

## A periodization of the political economy from 1910

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### Introduction

The relationship between economic growth in South Africa and the political power struggles which shaped it is a surprisingly undeveloped area of research in economic circles. Aside from Marxist scholarship (which is predominantly sociological in character and often errs by underplaying the role of unbridled ideology), economists have paid little attention to the politically structured nature of South African economic history. Notable exceptions include Horwitz (1967) who argued that 'the polity has always sought its ideal and ideology — the white man's supremacy. The network of economic development had to follow accordingly' (p. 12) and Lipton (1986) who concluded that the interests of capitalists were ambiguously and differentially served by apartheid. These kinds of research agendas are however conspicuous by their absence amongst South Africa's modern generation of economists.

The discipline of 'political-economy' needs rehabilitating. Theoretical space must be created for the role of politics in economic development, and this should go beyond the reduction of political phenomena to reflections on economic forces or the exclusion of political factors altogether via *ceteris paribus* assumptions. This essay presents a brief outline of some of the more important political power plays which structured South African economic development. The story is neither new nor comprehensive, but it is one which all students of the South African economy should constantly bear in mind. In the light of Jill Nattrass' recognition of political-economic factors in her own work, this essay is presented in her memory.

### Periodizing South Africa's political-economic history since Union

It is almost 80 years since the Union of South Africa came into being in 1910. Political, economic, social, international and ideological developments over these years have contributed to a uniquely South African milieu of rapid growth and ongoing conflict. During this period, South Africa experienced several fundamental structural changes which altered the power framework within

which the economic, political and social processes unfurled. An understanding of the more important power plays is vital for any political economic analysis of South African history.

We can divide the 80 years since Union into seven easily defined structural periods, each of about 12 years. The first, 1910–22, can be characterized by the economic and political dominance of the English establishment and the structuring of a racially segregated society. The second period, 1922–33, saw the birth of economic nationalism and the attempt of (mainly Afrikaner) farmers and white mineworkers to establish a welfare state. Between 1933 and 1948 the political power of the English establishment re-emerged and South Africa industrialized in a less economically and racially repressive mould. However the fourth period, 1948–60, saw the rise of Afrikaner upliftment and the further institutionalization of apartheid. The years 1960–73 can be characterized by the abortive attempt to institutionalize white (but mainly Afrikaner) dominance on the basis of Verwoerdian ideology in a period of rapid growth and industrialization, and the growing importance of black urbanization as a powerful social force. The sixth period, 1973–84, witnessed the growing realization that Verwoerdian (or any other manifestation of) apartheid was unsustainable, reproachment between the two white establishments, increasing power of black 'insiders' and a deceleration of economic growth. The current period can be characterized by the reluctant acceptance of the 'one nation' concept by the National Party government, rising tension between the co-optive dominance strategy of the bureaucratic state and the protest strategy of the extra-parliamentary forces, and a further decline in the economic growth rate.

### An overview of the seven periods

#### 1910–22

The Union of South Africa came into being in 1910 with blacks almost completely excluded from parliament.<sup>2</sup> White unity was considered the more important objective. By choosing General Louis Botha as the first Prime Minister, the British government enabled the English commercial and mining interests to build a successful coalition with important elements in the Afrikaner community. The long-lasting alliance between wealthier Afrikaner farmers (mainly in the Transvaal) and the capitalist mine-owners formed the backbone of the South African Party which guaranteed political control for the English establishment for almost 15 years. The English, with the Chamber of Mines as its financial and organizational core, controlled the economy — a control which still exists today, although to a lesser extent.

The alliance with the English did not go down well with the more nationalist-oriented Afrikaners, who broke away from the cabinet in 1912 under the leadership of General Hertzog. The 1914 'rebellion' against South Africa's entry into the war on Britain's side was further testament to the extent of Afrikaner dissatisfaction with political arrangements.

During this period, racially repressive legislation which undermined the economic position of blacks was introduced. The Mines and Works Act of 1911 laid the basis for the statutory colour bar in the workplace, and the 1911 Black Labour Regulations Act made it an offence for a black miner to break his employment contract or for anyone to attempt to persuade a worker, by offering higher wages, to break his contract. The 1913 Land Act not only restricted black access to land but also introduced strict measures against 'squattening' on white farms, in order to increase the supply of cheap black labour. This exacerbated the steady impoverishment of the black peasantry and gave rise to a growing black proletariat.

During the first 12 years after 1910, the Botha and Smuts governments attempted to create racially separated social and economic structures with the purpose of creating conditions conducive to a successful and profitable exploitation of South Africa's mineral wealth. Between 1910 and 1920, black miners' wages declined steadily (Van der Berg, 1989) as did the incomes of most groups except English speakers, wealthier farmers and foreign shareholders.<sup>3</sup> Between 1918 and 1919 black and white workers engaged in a wave of strike action in response to declining living standards. Whereas (predominantly skilled) white workers made some gains, black strikers were summarily and brutally repressed by government action.

## 1922-33

The white miners' strike and subsequent minor civil war on the Rand in 1922 was a great setback for the economic and political hegemony of the English establishment. The decline in the gold price in 1921 in the context of rising costs forced the Chamber of Mines to alter employment conditions in the mines and give more jobs and opportunities to the much lower-paid black mineworkers. The dictates of capitalist profitability thus acted to place mining capital in direct conflict with white workers.

The harsh repression of the strike (which left over 200 dead) led to a class-based pact between the mainly English-speaking Labour Party led by Creswell, and Hertzog's National Party. Mobilizing anti-capitalist and Afrikaner nationalist sentiments, this alliance took power in 1924. The socialist orientation of the Labour Party combined with the National Party's nationalist-inspired opposition to the economic and colonial power of the English to create the first serious challenge to colonial capitalism in South Africa.

With this electoral victory the economic philosophy of the government shifted from economic liberalism (in all affairs other than labour) to economic nationalism in the form of increased state intervention and protective external policies. Policies were implemented which were designed to further national economic self-sufficiency via a deliberate policy of import substitution. This operated through the reconstituted Board of Trade and Industries which selectively, but extensively, encouraged local industry via substantially increased import tariffs.<sup>4</sup> The establishment of ISCOR (Iron and Steel Corporation) in 1928 further boosted the manufacturing sector and increased the involvement of the public sector in the economy.

The other important arm of the Pact government's economic programme was its welfare state policy which was geared towards compensating poorer whites (of which over 80 per cent were Afrikaans) for the impoverishment and disruption they were suffering as a consequence of modernization and urbanization. Key aspects of this policy were the provision of financial support to farmers, the assurance of a supply of cheap<sup>5</sup> black labour to agriculture, mining and industry, and the protection of whites from black competition in the labour market. The central tenet of this latter policy (as laid down in the 1925 Wage Act) was that whites should get paid at a rate commensurate with a 'civilized' standard of living rather than in accordance with the dictates of the labour market. This was given additional force by the Customs, Tariff and Excise Duty Amendment Act of 1925 which provided for industrial protection on the condition that a 'reasonable' proportion of 'civilized workers' were employed.

Whites were also given protected employment in certain sectors such as the South African Railways and Government Services.<sup>6</sup> As Johnstone points out, 'the pendulum had thus come full circle. The state which in 1922 had served as the instrument for the repression of white workers, was now in the hands of their representatives, and implementing protectionist policies for them' (1976, p. 167).

The mining industry was dealt a blow by the 1926 Mines and Works Act (familarly known as the Colour Bar Act) which entrenched job reservation on the mines. This, according to Frankel & Horwitz, contributed to significant disinvestment in South African mining from 1924 to 1932 (cited in Lipton, 1986, p. 114). However, the interests of mining capital were ambiguously served by South African racial and segregationist policies. Despite the higher costs incurred as a result of protected white labour, horizontal controls on the movement of black labour (such as those laid down by the 1923 Urban Areas Act) worked in mining capital's favour. Black miners' real wages remained roughly constant between 1911 and 1972 (Wilson, 1975) whereas whites' real wages rose steadily from 1922. Black wages could be paid at a level designed to support a single migrant with access to rural resources rather than at a level needed to support an urban worker and his family (Wolpe, 1972; Johnstone, 1976).

As the Chamber of Mines itself explained:

The ability of the mines to maintain their native labour force by means of tribal natives from the reserves at rates of pay which are adequate for this migratory class of native, but inadequate in practice for the detribalized urban native, is a fundamental factor of the economy of the gold mining industry (quoted in the Lansdowne Report, 1944, p. 8).

Whether the advantages of a repressed migratory black working class made up for the cost disadvantages of a protected white working class (as the neo-Marxist analysis implicitly maintains) is a moot point. However, if white workers had not managed to turn economic defeat in the labour market into political success at the polls, it is doubtful whether South Africa's white labour aristocracy would have remained as tenaciously entrenched. If mining capital could have had its way, the power of white labour would have been broken, job reservation scrapped, and the black migrant labour system maintained.

### 1933-48

With the advent of the great depression (between 1928 and 1932, when the GDP declined by 6 per cent per annum), Hertzog was forced into a coalition government with Smuts in 1933.<sup>7</sup> The task of economic rehabilitation was, however, made much easier by the economic upswing following the abandoning of the gold standard in 1932. The virtual doubling of the gold price and the devaluation of the South African pound saved the marginal gold mines and contributed to manufacturing expansion (which also benefited from the coming into production of the ISCOR plant in the early 1930s). Between 1930 and 1940, the South African economy grew at a rate of 5 per cent per annum.

Like 1924, 1933 was an important watershed in South African political economic history as it signalled significant reorientations in political and economic strategies. Although the fusion government was 'born out of a common desire to settle the constitutional relationship with the Empire and to pull South Africa out of economic crisis' (Davenport, 1987, p. 309), Hertzog and Smuts entered into the coalition with hidden agendas — both of which were successfully achieved. Hertzog's hidden agenda was to gain support for the removal of blacks from the common voter's role in the Cape and Natal. Smuts's hidden agenda was to stop Hertzog from increasing taxation on the now highly profitable gold mines.

The fusion government also enabled Smuts and the English establishment to regain political and economic hegemony. Particularly during the war years, the English were able to extend their economic influence from the mining and commercial sectors to the industrial sector. The outbreak of the Second World War had a decisive impact on South Africa both politically and economically. The fusion government collapsed after the parliamentary adoption of Smuts's

motion that South Africa should sever its links with Germany and fulfil her obligations to the Commonwealth. Hertzog, who favoured neutrality, later joined the nationalists under Malan, who were totally opposed to fighting 'Britain's war'. Like the First World War, the Second shattered South Africa's fragile white national unity and led to a nationalist breakaway which was to take power in the 1948 election and fundamentally alter the development path.

Despite a substantial degree of urbanization by the 1940s, the South African economy was increasingly facing skilled-labour bottlenecks (Lipton, 1986, p. 401). The colour bar, which had been circumvented more and more in the 1930s, was effectively made redundant with the outbreak of the war. The loss of skilled labour to the army, coupled with a more liberal (predominantly English) administration,<sup>8</sup> resulted in the government authorizing blacks to work in skilled positions. This development found its intellectual reflection in the Fagan Commission of 1948. The commission argued that permanent black urbanization should be unrestricted in order to meet the needs of industrial expansion and to provide a settled, stable, skilled workforce with improved education and wages so as to provide an expanding market for consumer goods. In a similar vein, the liberal-dominated Social and Economic Planning Council was set up and the Department of Native Affairs recommended the abolition of the pass laws. As a result, less protectionist and interventionist policies were adopted and the number of pass law related prosecutions declined dramatically. Black wages rose faster than white wages over the period (Lipton, 1986, p. 43) and in 1945 the National Education Finance Act freed black education from its constricting dependence on the level of black taxes.

The limit to these reforms, however, was aptly demonstrated by the brutal suppression of the black miners' strike of 1946 and the failure to reinstate the black voting rights removed by the 1936 Native Trust and Land Act. Black mine wages did not follow the upward path of those in manufacturing. Extensive recruiting of cheap migrant labour from neighbouring states served to undermine the bargaining power of black miners. For this reason, in the late 1930s the ANC requested that the government curtail the use of foreign labour. Unsurprisingly, the request was not granted.

Such liberalization as occurred in the field of socio-economic policy was regarded with horror by Malan's National Party. Riding high on nationalist mobilization (aided by events such as the 1938 celebrations of the Great Trek), anger over the war effort (which spawned fascist organizations such as the Ossewa Brandwag) and white fears of redundancy (especially amongst demobilized soldiers who returned to find blacks in skilled positions), the National Party was a formidable contender for power by 1948. The old Afrikaner/English rivalry emerged to polarize politics further when the government introduced an immigration scheme (which attracted 60,000 immigrants) to overcome manpower shortages. This was widely seen as an attempt to undermine the position of the



Afrikaner (Bradlow, 1978).

The indifferent attitude of the Victorian and *laissez-faire* oriented English towards the problems faced by the emerging Afrikaner proletariat,<sup>9</sup> further aggravated the deteriorating relations between the two groups (Terreblanche, 1988, p. 368). Afrikaner nationalism, by mobilizing against the political, economic and colonial 'powers' of the English speakers and their real and alleged exploitative effect on Afrikaner interests, grew into an aggressive force with a commanding political ideology.

Afrikaner nationalism had a clear economic interventionist thrust. Afrikaners, it was argued, had to take control of what they believed was rightfully theirs through 'volkskapitalisme' — that is, the mobilization of ethnic forces to foster Afrikaner accumulation (Marks & Trapido, 1987, p. 26). O'Meara goes so far as to argue that Afrikaner nationalism was the organized expression of specific class forces to secure a base for capital accumulation. He argues that in return for lucrative employment, Afrikaner workers formed an alliance with Afrikaner capitalists and the growing Afrikaner petite bourgeoisie (1983, p. 110ff).

## 1948–60

The election victory of the National Party on an apartheid ticket in 1948 heralded a profound change in the South African balance of power. The English establishment (which originally feared that the government might nationalize the gold mining industry and turn the country into a quasi-socialist Republic) was dealt a severe blow. Soon after taking power, the government put into operation a three-pronged programme designed to further the interests of Afrikaner nationalism. New discriminatory laws were added to the existing arsenal (and extended to coloureds and Indians), the bureaucracy and parastatal sector was enlarged<sup>10</sup> in order to generate Afrikaner employment opportunities, and a variety of welfare programmes were launched to redistribute wealth and uplift the poor (mainly Afrikaner) white population.

The government's policy of promoting Afrikaner interests was very successful. In 1946 the per capita income of Afrikaners was less than half that of English-speakers. By 1970, after many years of government pampering and patronage, it had increased to 70 per cent (Terreblanche, 1989, p. 13).

The limited reforms of the early 1940s were reversed in favour of the racially repressive and segregationist political and economic institutions which form the backbone of apartheid. The pass laws were tightened, particularly by the 1952 Black (Abolition of Passes and Co-ordination of Documents) Act which introduced the Reference Book; and convictions escalated dramatically. This conveniently provided a sizeable source of prison labour for white farms (Boyle, 1986). A plethora of segregationist legislation was passed, such as the 1950 Population Registration Act, the 1950 Group Areas Act, the 1953 Reservation of Separate

Amenities Act and the 1954 Black Resettlement Act. The 1953 Bantu Education Act pegged expenditure on black education back to the level of black taxes, and the 1957 Extension of University Education Act made provision for the creation of separate ethnic universities.

In the relentless battle for political supremacy during the 1950s, the coloured community became trapped in the cross-fire. Fearing that coloured voters might support the mainly English-speaking United Party against the National Party, the Malan government initiated a process which in 1956 removed coloureds from the common voters role.<sup>11</sup> In a similar vein, the 1951 Bantu Authorities Act and the 1959 Promotion of Bantu Self Government Act laid the basis for separate political representation for blacks.

Much of the overtly political legislation was, however, directed towards controlling black labour. The 1950 Suppression of Communism Act declared the Communist Party an unlawful organization and was used to smash the non-racial and black trade union movement (Lodge, 1983). The 1953 Natives Settlement of Disputes Act banned blacks from registered trade unions and provided them with a separate system of emasculated plant level 'works committees'. The 1956 Riotous Assemblies Act *inter alia* effectively banned picketing. With the 1956 Industrial Conciliation Act, provision was made for the extension of the job colour bar to industry.

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

Between 1939 and 1952 the black urban population almost doubled. The relaxation of the pass laws during the war facilitated the exodus of labour tenants from white farms and the townward drift of those responding to deteriorating conditions in the reserves. The revival of trade unionism and the development of community resistance as an anti-government weapon (such as the Alexandra bus boycotts against fare increases and the Johannesburg squatter movement) contributed to the radicalization of the ANC.<sup>12</sup> Two one-day protest strikes in 1950 and 1951 successfully withdrew labour in Port Elizabeth, Johannesburg and Durban. In 1952, after the government rejected an ANC ultimatum demanding the repeal of six 'unjust laws', the Defiance Campaign was launched. The 1953 Criminal Law Amendment Act, which imposed a three year sentence for violation of the law 'by way of protest against the law' put an end to the campaign. Extensive bans on leaders effectively immobilized further resistance.

In 1955 the ANC-initiated Kliptown Conference drew up the 'Freedom Charter' which comprised a list of basic rights and freedoms including welfare provision (such as housing, health and education), the ending of restrictions on

labour, minimum wages, and the nationalization of mines, banks and industry (Carter, Gerhart & Karis, 1977, pp. 205–8). The state responded by banning 142 ANC leaders and charging 156 members of the Congress Alliance with treason.<sup>13</sup> It is not surprising that in the face of such state repression, the idea of civil disobedience gave way to the protest politics of the early 1960s.

### 1960–73

In March 1960, 69 people were shot dead in Sharpeville during the ANC-Pan African Congress (PAC) campaign against the pass laws. In response to the nationwide protest strike, the government cordoned off the townships, banned the ANC and the PAC and arrested thousands of people. Once underground, the ANC set up its guerrilla wing, Umkonto We Sizwe (The Spear of the Nation), which committed acts of sabotage until its leadership was rounded up at their headquarters Rivonia, and incarcerated for life in 1963. With this, black protest effectively disappeared for over a decade. In 1962 the powers of the police were extended with regard to interrogation procedures, and detention without charge for 12 days was permitted. This was extended to 90 days in 1963, to an indefinite period if authorized by a judge in 1965, and to an indefinite period without such authorization in 1976 (Davenport, 1987, p. 404).

The events of 1960 resulted in an economic as well as a political crisis. Capital poured out of the country and the value of the rand plummeted. This, along with the exclusion of South Africa from the Commonwealth (after becoming a Republic) and the United Nations voluntary arms embargo in 1963, forced some rethinking of government policy. The policy of apartheid was replaced by the allegedly less racist policy of 'separate development'. This package included independence for homelands and the stemming of urbanization via the creation of decentralized industries in border areas (see McCarthy's contribution to this volume).

Dr Verwoerd's policy of balkanizing South Africa into a multitude of ethnic states resulted in renewed tension between ideologically and religiously oriented Afrikaners on the one hand, and more pragmatic, liberal English-speakers on the other (Terreblanche, 1989, p. 14). However, from the mid-1960s, the power struggle between the two white establishments began to abate as the rapid economic growth of the 1960s brought benefits to all sectors. The Afrikaner's fear of black competition in the unskilled and semi-skilled labour market decreased in the context of ample job opportunities for all. Between 1960 and 1970, the economy grew at 5,6 per cent per annum and the average real per capita income increased at 3 per cent per annum. At the same time, a stronger Afrikaner business class emerged. In witnessing the way in which this class prospered under bureaucratic favours, the English-speaking business class softened its attitude toward the National Party government.

The long economic boom facilitated the process of social engineering by boosting government coffers. Forced resettlement continued apace and whole communities were destroyed (such as Sophiatown in 1956). At the same time, vast sums of money were poured into the homelands to create 'independent' political structures there. Controls on the movement of blacks tightened. The Labour Bureaux, provided for by the Native Labour Regulations Act, were activated by the 1964 Bantu Labour Act and the Bantu Labour Regulations of 1964, 1965 and 1968, in an effort to streamline and rationalize the flow of blacks to urban areas and between sectors.

Despite the construction of this costly draconian monolith, black urbanization increased, albeit at a slower pace. Cilliers & Groenewald (1982) estimated that the growth in the rate of black urbanization slowed from 6,4 per cent per annum between 1946 and 1950 to 3,9 per cent in the 1960s. However, by the end of the 1960s, an oversupply of unskilled 'illegal' labour existed side by side with a shortage of skilled labour in the cities (Lipton, 1986, p. 36). Black unemployment thus coexisted with rising real black wages and a narrowing white:black income gap.

### 1973–84

The political economic changes that took place between 1973 and 1976 were perhaps the most fundamental and dramatic in the 80 years since Union. Between 1971 and 1973 the price of essential commodities for black workers rose by 40 per cent (Hemson, 1978, p. 19). Workers responded with widespread strikes in 1973. These were very successful, largely because the strikers remained leaderless and committed to short sharp withdrawals of labour in order to elicit concessions rather than engage in negotiation — a strategy which protected them from co-optation and victimization (Lodge, 1983, p. 327). In the context of the overall shortage of skilled and semi-skilled labour especially, it is not surprising that militant black industrial action resulted in real economic gains (see Nattrass in this volume, Chapter 7). By the mid-1970s, both government and employer organizations were publicly committed to moving towards paying the rate for the job, thus ending the official 'civilized labour' policy on wages.

The process of liberalization in the labour sphere culminated in the acceptance of reforms laid out in the Wiehahn and Riekert Commissions (investigating industrial relations and labour requirements respectively), which reported in 1979. In addition to the scrapping of job reservation, Wiehahn recommended that the burgeoning independent black and non-racial trade union movement be legalized. The organizational power that this unleashed is amply illustrated by COSATU's current massive membership of 750 000 workers.

The Wiehahn and Riekert Commission proposals were geared at increasing the power of urban black 'insiders' (that is, those with legally sanctioned jobs and 'Section 10 rights')<sup>14</sup> relative to that of rural black 'outsiders'. Wiehahn

proposed that migrants be excluded from trade union membership and Rieker proposed that lawful black urbanization be limited by the availability of employment and housing. However, after organized resistance from the trade union movement, trade union rights were extended to all workers. Likewise, the scrapping of influx control in 1987 represents the failure of Rieker's attempts to maintain distinctions between urban insiders and rural outsiders.

The coup in Lisbon in April 1974 precipitated the independence of Angola and Moçambique in 1975. This broke the *cordon sanitaire* of white minority regimes around South Africa. A completely different security situation developed — especially after the abortive invasion of Angola by South Africa in 1975. These regional developments played an important role in the transition from 'Verwoerdian separate development' to 'Vorster's pragmatic apartheid' and eventually to 'Botha's total strategy'. Under Botha, South African society was increasingly militarized in order to cope with the 'total onslaught' from 'communist-inspired insurgents'. On a regional level the major implication of this policy was the destabilization of neighbouring states sympathetic to anti-apartheid forces. According to Hanlon (1986), apart from any security function, destabilization benefited South Africa economically (as it forced dependence on South African imports and infrastructure) and ideologically insofar as it undermined any alternative black socialist models in the region.

The 1976 Soweto uprising, which left at least 575 dead and 2 389 wounded (Lodge, 1983, p. 330), is an important watershed in South Africa's political economic history. As in 1922 and 1961, South Africa reeled under both political and economic crises as widespread capital flight was induced. This, coupled with the world economic downswing following the OPEC oil price hikes, had a negative impact on South Africa's growth performance. Since 1974 the annual growth rate has averaged less than 2 per cent per annum and real per capita income has declined by 15 per cent (Van der Berg, 1989). Between 1976 and 1985 formal employment opportunities grew by less than 600 000 in contrast to a growth of almost three million in the labour force (*ibid.*).

The major factors responsible for these developments were the low growth rate and the sharp increase in capital intensity. The increase in capital intensity and the declining output:capital ratio largely followed from the excessive rate of investment stimulated in the 1960s and early 1970s by negative and low real rates of interest, an overvalued exchange rate and tax concessions on capital investment. Under the leadership of Vorster (1966–78) the government embarked on an economic policy designed to decrease South Africa's dependency on foreign suppliers of strategic goods. Large subsidies became available for import substitution, while strategic industries such as Armscor and SASOL were developed and expanded. Large subsidies were also available for industrial development in (homeland) border areas. For many English-dominated companies, these developments created lucrative investment opportunities.

The relationship between the bureaucratic state and the business community developed (or deteriorated) into an unholy marriage in the early 1980s. With the economy in the grip of stagflation and growing international isolation, the government and the business community appeared to be moving closer together in an attempt to consolidate and protect their own positions. Little attempt was made on the part of either Afrikaner or English business interests to break the stalemate on reform and end the tendency to 'short termism' (Terreblanche, 1988, p. 373). Social expenditure, perhaps the key indicator of apartheid, remained radically biased in favour of whites (see McGrath's contribution to this volume).

### 1984 onwards

1984 is another very important turning point in South Africa's history. In September of that year the tricameral parliament was introduced and the townships erupted in widespread rebellion.

Cumbersome and unacceptable though it may be, the tricameral constitution reflects the growing realization in government circles that apartheid is unsustainable and that the nettle of power sharing has to be grasped. It represents a first reluctant step away from separate development and white domination towards the idea of 'one nation' comprising whites, coloureds and Indians. At the same time, the constitution is untenable because it excludes blacks and continues to entrench white domination. It is ironic that the township unrest from 1984 (which can to a large extent be seen as a protest against the constitution) set the scene for the current political crisis and that the United Democratic Front (UDF), which was formed in 1983 to oppose the new constitution, played a major role during the mid-1980s in co-ordinating the mass democratic movement against apartheid.

If one compares the 'core' of the state in the 1980s with that of the 1960s, it is clear that dramatic changes have taken place. At the 'core' of the Verwoerdian State was the Afrikaner clan believing itself to be predestined to govern a 'pure' white South Africa. The 'core' of the bureaucratic state in the 1980s is a multiracial co-opted elite consisting of the upper echelon of the National Party, large sections of the Afrikaner and English speaking business community (with close patronage relations with the government), key securocrats in the State Security Council, and co-opted black, coloured and Asian leaders. This elite has a large vested interest in the maintenance of 'the system' and plays a crucial role in the government strategy of 'co-optive dominance' (Terreblanche, 1989, p. 26).

The most important aspect of the 1980s power play is the mounting tension between the co-optive dominance strategy of the bureaucratic state, and the growing power and influence of organizations in the mass democratic movement. When the history of South Africa is written in the 2020s, the 1980s will

not be regarded as the decade in which apartheid was abolished. But they will in all probability be seen as a decade of rapid change and fundamental shifts in the balance of power. In the 1980s the main contenders for power have been a state comprising a co-opted elite, and the mass democratic movement. The struggle between the Afrikaner and English establishments has all but faded into insignificance.

In spite of the enormous power vested in the hands of the bureaucratic state, its effectiveness has been undermined by three things: firstly the legitimacy crisis of the 'system' as perceived from both the left and the right wings, secondly the ongoing deterioration of the economy, and thirdly the growing hostility of the international community. All three aspects are closely interwoven.

The poor performance of the economy since 1974 was aggravated by the Rubicon speech of President Botha in August 1985. In the past four years, South Africa has experienced an outflow of R27 000 million — half as the repayment of short-term debt and the rest as disinvestment and 'flight money'. Despite its much-publicized privatization and deregulation policies, the government has lost control over the economic and political destiny of South Africa. The country's economic future rests in foreign hands and we have only the National Party government with its policy of white dominance to thank for the situation.

On the 8th of May 1989, the Governor of the Reserve Bank, Dr de Kock, warned that:

... if adequate progress is not made in the field of political and constitutional reform, South Africa's relationships with the rest of the world are unlikely to improve to any significant extent. ... In that event, South Africa will probably remain a capital-exporting and debt-repaying country for years. ... In such circumstances, the average standard of living in South Africa will at best rise only slowly.

The real per capita income of South Africans will continue to decline until the South African government resolves its legitimacy crisis and normalizes its relations with the rest of the world.

## Transition to a non-racial democracy

This exercise in periodizing South Africa's political economic history would be incomplete without some speculation about the transition to a non-racial democracy. We have isolated 1984 as the beginning of the final phase of apartheid. Once apartheid has finally expired, the country will no doubt experience a transitional period of nation-building which will hopefully culminate in a non-racial democracy. The interesting questions are how long apartheid will remain gasping on its death bed, and how long (and what form) the transition period will take.

As the average length of the phases presented above is 12 years, one could ask whether 1996 is a suitable guess for the end of apartheid. The chances of this

happening are rather remote. Although the bureaucratic state cannot postpone the turning point indefinitely, the enormous power at its disposal, coupled with the strategy of co-optive dominance, is sufficient to retard the process for some years. It would be a mistake to underestimate the determination and organizational ability of the National Party to perpetuate its position of power and privilege, even if this necessitates a siege economy.

It is unrealistic to expect the crucial turning point to occur while the present government is in power. The National Party is constrained by its constituency and thus impotent to shed the last remnants of apartheid. The white electorate is still unprepared and unwilling to support fundamental reform.<sup>15</sup> Instead, they seem to believe that small gradual adaptations will suffice to perpetuate the social, economic and political structures in South Africa. This is reflected in the National Party's Five Year Action Plan (announced in June 1989). This contradictory document, which accepts the idea of a democratic future for all South Africans but maintains white power and supremacy, indicates that the Party is far from ready to play an instrumental role in the transition to a non-racial democracy.

Even the more liberal English-speaking business community seems unlikely to take the initiative for the final dismantling of apartheid. Their unwillingness to make a co-ordinated, open, firm stand against the government's policy of apartheid and to use their economic muscle against the bureaucratic state in order to break the stalemate on reform, raises interesting questions. Is it possible that the business community has become so dependent on state patronage that it cannot operate successfully without it? According to Terreblanche, it is:

... justifiable to conclude that large sections of the English-speaking business community have 'swapped' their traditional explicit hostility towards the National Party government for covert, but growing, economic co-operation because it has become far more convenient and more profitable to share in the 'spoils of government' (1988, p. 374).

The National Party will only fall from power once the cocoon of prejudice, ignorance and disinformation spun around the white electorate has been unravelled. Whites need to be educated out of their anti-black prejudices and their suspicion of anything leftist or liberal. South Africa needs to experience *glasnost*, which as Gorbachev puts it, is about 'openness' and the 'truthful and unbiased analysis of problems and a rejection of anything outdated' (1987, p. 44).

Is this possible in South Africa? According to Gorbachev, 'at sharp turns of history, in revolutionary situations, the people demonstrate a remarkable ability to listen, understand and respond if they are told the truth' (1987, p. 57, our emphasis). However, as he himself admits, 'the greatest difficulty in our restructuring effort lies in our thinking which has been moulded over the



past years. Everyone from the General Secretary (his position when writing) has to alter his thinking' (ibid., p. 65, brackets and emphasis ours).

In rejecting the prospect of apartheid ending before 1996 we do not discount the possibility of the National Party's conducting long and erratic negotiations with elements in the mass democratic movement during the early 1990s. At best, this process will eventually bear fruit and facilitate a South African *glasnost* to prepare the population, both black and white, for the demands the transitional phase will make on every citizen.

Speculation on the second question — the nature and length of the transitional period — is even more difficult as it will be determined by a variety of imponderable factors. Nevertheless, given that the period will be crucial and decisive in the path of South African history, the lack of discussion on this question in academic and political circles should be deplored.

From a constitutional point of view, a major task during the transitional period will be to introduce a legitimate form of democracy which enables everyone to participate in decision-making processes. We must not, however, underestimate the public financial implications of such a process of democratization. When parliamentary bargaining power is granted to people previously deprived of it, their representatives will be tempted to use such power as a means of redressing the problems of poverty and underdevelopment. A real danger exists that the demands for welfare spending on the poorer sections of the population will over-strain the tax capacity of the South African economy.

Apart from the democratization process, the rebuilding of the South African economy must be a high priority during the transitional phase. It is reasonable to suspect that the present decline in the economy, caused predominantly by internal instability and growing international isolation, will continue during the final phase of apartheid. In all probability, a sustainable high economic growth rate will only be feasible once the mass democratic movement and the international community are satisfied that a decisive turning away from apartheid and towards a democratic future has taken place. It would however be unrealistic to expect a large inflow of foreign capital and entrepreneurship soon thereafter. Likewise it is improbable that international firms, which left South Africa under pressure from profitability and disinvestment, would return immediately if at all.

Strong economic revival and sustainable growth will only be possible if the international community sponsors a large Marshall Aid programme. Given that many third world countries have a dire need for this kind of aid, a case must be presented not for South Africa alone, but for the whole subcontinent. This could potentially be linked to a programme of building a subcontinental community market.

As in the Soviet Union, the transitional phase in South Africa will require a three-pronged policy of *glasnost* (to re-educate the population about the real

nature of transitional problems), *perestroika* (reconstruction or rebuilding of the economy) and *demokratizatsiya*. The crucial question concerns the synchronization of the processes of economic reconstruction and political democratization. Which one should get preference? While economic growth and redistribution may prove to be conflicting policy aims in the early stages of transition, they may become complementary in due time when investment in human capital starts to have a positive effect on productivity. Nevertheless, the trade-off between economic reconstruction and growth on the one hand, and democratization and redistribution on the other, will be one of the greatest policy challenges facing a future non-racial government in South Africa.

## Notes

- 1 This essay is a joint venture which draws on ideas and arguments expressed in Terreblanche (1988 and 1989) and in a chapter of Nattrass' draft doctoral dissertation.
- 2 By virtue of the British parliament's South Africa Act of 1909 political control was placed in white hands. However, blacks and so-called 'coloureds' had limited voting rights in Natal and the Cape.
- 3 It is important to remember that foreign shareholders were an important element in the power structure and exerted a great influence on the structuring of apartheid society. In 1918 the proportion of mining dividends paid abroad was approximately 80 per cent.
- 4 The number of items on the tariff schedule jumped from 192 to 371 after the Pact government initiated its protection policy (Botha, 1973, p. 337).
- 5 The cheapness of black labour was ensured by the rigid application of Stallardist principles and the stunting of the black and non-racial labour movement by the 1924 Industrial Conciliation Act which denied blacks the right to trade union membership.
- 6 According to Van der Horst, between 1924 and 1933 the number of whites employed by the Railways rose from 4 760 to 17 783, while the number of blacks fell from 37 564 to 22 008. Likewise, in central and local government the proportion of whites rose from 45 per cent to 64 per cent (1942, p. 251, 264).
- 7 In 1934, the National Party and the South African Party fused to become the United South African National Party. The Labour Party, which had lost 10 of its 18 seats in the 1929 election, was by this stage politically insignificant. Hardline nationalists under Malan who rejected the fusion, formed the 'Gesuiwerde' (purified) National Party in 1935 and set about mobilizing the Afrikaner nationalist support which was to sweep it to power in 1948.
- 8 With the resignation of Hertzog, Smuts was forced to rely on the political support of liberals such as Finance Minister Hofmeyr. This had a major effect on social policy, especially in the sphere of labour.
- 9 Afrikaner proletarianization was quickened by the bankruptcy of many small farmers in the 1920s and 1930s which served to create a severe poverty problem. According to the Carnegie Commission of 1932, one-third of the Afrikaner population was desperately poor and another third classified as poor (Terreblanche, 1988, p. 367). Those who had migrated to the cities lacked the necessary skills to compete with



- cheap black and coloured labour. They found it difficult to adapt to the unfriendly English-dominated cities and thus responded enthusiastically to the call of Afrikaner nationalism.
- 10 According to Adam & Giliomee, the proliferation of bureaucracies and administrative structures which accompanied the institutionalization of apartheid largely solved the 'poor white' problem by offering them preferential access to jobs thus created (1979, pp. 160-176).
  - 11 The original legislation passed in 1951 was overturned by an Appeal Court in 1952 which ruled that it infringed the 1909 South Africa Act, as it had been passed with less than a two-thirds majority. In 1955 the Senate was enlarged from 44 to 89 members to supply the government with the required majority in a joint sitting of the House of Assembly and the Senate. In 1956 the coloureds were removed from the common voters role. The whole process served to alienate English from Afrikaners and the (mainly Afrikaans-speaking) coloureds from the white Afrikaners in power.
  - 12 The militant 'Youth League' of the ANC, which was formed in 1943, devised a strategy of mass action centred on the use of community boycotts and civil disobedience. The election of the Nationalists to power in 1948 convinced the ANC that their traditional focus on petitions and peaceful lobbying was redundant. As a result, the Youth League gained control of the ANC with a 'programme of action' which was to form the basis of the Defiance Campaign of the 1950s.
  - 13 The resulting Treason Trial, which dragged on for five years, ended in acquittal for all the accused.
  - 14 Section 10 of the Black (Urban Areas) Consolidation Act of 1945 stipulates that only those (and their dependants) born in 'white' areas, or who have worked for one employer for ten years, or several employers for 15 years, may remain in a 'white' area for longer than 72 hours.
  - 15 In the 1989 elections, 80 per cent of the white electorate and 92 per cent of white Afrikaners voted for parties which still subscribe to apartheid or more recently to the 'group approach' of South African politics.

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