

THE FUTURE OF SOUTH AFRICA : A CAPE OF GOOD HOPE OR

A CAPE OF STORMS? 1.)

Sampie Terreblanche *

Bartolomeu Dias was the first European to round the southern sea street of the African continent in 1487/1488. A typical black South Eastern wind blew his ships far into the southern sea. He only had the opportunity of setting eyes on Cape Point and Table Mountain during his return journey. On arriving in Portugal, he proposed to the king to call the southern part of the continent the Cape of Storms. The king was afraid that such a name may scare the sailors and decided to call it the Cape of Good Hope (or Cabo de Boa Esperanço).

The history of South Africa since Jan van Riebeeck founded a refreshment station at the Cape for the Dutch East Indian Company in 1652, was a rather stormy one. The main reason for this is the almost uninterrupted conflict and strife between the different ethnic, colour- and language groups constituting the South African population. This inter-group conflict has very much the nature of a zero-sum game.

After more than 500 years in the European influence sphere, the issue whether South Africa is destined to become a Cape of Storms or a Cape of Good Hope has not been settled yet. On the strength of the political initiative taken by Pres. F.W. de Klerk in February 1990, South Africans have renewed hope that it will after all turn out to be a Cape of Good Hope. But given the wide-spread poverty, the structural inequalities, and the on-going group conflict, South Africans have also ample reason to fear that its stormy history is to continue with the gloomy prospect that its future may be as unfortunate and stagnant as is the case in many African countries. Hopefully the issue will finally be settled during the next critical decade or two.

* Sampie (S.J.) Terreblanche is professor of Economics at the University of Stellenbosch, South Africa.

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1. STRUCTURAL INEQUALITIES

In his first public address after his release on the 11th of February, Mr Mandela said:

"There must be an end to White monopoly on political power and a fundamental restructuring of our political and economic system to ensure that the inequalities of apartheid are addressed and our society thoroughly democratised".

This is a very meaningful sentence. With it Mr Mandela defined the South African problem in a nutshell: the inequality of political power and control, the inequality of economic power and control and the inequality of property, opportunities and income. Consequently, it will only be justifiable to talk about a New South Africa if and when the reform process can "deliver" three things during the next decade or two: an appropriate system of democracy without white control and/or (white) minority protection; an appropriate economic system of democratic capitalism - hopefully based on the philosophy of social democracy; and, lastly, a more equal distribution of property, opportunities and income - more equality between individuals and between the groups.

While South Africa is standing on the threshold of negotiating a new political dispensation, it is necessary to emphasise that the reform process will have to address much more than the narrow political or constitutional issue. To succeed with a process of political democratisation, it will also be necessary to restructure the economic and social systems in an attempt to get rid of all the structural inequalities typical of the South African problem after 120 years of apartheid (in one form or another) and of colonial and monopolistic capitalism.

In an attempt to establish what Mr Mandela meant when he referred to the "inequalities of apartheid", it is necessary to highlight at least the following six inequalities as being typical features of the apartheid-based South African society.

- (i) The inequality in the distribution of political power

as symbolised by the concentration of effective parliamentary power in the hands of the National Party representing (after the September 1989-election) only 6,3 per cent of the potential electorate.

(ii) The inequality in the distribution of economic power as symbolised by the fact that less than ten corporative conglomerates are controlling almost 90 per cent of the value of shares on the Johannesburg Stock Exchange. This high concentration of economic power in the hands of a small group of large conglomerates is a very unfortunate and also an unhealthy feature of the South African economy. It complicates the task of constructing a democratic economic system - or an economic system reasonably compatible with a non-racial democratic political system - enormously. The fact that many (or all) of these conglomerates are multi-national companies with foreign subsidiaries has the implication that the (potential) bargaining power of these conglomerates are exceptionally strong. The foreign "connections" of the South African conglomerates introduces a very sensitive international dimension into the South African problem.

(iii) The inequality in the distribution of property and land as symbolised by the fact that the Land Acts of 1913 and 1936 still prohibits 29 million Blacks (with a few exceptions) to own land in 87 per cent of the South African territory.

(iv) The inequality in the distribution of opportunities as symbolised by the large social spending "gap" due to the fact that the government's social spendings (on education, housing, medical services and pensions) are in per capita-terms at least five times larger on the relatively wealthy Whites than on the poor Blacks. In the recent Budget social spending on Whites is estimated to be in per capita-terms three times higher than the average social spending on the total population.

(v) The inequality in the distribution of experience as symbolised by the structurally disempowerment of people other than White and the ensuing "underdeveloped" leadership

potential in these circles. Political disempowerment is not only the result of disenfranchisement, but also of the impoverishment of political leadership after decades of bannings, gaolings, restrictions, detentions and lack of ordinary opportunities.

(vi) Finally, the large inequality in the distribution of income as symbolised by the fact that the Gini-coefficient of 0,68 for South Africa is the largest of all countries in the world for which this kind of coefficient has been calculated, indicating that personal income is more unequally distributed in South Africa than in any other country. If we put the per capita-personal income of the Whites in 1980 at an index of 100, those of the Asians, Coloureds and Blacks were 26, 20 and 9 respectively (in round figures).

Many reasons of an historical, cultural and demographic nature can be furnished for all these inequalities and for its close correlation with the racially defined groups. What really counts is that the structures and policies of apartheid has created and maintained, over a period of at least 100 years, social, economic and political conditions that were exceptionally favourable for Whites and unnecessarily unfavourable and even exploitative for the rest of the population. Although the structures and policies of apartheid cannot be blamed for all the inequalities, a very large (albeit indeterminable) part of these inequalities is to be blamed on apartheid.

Looking at the sharp inequalities and its ensuing hardship for people other than Whites, it has not only become desirable but also indispensable for the Whites to acknowledge explicitly that a huge "apartheid debt" has accumulated on their books, that structural factors were responsible for it and that a major effort to repay this debt within a reasonable period - i.e. over a timespan and in instalments that will not cause unnecessary disruptions - cannot be postponed any longer.

2. A COMPREHENSIVE REFORM PROCESS

Given the structural nature and the close interdependence of the multiple socio-economic inequalities in South Africa, the reform process can only succeed - and attain the necessary legitimacy - if the political, economic and social inequalities can be removed more or less simultaneously and at a satisfactory tempo. This will undoubtedly be very difficult to accomplish. To simplify the argument we can regard the establishment of an appropriate system of political democracy as our first prize. In taking this stand, I am not alleging that the political "restructuring" is more important than economic and social "restructuring". All three must be regarded as of equal importance. But the political and constitutional structures are probably of such a nature that it may be possible to institutionalise a parliamentary democracy within the next three to six years. In contrast with the political structure, the relatively "rigid" nature of the economic and social structures does in all probability not permit a "restructuring" in a short period of time. It may take a decade or two to "mould" the economic and social structures in South Africa into the needed post-apartheid patterns. This, however, is not an argument to postpone the commencement with social and economic "restructuring". On the contrary.

3. CONDITIONS FOR A SUSTAINABLE DEMOCRACY

To highlight the structurally interdependence of the many-faceted reform process in South Africa, it may be helpful to

emphasize that it will be of no avail only to create a democratic political system in South Africa. What we need is a sustainable Democracy. But what will it take to establish a sustainable democracy? Let us try to answer this question in terms of the following five questions:

1. Will a democratic system be sustainable if the high expectations (and the conflicting value systems) on both sides of the Great Divide (between White and Black) remains intact?
2. Will a democratic system be sustainable if the large inequalities in economic wealth, power and control should be maintained?
3. Will a democratic system be sustainable if the very unequal distribution of property opportunities and income should be perpetuated?
4. Will a democratic system be sustainable if the statutory defined groups are still to be used as building blocks of the new political dispensation and if an integrated and all-inclusive social structure is not created for South Africans?
5. Will a democratic system be sustainable if the economic growth rate (and the creation of job opportunities) remain low (say 2,5 per cent annually) because of an inadequate influx of foreign investment, entrepreneurs and technology?

4. STRUCTURAL REFORM TO MAKE DEMOCRACY SUSTAINABLE

The only answer one can give to all five questions, is an undisputable negation. Let me give reasons for this in addressing the five questions in the opposite order.

(a) The need for large foreign investment

Since 1974 the South African economy has been in a state of secular stagnation, growing un- and underemployment, serious balance

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of payment problems, a large outflow of capital, chronic inflation and creeping poverty. It is truly a very dismal state of affairs. As a developing country with a very high population growth rate and large pockets of poverty, unemployment, etc., the (shrinking) tax base of the economy is simply too small to sustain a democratic system with a broadly based representative parliament. This is not an argument against democratisation. It is, however, an argument against the dangers of too much democracy too soon, given the widespread poverty and structural inequalities on the one hand and the relative economic stagnation on the other hand.

En route towards a democratic system we desperately need a high and sustained growth rate, maintained for a decade or longer. The high growth rate is necessary to create job opportunities, to soften the severe poverty problems but especially to broaden the tax base of the economy. The only chance to attain the needed high growth rate is to succeed with political reform that will not only lead to a lifting of sanctions, but also to a large influx of foreign capital.

We must not underestimate the almost slavish dependence of the South African economy on foreign capital. Over the last thirty years the capital/labour relations has trippled while saving rates are at an alarmingly low level. To maintain an annual growth rate of 5,5 per cent in a (say) ten year Transformation period, South Africa needs an influx of at least USA \$12 billion annually!

Is it possible to attract these amounts? It will be extremely

difficult. During the Transformation period South Africa will have no choice but to create social and political conditions that will continually be attractive enough to invite large amounts of foreign capital. Even if the Transitional government succeeds in creating the necessary attractive investment climate, it is not at all certain that foreigners will be prepared to invest the needed USA \$12 billion annually. We must take note of the fact that the Western European countries are now inclined to invest in Eastern Europa. The United States of America has unfortunately become a debt country with large - and growing - responsibilities in Latin and South America. Will the Japanese be prepared to invest on a large scale in South Africa? I do not know, but it is of decisive importance that they should.

(b) The creation of a South African society

In sharp contrast to the other so-called New Europa's - that have been established during the period of European Colonialism from the 16th to the 18th centuries - South Africa has not experienced a melting-pot process. It remains very much a divided, group-organised and group-orientated country. One of the main purposes of the apartheid policy has been to maintain the so-called identity of the different ethnic, colour and language groups. Especially over the last four decades, deliberate measures were enacted to "roll back" the melting-pot process.

The group character of the South African "society" has been the main cause of the chronic strife and conflict and the endemic instability characteristic of the South African history over the last 340 years. Unfortunately, the National Party government of Pres. De Klerk is still not prepared to relinquish its "group" concept. It is still committed to negotiating a future constitution which will provide built-in protection for the (privileged) White group and other minority groups. If the government should succeed in negotiating a future constitution built on statutorily defined groups (in whatever disguised form), the consequence will be a perpetuation of the endemic group conflict.

The extremely difficult Catch-22 situation on the socio-political level becomes evident when the present high level of violence is taken into account. Any measures to bring about a deliberate or forced integration over a short period of time in an attempt to create a single South African society, can easily cause a terrible escalation of (group) conflict. But if, on the other hand, the group character of the population should be maintained and protected, group conflict may be perpetuated indefinitely. In such an atmosphere a democratic system will definitely prove to be unsustainable.

(c) The inequality in property, opportunities and income

The unequal distribution of property opportunity and income is a very unfortunate legacy of apartheid and must be eradicated as far as possible during a reasonable period of time.

Any movement towards a democratic system will have important public financial implications. When a group of people has been disenfranchised for a long period of time and suddenly gets parliamentary bargaining power, it is inclined to use its newly attained political power to influence budgetary spending in its favour. We have every reason to believe that a broadening of parliamentary democracy in South Africa will also have this effect. Consequently the abolition of apartheid will release a demand for a variety of economic benefits and social services that have been restrained purely by apartheid restrictions. The demand for education and adequate resources for Black South Africans within the education system will probably constitute the largest single budgetary increase in the short run. And, given the poorer health status of the majority of the population, relative to that in countries of the same level of development, improving access to health facilities must be very high on the list of priorities of a future democratic government. The same can also be said about poverty relief, pensions and housing.

In the Budget labeled in March 1990, R28 billion (or 10,3 per cent of GDP) was earmarked for social spending. Almost R12 billion will be spent on the (relatively wealthy) 5 million Whites or an estimated R2 300 per person. Almost R12 billion will be spent on 28 million (very poor) Blacks or an estimated R420 per person. The remaining R4 billion will be spent on the Asians and Coloureds, or an estimated R1 000 per person. If an attempt had been made in the Budget to increase social spending to reach parity in social spending (for the total population) at present White benefit levels, it would have necessitated additional social spending of R56 billion. Total social spending would then have increased to R84 billion (or 31 per cent of GDP) and total government spending to R130 000 billion or 48 per cent of GDP! This is of course completely unattainable, given the present tax capacity of the economy.

If an annual growth rate of 5,5 per cent can be maintained during a 10 year Transformation period (and it will of course not be easy to accomplish), the percentage of GDP needed to attain parity for the total population, at present White benefit levels, will decline from 31 per cent of GDP at present to more or less 22 per cent of the considerably higher GDP at the end of the 10 year period. Parity in social spending may be attainable in the next 10 or 15 years if a high growth can be maintained and if social spending on Whites can be scaled down by say 30 per cent. Although it will not be easy to meet both conditions, it is at least not impossible. If parity in social spending can be reached in a reasonable period of time, it will not only improve opportunities but will also eradicate some of the worst inequalities in income and property.

(d) The large inequalities in economic wealth, power and control

The high concentration of corporate power and control must be regarded as yet another unfortunate characteristic of the South African economy. The problems created by this state of affairs is complicated by the popular (and not unjustifiable) perceptions in Black circles that the high concentration of wealth and economic power and control in the hands of a small percentage

of the (White) population was caused by the benefits offered to (monopolistic) capitalism and the bureaucracy by the apartheid system. Consequently many Blacks expect that these problems should be redressed in a radical manner.

Over and above the concentration of corporative power and wealth in less than ten conglomerates, we must also take note of the widespread wealth and economic empowerment in White circles and contrast it with the relative economic disempowerment of people other than White. Given the unequal distribution of economic power the emergence of the Black trade union movement must be regarded as of critical importance.

En route towards a political and economic democracy, a more "democratic" dispersion of corporative control is necessary. How to bring this about without killing the goose that lays the golden eggs or not to make the goose fly away to its foreign subsidiaries, is a tremendously difficult problem. Those who think that nationalisation can solve this problem, are unfortunately mistaken.

But what should be done in connection with the very unequal distribution of economic power and the relative economic disempowerment of the Blacks? The first thing to be done is to try to convince both the White political and the White economic establishments of the untenability of the unequal distribution of economic power and of the need to address this problem as part and parcel of the democratising process. The second thing to be done is to throw the ball in the court of the corporative sector. We should request this sector to take the initiative and come forward with proposals on how to "democratize" economic structures to a satisfactory level and on how an (adequate) economic empowerment of Blacks could be brought about.

The ANC is well aware of the use the NP government has made of public corporations to bring about the upliftment of the Afrikaners. Although the NP has not necessarily nationalised existing private enterprises, it has established new public corporations and/or

expanded existing ones and used them as instruments to improve the Afrikaner's role in the economy. Unfortunately it will not be easy to convince the Blacks that a repetition of the use made by the NP government of public parastatals is not advisable nor desirable.

The American political lexicon (or jargon) often refers to the policies of a political party as a "policy platform" and describes different policy instruments as "planks" in the policy platform. In terms of this political jargon, we can say that we should expect that nationalisation will remain a "plank" in the ANC's policy platform as part and parcel of the policy to bring about a somewhat more equal distribution of ownership of enterprises, property and land. The real question is how "narrow" or how "broad" this policy plank should be.

If we take the poor state of the South African economy, the widespread poverty and the need for a high economic growth rate and international competitiveness into account, I hope this "plank" would be a relatively "narrow" one. But will it be possible to convince the new democratic government not to use the nationalisation option too easily? I do not know. Perhaps the business sector should acknowledge the need for a fundamental restructuring of the economic system and of the patterns of power and control and make a plea for gradualism. This may prove to be the only way to synchronise the need for political demokratizasiya and economic perestroika.

The ownership of land is closely connected to the high concentration of wealth, economic power and control. One of the original purposes of the Land Act of 1913 was to create a reservoir of cheap Black labour to be recruited by the Chamber of Mines for migrant mineworkers. Consequently many Blacks regarded the nationalisation of the Goldmine industry as part and parcel of the redress of the exploitation made possible by the Land Acts (of 1913 and 1936). Although a nationalisation of the goldmines must be regarded as very unadvisable, something should

be done about the unequal distribution of land, property and wealth. A measure that may have the desired equalising effect without being unnecessarily disruptive is a property tax - on all forms of property - of say a $\frac{1}{4}$ or $\frac{1}{2}$ per cent annually for a period of (say) 20 years. Such a measure would imply a "confiscation" of 5 or 10 per cent of all property over a period of 20 years. The proceeds of this tax can be regarded as a Restitution Fund and used for land reform, resettlement programmes and for housing purposes.

(d) The large expectations on both sides of the Great Divide

One of the most disturbing aspects in the present critical stage of South Africa's history is the far too high expectations cherished by both Whites and Blacks about what the New South Africa will offer them and even ought to offer them. Several reasons can be furnished for the high expectations in Black circles. Firstly, their aspirations were curtailed for decades by the apartheid system. Secondly, an hostile and bitter attitude has developed over many years in Black circles about the injustices and the exploitive nature of apartheid. These attitudes are very prevalent in the ranks of the Black youth. Thirdly, the Blacks are daily being exposed to the high and luxurious living standards of the Whites.

In spite of the relative wealth and privileges in White circles - and perhaps because of it - expectations in White circles are also unrealistically high. Firstly the artificial privileges and protections of decades of apartheid have spoiled many Whites to the point of being corrupted by it. Secondly, the Whites have become a typically materialistic and bourgeois society. Thirdly the De Klerk government and especially its supporting press are propagating a too optimistic scenario about the future to mobilise support for the NP and to stop the defection towards the Extreme Rightwing parties. This could turn out to be a very dangerous game.

It is perhaps necessary to emphasise that the reform process in South Africa is about Power and about Values. It is necessary

to restructure the "power relations" on political, economic and social levels in such a manner that a more democratic and more just society can be created. But such a process of restructuring can only be sustainable if it can be based on a (new) Social Accord and on a certain minimum of common and shared values. I am afraid that it may prove to be not possible to reach such a Social Accord in a reasonable or needed period of time. The common values needed to build a New South Africa can definitely not be the typical White bourgeoisie materialistic values. On behalf of a stable and sustainable democracy these typically White values - and the unreasonable demands in radical Black circles - will have to be scaled down drastically. Unfortunately it does not seem as if the leaders in neither White nor Black circles appreciate to the necessary extent the importance of this scaling down of expectations.

People on both sides of the Great Divide seems to believe - or like to believe - that South Africa is a rich country or at least a potentially rich country. This is unfortunately and definitely not true. If one takes note of the high population growth rate, the widespread poverty and backlogs in Black circles and the structural inequalities and South Africa's relative international isolation, South Africa must be regarded as a relatively poor country - relative to the high demands and high and escalating needs, I am afraid it is going to remain a relatively poor country for at least the next three or four decades.

South African is presently still caught in what one could call a "vicious circle". The very difficult challenge facing all South Africans is to "transform" South Africa into a "virtuous circle". To succeed in this kind of transformation would necessitate structural changes that will leave not a single facet of the South African way of life untouched. Only this will open the possibility of South Africa becoming a Cape of Good Hope instead of being a Cape of Storms.