid-1970s suspended this tense relationship between the two white business sectors and created conditions conducive for the gradual integration - over the next 20 years - of these two business sectors into a single white business sector.

During the long period of stagflation, creeping poverty and growing international isolation, a rather large part of the white business sector became increasingly more dependent on the NP government to survive and to remain profitable. The part of the white private sector who was prepared to co-operate with the NP government during its crisis years, was *empowered* by all kinds of favouritism through *networks of patronage*. These networks of patronage were either linked to Armscor or to the government's sanction busting.

Early in the 1970s the NP realised that external forces might be the real menace. It was also in this period that the Defence establishment crystallised the ideology of the Total Strategy to counteract the alleged Total Onslaught against South Africa. When Botha took over as prime minister from Vorster in 1978, the Total Strategy became the political agenda *par excellence*. In contrast to Verwoerd's ideology of Separate Development, *the ideology of Total Strategy not only remained an ideology, but became the main policy approach of the bureaucratic state to salvage the survival crisis during the Botha regime*. The Total Strategy also supplied the ideological and economic pretext to *redefine* the symbiosis between state and capital into an "unholy" collaboration in which the "normal" dividing line between the two domains became blurred. *This collaboration created ample opportunities for certain private corporations to enrich themselves handsomely with taxpayers' money.*

Shortly after PW Botha became Prime Minister, a comprehensive new policy agenda was implemented in an attempt to ensure the survival of the white hegemonic order. This new policy agenda was a rather odd - but nonetheless well-integrated - "concoction" of three policy measures<sup>8</sup>. The different kinds of intertwinement between the government, key departments in the bureaucracy, the parastatals and a large part of monopolistic businesses, raised the question about who is co-opting whom and at what price. This is a rather difficult question to answer. Perhaps the best answer was that every one of the main players in the comprehensive Total

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<sup>8</sup> Firstly there was the Total Strategy that counteracted the alleged Total Onslaught - to meet the security interests of the military and security establishment; secondly, the reform policy of "neo-apartheid" - to meet the needs of the business community for permanent semi-skilled workers who would be loyal to the system of "free enterprise" economy and, thirdly, a policy of "centralised managerialism" - to meet the ambition of the government and its (loyal) bureaucracy to maintain a strong (managerial) grip on the process of reform. Each of the three partners - i.e. the *securocrats*, the *business sector* and the *government and its bureaucracy* - was mainly interested in a specific aspect of the policy package, but also had vested interests in each of the other two aspects of the package.

Strategy "compact of power" was of the opinion that he was co-opting the other. It was therefore not surprising that the overt and covert "agreements" between private and public sector institutions and the lucrative "transactions" between Armscor and its multitude of subcontractors, set the scene for all kinds of corrupt wranglings that in due time - especially when Botha's reform degenerated after Rubicon (1985) into a policy of "co-optive dominance" - became institutionalised as a system of *structural corruption* that enabled many private businesses - who now claim respectability - to enrich themselves in rather dubious ways.

Botha's policy agenda represented a shift away from the NP's traditional rural and Afrikaner constituency, towards an urban constituency comprising both the Afrikaner and English (haute) bourgeoisie. During Vorster's term of office, tension already developed between him and the more or less united pressure group of English and Afrikaner business. He, however, resisted their demands. The Afrikaner business sector (especially those based in the Cape), played a decisive role in Botha's election as Prime Minister. As soon as Botha was elected, the united lobby of Afrikaner and English business again demanded all kinds of government *concessions* (mainly concerning urban African workers) with the purpose of restoring their corporations' profitability. Botha could not resist these demands. The reforms demanded by the business sector were, however, economically motivated without a proper consideration of their political and ideological implications. The end result was a reform process rife with contradictions. The economic reform to enhance accumulation raised expectations in the African community for political reform that was clearly outside Botha's reach.

Between 1985 and 1989 Botha's policy approach was one of "co-optive dominance" in close co-operation with the generals of the SADF. The strategy of "co-optive dominance" was *per se* a pretext to institutionalise a system of structural corruption. *The system of "structural corruption" can be regarded as the final episode in a long drama (or tragedy) of mainly (white) empowerment through plundering.* It was, however, a method of plundering that did not benefit all the whites, but only the small "elite" (of all the populations groups) who was prepared to be co-opted. Those prepared to co-operate with Botha's bureaucratic state - like sections of the bureaucracy, businesses (of both white groups) and co-opted Africans (especially in the so-called homelands), Coloureds and Asian leaders - were handsomely rewarded, while every form of opposition was mercilessly repressed. At the end of the 1980s the white hegemonic order was in an almost unmanageable crisis from a security, international and economic point of view.



On 2 February 1990 State President FW de Klerk stunned the world by his announcement that the liberation organisations would be unbanned, that Mr Nelson Mandela and other political prisoners would be set free and that the NP government was prepared to enter into negotiations with all political parties to seek a peaceful transition towards a democratic political system for South Africa. When negotiations tentatively started in May 1990, they quickly evolved into a new kind of "powerstruggle", i.e. a negotiating "struggle" between the (mainly white) Bourgeois Establishment and the (mainly black) Liberationist Alliance of the ANC, COSATU and the South African Communist Party (SACP). The Bourgeois Establishment comprised five smaller "power blocks" - the Afrikaner-orientated bureaucracy (including the securocrats), the white capitalistic sector, the rather powerful (white) media, the well organised professional groups (like the fraternity of lawyers, accountants, doctors, etc.) and the National Party and its organisational structures.

At the beginning of the negotiations the business-orientated white Bourgeois Establishment was a well-integrated pressure group pressuring the NP to protect their large economic interests. During the final phase of the negotiations – say in 1993 – the white business sector switched allegiance towards the ANC-Alliance realising (rather opportunistically) that such a switch was necessary to protect and to advance their vested interests in a democratic South Africa. This switch happened in a rather strange way. While the negotiations in Kempton Park took place, the leader core of the ANC-Alliance was "wined and dined from morning till night" by the captains of mining, industry and banking. Through this process a rather strange *alliance* was forged between "black democrats and white capitalists", reminiscent of the alliance between "gold and maize" that was forged between British capitalists and Afrikaner politicians from 1907 to 1910. It is not possible to understand the events since 1994 without taking this alliance (or partnership) between "comrades and capitalists" into account.

An interesting example of the *empowerment* practices at the latter part of the 1980s was the charter that was given to M-Net by the Botha government. During the final stage of the survival crisis of white hegemony, the NP needed the support of both the Afrikaans and English speaking media. The very lucrative charter that was given to M-Net – comprising all the mainstream newspaper groups – was intended to "co-opt" these newspaper groups and to smother their criticism against the endangered government as effectively as possible. M-Net turned out to be a highly profitable gift given on a plate to the white media.

### 3. EMPOWERMENT OF WHITES – OTHER THAN WHITE BUSINESS – THROUGH GOVERNMENT ACTIONS (1652-1994)

#### 3.1 EMPOWERMENT OF THE WHITES THROUGH PROTECTIVE MEASURES

A story that runs through South Africa's history like a golden thread is the preparedness of all the successive governments to protect the lives, livestock and property of (mainly) the whites against the threats, plundering and endangerment of them by the indigenous population groups. Examples of this form of *empowerment* are the actions of the VOC against the Khoikhoi, of the British authorities against the Xhosa in several frontier wars, and the way in which the South African Defence Force, Police and Judicial systems were used to protect the considerable white interest during the period since 1910.

A rather important manner to protect the interests of whites was the multitude of discriminatory legislation that was placed on the law books from 1911 onwards. This legislation remained on the law books until the late 1980s. At first discriminatory legislation was only applicable on Africans, but from 1948 onwards this legislation was also made applicable to Coloureds and Indians. Over a period of 80 years the poorer section of the whites was enormously empowered by all the discriminatory, segregatory and apartheid legislation and practices.

#### 3.2 EMPOWERMENT OF WHITES THROUGH PROPERTY RIGHTS AND OPPORTUNITIES TO ACCUMULATE CAPITAL

It is important to realise that *property rights* (or title deeds in whatever form) can only be created through government actions. Modern (or western) property rights were unknown to the indigenous population groups. Land occupied by a tribe "belonged" to the tribe rather than being "owned" as "property". During the past 350 years the granting of property rights on land to (mainly) whites was one of the most powerful instruments of *empowerment*. We already referred to the freehold land tenure granted to the *freeburghers* in the 17<sup>th</sup> century and to the generous manner in which the British colonial authorities granted property rights to the settlers but less generous to the *trekboere*. The manner in which property rights on land were given to some of the white farmers in the Transvaal, OFS and Natal, but not to other whites, played an important role in the social stratification of the white community.

After the discovery of gold and diamonds and the rise of capitalism and modernism, a variety of new forms of property rights were developed and with them also the opportunity to accumulate capital. Examples of these developments are chartered corporations, share companies, banks, insurance companies, pension funds, etc. All these developments created lucrative opportunities for the whites – and to a lesser degree for the Coloureds and Indians – to accumulate large amounts capital. Until recently the Africans were almost completely deprived of these opportunities.

The property, capital and wealth accumulated by whites over many generations enabled the whites to enrich themselves in a rather advantageous manner against the effect of inflation – especially during the past 30 years.

### 3.3 EMPOWERMENT OF (MAINLY) THE WHITES THROUGH SOCIAL SPENDING AND THE OPPORTUNITY TO ACCUMULATE HUMAN CAPITAL

During the Dutch period very limited educational institutions were developed. During the 19<sup>th</sup> century the British authorities were responsible for a marked improvement of educational institutions and opportunities for whites. During the same period the different missionary stations built schools for the different black population groups.

In 1910 the Union government accepted responsibility for white education. Coloured and Indian education remained the responsibility of religious denominations until the 1950s. After the government took over these schools, the system of separate educational departments for whites, Coloureds, Indians and Africans were maintained until the 1990s. Educational opportunities for people other than white were very much inferior to those of whites. In 1970 the per capital spending on the education of white children was 20 times higher than that of Africans! The opportunity for whites to accumulate *human* capital was therefore incomparably better than for people other than white. The same kind of discrimination was also in place as far as other forms of social spending – health, pensions and housing - were concerned.

If the per capital social spending on whites was put on an index of 100 in 1990, the per capita spending on Indians, Coloureds and Africans would be 85,62 and 27 respectively. In 1990, R4 087 was spent on every white pupil, R907 on Africans, R2 406 on Coloureds and R3 055 on Indians.

#### 4. THE EFFECT OF WHITE EMPOWERMENT ON BLACK IMPOVERISHMENT

In section 8.2 a summary is given of the effect white power structures had on the impoverishment of blacks. In section 8.3 six tables are given about the inequality in the distribution of income and poverty. Persons interested in it can read it in full.

#### 5. EMPOWERMENT OF THE BLACKS BY THE ANC-ALLIANCE GOVERNMENT (1994 – )<sup>2</sup>

The necessary hard statistics to evaluate the ANC government's black empowerment programmes over the past five years are unfortunately not available. From Table 4 (of the original document) it is clear that the income of the top 20 per cent of Africans increased by 38,2 per cent from 1975 to 1991. The income of the top 20 per cent of Coloureds increased by 20 per cent and the income of the top 20 per cent of Indians increased by 30,7 per cent from 1975 to 1991. These trends have continued and even accelerated since 1991. Out of a total of 37 million blacks, the income of the top 7 to 8 million has continually increased. According to Central Statistics in 1997 (see Table 6) 10 per cent of African households, 17 per cent of Coloured households and 45 per cent of Indian households were in the top quintile in 1995.

One can claim that more or less 20 per cent of the black population (or 7 to 8 million people) now constitute a black elite. The rise of this black elite must be regarded as indispensable for the transition from the apartheid regime towards a (hopefully) sustainable system of democratic capitalism. In the heyday of apartheid in the early 1970s, almost 80 per cent of the top 20 per cent of the total population was white. Presently more than 50 per cent of the top 20 per cent of the population is black.

Although the rise of a black elite over the past 25 years is encouraging, we should mention two rather serious problems in connection with this. Firstly, the fact that the rise of the black elite occurred amidst rather widespread nepotism, corruption and maladministration. In many cases the process of black empowerment got derailed into black *enrichment*. In many cases the policy of affirmative action got derailed into *careerism*. These developments were perhaps inevitable, given that corruption already attained a structural character in the apartheid regime – especially during the period 1985 to 1994. But what gives reason for concern, is not the phenomena of corruption, nepotism and careerism as such, but the probable vast scale thereof.

The second problem connected with the rise of a black elite, is that it happened during a time in which the income of the lower 60 per cent of the black population has declined. According to table 6 no less than 71 per cent of African households, 65 per cent Coloured households and 14 per cent of Indian households are in the lower three quintiles. As indicated in table 4 the income of the poorest 60 per cent of Africans and Coloureds declined by more than 30 per cent from 1975 until 1991. Since 1991 this tendency was perpetuated. As indicated in table 5 no less than 67 per cent of African households and 38 per cent of Coloured households received an income below the so-called "poverty line" – i.e. below the income necessary to meet their basic human needs.

It is commendable that the new government spent more than 60 per cent of its non-interest spending on social services. But the *redistributive* effect of these spendings are clearly not large enough to compensate for the *deep-seated structural tendency in the South African economy towards increased inequality and more wide-spread poverty*. We cannot emphasise the point enough that the South African economy is not a "normal" capitalistic system, but the remnant of more than 150 years of *racial* capitalism. The power relations operative in the South African system of capitalism still tend towards *capital intensity, unemployment and a concentration of economic power in mainly white hands*. Given that the South African economy has remained "fundamentally unstructured" over the past five years, we still experience a *systemic exploitation* of blacks due to the strong tendency towards inequality, unemployment and increased poverty of the lower 60 per cent of the population. While the government's empowerment programmes have improved the economic position of say the top 20 per cent of black households (or 6 to 8 million individuals), it is not the case with the poorer 60 per cent of black households.

To *empower* the lower 60 per cent to the necessary degree, the government should implement a comprehensive *poverty relief* programme. The government should either finance it through a wealth tax or through increasing the present forms of taxation. The TRC also recommended that "if a wealth tax is not the way forward [to address the poverty problem] then some other measures should be sought and implemented as a matter of urgency" (p 58, vol 4, chapter 2). From a *social justice* point of view, it is preferable that the poverty relief programme should be financed through a wealth tax. Whatever the method, the emphasis should shift during the next five years from the empowerment of the top 20 per cent of the black population *to the*

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<sup>9</sup> This section is a large extension of section 9.2 of the original document.

*empowerment of the lower 60 per cent of the black population.* The emphasis should also shift from GEAR policy towards a truly developmental strategy with the dual purpose to bring about the highly needed “restructuring” of the South African economy and to give the highly needed stimulus to black empowerment.

An example of “black empowerment” for which President Mandela took personal responsibility, should be questioned. He has on several occasions invited white business people to parts of the country in which the population has a dire need for schools or clinics. He then asked the business people to subsidise the building of the schools or clinics. It may look rather laudable at first glance, but in fact it is nothing but a rather haphazard form of charity. It creates an ideal opportunity for (undeserved) image building for the relevant businesses. The opportunities offered to the business people are in last resort nothing but an opportunity to get cheaply off the hook as far as their real “apartheid debt” is concerned. What ought to happen, is that taxation should be increased and the needed schools and clinics should be built by the government. There can be no doubt that the whites *enriched* themselves over many decades through a system based on statutory discrimination and exploitation. The black impoverishment that resulted directly from the *statutory* system of discrimination and exploitation cannot be – and should not be – rectified through charity. What is needed, is a government policy of poverty upliftment through statutory *empowerment* of the poor by the government.

A question that is rather important from the perspective of black empowerment, is the true nature of the *relationship* between the new government and the “white” business sector. A very relevant question is whether the relationship between the “black” government and “white” business sector has been conducive for black empowerment or not? This is a rather complex question to answer. In last resort the answer to this question depends on which one of the “partners” in the relationship is the stronger (or more influential) - the “black” government or the “white” business sector? A relationship like this is seldom in “equilibrium”, but is mostly dominated by one of the “partners”.

Strange things have happened in the power relations within the South African “network of pluralism” since 1990. As indicated above, the mainly white Bourgeois Establishment constituted a rather formidable “compact of power” in 1990 to confront the ANC-Alliance. When it became clear in 1993 that the ANC-Alliance was going to win the “powerstruggle” for a new constitution at Kempton Park, the white business sector switched allegiance towards the ANC-Alliance. The “understanding” that developed between the leader core of the ANC and

white business sector during the final phases of the negotiations, has developed into a rather close “partnership” over the past five years. Until 1996 it was not clear which one of the two partners was the strongest. But when the government announced its GEAR strategy in June 1996, the “white” business sector and its international partners in the Global Economy in effect *ideologically* “co-opted” the ANC government. While the ANC-Alliance won the *political* “powerstruggle” over the white political Establishment handsomely, there is little doubt that since 1996 the white business Establishment (and its global partners) won the *economic* and *ideological* “powerstruggle” over the ANC government in a rather convincing manner. What is also rather meaningful is that the small black business Establishment has also embraced the freemarket ideology of their white counterparts. For black businesses that have not yet arrived this can have negative ramifications on the momentum of their black empowerment.

What are the implications of the ANC government’s ideology quantum leap from the RDP to GEAR in 1996?<sup>10</sup> One of the cornerstones of the GEAR strategy is that the government should restrain itself from *active* participation in the private sector. This implies that the new government has to abandon one of its important intentions spelled out in the RDP, i.e. to bring about a “fundamental restructuring” of the SA economy. The RDP document states unequivocally that “the South African economy is in a deep-seated *structural* crisis and as such requires “fundamental restructuring”. By accepting the liberal capitalistic (or freemarket) ideology subjacent to GEAR, the new government cannot play such an *active* role in the empowerment of black business as was played by several white governments in the empowerment of white business in the public and private sectors. The Smuts government was always prepared to intervene rather actively in the private sector – in spite of paying lip service to the ideology of liberal capitalism – to promote the economic interest of English controlled mining and industry. The NP government justified its active intervention into the private and parastatal sectors to promote the agricultural and industrial interests of Afrikaners in terms of its ideologies of Afrikaner Christian Nationalism and statism.

One gets the impression that a tacit “agreement” exists between the “black” government and “white” business sector that the “white” business sector would mainly be responsible for black empowerment. This gives an advantageous opportunity to “white” business to use their “black empowerment” projects to rebuild their image in the post-apartheid period. Although few white businesses are prepared to acknowledge it, the need to rebuild their image after having been an

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<sup>10</sup> See Terreblanche, SJ, *The ideological Journey of South Africa from the RDP to the GEAR macroeconomic plan*. Unpublished paper, February 1999.