

Review of *A History of Inequality in South Africa 1652 - 2002* by Sampie Terblanche

By Nathan Geffen for TAC Leadership School

Who is Sampie Terblanche?

Professor Sampie Terreblanche is an economist at the University of Stellenbosh. He has had a long career studying and making recommendations on economics in South Africa. From 1979 to 1985 he served as a member of the economic advisory board of PW

Afrikaner economics professor who became a champion of the poor

Botha. In the late 1980s, he was one of the prominent Afrikaner academics who held secret meetings with the ANC and Thabo Mbeki in the United Kingdom. These meetings examined how South Africa could change into a democracy. In 1989, he was a founding member and economic advisor of the Democratic Party, but he is no longer involved in party politics. Terreblanche started his career as a member of the Afrikaner establishment. Over the decades, his economics and politics have moved increasingly to the left. Today he is an advocate for social democracy in South Africa.

What is his book about and why is it important?

A History of Inequality in South Africa is a study of the economic history of South Africa since 1652 until the present. It explains why we now live in a society which has very large differences in wealth between the richest 10 to 20 per cent of the population, which is mainly white, and the poorest 40 to 50 per cent of the population, which is mainly black. It attempts to explain why poverty has been and remains such a big problem in South Africa.

Major economic history of South Africa with a focus on inequality and poverty

The book is important for a number of reasons:

- It is extensively researched and will probably eventually be recognised as one of the best economic histories of South Africa;
- It proposes a serious agenda for reducing inequality and poverty, which TAC members need to give serious consideration;
- The book contains a detailed analysis of what has changed and remained the same in terms of inequality and poverty since South Africa became a democracy in 1994. This analysis criticises the way the ANC has managed the economy. It argues that GEAR is an inappropriate economic policy for South Africa.

The ANC has denounced Terreblanche's book. Instead of addressing Terreblanche's arguments, some ANC writers have resorted to calling into question his character because of his past links with the white establishment.

It is important to understand that the book welcomes the new South Africa, democracy and its Constitutional freedoms. Despite the way some ANC writers have tried to portray Terreblanche, the book does not in any way suggest that life would have been better under the Apartheid system or white rule or that the economy would have been run better. Quite the opposite. However, Terreblanche makes a strong argument that white privilege and prejudice, the big corporations and their representatives, the change in the ANC's attitude towards building a social democracy and the

lack of concern of the new black middle-class for the black poor have all contributed to excessive reliance on free market policies to alleviate poverty. This has clearly not worked.

What does the book say about the current state of poverty and inequality in South Africa

There are four critical issues keeping people trapped in poverty:

1. high unemployment in an economy growing slowly;
2. large inequalities in access to economic power, property and opportunities (these inequalities largely follow racial lines);
3. dysfunctional social structures and high levels of crime in most communities;
4. the combination of ill-health and exposure to violence and criminal behaviour in poor communities.

Poverty is caused by unemployment, inequalities, breakdown of communities and ill health

Some statistics demonstrate how serious some of these problems are: Unemployment in the formal sector has risen from 20.2% in 1970 and 36.1% in 1995 to an estimated 45.8% in 2001. The share of South Africa's income follows a similar pattern. In 1975 the poorest 40% of households received 5.2% of income. By 2001 this had decreased to 3.3%.

What does the book say about the period of the early 1990s when South Africa transformed into a democracy?

When the ANC was in exile, it advocated for a new economic order in South Africa, based on the principles of the Freedom Charter. Up to the early 1990s the ANC even advocated for large corporations to be nationalised. Terreblanche argues that when negotiations began for changing South Africa into a democracy, the ANC won the political negotiations at CODESA. However, a combination of factors allowed the corporate sector to win the "informal economic negotiations."

The ANC won the political negotiations for a democratic SA, but corporations won the informal economic negotiations

The corporate sector, dominated by companies like Anglo American, has enormous resources at its disposal for ensuring its interests are met. It is dominated by a small number of very big corporations with financial, organisational and political power. Strong business associations such as SACOB, AHI and BSA¹ represent it. The Urban Foundation and the Free Market Foundation are two well-funded propaganda organisations that advocate strongly for uncontrolled free markets. The corporate sector perpetuates many myths and half-truths such as (1) the corporate sector opposed or did not benefit from the Apartheid regime, (2) reliance on free market economics will result in growth for South Africa which will trickle down to the poor and (3) there is no need for a major restructuring of corporate South Africa. Because of the corporate sector's power, many ANC leaders now believe these myths. During the period of political negotiation, informal negotiations were taking place between ANC members and the leaders of big business. While Terreblanche does not explicitly say ANC leaders were bribed into being proponents of corporate ideology, much money was invested in impressing ANC leaders.

The ANC's economic department was weak in the early 1990s when South Africa's political dispensation was being negotiated. The Eastern Bloc countries were all falling apart and it had

¹ South African Chamber of Business, *Afrikaanse Handelsinstituut* and Business South Africa.

become apparent that Communism had failed there. The ANC had received much support from the Eastern Bloc. Many ANC economists were also sympathetic to the communist policies of the Eastern Bloc countries, especially the Soviet Union. With the collapse of communism, the ideology of many ANC economists, in fact many left-wing economists around the world, was in disarray. Therefore, it was difficult for them to counter the arguments of the corporate sector.

What happened after the ANC came to power?

The big debate of the early 1990s was whether South Africa should have **redistribution through growth**, as argued by the corporate sector, or **growth through redistribution**, as argued by the ANC up until it started losing the informal economic negotiations. Proponents of redistribution through growth argue that if the economy grows, the wealth of the poor will automatically grow too. Proponents of growth through redistribution argue that pro-poor government policies (e.g. a basic income grant or an HIV/AIDS treatment and prevention plan) are needed to give poor people a greater share of the available resources. This will lead to economic prosperity.

The ANC changed its economic policies from pro-poor to pro-business policies after coming to power

The ANC used the Reconstruction and Development Programme (RDP), which promised to alleviate poverty, as its election platform in 1994. The RDP was based on the *growth through redistribution* philosophy. Terreblanche demonstrates that there was never any serious intention to make the RDP work. It was under-resourced and the new ANC government soon dropped it in favour of its current GEAR² policy. The emphasis in GEAR is on reducing government spending and keeping inflation down so as to promote growth. GEAR has not produced the intended results. Although free market economists, government and business often tells us that “economic fundamentals” are in good shape, growth has been very slow and the lack of government spending on social programmes has hurt the poor.

There are a number of reasons why the ANC has maintained this route and why the corporate sector has not been restructured or held to account for its role in the Apartheid era.

The Truth and Reconciliation Commission (TRC) did not make it part of its mandate to hold corporations responsible for their role in human rights abuses or creating inequality and actively supporting policies designed to keep blacks in poverty. They did this so as to ensure a steady supply of cheap labour, especially for the mining sector. Terreblanche argues that this was a great failure of the TRC. As a result the corporate sector's image is undeservedly untarnished.

One reason why the ANC has stuck to GEAR since 1994, despite the failure of this policy to uplift the poor, is that a large black middle-class has developed over the last few decades. The book estimates that this class comprises 6 to 10 million people, a large part of which constitute a wealthy African elite. Terreblanche has angry words for the new black middle-class, accusing it of being uncaring and callous about the needs of the poor. While such callousness has long been a part of white culture, Terreblanche is surprised that this uncaring, crass materialism has been embraced by the black middle-class. The implication of the rise of the black middle-class, while poverty for the poorest 40% has worsened (or at least not improved) is that social class, as opposed to race, is becoming the divide between South Africans.

The ineffectiveness of civil society organisations since 1994 has contributed to the lack of delivery for the poor. Terreblanche is hopeful that the rise of organisations campaigning around HIV/AIDS and gay and lesbian rights signals the re-emergence of civil society. He is concerned, however, that there is still not enough civil society representation of poor people in South Africa.

² Growth, Employment and Redistribution. (Remember that the fact that “redistribution” is included in the name of the policy does not mean that the policy is really geared towards redistribution).

What does Terreblanche recommend instead of Government's current approach?

The book explains the difference between the democratic capitalist model of the United States and United Kingdom, which puts too much faith in markets to solve social issues, and the social democratic models of many European countries, in which government has played an active role in uplifting the poor.

Terreblanche argues for European-style social democracy rather than Anglo-American-style democratic capitalism

Terreblanche describes that many modern societies operate in a system where there are balances between democracy, social welfare policies, the civil service, the corporate sector and unions. He argues that since 1973, the balance of power has swung too far towards the corporate sector in the industrialised world. This has had an influence on many developing countries like South Africa. Instead of following the more appropriate European model of social democracy, many developing countries are following the US/UK model. South Africa is no exception.

Terreblanche, unfortunately does not describe in enough detail precisely what he means by a social democratic system, or the challenges of implementing such a system. This is one of the book's shortcomings. He does say that this should include more social spending. He argues briefly for the basic income grant, public works programmes and redistribution taxes. But there is not enough detail on this.

The author argues that for a transformation to a social democratic society to take place, there has to be a change of ideology in South Africa's elite. This would include the reduction of white racism, corporate and black elite callousness, etc. For this to happen, civil society will have to become significantly stronger.

The Economic History of South Africa

Most of the remainder of the book examines how inequality became such a serious problem in South Africa. Professor Terreblanche divides South African History into a number of periods. These are very briefly summarised here. These summaries are very incomplete and important facts are left out. It would be very worthwhile reading the whole book if one really wants to begin to understand the economic history of South Africa.

Dutch Colonisation 1652 - 1800

The Dutch, via the Dutch East India Company, began colonising the Cape in 1652. For the first few decades of colonisation, the primary conflict was between Dutch settlers and Khoisan over grazing land. As the settlers acquired more land, they needed more labour. Slaves were imported, originally from Angola but also from southeast Asia and other areas. By the time slavery was abolished in 1838, the slave population grew to 39,000. Some Khoisan were used as serfs (people who farm on a landlord's land, are not allowed to leave, and have to pay a large part of their produce as rent). Some Dutch settlers moved out of reach of the Cape Government. They were called Trekboere. Many Khoisan were killed by expeditions of Trekboere, known as Commandos. The most devastating effect on the Khoisan, however was the smallpox epidemic of 1713 which was caused by the virus spreading to the Cape on a fleet of ships and the Khoisan having very little resistance to the disease.

Dutch colonisation in 1652. Settlers use unfree (slave and serf) labour cultivate the land they acquire by force

British Colonisation 1800 - 1890

The British took over the Cape in 1795 in order to protect their trade route with India from being harmed by the French. Britain was the world's superpower at the time and colonising foreign lands in order to protect or promote British commerce was critical to their power. The British abolished slavery. The

British colonisation in 1795. Part of imperialist strategy to protect and promote British commerce. Abolish slavery.

reasons for this are complex and perhaps should be the subject of discussion in a leadership school meeting. But the British were much more effective than the Dutch at creating large numbers of subjects. Slaves and serfs were badly treated under the Dutch, but the British created a far larger unfree black working class. Under the British numerous wars were fought against the Xhosa who were dispossessed of land and cattle. The final result of these wars is that many Xhosa people became labourers for whites in the Cape. Also the conflict between the British and Dutch led to the Great Trek and the eventual colonisation by the Dutch of much of the rest of South Africa.

The British needed labour for agriculture and they also fought the Xhosa to expand the land of British settlers. The discovery of diamonds and later gold resulted in British capitalists wanting a very large number of low-paid labourers to work on the mines.

An example of British oppression was the Masters and Servants Ordinance of 1841. It allowed for very harsh punishments if servants (who were Khoisan, former slaves and Xhosa) broke their work contracts. This was the first of many such acts that remained in place until 1974!

Boer Republics 1850 - 1900

As a result of the Great Trek, the Dutch took over much of the rest of South Africa. They formed the Zuid Afrikaanse Republiek (later known as the Transvaal) and the Orange Free State. One of the reasons the Dutch moved out of the Cape was to escape British rule and continue using slaves and serfs. The desire for this unfree labour was largely due to the Dutch having too much land and too few labourers to work on it, as well as too little capital to implement the British style of colonisation (i.e. paid labourers as opposed to slaves).

Afrikaners move North and form ZAR and OVS to continue using unfree labour. British invade after discovery of gold.

The discovery of gold in the Transvaal led to tension between the British and the Dutch. This tension was made worse by the British capitalists, such as Cecil John Rhodes, who owned the mines. They wanted cheap labour for the mines and the British government wanted to control the gold revenues. The mine owners were concerned that the Boer Republics would not put in place measures that assure their supply of cheap labour. The British were also in a race for colonies against the other major European countries and wanted to colonise anything in Africa not already colonised by the other major powers.

This tension resulted in the Anglo-Boer war in which 25,000 Boers and thousands of Africans (estimates differ, but 12,000 seems likely) died. The British eventually won the war and took control of the whole of South Africa. After the war, the British realised that unless they gave the Afrikaners political control, they would not be able to stabilise the country. Therefore, by 1910 political control had been handed back to the Afrikaners by the English. However, the English business establishment remained very powerful.

Botha, Smuts and Herzog 1900 - 1948

During this period there were severe setbacks for African freedom. White English capitalists together with the Smuts government and Afrikaans workers pushed through laws that ensured the mines were well-supplied with cheap African labour or alternatively benefited Afrikaans workers at the expense of Africans.

White capitalism proletarianises African workers. African peasants dispossessed to obtain cheap labour for mines.

In the late 1800s and early 1900s many African families did well through farming (peasants). This worried the mine-owners because they needed Africans to be dependent on the mines in order to be able force them to accept lower wages. Many draconian measures were taken. The 1913 Land Act is a well-known example. This law was not only implemented to create cheap labour but to reduce competition with white farmers from Africans. It stopped Africans from owning land outside so-called native reserves. This meant that many Africans had to leave their farms and seek another way to make a living. Working for white farmers or on the mines were often the only options.

The measures to keep African labour cheap were successful for a long time. Between 1910 and 1972, the real wages of Africans in mining and manufacturing did not increase, despite the growth of the economy as a whole.

Many Afrikaners also became low-earning labourers during this period. At first many could not compete with more efficient African farmers. Also, small farmers were unable to compete with big farmers. A large Afrikaans working class developed. There was also conflict between Afrikaans workers and the mine-owners. For example a very serious Afrikaans miners strike took place in 1922 which resulted in many deaths when Smuts used the airforce to suppress it with bombing. As a result of white worker pressure, laws that discriminated against black workers were passed such as the Mines and Works Amendment Act of 1923 and the Wage Act of 1925.

Apartheid 1948 - 1994

The Apartheid government intensified the racist laws governing South African society. They removed Coloureds from the voters roll, introduced pass laws, the Group Areas Act and many other laws discriminating against black people.

Racist laws intensified. Big business benefits from Apartheid and migrant labour system destroys African families

An important discussion in the book focuses on how big business benefited from and encouraged Apartheid, especially up to the early 1970s. The migrant labour and pass law systems whereby black workers had to travel far from home to work on the mines was enforced by Apartheid laws. The mining companies argued that they did not have to pay a living wage because African workers lived in reserves where their families supplied much of their own food needs.

In 1973, as part of a global economic crisis, the South African economy started declining. Until it became democratic, the country experienced growing unemployment and inflation. We live with this legacy of high unemployment today. There were many reasons for this. The struggle was intensified in the 1970s, leading to much instability. Many overseas companies disinvested from South Africa, especially in the 1980s when the ANC campaigned for sanctions. The system of cheap labour created for the mines became inefficient. There were too few skilled African workers and the Chamber of Mines started reducing workers by mechanising as much as possible. One of the reasons the Nationalist government started negotiating with the ANC, is because they realised it was becoming impossible to sustain a political system dominated by white racism.

Shortcomings of the Book

Terreblanche's book is very good, but as with any complex work there are some problems. As already pointed out he does not discuss the social democratic system he favours in enough detail.

Another problem is that Terreblanche does not discuss the economic relations between blacks, especially Africans, in nearly enough detail. It is only by doing this that we can properly understand the development of the black middle-class and why it is so uncaring towards the poor. Such an analysis would probably require a whole new book though!

What is a social democratic system? Terreblanche neglects the economic relations between blacks and underestimates the support workers provide to unemployed family members

I might be wrong about my understanding of a point Terreblanche made in the book, but it seemed to me that he criticised the unions for exacerbating the unemployment problem by fighting for labour legislation too beneficial to workers. He seems to indicate that unionised workers have become an elite and do not serve the interests of the very poor unemployed. If he is saying this, it is an over-simplification. Before the new labour laws, South African companies treated workers terribly, as Terreblanche himself makes clear. The new labour laws address this. Also most union workers supply an income to a family. Many of the family members might be unemployed. The employed and the unemployed often live in the same families and income is shared. It is important that legislation protects these workers from being dismissed arbitrarily, which could often result in worsening the poverty of a whole family. Very few unionised workers are in an economic situation which could be called middle-class or elite.

Where to from here?

It would be useful if as part of the leadership school we discuss what is meant by social democracy. What major changes are needed to South Africa's economy to relieve poverty. What problems would be encountered if these changes were implemented? Most important for the near future, how can we change South African society so that these changes can be implemented?

Professor Terreblanche's book is a valuable guide to understanding why we are faced with the economic problems we have today and where we need to go to change this situation. TAC members are strongly encouraged to make the effort to read this book.

We are sure Professor Terreblanche will not mind if we make photocopies of the book for those who want to read it who are unemployed or are earning less than R5000 per month. Those earning R5000 or more and want to read it should buy a copy.

