

A SHORT OVERVIEW OF SOUTH AFRICA'S ECONOMIC AND POLITICAL HISTORY IN THE 20TH CENTURY

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On the day that 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 [plural] to address the inequality of apartheid and to create a genuine democratic South Africa" (my emphasis).

I think it is appropriate to ask *when* and under *which* circumstances the political and economic systems - to which Pres. Mandela referred - were created and whose *fundamental restructuring* was, according to him, already long overdue in 1990.

I want to put forward the 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.

In the 20 years from 1974 to 1994 South Africa's *racist* political and economic systems experienced a serious survival and legitimisation crisis. Although important adaptations were made in these two decades to soften the *racist* and *exploitative* character of the political and economic systems, it stands above dispute that both the political and economic systems - and the close symbiotic relationship between them - were to a large extent still in existence in 1994.

From say 1890 to 1924 three important things happened in South Africa. Firstly, the political system of *white political dominance* was institutionalised (mainly) by the Act of Westminster

of 1909. Secondly, a series of legislation was enacted by the Cape and the Union parliaments to create an exploitative *African labour repressive system* as the legal foundation of the economic system of racial capitalism. Thirdly, a very close *symbiosis* or partnership has been forged between the white politicians (operating in the political system of white supremacy) and the white business people (operating in the economic system of racial capitalism). Without this symbiotic relationship both systems could not have lasted for almost a century.

White politicians and white business people were most of the time - from say 1910 until 1994 - hand in glove with each other to protect their mutual interests in the maintenance of the structures of *white power, privilege and wealth* on the one hand and the structures of *black deprivation, discrimination, exploitation and poverty* on the other hand.

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. The Africans were satisfied to meet their economic needs by traditional farming and by rather profitable small scale maize farming. It is estimated that the small African maize farmers produced more maize in the decades before the Anglo-Boer War than White maize farmers.

To solve the labour problem of the mines a tendency developed from 1890 onwards, to deliberately create a "labour repressive system" - or, more correctly, to extend the labour repressive system from agriculture to mining.

Repressive labour systems played a causal role in the early phases of industrialisation of several countries.

Important differences exist, however, between the labour repression system that was introduced in South Africa from 1840 onwards and the systems of other countries. In the case of the other capitalistic countries, the social dislocation and proletarianisation caused by the labour repressive systems lasted only for 30 or 40 years before a section of the working

population was able to command higher wages and was shortly incorporated into the social and political institutions.

The labour repression system in South Africa had several unique characteristics. Apart from its conspicuous *racial* character (if not originally then eventually) the repressive measures were very harsh and were applied relentlessly. These characteristics, as well as the *longevity* of labour repression in South Africa *can only be explained within the context of the power structures that were in place when the successive mining, agricultural and industrial revolutions took place in South Africa*. Successive phases of labour repression were implemented by different white modernising groups.

After the Anglo-Boer War, Milner appointed, on behalf of the goldmining industry, the South African Native Affairs Commission (SANAC) to seek solutions for the severe shortage of African mineworkers. SANAC recommended that Africans' access to land and farming should be curtailed *drastically* to deliberately *proletarianise* Africans to induce adequate numbers to enter into wage labour at very low wages. The philosophy of SANAC was accepted when the Land Act was promulgated in 1913.

The relationship of *structural dominance of whites over blacks*, created by the Land Act and other racist legislation from 1910 onwards, becomes apparent when we note that the real wages of African workers in two major employment sectors, mining and agriculture, *did not increase between 1910 and 1970!* The *real* wages of migrant labourers were in 1972 lower than the level of 1911! During the same period the real wages of white miners approximately doubled! *The Land Act was truly the rock on which the whole system of racial capitalism was built and maintained for six decades.*

Although the application of racist legislation was relaxed by the Smuts government during the 1940s, none of the discriminatory measures were removed from the law books by Smuts. When the political power shifted from the English-orientated UP to the Afrikaner-orientated NP in 1948, the systems of white supremacy and racial capitalism *were still very thoroughly entrenched in the legal and constitutional structures of South Africa.*

From 1934 to 1973 the annual growth rate of the economy was 4,5 per cent. *If we take the political, economic and ideological power structures into account, the 40 years from 1934 to 1973 was par excellence a period in which whites were undeservedly enriched, while blacks were undeservedly impoverished.*

The power relations within the structures of white supremacy and racial capitalism changed drastically – to the detriment of all the groups other than white – when the NP became the government in 1948.

The NP mobilised Afrikaner ethnic power in the 1940s and 1950s by portraying the Afrikaners as the wrongful victims of a double onslaught: firstly, by the exploitation by British colonialism, and secondly, the potential danger that Afrikaner culture could be swamped by the “uncivilised” African majority.

By implementing its so-called *apartheid* policy to solve the “native problem” and to allay the fears of the Afrikaners for the “black peril”, the NP built a mammoth organisational structure in order to control not only the movement of Africans, but also their living and working pattern in a very strict manner. A plethora of additional segregational legislation was put on the law books. The existing arsenal of discriminatory measures was extended quite considerably and made stricter and also made applicable to the Coloureds and Indians.

While the per capita income of whites was 10,6 times higher than African per capita income in 1946/47, white income was 15 times higher in 1975! If ever there was a period of upward redistribution of income (mainly from Africans to Afrikaners), then it was the period of high growth in the 1950s and 1960s. *Given the power structures of white supremacy and racial capitalism, it was a period of high growth with a “trickle-up”-effect!*

It was not only Afrikaner business that profited in the 1950s and 1960s by NP policy measures. Apartheid proved to be good for every white business – also the English speakers. 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.*

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 alleged "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. The ideology was propagated with evangelical zeal. It is the prime example of ideological travesty and the highest degree of Afrikaner self-delusion.

What should be emphasised, however, is that many businesses – both Afrikaner and English – operated enthusiastically within "separate development" framework of Verwoerd and made huge profits – for example in "border industry" operations.

The power relations within the structures of white political supremacy and racial capitalism changed yet another time – as also happened in 1948 – during the middle of the 1970s. *This paradigm shift brought about a close and rather abnormal collaboration between the securocratic state and private business in a joint attempt to perpetuate white supremacy.*

With the intensification of the liberation struggle after the Soweto unrest, the NP crystallised the ideology of the Total Strategy to counteract the alleged Total Onslaught against South Africa. The ideology of the Total Strategy was used to justify the concentration of abnormal powers in the hands of PW Botha's securocratic state. In one of the darkest periods in South Africa's history, these powers were recklessly used – i.e. to create a Military Industrial Complex in which a large section of white business played a strategic role.

The business sector (both Afrikaner and English business) supported the Botha-government rather enthusiastically.

Through the close collaboration between the securocratic government and private business – with Armscor as the pivot on which everything hinged – a Military Industrial Complex was maintained and expanded. This "complex" was from a financial point of view extraordinary advantageous to those businesses that were part and parcel of the "structural pairing".

The Military Industrial Complex set the scene for all kinds of corrupt wanglings that in due time became institutionalised as a system of *structural corruption*.

It is important to emphasise that during the period of stagflation and creeping poverty – from 1975 until 1994 – the average growth rate declined to 1,7% annually, while the real per capita income declined by 0,7% annually. This decline in per capita income affected all population groups (except the Asians) negatively. The income of the poorer 60% of both Africans and whites dropped by more or less 35% from 1975 to 1991 (see Appendix).

The close collaboration between business and the Botha government (and especially the business partaking in the Industrial Military Complex) was undoubtedly an intrinsic part of the (white) Resistance against the Struggle of the Liberation organisations. It, therefore, *perpetuated the life of the Botha-government and, with it, also apartheid.*

Between 1985 and 1989 Botha's policy approach was one of "co-optive dominance" in close co-operation with the generals of the SADF. This strategy 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 white 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) that was prepared to be co-opted.

The system of white political dominance, the system of racial capitalism and the close symbiotic relationship between them, brought about an *empowerment* and an *enrichment* of (mainly) the whites and a *disempowerment* and an *impoverishment* of (mainly) the Africans. It was a *cruel* and *unjust* system and it remained in place for at least a 100 years.

The power structures underpinning white political supremacy and racial capitalism for 100 years were of such a nature that *whites have been undeservedly enriched and people other than whites undeservedly impoverished*.

The negative effects of these power structures on Africans can be summarised in the following seven points:

1. Firstly, the Africans were deprived of large parts of land on which they conducted successful traditional farming for centuries. White farmers, on the other hand, had the privilege of property rights and access to very cheap and docile African labour. On top of this the agricultural sector received from 1910 until 1980 more state subsidies than any other sector.
2. Secondly, for decades millions of Blacks were paid *exploitative* wages in all sectors of the economy, but mainly in the goldmining and agriculture. The fact that Blacks were politically powerless and economically unorganised made them easy prey (or *super-exploitable*) for their white masters.
3. Thirdly, a great variety of *discriminatory* legislation not only deprived Blacks from the opportunity to acquire skills, but it also compelled and humiliated them to do dreary unskilled work at very low wages. While discriminatory measures were often to the disadvantage of business, they were very much to the advantage of white employees.
4. Fourthly perhaps the greatest disadvantage which the prevailing power structures have had for Blacks, is that these structures deprived them from opportunities to "accumulate" human capital. For the first three-quarter of the century, social spending (on education, pensions, health and housing) on Africans was in per capita terms more or less 8 to 10 times smaller than on whites. Since 1976 spending on Africans increased gradually to become 4 times smaller in 1990. As recently as 1970 the per capita spending on white education was 20 times higher than on Africans! In sharp contrast the whites were in the privileged positions to "accumulate" human capital completely as if South Africa was a First World country.

5. Fifthly, the fact that the legal right to own property and to conduct business was strongly restricted in the case of mainly Africans, also deprived them of the opportunity to accumulate property and to develop entrepreneurial and professional capabilities. The position of the whites was, again, the complete opposite. They enjoyed property rights, they deprived Africans from their land, they had access to capital and the opportunities to develop business organisations, entrepreneurial capabilities, etc.
6. Sixth, the Liberation Struggle and the Resistance against it had a devastating effect on the poorer 60% of the African population. Their income – already low in 1975 – decreased by more or less 35% from 1975 until 1991! During the period of stagflation and creeping poverty a large part of the "creeping poverty" was, so to speak, shifted on the most unorganised and most vulnerable 50% of the South African population. The fact that the *poorest* 40 to 50 per cent of the total population (more or less 18 million people) cannot satisfy their *basic human needs* on a regular basis, makes it so much the more urgently necessary to do at least something meaningful to improve the *quality* of their poverty.
7. Seventh, it was not only individuals that had been impoverished and "destroyed" by the racist systems, but also African and coloured *societies*, while it also prevented the South African people from becoming a society. We can put forward a strong argument that the deprivation, the repression and the injustices inherent to the racist systems, not only impoverished the non-White population groups, but also brutalised large numbers of them. Violent activity became widespread during the Struggle and the Resistance of the NP government against it – especially in the period since 1976. Unfortunately, this tendency to act in an anti-social manner and to find easy ideological justification for such behaviour – some of a rather dubious nature – has become internalised in the value orientation of large sections of the population. *After decades of Apartheid and the Struggle against it, the South African society is a very violent and a very disruptive and divided society, not only along racial and ethnic lines, but also because of seemingly unreconcilable values and attitudes.*

The South African distribution of income and property is presently very unequal and the lower 40 per cent of the population is living in abject poverty. This distribution has not

changed much – especially as far as the lower 40 per cent is concerned¹⁰. South Africa's Gini-coefficient is higher than 0,6 and in all probability the largest in the world. Many factors contributed to these inequalities and it would be wrong to blame it all on the exploitative nature of the systems of white political supremacy and racial capitalism. But a substantial part of the inequalities and poverty can, and should be, blamed on the apartheid structures. (See Appendix on Equality and Poverty).

The main argument I put forward today is that South Africa's history over at least the past 100 years, was a very sad one. It was a history of the *structural impoverishment* of (mainly) blacks on the one hand and the *structural enrichment* of (mainly) whites on the other hand. The abject poverty and the extravagant wealth are *structurally* linked. They are the two sides of the same (structural) coin. Although it may sound odd, it is important to acknowledge that South Africa is not only faced with a terrible poverty problem, but also with an equally difficult wealth problem. The problem with the superrich is inter alia their selfrighteousness, their arrogance and the absence of any repentance about the way they accumulated their wealth.

If we look at the inequalities and poverty – without taking the historical context into account – we can already put forward very strong and convincing arguments for comprehensive redistribution measures. But if we look at the inequalities and poverty in South Africa in their proper *historical context* and take the *structural exploitation* of the apartheid system over a period of at least 100 years into account, then the removal of these extreme inequalities and

¹⁰ While only 2 per cent of African population in 12 main urban areas was in 1990 in the top quintile, this has increased to 6 per cent in 1995. While 65 per cent of urban Africans was in fourth and fifth quintiles in 1990, it has increased to 67 per cent in 1995. While a reasonable number of Africans became quite wealthy in a short period of time, the lower 50 per cent of Africans is in all probability becoming poorer.

⇒ In 1995 the income distribution in South Africa was still highly unequal. The poorest 10 per cent of households in the country received as little as 1 per cent of all household income in 1995, while the poorest 20 per cent received only 3 per cent. The poorest 30 per cent of households received only 5 per cent of all household income, while the poorest 50 per cent received only 11 per cent.

⇒ Sixty per cent of households in South Africa received only 16 per cent of all household income in 1995, while 80 per cent of households had 35 per cent.

⇒ The most affluent 20 per cent of households had as much as 65 per cent of all household income in 1995, while the most affluent 10 per cent received as much as 48 per cent.

In other words, the richest 20 per cent of households have 65 per cent of all household money at their disposal, while the poorest 20 per cent have only 3 per cent. Earning and spending in South Africa, Central Statistics, Selected findings of the 1995 income and expenditure survey. Central Statistics, 1997.

the abject poverty
matter of *restitution*.

Although white political supremacy capitalism is still very much in place and privileges in very few white hands – mainly in large corporations. The transformation process will redistribute power and wealth that was accumulated through time in (mainly) white hands as has been the case over apartheid that we cannot afford to condone. At its core, that in the next few years it will concentrate on *transforming* what the real content of transformation would be. The *transformation* will be inadequate as long as the problem of the shocking gap between the abject poverty of the lower 40 per cent and the extravagant wealth of the say top 10 per cent remain unaddressed.

After 18 months of GEAR strategy, this strategy has not delivered the projected economic growth and job creation. It is time to acknowledge that from scratch GEAR has been too narrowly *economic* in its approach. The strategy was framed in terms of the ideological tradition of liberal capitalism of the British-American countries (and the World Bank), while South Africa's circumstances demanded that it should be framed in terms of the ideological traditions of *social democracy* of Continental countries. GEAR took as its point of departure that the lack of economic growth and unemployment should be regarded as South Africa's gravest problem. In fact, the most serious problem facing South Africa after centuries of conflict, strife and exploitation, is *the absence of a proper social structure*. GEAR unfortunately neglected the decisive importance of society building and social stability. The GEAR strategy should be complemented with a comprehensive poverty relief programme and redistributive strategy financed through additional taxation – preferably on the wealthy.

It is important that the new government motivate its redistribution and poverty programme as a policy of *restitution* to restore the necessary degree of social justice and social stability. I have lately become quite concerned about the *recalcitrant* attitude in white circles –

especially in the ranks of the wealthier part of the white community. We should take note of the fact that the majority of whites were more prepared to make sacrifices in 1994 than at present. This hardening of their attitude is a matter of great concern, especially in so far as they motivate their stand with rather dubious arguments. The wealthier part of the whites should realise that a substantial part of their wealth is *undeserved*, because it was accumulated within the structures of white power, white *privileges*, white *favouritism* and white *patronage* and white *corruption*. For the sake of reconciliation it has become of the utmost importance that whites should be convinced – or even be *re-educated* – about the *systemic injustices* that have been part and parcel of the South African system for at least 100 years. It is also necessary that they should be convinced that sacrifices from their part to create the necessary social justice and social stability, are an unavoidable “investment” to secure the viability of our democratic and capitalistic systems. Given the recalcitrant attitudes in white circles the government should consider the appointment of a *Justice and Reconciliation* Commission. Such a Commission can, hopefully, play an important role in educating the white population about the grave injustices inherent in the 20th century history of South Africa.

Without a clear *understanding* of the *systemic* nature of the *exploitation* that has taken place, it would not be possible for the beneficiaries (i.e. mainly whites) to make the necessary *confession*, to show the necessary *repentance*, to experience the necessary *conversion* and to be prepared to make the needed *sacrifices*. Confession, repentance, conversion and sacrifices are not only prerequisite for forgiveness (by the victims), but also a precondition for promoting *social stability* and *systemic* justice in the long run. Social stability and systemic justice are, in their turn, preconditions for economic growth and job creation and for the viability of a system of democratic capitalism in South Africa.

A PERSPECTIVE ON THE SOUTH AFRICAN PROBLEM(S) AT THE PRESENT PHASE OF TRANSFORMATION PROCESS

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South Africa is at present still in the midst of a (political, economic and ideological) transformation (or powershift). This process started in the middle of the 1970s and the political dimension underwent an important transformation in 1994. It would, however, be a mistake to allege that the transformation is almost complete. Very important transformations in *social* and *economic* relations and in *ideological* orientation, are still taking place. It may take at least another 10 to 15 years before a stable social and economic framework, a common value system (or unifying ideology) and a new power elite will be in place. Only then will it be proper to regard the transformation as complete.

From an economic point of view, the South African transformation will not be complete before a new symbiosis has been forged between (the black controlled) state and (the mainly white controlled) capital. To be in line with today's world, South Africa has no choice but to develop an appropriate and sustainable system of *democratic capitalism* to replace the previous system of *racial* capitalism. Due to the fact that political power will be concentrated mainly in black hands, while economic power will remain in white hands - at least for the foreseeable future - the system of democratic capitalism will be rather vulnerable during its period of formation. The South African economic problem is presently mainly a *systemic* problem, closely intertwined with other systemic problems such as the task to build a *new* political order, to build a *new* society and to internalise a *new* unifying ideology. Given the importance of the Global Economy in today's world, the predicament in which South Africa finds itself will remain unresolved if our social and economic system cannot be reconstructed in a manner reconcilable with the rather strict conditions set by the Global Economy for developing countries such as South Africa.

To forge a new working relationship between the (black controlled) state and the (white controlled) capital, will not be easy. Apart from this thorny "racist" dimension caused by the

"divisions" of political and economic power, we can identify several other problems that will also hamper progress towards a new working relationship. It is rather important that these problems should be identified as clearly as possible and that reasonable solutions should be found *en route* towards (a hopefully) *sustainable* system of democratic capitalism. From the perspective of the incomplete "powershift" - and therefore also from the perspective of the still on-going "power-struggle" - we can identify the following five problem areas as probable impediments that may retard the completion of all the dimensions of the transformation process:

Firstly, a lack of the necessary *socio-economic stability* and a unifying *ideology* as manifested by the high level of violence, crime and other forms of lawlessness;

secondly, a lack of the necessary *equity* as manifested by the sharp inequalities in the distribution of income, of property and of opportunities and in the abject poverty in which the poorer 40 per cent of the population has to live;

thirdly, the relatively low level of *economic growth* and the poor job creating ability of the economy;

fourthly, the inability of both the private and the public sectors to create socio-economic and ideological conditions conducive to a fuller re-integration of the South African economy into the *Global Economy*;

lastly, the inability of the new government to *govern efficiently and effectively* and the apparent inability of the government to facilitate the *systemic* transformation towards a sustainable system of democratic capitalism.

It is necessary to emphasise that these five problem areas are closely interdependent, in the sense that an adequate solution for each of them very much depends on progress attained in finding solutions to the other four problem areas.

(i) *The need for socio-economic stability*

The most visible and the most talked-about problem in South Africa - both locally and internationally - is the high level of violence and criminality. South Africa's murder rate is one of the highest in the world. To this we must add the high level of thefts, car hijacking, organised gangsterism, drug smuggling and the unlawful activities of a variety of local and international syndicates. Crime and organised lawlessness is not by any means restricted to the poor and traditionally disadvantaged population groups. Alarming forms of criminal activity, reflecting anti-social attitudes - for example the unpreparedness to pay rates and taxes - have also become prevalent in wealthy white circles. White collar crime and corruption attained a structural character in the 1980s and it seems as if this kind of corruption has been perpetuated intact into the new South Africa.

Opposition parties and their supporting media blame the high level of crime and violence almost exclusively on the inability of the new government to maintain law and order. There is some merit in this accusation, but it is unfair to put all the blame on the new government. The high levels of crime and violence must be attributed to a multitude of factors that have undermined society formation in South Africa over a relatively long period of time. We should not forget that the main characteristic of South Africa's history, over a period of more than 300 years, has been the dragged-out group conflict and group plundering between a multitude of ethnic, colour and language groups. During the apartheid period, society was artificially divided and fragmented into hostile groups. We can put forward a strong argument that the deprivation, the repression and the injustices inherent to the system of apartheid, not only impoverished the African population, but also brutalised large numbers of Africans. It is not reasonable to expect that those sections of the population should suddenly act in a civilised and pro-society manner now that the structures of apartheid have been removed. The "wounds" inflicted on society and on numerous individuals by apartheid will, unfortunately, remain part of the South African situation for a considerable period of time.

The Struggle and the Resistance against it gave people on both sides of the great divide ample opportunities to find all kinds of moral, religious and ideological justifications for

their violent and criminal activities. Unfortunately, this tendency to act in an anti-social manner and to find easy ideological justification for such behaviour - some of a rather dubious nature - has become internalised in the value orientation of large sections of the population. After decades of Apartheid and the Struggle against it, the South African society is a very disruptive and divided society, not only along racial and ethnic lines, but also because of seemingly unreconcilable values and attitudes.

If we had to identify the most serious problem facing South Africa today, then it is the absence of a proper *social structure*. The South African population does not presently constitute a Society. We do not have the shared values, the common ideological connections, the cross cutting cleavages and the common history necessary to cement the population into some kind of community. There are signs of an emerging civil society, but it is still too fragmented to be instrumental in society building and to exert the necessary constraints on the tendencies towards lawlessness and corruption.

Against this background, South Africa's main task should be Society Building in the broadest sense of the word. This is necessary not only for its intrinsic value, but also because it is an indispensable precondition for a capitalistic orientated economic system. South Africa can also not expect to receive the desperately needed support from the Global Economy if law and order is not restored within the framework of a social structure based on civilised values.

To suggest that Society Building should presently be our main task, is more easily said than done. The problem is that Society Building is something that cannot be accomplished in the short term. It is a multi-faceted process that can only unfold over a relatively long period of time. What ought to be clear during this earlier phase of Society Building is that we cannot afford - especially from a political and economic point of view - to allow violence, criminality and lawlessness to degenerate into a situation of chaos. As is evident from the experience of other countries during their periods of transformation, tendencies towards "lawlessness" are to be expected after long periods of protracted political conflict and strife. The lesson to be learnt from these countries in similar situations of threatening chaos, is that the (new) authority should be strict and uncompromised in its efforts to restore law and

order. Although strict law enforcement will not necessarily eliminate the root causes of the lawlessness and the anti-social behaviour, it is nonetheless an indispensable precondition of Society Building. Whether the ANC government - with its strong emphasis on democracy and human rights - has the will and the capacity to restore law and order with the needed iron fist, is doubtful.

(ii) *The need for a redistribution and a poverty relief programme*

The very unequal distribution of income, property and opportunities, must also be regarded as one of South Africa's most serious problems. Although 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 and maintained during the period of white supremacy¹. What is perhaps even more alarming is the large number of the population living in poverty - i.e. below a specified poverty line. The greater majority of those living in poverty are Africans. (See Appendix)

In the debate on the causes of inequality and poverty, sharp ideological differences exist between the arguments put forward by the (mainly white) middle class and (mainly black) lower classes. Wealth and poverty are often ascribed in the rich Western world to the merits and demerits of the relevant individuals. In South Africa the whites are also very inclined to claim that they have earned their income and wealth through their individual abilities and hard work. The mainly white middle class - with its typical success ethic and individualistic orientation - is also inclined to blame African poverty on the alleged flaws and shortcomings in the character and personality of the impoverished individuals. Due to these white middle class prejudices, the whites are in general rather unsympathetic towards the plight of the poor and also unprepared to acknowledge that *systemic* and/or structural factors played a causal role in the unequal distribution of income and in the widespread poverty in the ranks of

¹ It was estimated in the mid-1980s that 88 per cent of all personal wealth was owned by the top 5 per cent of the population. Due to the Land Acts of 1913 and 1936 it was (until recently) not possible for Africans to own land (small exceptions aside) in 87 per cent of the South African territory. As far as power is concerned, economic power and control are very much concentrated in the hands of the white group. The four largest "corporate conglomerates" control more than 80 per cent of the value of the stock on the Johannesburg Stock Exchange. "Media Power" is also concentration in the hands of a few white controlled newspaper groups. This situation may change in the near future. An African business consortium is to take over Johnnic, which currently controls several newspapers.

people other than white. Given the almost dogmatic acceptance of middle class (and freemarket) prejudices in white circles, it is a rather unavailing task to try to convince the whites about the important role that *systemic* factors (or the *structures* of white political dominance and racial capitalism, i.e. disguised forms of group plunderings) have played, since the beginning of the century, in the enrichment of the whites and in the impoverishment of people other than white. Whites are simply not prepared to acknowledge that a large part of their wealth is *undeserved* and that a large part of the poverty of the Africans is also *undeserved*! It will take a huge effort of adult education to convince the whites of the truth about white wealth and black poverty in South Africa.

The sharp disagreement about the true causes of inequality and poverty hampers the introduction of an effective poverty relief programme. Those who judge the problem with typical middle class prejudices are normally quick to complain that poverty relief that involves handouts, is morally unjustifiable. But in spite of this complaint, strong moral, economic and political arguments can be put forward in favour of a comprehensive poverty relief programme - or for a War on Poverty. Poverty is so widespread and severe, that poverty relief is desperately needed from a humanitarian point of view. A comprehensive poverty relief programme is also needed to create the necessary social stability. The high level of violence and criminality is undoubtedly poverty-related. Given the strong bargaining power of the middle 40 per cent (i.e. mainly those with job opportunities in the formal sector) vis-à-vis the poorest 40 per cent, a distinct possibility exists that the government may neglect the poorest 40 per cent. If this should happen, a new kind of "apartheid" can develop between the so-called (organised) Black Insiders and the (unorganised) Black Outsiders. When the Government of National Unity took office in 1994 and the ANC launched its Reconstruction and Development Programme, high optimism was created that the RDP would be mainly to the advantage of the poorer 40%. Unfortunately, the RDP got bogged down in all kinds of organisational red-tape and did not live up to its promise. Some of its programmes were rather successful, for example, the programmes to supply clean water to remote areas, the programme for water conservation, the school feeding and health programmes.

In spite of these strong arguments in favour of a comprehensive poverty relief programme, it seems as if fiscal constraints prohibit the new Government from implementing such a policy. It also seems as if the new government does not have the necessary organisational capacity to implement an adequate poverty relief programme. The lack of capacity becomes more evident when it is realised that an appropriate poverty programme cannot be implemented by the Department of Welfare and Population Development, but would necessitate a special State Department. Consequently, the argument of the wealthy middle class that the only way to solve the poverty problem is to maintain a high economic growth rate, seems to have won the day - at least for the present. The "Redistribution through Growth" strategy is based on the assumption that a high growth rate will have a favourable "trickle down effect". This, however, is not necessarily the case. The question whether redistributive measures - and especially a poverty relief programme - are in the present situation a *precondition* for greater social stability and for a higher economic growth rate, will remain a nagging one.

(iii) *The need for increased economic growth and employment creation*

The two decades from 1973 until 1994 were periods of stagflation and growing unemployment in South Africa. During this period the annual growth rate was only 1,7 per cent and the real per capita income declined at an annual rate of 0,7 per cent. The part of the labour force that could not find employment in the formal sector of the economy increased from less than 20 per cent to more than 40 per cent - or to more than 5 million members of the potential workforce.

The poor performance of the South African economy since 1974 can to a large extent be blamed on the Struggle and the Resistance against it. The protracted struggle for political control in South Africa took place, to a large degree, in the economic arena and has done considerable damage to the economy.

As one can expect of a developing country, foreign investment played quite an important role in South Africa's development. During the period 1946 to 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 investment². Since 1976 the investment to GDP ratio has declined to a low of under 16 per cent in 1993. An important factor in this decline was the outflow of foreign investment (due to the disinvestment strategy of the liberation movement)³. During 1994 and 1995 the economy experienced a slight revival, concurrent with the political transformation. The growth rate increased to 3 per cent, but it turned out to be mainly jobless growth. The rather poor jobcreating ability of the economy has become a matter of great concern. It can partly be blamed on the high capital intensity of the modern sector.

When the liberation organisations were unbanned in 1990, great uncertainty existed about the economic policies of a future black government. Immediately after Mr Mandela's release in February 1990, he stated in unequivocal language that nationalisation of private enterprises was still part and parcel of the ANC's economic policy. This caused considerable trepidation in the ranks of the highly concentrated corporate sector of South Africa. On the strength of the promises made in the 1955 Freedom Charter of the ANC, it was generally feared in white circles that an ANC-government would be inclined towards the same kind of macroeconomic populism that had caused havoc in Latin American countries. The interim period (from 1990 to 1994), when informal and formal political negotiations took place, was productively utilised by the capitalist sector for economic discussions with the ANC leader core on the economic system and policies for a future democratic South Africa. During these discussions the ANC moved through a so-called "learning curve" to appreciate the hard realities of a market orientated economy in an expanding Global Economy. During these discussions the ANC was also "educated" about the severe economic problems facing South Africa after 20 years of stagflation and growing international isolation.

During the first two years of the new political dispensation, an unnatural "windlessness" existed in the ideological debate on economic matters. In this period Nedlac (the National Economic Development and Labour Council) was formed as the central vehicle for dialogue

² During the 1960s and early 1970s, South Africa's overall investment record was very impressive, with the ratio of fixed investment to GDP rising from 18 per cent in 1962 to a peak of 30 per cent in 1972. (*Growth for All*, 1996).

³ During the same period real net domestic savings also declined sharply. The gross domestic savings is at present 16½ per cent of GDP, while investment forms 19 per cent of GDP. *Ibid*.

on social and economic policy between the newly elected Government and the major organised constituencies in the country⁴.

In June 1996 the Ministry of Finance published the department's new macroeconomic strategy - *Growth, Employment and Redistribution (GEAR)* (prepared by a group of 15 economists). The fact that the ANC government - including Pres. Mandela - has not only accepted the macroeconomic strategy, but has also declared that its contents are non-negotiable, can be regarded as a remarkable shift in the ANC's ideological orientation in the period from 1990 to 1996. The ANC's strong commitment to stick to the strategy has opened important ideological differences within the tripartite Alliance of the ANC, Cosatu and the South African Communist Party (SACP). Whether the "broad church" would succeed in accommodating the ideological differences within the Alliance will not only be one of the most interesting, but also one of the most meaningful developments to watch.

The general agreement between the ANC government and the business sector on the GEAR is indicative of a growing understanding between (the mainly black controlled) state and (the mainly white controlled) capital. To claim that it is also indicative of a symbiosis between state and capital will be premature. As long as the Alliance between the ANC and the black labour movement remains as close as it is (if not ideologically then organisationally), and as long as the relationship between Big Business and the black labour movement remains as confrontational (and even hostile) as it is, it would be overenthusiastic to talk about a growing symbiosis between state and capital.

For the moment we cannot come to any other conclusion than that the political and economic power struggle towards a new "constellation of power" is far from complete. Against this background we should regard the GEAR not only as an economic strategy, but also as an important ideological strategy. The implicit ideological purpose of the GEAR is to drive a wedge between the ANC and Cosatu/SAPC. The chances that it would accomplish this, must be regarded as good.

One of the key words in the vocabulary of the ANC is "transformation". Although the new government has been a strong instrument for transformation, we have reason to ask critical questions about the "transformation" experienced by the ANC and by the tripartite Alliance. To what extent the ANC has succeeded to "transform" itself from a liberation organisation into a political party with the responsibility to govern the country, is not clear. Similarly, it is also not clear to what extent Cosatu has succeeded to "transform" itself from a highly politicised (and even militant) trade union confederation (that has played a strategic role in the liberation struggle) into an ordinary trade union confederation. This kind of "transformation" - also in the relationship between the ANC and Cosatu - can be regarded as an indispensable precondition for the completion of the "restructuring" of power relations necessary for a sustainable system of democratic capitalism based on a symbiosis between (the black controlled) state and (white controlled) capital.

(iv) *The need for a reintroduction of the South African economy into the Global Economy*

For many years South Africa's economic and political relations with the outside world have been a controversial and ambivalent matter. As a developing country and as an exporter of primary products, South Africa is highly dependent on the inflow of capital and on the availability of export markets.

After two decades of increasing international isolation, the South African economy is currently faced with the challenge to become *reintroduced* into the Global Economy. It is generally acknowledged in business circles that it would not be possible to move the economy to a higher growth path without a large influx of foreign investment and without succeeding in exporting labour-embodied industrial products. Unfortunately, no unanimity exists about the necessity to be reintroduced into the Global Economy. Cosatu and the SAPC are anything but enthusiastic about the Global Economy and are not prepared to subjugate themselves to the harsh discipline of international markets. There are also indications that the

⁴ In 1995 Nedlac played a key role in finding enough common ground for a new Labour Relations Bill to be enacted with the support of the parties at Nedlac. The apparent agreement in Nedlac was, however, deceptive. This became evident in the

ANC government does not appreciate fully the importance and the true character of the fast growing Global Economy. In marked contrast with the tripartite Alliance, the white business sector and the (mainly white) opposition parties are very positively orientated towards the Global Economy. They strongly emphasise the alleged beneficial effects of the disciplinary working of international markets.

To appreciate the issues at stake in the ideological debate on the Global Economy, it is necessary to identify the different conjunctures of the evolving global order. We can distinguish three conjunctures in the global order since the Second World War (O'Meara, 1996: 472-475). The first conjuncture was in place from 1945 until 1971. It was the period of the Bretton Woods system, the golden age of high economic growth and the height of the Cold War. The kind of international economic co-operation established under this system explicitly set out to reinforce a country's economic sovereignty. This kind of world order created the "space" (or the latitude) for the NP government in the third quarter of the century to pursue its apartheid policy in spite of the fact that it was (ideologically) against the grain of the anti-racist attitude in not only Third World countries but also - albeit to a lesser degree - in Western countries.

In August 1971 the United States abandoned the fundamental principles of the post-war Bretton Woods system. From then on a very different dynamic took hold of the international order. The changing configuration limited countries' autonomies quite drastically. In the new growing Global Economy, South Africa could only maintain its international position so long as its export markets were not threatened and so long as its access to international financial markets remained unchallenged. Both came under attack from the mid-1970s and especially in the latter part of the 1980s. By the end of the 1980s the sanction and disinvestment strategies - propagated by the liberation organisations - brought South Africa to its economic knees. It can be said, to the benefit of the NP, that when it acknowledged defeat in 1990, it subjugated itself fully to the pressure and discipline of the global order.

"ideological war" between Big Business and organised labour in the first half of 1996.

Since 1990 the Global Economy has moved into a new conjuncture. This new conjuncture is characterised by two aspects: the international uncertainty following the end of the Cold War and the rapid extension of all aspects - trade, monetary, financial, investment etc. - of *galloping* globalisation (O'Meara, 1996: 474). In this new conjuncture the economic sovereignty of individual countries is limited even further.

The SAF document on "Growth for All" is a plea for a closer integration into the Global Economy. It regards a "vigorous export drive as part of a strategy to promote more rapid growth in exports of manufactured goods" (pp vi & vii). One of the important reasons for Cosatu not being in favour of a vigorous export drive, is because it realises that such a policy can only succeed if wage moderation can be maintained and if the labour market can become more flexible⁵.

The GEAR strategy is strongly orientated towards the Global Economy. It acknowledges that a growth rate of 6 per cent by the year 2000 would require capital inflows equivalent to almost 4 per cent of GDP (p 6). It states "that the central thrust of trade and industrial policy had to be the pursuit of employment creating international competitiveness" and that "world competitiveness nowadays depends as much on comparative advantage in the public policy arena as it relies on technology, human resources and physical capital" (pp 17 & 21). The fact that the ANC government has committed itself strongly to the GEAR document is an indication that it also realises the importance of a full *reintroduction* into the Global Economy. Whether the ANC also realises how important the restoration of social stability is as a precondition to invite the necessary foreign investment, is still uncertain.

(v) *The need for efficient and effective governance*

It has been two and a half years since the new government took up office. Until the end of last year the new government's ability to govern looked rather promising. It enjoyed a high

⁵ The fact that Cosatu and the SACP still have a hostile orientation towards the Global Economy is somewhat incompatible if we compare their attitude with the capitalist sector and the NP's total commitment to the Global Economy. While the latter two tried to "go it alone" during the Struggle, the tripartite Alliance succeeded in "employing" the Global Economy against the old white order. It is indeed ironic that important sections of the Alliance are now trying to opt out of the "new" Global Economy. The fact that Cosatu announced recently that it would support privatisation programmes conditionally could be a first step in the direction towards accepting the economic philosophy of the Global Economy.

degree of internal and external confidence. But since the beginning of this year, it has seemed as if the new government has lost its touch. Apart from a lack of efficiency in many government departments, and apart from personal blunders by several ministers, there are also signs of a lack of co-ordination and of direction in the new government. The sharp decline in the value of the Rand since February 1996 can be attributed to a negative re-evaluation of the South African situation - and especially the new government's performance - by the Global Economy.

A great deal of the problems encountered by the new government can be blamed on the structure of the government, on the ANC's lack of experience and on its policy of affirmative action. It seems that the lack of co-ordination originates at Cabinet level⁶. Problems created by the lack of experience and/or of ability in the case of many ministers, are aggravated by inefficiencies in the bureaucracy. Some of these inefficiencies are the result of the obstructive behaviour of public service from the old order - i.e. in the all important police force. A large part of the inefficiencies must, however, be attributed to the incompetence of public servants who have been appointed in accordance with the policy of affirmative action. Many of these appointees are simply not capable of shouldering the responsibilities with which they have been entrusted. While we have to criticise the application of affirmative action, it is not justifiable to question the validity of the principle - i.e. the need for restitution after decades of exploitation and group plundering. In its attempt to rectify the injustices of the past in too short a period, the new Government unfortunately has appointed persons in professional positions for which the appointees do not have the necessary professional capacity. South Africa can certainly not afford - given the poor state of the economy - the "unprofessionalism" that is built into the bureaucratic system by many of the affirmative action appointments. The policy of affirmative action runs the additional danger that due to the manner in which it is implemented, it may only empower (and enrich) the upper twenty to thirty per cent of the black community, while the "trickle-down" effect to the poorest 20 per cent may be negligible (see table I and figure I).

⁶ Although Pres. Mandela is a strong unifying factor from a symbolic point of view, he is not exerting the necessary co-ordinating influence on the Cabinet. In the absence of a strong and centralised "prime ministerial office", many of the ministers are free to do their own thing. This clearly has a disruptive effect on government activities. The fact that some of the ministers belong to the IFP, is also not conducive to co-ordinated government action.

The fact that the ANC still acts like a liberation organisation and still experiences problems to transform itself into a political party, is undoubtedly also an important reason for its inability to govern effectively. The tripartite Alliance between the ANC, Cosatu and the SAPC has the character of a "broad church" accommodating a great variety of conflicting ideological convictions. The overarching purpose of the "broad church" was to defeat apartheid. As long as the Struggle continued, the ideological strife was easily subdued. A world of differences exist, however, between the challenges facing a liberation movement and the challenge facing the new government in the post-liberation period. If the impression should continue that the ANC is unable to achieve control over the conflicting elements within the "broad church", the chances for the new government to succeed in achieving effective control over events in the country would remain slim⁷. This is a very unfortunate state of affairs, given the ANC government's responsibility to facilitate the transformation towards a sustainable system of democratic capitalism.

To put all the blame for the lack of efficiency and of effective governance on the shoulders of the ANC, is certainly not fair. It is also necessary to take due account of the nature of the legacy inherited by the new government from its predecessor. It would not be an exaggeration to claim that this legacy was in many respects - and especially from a structural point of view - almost "bankrupt" legacy. The twenty years preceding the political transition was a period of stagflation and creeping poverty⁸. In spite of severe fiscal constraints, the new government has the responsibility towards its constituency (i.e. those who have been disadvantaged for generations) to attain parity in social spending as soon as possible. This is an enormous task if we take account of the fact that social spending on the much poorer African population (comprising 75 per cent of the total) in 1990 was (in per capita terms) only 27 per cent of the social spending on the relatively affluent whites!

⁷ Strangely enough, the ANC's strong democratic tradition is probably also impeding the government's ability to govern effectively. The tradition to consult all the so-called "stakeholders" before a decision can be made on virtually any issue may be laudable, but it is definitely not conducive to the kind of decisiveness desperately needed in the present situation.

⁸ Unemployment increased from 20 per cent in the early 1970s to more than 40 per cent today. The poorer sixty percent of Africans are considerably poorer than 20 years ago. In the years preceding the political transition, the public debt increased from R100 billion in 1990 to R280 billion in 1995 (or from 36 per cent to 57 per cent of GDP). A part of this increase is due to the incorporation of the public debt of the so-called independent Homelands.

When judging the present lack of efficiency, the wastefulness and the endemic corruption in both the political and public sectors, we should remember that all these things were the order of the day during the last 10 years of white political dominance, when a serious breakdown of government took place. We have reason to fear that the structural corruption that had become part and parcel of the old system in both the public and private sectors - during its last (or dying) years - has been perpetuated almost intact into the New South Africa⁹. If true, it is a precarious state of affairs.

The unpreparedness of many whites to acknowledge guilt and to show repentance for the injustices inherent in the apartheid system should be identified as an important impediment in building consensus about South Africa's past and future. Many whites - including the mainly white political parties and important business leaders - claim that they have no knowledge of the exploitative nature of apartheid or that they have personally not been involved in any immoral deeds against people other than white. For many whites it is convenient to claim that they do not have any knowledge of - or don't understand - the phenomena of *structural* injustice and group plundering. This kind of alleged innocence should not be allowed to remain unrebuked. It is such a prevalent attitude in white circles, that it is indeed a pity that the government has appointed only one, instead of two Truth Commissions. The task of the second Truth Commission could have been to establish the truth about socio-economic and political developments in South Africa since the beginning of the century, in an attempt to uncover to what extent the political and economic systems (and the power structures on which both these systems were based) were morally unjust. The report of the second Truth Commission could have played an important role in educating the white population about their own history and awaken within them a sense of social consciousness. A better understanding of the *exploitative* nature of the structures of white political dominance and racial capitalism - that lasted almost a century - can make a meaningful contribution towards reaching consensus on matters economic and ideological.

⁹ As part and parcel of the tendency to corruption, a greedy and money-grubbing elite is emerging. In an article in The Sunday Independent (24 November 1996) on "Greedy new elite is betraying the Struggle" he puts it as follows: 'There is something deeply wrong with a new elite becoming super rich while so many remain poor. It is troubling when those we look to for a new style of leadership in business and the parastatals, slide so easily into the money-grubbing culture of the past, instead of transferring it'.

APPENDIX

INEQUALITY AND POVERTY IN SOUTH AFRICA

1. INEQUALITY IN HISTORICAL PERSPECTIVE : 1925 – 1991

TABLE 1
POPULATION OF SOUTH AFRICA

	African	White	Coloured	Asian
1910	67	22	9	2
1925	68	22	8	2
1946	69	21	8	2
1960	69	19	9	3
1970	70	18	9	3
1980	72	16	9	3
1991	74	14	9	3

TABLE 2
RACIAL INCOME SHARES

	African	White	Coloured	Asian
1925	18	75	5	2
1946	22	71	5	2
1960	21	71	6	2
1970	19,5	71	7	2,5
1980	25	65	7	3
1991	27,5	61	7,5	4

Source: Whiteford & McGrath, 1994, Table 5.1 and Lipton, 1986, Table 9.

TABLE 3
RACIAL DISPARITY RATIO'S

	African	Whites to others	
		Coloured	Asian
1925	12,8	5,5	3,4
1946	10,6	6,3	4,3
1960	11,9	6,3	5,7
1970	15,0	6,0	5,1
1980	12,9	5,3	5,4
1991	12,3	5,4	3,0

Source: Whiteford & McGrath, 1994, Table 5.5

TABLE 4
PER CAPITA INCOMES AND ABSOLUTE INCOME GAP AT CONSTANT 1990
PRICES

	1946/47	1960	1970	1980	1991
African	1 055	1 153	1 301	1 742	1 710
White	11 190	13 632	19 558	22 552	21 121
Coloured	1 791	2 147	3 252	4 295	3 885
Asian	2 626	2 380	3 828	5 742	6 945
Absolute gap between White and African	10 135	12 479	18 257	20 810	19 411

Source: Whiteford & McGrath, 1994, Table 5.3

CONCLUSIONS:

- From 1910 until 1960 the white population group was $\pm 1/5^{\text{th}}$ of the total population, but received more than $7/10^{\text{th}}$ of total income (Table 1 and 2)
- In 1946 the average income of the whites was 10,6 times greater than the average income of the Africans (Table 3).
- In 1970 the average income of the whites was 15 times greater (Table 3).
- From 1946 until 1970 the average income of whites increased from R11 190 to R19 558 or with 3% per annum. During the same period the income of Africans increased from R1055 to R1301 or only 1% per annum (1990 prices).
- While the absolute gap between the per capita incomes of whites vis-à-vis Africans was R10 135 in 1946 it increased to R19 411 in 1991 (1990 prices).

2. CHANGES IN HOUSEHOLD INCOME FROM 1975 UNTIL 1991

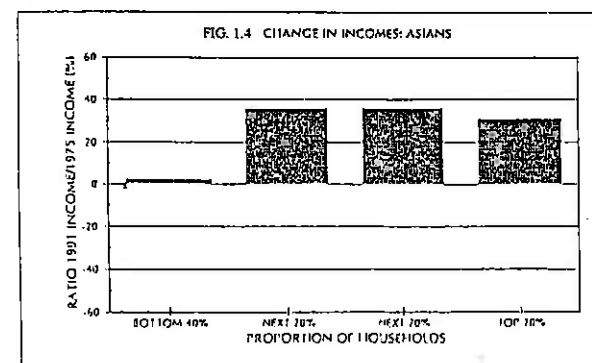
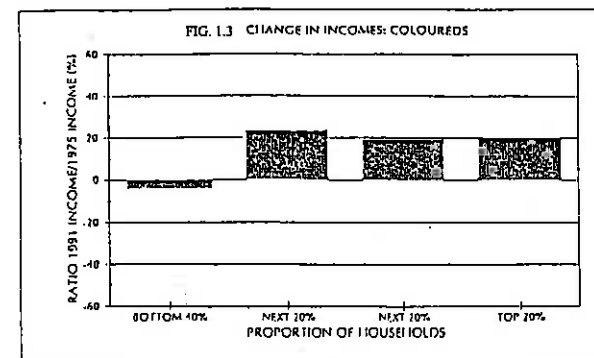
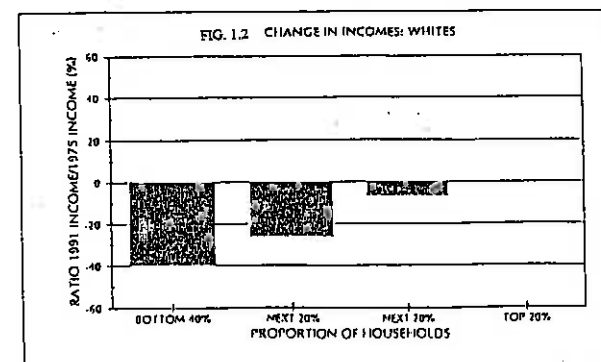
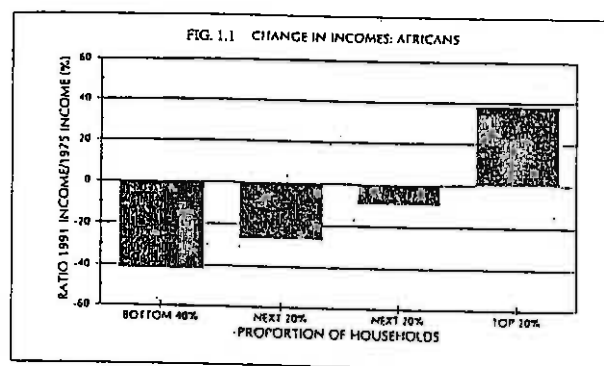
The period from 1975 until 1991 was the period of stagflation. The average growth rate was only 1,7 per cent annually and the real per capita income declined with 0,7 per cent annually. It was a period of "creeping poverty". This creeping poverty did not affect the different population groups – and the income groups within the four population groups – equally. The poorer 40 per cent of the Africans and the poorer 40 per cent of the whites became much

poorer in this period. The period from 1975 until 1991 coincided with the period when the Struggle against the apartheid regime was at its peak and when the Resistance of the apartheid government was also at a high level – i.e. the Total Strategy vs the (alleged) Total Onslaught. The creeping poverty (1974 – 1991) was to a large extent caused by the Struggle and the Resistance against it. The statistics below give a good picture of how the Struggle and the Resistance against it, affected the different population and income groups.

TABLE 5
MEAN HOUSEHOLD INCOMES

Statutory race group	Year	Bottom 40%	Next 20%	Next 20%	Next 20%
African	1975	3 048	6 790	11 894	24 780
	1991	1 784	5 004	10 741	34 243
	Change	-41,5%	-26,3%	-9,7%	38,2%
White	1975	39 167	72 469	90 901	177 194
	1991	23 594	53 721	84 937	177 134
	Change	-39,8%	-25,9%	-6,6%	0,0%
Coloured	1975	5 041	11 377	21 643	49 391
	1991	4 837	14 022	25 761	59 239
	Change	-4,0%	23,2%	19,0%	19,9%
Indian	1975	9 324	19 464	29 809	68 193
	1991	9 544	26 442	40 451	89 132
	Change	2,4%	35,8%	35,7%	30,7%

Source: Whiteford & McGrath, 1995, Table 6.3



CONCLUSIONS:

- (a) From 1975 to 1991 the income of the bottom 40 per cent of African households declined by 41,5 per cent and the income of the next 20 per cent declined by 26,3 per cent. While the income of the bottom 60 per cent of African households – i.e. more than 70 per cent of the African population – declined by ± 40 per cent since 1975!
- (b) The Afrikaners are in all probability the population group that has experienced the greatest increases and declines in incomes during the century. During the first 34 years the Afrikaners were exposed to a process of *impoverishment* due to their inability to adopt to the processes of modernisation and urbanisation. The Carnegie Report on the Poor White Problem was published in 1932. The Afrikaners were then more or less a million. According to the Report a third of them was economically in a satisfactory condition, another third was poor and the other third was regarded as being alarmingly poor. In the ranks of this last group a poverty mentality developed that became habit-forming. ("A part of the poor white class is characterised by ... such qualities as improvidence and irresponsibility, untruthfulness and lack of a sense of duty, a feeling of inferiority and lack of self respect, ignorance, and credulity, a lack of industry and ambition, and unsettledness of mode of life ... Poverty itself exerted a demoralising influence on them" Carnegie Report, par. 52-60).

In the period from 1934-1974 South Africa experienced a relative high growth rate of 4,5 per cent per annum. During this period the Poor White Problem in Afrikaner circles was solved for all practical purposes. In the period from 1946 until 1970 – i.e. during the first phase of NP government – the per capita income of the whites increased from R11 190 to R19 558 (1990 prices) or with 3 per cent annually (table 4). Due to the favouritism of the NP towards Afrikaners, their per capita income increased in all probability by 4 or 5 per cent during the third quarter of the 20th century.

From 1975 until 1991 the household income of the bottom 40 per cent of whites declined with 40 per cent and the income of the next 20 per cent with 26 per cent. The income of

the bottom 60 per cent of white households declined with say 33 per cent from 1975 until 1991. Given that the income of the Afrikaner households is somewhat lower than the income of the English speaking whites, we can say that the poorest 70 per cent of Afrikaner households (or 75 per cent of all Afrikaners) will decline by ± 40 per cent in the last quarter of the century.

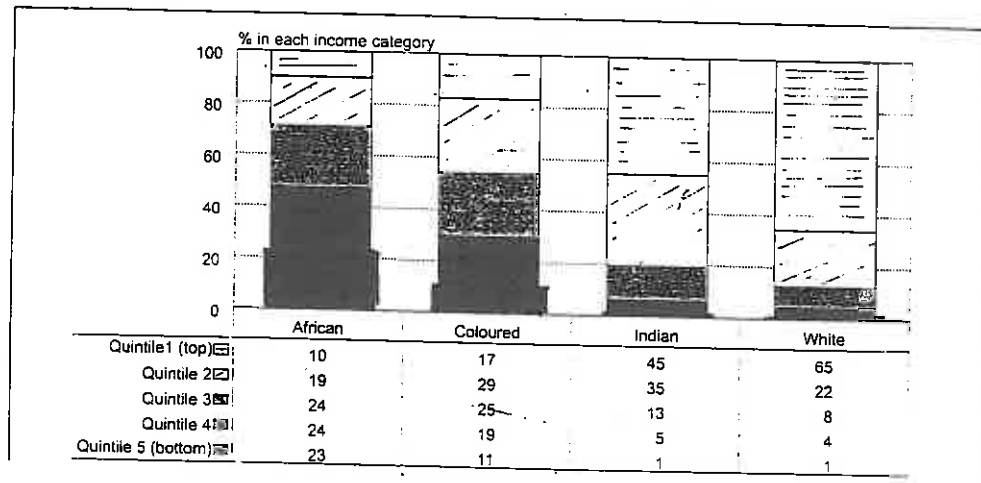
The economic position of the poorer two thirds of the Afrikaners has changed rather dramatically during the century: in the first third of the century they became rather poor, in the next forty years they experienced a quick – and perhaps too quick – *embourgeoisment*, and in the last quarter they became impoverished again. These sharp swings have had a rather disruptive effect on a large part of the Afrikaner society. It also had important ramifications on South Africa's political history during the 20th century. In spite of the large swings in the income of the Afrikaners, their income as a group is still relatively large vis-à-vis that of people other than white.

- (c) Both the Coloureds and Indian population groups have made considerable headway in the period of 1975 to 1991. It was also the case with the top 20 per cent of African households (figures 1.3 and 1.4).

3. INCOME DISTRIBUTION BY RACE

In a publication of *Central Statistics* (1997) *Earning and spending in South Africa*, valuable statistics about the distribution of income in 1995 is given.

Fig. 2 : Income category by race of head of household: 1995



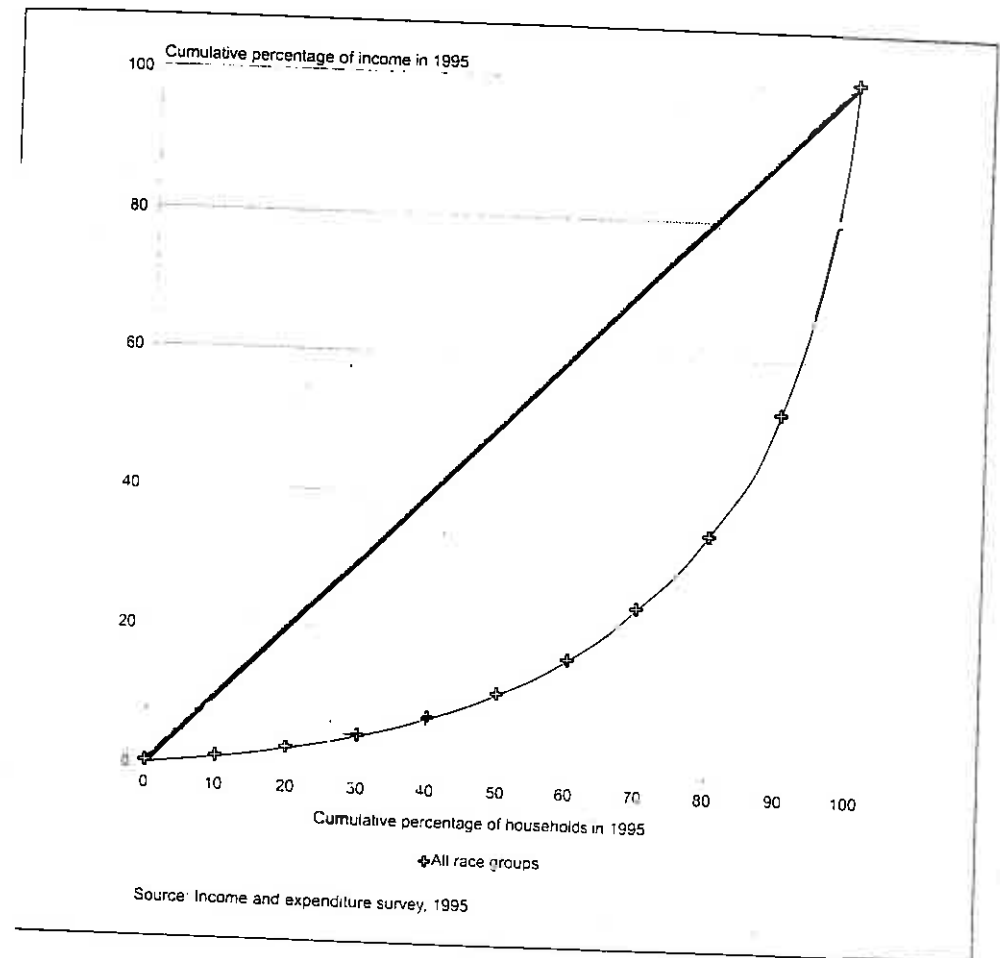
Source: Central Statistics, 1997, Fig. 1

Figure 2 demonstrates that income is very unevenly distributed by race:

- (a) 23 Per cent of African households are in the bottom income category, compared to 11 per cent of Coloured and only 1 per cent of Indian and White households.
- (b) On the other hand 65 per cent of white households are found in the top income quintile, compared to 45 per cent of Indian, 17 per cent of Coloured and 10 per cent of African households.
- (c) 71 Per cent of the African households (or ± 80 per cent of the African population) is in the bottom 60 per cent of income categories, compared to 13 per cent of white households (or ± 10 per cent of the white population).

4. INCOME INEQUALITY OF THE POPULATION AS A WHOLE

A Lorenz curve is a graph showing the *cumulative* income distribution in a given population. In fig. 3 the cumulative percentage of households, arranged from poorest to most affluent (from 0 per cent to 100 per cent) has been plotted by *Central Statistics* on the horizontal axis, while the cumulative percentage of income arranged from least to most (also from 0 per cent to 100 per cent) has been plotted on the vertical axis.



Source: Fig. 7 in Earnings and Spendings in South Africa, Central Statistics, 1997.

The following conclusions can be drawn from the Lorenz curve:

- (a) The poorest 10 per cent of households (13 per cent of the population) received in 1995 as little as 1 per cent of all household income.
- (b) The poorest 20 per cent of households (26 per cent of the population) received only 3 per cent of income.
- (c) The poorest 30 per cent of households (or almost 40 per cent of the population) received only 5 per cent of income.
- (d) The poorest 40 per cent of households (i.e. 53 per cent of the population) received only 8 per cent of income.
- (e) The poorest 50 per cent of households (or 65 per cent of the population) received only 11 per cent of income.
- (f) The poorest 60 per cent of households (or \pm 75 per cent of the population) received only 16 per cent of income.
- (g) The poorest 80 per cent of households received only 35 per cent of income.
- (h) While the richest 20 per cent of households (14 per cent of the population) received 65 per cent of income, the poorest 10 per cent (\pm 14 per cent of the population) received only 3 per cent of income!
- (i) The top 10 per cent of the households – and only 5,8 per cent of the population – received more than 40 per cent income.

5. POVERTY IN SOUTH AFRICA

Whiteford and McGrath (1994) made an estimate of household poverty in South Africa. They measured *absolute* poverty in terms of an absolute poverty level calculated by the Bureau of Market Research i.e. the Minimum Living Level (MLL).

TABLE 6

POVERTY LEVELS ACCORDING TO POPULATION GROUP

	Poverty head count ratio	No. households in poverty
Africans	67,0%	3 036 093
Whites	6,7%	98 260
Coloureds	38,0%	223 219
Asians	18,0%	35 270
Total	48,9%	3 392 842

CONCLUSIONS FROM TABLE 6

- (a) Two thirds of the African population lived below the poverty income line in 1991.
- (b) In the Coloured community 38 per cent lived below the poverty income line.
- (c) Almost 50 per cent of the South African population lived below the poverty income line in 1991.
- (d) Poverty and unemployment are also closely linked. Unemployment amongst the poorest quintile stands at 53 per cent compared to only 4 per cent unemployment among the richest 20 per cent of households (Klasen, 1997: 3).
- (e) Comparative social indicators of selective countries.

TABLE 7
COMPARATIVE SOCIAL INDICATORS: SELECTED COUNTRIES

	Life expectancy	Infant mortality rate	Adult illiteracy %	Total fertility rate	Access to safe water %
Thailand	69	84	6	5.8	77
Poland	72	81	n.a.	5.6	100
Venezuela	71	59	9	4.9	89
Brazil	67	12	17	2.5	96
RSA	64	12	18	3.4	76
Malaysia	71	50	17	3.9	78
Chile	72	56	5	2.8	86
Kenya	59	32	22	3.2	49
Nigeria	52	15	43	1.8	40
Tanzania	51	36	32	2.0	52

Source: Klasen, 1997: 3

TABLE 8
POVERTY AND INEQUALITY: SOUTH AFRICA AND SELECTED MIDDLE-INCOME AND SUB-SAHARAN AFRICAN COUNTRIES

	GNP per capita \$	Gini coefficient	International poverty rate ^a
Tunisia	1790	0.40	3.9
Thailand	2410	0.43	0.1
Poland	2410	0.27	6.8
Venezuela	2760	0.44	11.8
Brazil	2970	0.63	28.9
RSA	2770	0.61	23.7
Malaysia	3480	0.51	5.6
Chile	3520	0.58	15.0
Kenya	250	0.57	50.2
Nigeria	280	0.59	28.9
Zambia	350	0.44	84.6

Source: Klasen, 1997: 10

Note: a. Share of population having less than US\$1 per day

The per capita income of South Africa in 1997 was \$2770. The income makes it part of the upper middle-income group of semi-industrialised economies such as Brazil, Malaysia and Chile (Table 8). But according to the social indicators (Table 7) South Africa performs more like a typical lower income country. Barring infant mortality, South Africa has the worst performance on all indicators of middle income countries (Table 7).

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