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THE POLITICAL ECONOMY AND DEMOCRATISATION  
DURING THE PERIOD OF TRANSITION

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1. A PERIODISATION OF THE SOUTH AFRICAN HISTORY (1652 - 1994)

The day when President Nelson Mandela was released from custody in February 1990, he said:

"The white monopoly of political power must be ended and we need a *fundamental restructuring* of our political and *economic* systems to address the inequality of apartheid and to create a genuine democratic South Africa" (my emphasis).

Before we can discuss the implications of the transformation foreshadowed by Mr Mandela - with a focus on the restructuring of the *economic* system - it is necessary for us to take into account the time-period when, and the circumstances under which, the political and economic systems - now in the process of transformation - have been created.

The 120 years of economic modernisation since 1870 can be divided in three periods of almost 40 years each: the period of British imperial conquest (1870 - 1910); the period of racial capitalism and segregation (1910 - 1948) (under the firm control of the local English Establishment with the Chamber of Mines at its core); and the period of Afrikaner Volkskapitalisme and apartheid (1948 - 1990).

The 46 years of Afrikaner domination and apartheid can be divided in two equal periods. The first half (1948 - 1973) was the high day of Afrikaner political domination, apartheid, racism and separate development. It was also a period of high growth and unabated optimism that the system of white supremacy would be maintained in South Africa. During the second half (1973 - 1990) an unprecedented intensification of the liberation struggle of the ANC and other liberation organisations took place. Although the NP remained in power until 1994 and although economic control remained vested in white hands, the all important *powershift* actually commenced in the early 1970's. The 21 years from 1973 until 1994 was an overlapping period: on the one hand the whites put forward an unwavering defence of apartheid and white supremacy, while on the other hand a considerable shift of bargaining power was slowly, but unmistakably, taking place towards people other than whites.

The transitions from British imperial conquest to English racial capitalism (in 1910), and the transition from the period of English racial capitalism to Afrikaner volkskapitalisme (in 1948) were accompanied by smaller *powershifts*. These were not fundamental powershifts, however, in the sense that they did

not change the power structures in a systemic manner. The theme of this chapter will be how both the political and economic systems (for which Mr Mandela foreshadowed a fundamental *restructuring* in 1990), came into being during the period of British imperial conquest. The pivotal years for the formation of racial capitalism and segregation were the period of Milner's Reconstruction (1901 - 1907) and the first fourteen years of the Botha/Smuts government (1910 - 1924).

## 2. BRITISH IMPERIAL CONQUEST AND THE FORMATIVE PERIOD OF THE SEGREGATIONIST SYSTEM (1870 - 1910)

During the period of British imperial conquest, South Africa was consolidated into a unified political entity. The power structures on which both the white monopoly of political power and the white economic dominance were based, were created during this period. The submission of Africans to white control and the expropriation of the land occupied by them, took place as part and parcel of the Mineral Revolution and as a sequence of imperialist intervention by Britain.

After the discovery of diamonds (1867) and gold (1876) a series of relative bloody colonial wars and annexations completed the conquest of African societies and brought Boer republicanism to a brutal end. It is now widely accepted that all these wars and annexations were undoubtedly economically motivated to serve the interests of the British capitalist classes during the zenith of the Victorian Pax Britannica.<sup>1</sup> The power structures that remained in place for the greater part of the 20th century was enforced - so to speak - through the barrel of a British gun and maintained to a large extent by capital and ideological propaganda, also of British origin.

At the end of the 19th century, the goldmining industry was confronted by an African peasant society which was reluctant to deliver the required number of workers into wage-labour. To secure the needed cheap unskilled labour, the mining industry and the colonial government deprived the Africans of a large part of the land which they occupied in order to create an African proletariat which had no choice but to become wage-labourers for its livelihood.<sup>2</sup>

The expropriation of African land started before the Anglo-Boer War (1899-1902), but was intensified by Lord Milner's policy of "reconstruction" on behalf of the goldmining industry. Milner's "reconstruction" policy not only gave a legal structure to the submission of both land and African labour towards the economic interests of white capitalists and farmers, but it also consigned the political fate of the black majority to the political power and dominance of the white minority.

During the Anglo-Boer War the imperial politicians gave the African's the assurance that "equal laws, equal liberty" will be granted to all population groups after a Boer defeat. But at the negotiations that

led to the peace of Verening in 1902, the British Colonial Authority reneged on these promises by making a crucial concession to the defeated Boers. It promised them that the question of granting the vote to Africans would be postponed until *after* self government had been restored to the ex-republics.<sup>3)</sup>

A revisionist historian, John W. Cell, put forward convincing arguments that the system of racial capitalism and especially the segregationist system was constructed from 1901 to 1924 - i.e. during the last decade of British imperialism and the first decade and a half after Union in 1910.<sup>4)</sup>

Lord Milner established during his almost dictatorial regime in the northern provinces (Transvaal and the Orange Free State) a close alliance with the mining magnates and made the crucial decision to consolidate and defend a cheap-labour policy. The mining magnates and Milner's main problem was how to attract sufficient African mineworkers at wages about one-third below the pre-war level. To attain this, the recommendation of the South African Native Affairs Commission (SANAC), which sat between 1903 and 1905, was implemented. Land occupied by Africans was expropriated and "Native locations" established in order to create a black proletariat.<sup>5)</sup>

In contrast to the liberal interpretation of South Africa's modernising history (of historians like C.W. De Kiewiet and Leonard Thompson), John Cell maintained that the true origin of segregation should not be sought in the Calvinist religion or the frontier tradition of the Afrikaner. According to him, the origins of segregation are closely related to the massive structural changes that transformed South Africa into a modern state through a mineral, industrial and agricultural revolution.

"[Segregation's]...primary function was to mystify and legitimize a new system of class relationships. It was thus an integral part of the complex process by which industrial capitalism developed in the specific circumstances of South Africa. During the critical and pivotal period ... a decisive intersection took place between class and race. Of that union segregation was born ... Segregation has been built and maintained by [British] power."<sup>6)</sup>

### 3. (ENGLISH) RACIAL CAPITALISM AND SEGREGATION (1910 - 1948)

During this period, local politicians and capitalists consolidated the structures of white domination and black exploitation by enacting a series of discriminatory acts of legislation, in terms of the policy of racial and class segregation. Although English speaking white South Africans comprise of only 40 percent of the white population, they took the initiative in the development of an economic system that can best be described as a system of racial capitalism.<sup>7)</sup>

The economic basis of the new state was very fragile, mainly because the economic interests of the white Afrikaners - both the large land owners and the small peasants and labourers - were not entrenched in

the new power structures. What was also lacking in 1910, was a clear ideology to legitimise the segregationist approach.

The segregationist legislation enacted in the Botha/Smuts period (1910 - 1924) were in accordance with the segregationist proposals made by the SANAC. It is, nonetheless, clear that the legislation of this period did not only have the interests of the mining industry and the English Establishment at heart, but also the interest of the white Afrikaners - mainly the large farmers.<sup>8)</sup>

The single most important piece of segregationist legislation was the Native Land Act of 1913. Shortly after Union, the political alliance between the English- and Afrikaans-speaking whites was threatened by both groups' need for cheap African labour. To avert an open clash on this issue, the Botha/Smuts government and the English Establishment agreed on an economic "alliance of gold and maize". The formula on which this alliance was built - a formula that was inherently exploitative - remained the economic foundation of the system of racial capitalism until the early 1970's.

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 farmers were given the power to evict African croppers, squatters and other tenants who would not submit to the full control of their time and labour by the landowner. Under the Land Act, more than a million African peasants were abruptly proletarianised. They were made pariahs in their own country. The Act supplied both the mining industry and large farmers with the needed cheap and obedient African labour, while additional land became available for both large and small (and mainly Afrikaans-speaking) farmers.<sup>9)</sup>

The Land Act created a labour "market" in South Africa which was very similar to the Ricardian labour "market" created by the Poor Law of 1834 in Britain. In the 19th century (until 1914), Laissez-faire capitalism in Britain was based on the Ricardian iron law and subsistence wages for the unskilled white proletariat. Racial capitalism in South Africa was based (from 1913 until 1972) on the Ricardian iron law and wages lower than the subsistence level for the unskilled African proletariat.<sup>10)</sup> The "iron laws" operative in the British and South African labour "markets" were by no means the automatic and spontaneous results of (genuine) economic laws. Indeed, in both cases artificial conditions were deliberately created precisely in order to prevent the natural outcomes of the forces of supply and demand. In both cases they were political decisions by a small bourgeois elite, made for political reasons and enforced by political power.

If we accept the argument that the formative years of racial capitalism and the segregationist system were the first two decades of the 20th century, it still remains a problem to determine at what stage the ideology, needed to legitimise the segregationist system, crystallised. Although the report of the SANAC in 1905 played an important role in the crystallisation of the segregationist ideology, the commissioners did not succeed in supplying an all-embracing formula to justify their segregationist proposals. Before

a coherent ideology could be formulated, it was necessary to create a new independent country and to reconcile the interests of the Afrikaans- and English-speaking whites.

During the Election of 1910, the newly launched South African Party (comprising the main elements of both the Afrikaner and English Establishments) campaigned on the slogan of segregation. But it was, in all probability, only after the Chamber of Mines and the large Afrikaner farmers agreed on "the alliance of gold and maize", that a sufficient organising principle had been discovered. It was only then that the whites were confident enough to defend the segregationist legislation with the necessary conviction and commitment. By then an ideology had been created. Segregation would from then on be defended as the only basis on which political order could be maintained as a basis on which conditions conducive for economic growth (albeit mainly for the whites) could be ensured. Segregation could therefore be regarded as the essential ideological platform on which *white* South Africa and racial capitalism could grow stronger and richer. As the new state, (in which hands the British government had invested an almost complete white monopoly of political power), grew stronger, so the segregationist system - both as an ideology and as an economic system - intensified.<sup>11)</sup>

The most important political, economic and ideological elements of racial capitalism and the segregationist system were in place in 1919, when Botha and Smuts signed the Treaty of Versailles on behalf of South Africa, now independent country. One important element was still missing, however: the participation of the poor part of the white Afrikaners, i.e. the small farmers and the Afrikaner proletariat. To consolidate the system of white supremacy, it was imperative also to include these Afrikaners. Their inclusion has had far-reaching implications in the long-term shaping of the segregationist system. Two important events in the early twenties, the Strike of 1922 and the Election of 1924, slotted the poorer part of the Afrikaners into the "white compact of power".

The impoverishment of a large part of the Afrikaners started with the mineral revolution in the late 19th century. Other contributing factors were the "Rinderpest" (1896) and the Anglo-Boer War. The traditionalist attitudes of many Afrikaners and their inability to adapt to the process of modernisation, also played a role in white impoverishment. The agricultural revolution that followed on the heels of the mineral revolution, stimulated large scale, capital intensive farming. In the first four decades of the 20th century, a rather serious poor white problem developed in rural areas. It caused a process of forced migration to urban areas.<sup>12)</sup>

During the First World War, large numbers of poor white Afrikaners replaced many white English-speakers on the mines. At the same time, the Chamber of Mines was trying to lower cost by increasing the numbers of (the much lower paid) African mine workers *vis-a-vis* the number of white supervisors. This gave rise to direct confrontations between the Afrikaner and the African proletariat in the mining industry. An African strike took place in 1920 and an Afrikaner strike in 1922. Both strikes were put down with great ferocity. The abortive revolution of 1922 was a partial defeat for the English

Establishment. After the strike, it was agreed that the relationship between African mineworkers and white supervisors would be maintained at 9:1.<sup>13)</sup>

The segregationist legislation enacted by the Pact Government (1924 - 1933) and the Fusion government of Hertzog and Smuts, (1933-1939) undoubtedly hardened the segregationist element considerably and shifted the emphasis from class domination towards race domination. But from a structural point of view, Hertzog's campaign for racist segregation was not a fundamental departure from the system created in Milner's "reconstruction" (1901-07) and the Botha/Smuts government (1910-1924).<sup>14)</sup>

The system of racial capitalism created during the first decades of the century created favourable conditions for economic growth and capital accumulation for especially the English-speaking part of the white population. During the first third of the century, the growth rate was relatively low (at less than 3 percent annual) and rather unstable. As a developing country, South Africa was very susceptible to the instability of the international economy and was especially hard hit by the Great Depression and exchange rate instabilities. Profit rates in mining were nonetheless high enough to support an accumulation process through which the larger part of foreign investment in mining was replaced and the process of industrial development financed. During this period, capital became concentrated in the hands of large corporations in especially the mining industry. Consequently, racial capitalism attained a monopolistic character that it has maintained until the present day. Presently, the six largest conglomerates (the so-called Commanding Heights) controlled almost 90 per cent of the value of shares on the Johannesburg Stock Exchange.

Like 1924, 1933 was an important watershed year in South African political economic history, as it signalled a significant reorientation in political and economic structures and power relations. Confronted with serious economic problems created by the Great Depression and the suspension of the Gold Standard, Hertzog entered into a coalition with Smuts. The fusion government also enabled Smuts and the English Establishment to regain political and economic hegemony. Particularly during the war years (after Hertzog resigned in 1939) the English were able to extend their economic influence from the mining and commercial sectors to the industrial sector.

Despite a substantial degree of African urbanisation by the 1940's, the South African economy was increasingly facing skilled-labour bottlenecks. The colour bar, which had been circumvented more and more in the 1930's, was effectively made redundant with the outbreak of war. The loss of skilled labour to the army, coupled with a more liberal (predominantly English) administration, resulted in the government authorising Africans to work in skilled positions. The segregationist policies were therefore, softened considerably during the war years.<sup>15)</sup>

The more liberal approach was looked on with horror by Malan's National Party. The old Afrikaner/English rivalry again emerged to polarise white politics to the detriment of people other than white. The indifferent attitude of the Victorian and laissez-faire orientated English Establishment towards

the problems faced by the emerging Afrikaner proletariat, further aggravated the deteriorating relations between the two groups.<sup>16)</sup> Afrikaner nationalism, by mobilising against the political, economic and colonial "powers" of the English speakers and their real and alleged exploitative effect on Afrikaner interests, grew into an aggressive force with a commanding political ideology.

Afrikaner nationalism had a clear economic interventionist thrust. Afrikaners, it was argued, had to take control of what they believed was rightfully theirs through "volkskapitalisme" - that is, the mobilization of ethnic forces to foster Afrikaner accumulation.<sup>17)</sup> As Warden pointed out correctly, Afrikaner nationalism is a topic surrounded by mythology. Like all nationalist movements, it has created its own symbolism and its own folklore. Its own history emphasised the unifying experience of the Afrikaner *volk*. Two themes run through its history. On the one hand, the injustices done to them by the British and the local English establishment; on the other hand, the fear of being "swamped" by the African majority.<sup>18)</sup>

#### **4. THE HEYDAY OF AFRIKANER VOLKSKAPITALISME, APARTHEID AND SEPARATE DEVELOPMENT (1948 - 1973)**

The election victory of the National Party on an apartheid ticket in 1948 heralded a profound change in the South African balance of power. Soon after taking power, the government put into operation a three-pronged programme designed to further the interests of Afrikaner nationalism. New discriminatory laws were added to the existing arsenal (and extended to coloureds and Indians); the bureaucracy and parastatal sector was enlarged in order to generate Afrikaner employment opportunities; and a variety of welfare programmes were launched to redistribute wealth and uplift the poor white (mainly Afrikaner) population. The proliferation of bureaucracies and administrative structures which accompanied the institutionalisation of apartheid, largely solved the "poor white" problem by offering them preferential access to the jobs, thus created.

Given the experience of division and diversity in Afrikaner history, the notion of Afrikaner nationalism had to be consciously forged. Apartheid was an important means by which political unity was attained. The unity maintained in Afrikaner circles from 1948 until 1982 was rather remarkable. It was maintained as long as it was possible to continue the welfare state for Afrikaners. It broke up in the early 1980's when P.W. Botha could no longer maintain the high level of agricultural subsidies, due to the redirection of public spending towards Defence which occurred in the name of the Total Strategy.

In the relentless battle between the two white establishments for political supremacy during the 1950's, the coloured community became trapped in the cross-fire. Fearing that coloured voters might support the mainly English-speaking United Party against the National Party, the Malan government initiated a

process which, in 1956, removed coloureds (in an immoral if not unconstitutional manner) from the common voters role. In a similar vein, the 1951 Bantu Authorities Act and the 1959 Promotion of Bantu Self Government Act laid the basis for separate political representation for Africans.

The increase in the controls over most spheres of African life did not go unresisted however. The African National Congress (ANC), which had maintained an essentially non-confrontationist position (apart from a brief spurt of worker militancy in the 1920's), became increasingly class conscious and radicalised in the late 1940's. The rapid increases in African urbanisation and proletarianisation since the war were major factors behind this shift.

The government's policy of promoting Afrikaner interests was very successful. In 1946, the per capita income of Afrikaners was less than half that of English-speakers. By 1973, after many years of government pampering and patronage, it had increased to almost a three-quarter of the (then considerably higher) income of the English speakers.

The limited reforms of the early 1940's were reversed in favour of the racially repressive and segregationist political and economic institutions which formed the backbone of apartheid. The pass laws were tightened, particularly by the 1952 Abolition of Passes and Co-ordination of Documents Act (which introduced the Reference Book), while convictions escalated dramatically. A plethora of segregationist legislation was also passed.

The events of 1960 resulted in an economic as well as a political crisis. To counteract the crisis, Dr Verwoerd intensified his propaganda campaign to justify the system of white supremacy. An outstanding characteristic of the whole period of Afrikaner domination (1948-1994) is the almost desperate attempts made by successive National Party heads of state to crystallise a new ideology which could legitimise (or mystify) the continuation of white supremacy and the structures of racial exploitation. Although the structures and ideology of segregation were now being driven forward primarily by dynamics working within the white (and especially the Afrikaner society), a re-evaluation of it took place in English-speaking circles during, and also after, the Second World War. Not only was segregationist policy relaxed during the war, but General Smuts said in 1942 that segregation had failed and that it would have to be replaced with trusteeship.<sup>19)</sup>

The NP's hardening of segregation into apartheid caused an uproar not only in South Africa, but worldwide. In the aftermath of Hitler's Nazism, any policy based on alleged ethnic and/or racial superiority was very much against the grain of world opinion. Consequently, it was not at all easy for the Afrikaner and the NP to crystallise an adequate ideology to justify the continuation of white supremacy. For the better part of the 40 years between 1950 and 1990, the Afrikaners were wrestling with one legitimacy crisis after another, while putting forward one (racist) ideology after another!



During the fifties, Dr Malan justified apartheid and the social welfare system on behalf of the Afrikaner in terms of both the alleged injustices done to the Afrikaner by British imperialism during the Anglo-Boer War and the unequal economic opportunities allotted to Afrikaners by the English controlled system of racial capitalism. At the end of the fifties, Dr Verwoerd was astute enough to realise that poor white upliftment was not an adequate justification for the system of white supremacy. Both the uhuru movement in Africa and the relentless criticism of the (somewhat hypocritical) English establishment against the hardening of their segregationist system, convinced Verwoerd of the necessity of a new ideological approach. In the formulation of his separate development ideology (which was always more of an ideology than a policy), Verwoerd took his cue from the pro-segregationist ideas propagated by liberalists like Dubow, Edgar Brooks and other anthropologists in the 1920's and 1930's.<sup>20)</sup>

In an ideological *coup d'état*, Dr Verwoerd replaced the policy of apartheid with one of separate development and claimed that it was morally defensible because its aim was to end all forms of racism and discrimination! He promised full national independence and sovereignty to the different ethnic nations in the African communities. But the independence he promised was supposed to unfold within the very limited territorial space of the African reserves comprising 13% of South African territory.

Although it was clear from the beginning that separate development was economically unattainable, the ideology was propagated (and accepted by the majority of the Afrikaners) with an evangelical zeal.

Dr Verwoerd's policy of balkanising South Africa into a multitude of ethnic states resulted in renewed tension between ideologically and religiously oriented Afrikaners on the one hand, and the more pragmatic, liberal English-speakers on the other. However, from the mid-1960's, the power struggle between the two white establishments began to abate as the rapid economic growth of the 1960's brought benefits to all sectors.<sup>21)</sup>

Dr Verwoerd's policy to create a white and/or typical European country at the southern tip of the African continent has had far reaching effects on the structures of the South African economy. It was a deliberate attempt to further marginalise the Africans from the core of the modern sector of the economy. An exceptionally successful policy of social engineering was implemented by Verwoerd (and continued in the time of John Vorster and P.W. Botha) to increase the capital intensity of the economy in an attempt to make the modern sector of the economy less dependent on African labour.<sup>22)</sup>

The modern sector of the South African economy is today - as a result of Verwoerdianism - far too capital intensive for a Third World country like South Africa - especially if we take the large supply of unskilled African workers into account. This characteristic of the modern sector is going to create almost insurmountable problems in the restructuring of the South African economy in the years ahead. Due to the excessively capital intensive nature of the modern sector of the economy, its job-creating capacity is at a shockingly low level. On top of this, the economy is highly dependent on capital goods imports.

A revival of the economic growth rate will therefore cause a sharp increase in capital goods imports.<sup>23)</sup>

##### 5. ***THE CRISIS OF WHITE SUPREMACY AND THE INTENSIFICATION OF THE STRUGGLE BETWEEN THE ESTABLISHMENT AND THE LIBERATIONISTS (1974 - 1990)***

The political and economic changes that took place between 1973 and 1976 were perhaps the most fundamental and dramatic since the Union in 1910. These changes signalled the beginning of the *powershift* from white supremacy and apartheid towards a democratically elected government and hopefully a sustained system of democratic capitalism.

The coup in Lisbon in April 1974 precipitated the independence of Angola and Moçambique in 1975. This broke the *cordon sanitaire* of white minority regimes around South Africa. A completely different security situation developed - especially after the abortive invasion of Angola by South Africa in 1975. These regional developments played an important role in the transition from "Verwoerdian separate development" to "Vorster's pragmatic apartheid".

The Soweto uprising was an important watershed in South Africa's political economic history. As in 1922 and 1960, South Africa reeled under both political and economic crises as widespread capital flight was induced. This, coupled with the world economic downswing following the OPEC oil price hikes, had a negative impact on South Africa's growth performance. Since 1974 the annual growth rate has averaged 1,7 per cent per annum and real per capita income has declined by almost one per cent annually.

The crisis between 1973 and 1976 revealed quite clearly that the political and socio-economic foundations of twentieth century South Africa had become highly unreliable and untenable. It became evident that the power structure - in its political, economic and ideological dimensions - as it was nakedly based on racism, dispossession and coercion, could not be maintained. At the same time, the privileged white society had developed such a huge vested interest in the continuation of white supremacy and its exploitative structures that it was still inconceivable for them to relinquish their grip on the levers of power and privilege.

In a desperate attempt to salvage the crisis, an additional ideology was crystallised by P.W. Botha and the generals of his securocratic establishment. It was alleged that South Africa had become one of the prime targets of the Soviet Union's "Total Onslaught" and that a well-organised Total Strategy was necessary to counteract the communist "onslaught" against the white, Western-orientated and Christian civilisation and the capitalist system in South Africa. During the 1980's, the Total Onslaught (allegedly

financed, orchestrated and ideologically driven from Moscow) became the convenient pretext for the unwavering defence of the white supremacy against the onslaught of the Liberationists and the South African Communist Party (SACP).

The Total Strategy was used in a rather ingenious manner to mystify the racist basis of the South African system. The struggle for survival was closely identified with the Cold War of the West against communism. South Africa was portrayed as fighting on the side of the "light" against this force of "darkness". The fact that Reagan and Thatcher were in power during the 1980's in the USA and Britain, created not only the ideological "space" for the policy of Total Strategy, but Thatcher's (and to a lesser extent Reagan's) also gave the all important economic support to South Africa in its situation of increasing isolation.

To attain some kind of respectability in the eyes of especially Thatcher and Reagan, the governments of P.W. Botha complemented the Total Strategy with a policy of "reform and repression". In the name of reform, the "Theron, Wiehahn and Riekert Commission" was appointed. In addition to the scrapping of job reservation, Wiehahn recommended that the burgeoning independent, African and non-racial trade union movement should be legalised. Because organisational bargaining power was given to African trade unions (like COSATU) in a "black political vacuum", these trade unions were perhaps too successful in improving the wage and working conditions of its members. These successes have brought about a huge gap between the socio-economic positions of the urban black "insiders" (with jobs in the modern sector) and the black "outsiders" or black proletariat (that cannot get jobs and have become more or less permanently underemployed). When influx control was finally scrapped in 1987, a large part of the rural proletariat migrated to the urban areas and settled in squatter camps in conditions of abject poverty.

Amidst this unfolding crisis, rather peculiar rearrangements took place amongst the different population groups, or at least amongst the elites of the different groups. The relationship between the bureaucratic state and the business community developed (or deteriorated) into an unholy marriage in the early 1980's. With the economy in the grip of stagflation and growing international isolation, the NP government and the business community appeared to be moving closer together in an attempt to consolidate and protect their own positions. Little effort was made on the part of either Afrikaner or English business interests to break the stalemate on reform and to end the tendency to "short termism". Social expenditure, perhaps the key indicator of apartheid, remained radically biased in favour of whites. In 1984, the Tricameral system was introduced as part and parcel of the "reform and repression" strategy.<sup>24)</sup> After the United Democratic Front (launched in August 1983 in protest against the intended Tricameral Parliament) began to fire up large scale unrest, several states of emergencies were declared.

In the middle eighties the "core" of the bureaucratic state - with almost dictatorial powers to counteract the alleged Total Onslaught - constituted a multiracial co-opted elite, consisting of the upper echelon of

the National Party; large sections of the Afrikaner and English speaking business communities (with close patronage relations with the government); key securocrats in the State Security Council; and co-opted African, coloured and Asian leaders. This elite developed a large vested interest in the maintenance of "the system" and played a crucial role in the government strategy of "co-optive dominance". Indeed, the most important aspect of the 1980's power play was the mounting tension between the co-optive dominance strategy of the bureaucratic state and the growing power and influence of organisations in the mass democratic movement.

From an economic and public financial point of view the strategy of co-optive dominance has had disastrous consequences: government spending rocketed in spite of the low rate of economic growth and the sharp decline in the tax capacity.<sup>25)</sup> After the Soweto unrest, spending on black education increased sharply in an attempt to pacify the urban blacks. Defence spending increased from 2,2 per cent of GDP in the early 1970's to 4,3 per cent in 1989.<sup>26)</sup> To maintain the strategy of co-optive dominance, billions were spent on strategic industries (like Armscor, Sasol, Mossgas, etc.), on border industry development, on fighting sanctions, and on increased patronage on the co-opted elite. Due to the close cooperation between the bureaucratic government and the system of racial capitalism, the South African "system" at this stage deteriorated into a system of "structural corruption" - a development which must be regarded as extremely unfortunate. This system of "structural corruption" - to which a large part of Big Business has also been co-opted - is an integral part of the "legacy" the new government has inherited from the old one. To cleanse the "system" (in both the public and private sectors) of its corrupt structures may still prove to be a difficult challenge.

The intensification of the liberation struggle after the Soweto unrest had profound effects on South Africa's international economic relations. Although the sanctions called for by the Liberationists may not been as such damaging as has been expected, their moral effect on South Africa's international standing was indeed severe. Given South Africa's status as a developing country with a large need for foreign investment, the disinvestment strategy of the Liberationists and the ensuing large outflux of investment have, however, done immeasurable harm to the South African economy. Disinvestment started with the Soweto unrests, but a massive outflow followed P W Botha's catastrophic Rubicon speech in August 1985.<sup>27)</sup>

Since the beginning of the century, foreign investment played quite an important role in South Africa's development. During the period 1946 - 1976, an annual economic growth rate of 4,6 per cent was maintained. During this period, 13,5 per cent of Gross Domestic Investment (GDI) was financed by foreign investment. When foreign investment declined, the growth rate also declined to less than 2 per cent per annum.

Over and above the outflow of investment, real net domestic savings also declined sharply. During the period 1960 to 1978, net savings expressed as a percentage of GDP were fairly stable.<sup>28)</sup> The combined

effect of the high capital intensity of modern sector (due to the Verwoerdian strategy); the large outflow of foreign investment; and the sharp drop in domestic savings, has increased the South African economy's dependency on foreign investment quite considerably.<sup>29)</sup>

The importance of the *powershift* that commenced in the early seventies becomes evident when one compares the shifts that have taken place over the last 20 years in the distribution of income between the different population groups. The not insignificant redistribution of income which has taken place away from whites in a situation of economic decline, could only have occurred due to a considerable increase in the bargaining power of people other than whites, in the period after the *powershift* commenced.

During the first 70 years of the century, whites received consistently more than seventy percent of total income, African twenty percent and the Coloureds and Indians together less than ten percent.<sup>30)</sup> From the white's point of view, the power structures on which the systems of segregation and apartheid were based, were very much to their advantage.<sup>31)</sup> From 1970 until 1991, important changes in the racial shares of income took place. The share of the whites declined from 71,0 percent to 61,2 percent; the share of the Africans increased from 20,5 per cent to 27,6 percent; the share of the Coloureds increased from 5,6 percent to 7,3 percent; and the share of the Asians increased from 1,9 percent to 3,9 percent.<sup>32)</sup>

Important changes also took place in the relative position of households within each racial group during the period 1975 to 1991.<sup>33)</sup> In spite of the improvements that has taken place in the racial share since 1970, large racial disparities in the per capita income have been maintained. These racial disparities are often labled as the inequalities of apartheid. This is an oversimplification. Although the structures and policies of racial capitalism and apartheid cannot be blamed for all the inequalities, a large (albeit indeterminable) part of these inequalities can - and should - be blamed on the social, economic and political structures created during the period of white supremacy. If the per capita income of the whites is put on an index of 100 in 1970, the income of the Asians, Coloured and Africans were 19,6, 16,7 and 6,7 respectively. In 1991, these relationships were 33,3, 18,5 and 8,1 respectively.<sup>34)</sup>

In addition to these disparities in the per capita income, government social spending is still very much to the disadvantage of Africans. If the per capita social spending on whites were put on an index of 100 in 1990, the per capita social spending on Asians, Coloureds and Africans were 85, 62 and 27 respectively.<sup>35)</sup>

The extent of poverty in especially African households is extremely alarming: it is estimated that almost 49 per cent of all households (or 17,3 million people) were living in poverty in 1991.<sup>36)</sup>

It is a mighty irony that Milner and Smuts deliberately deprived the Africans of their original livelihood, so as to create an African proletariat with no choice but to become wage labourers (at subsistence wages)