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A REVIEW OF THE RISE OF THE AFRIKANER MIDDLE CLASS IN SOUTH AFRICA*

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The neo-classical school of economics supplies the theoretical (and ideological) justification for Laissez-faire Capitalism (1870-1914) and for market fundamentalism (since 1980). According to the neo-classical model, the forces of supply and demand determine – in a perfectly competitive economy – equilibrium prices in all markets and all these prices are supposed to reflect the true *value* of all the goods. All market players act rationally to maximize their profits or their satisfaction (utility). Market forces also brought about an efficient allocation of scarce resources and every production factor is paid a “price” in accordance with its *productivity* (or its true *value*) in the production process. On the strength of this neo-classical model, someone with a large salary or wage usually claims (or likes to believe) that his/her remuneration is a correct indication of his/her (high) *productivity* or *value*.

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The truth is not that simple. Not a single market system is nearly perfectly competitive, all kinds of serious imperfections exist, information is not equally accessible, power, property and opportunities are unequally distributed, market players do not act rationally and market prices are definitely not a true reflection of the true “value” or “productivity” of production factors. What is also important to realize, is that the neo-classical model is a static, an *amoral* and an *apolitical* model. While the real world is dynamic, always in the process of change, it is interlarded with moral issues and always shaped by *political* intervention or by the lack of it. In an economy nothing can be explained without taking history and organic change into account.

In criticizing the neo-classical model, I am not saying that a market orientated economy is worthless. Not at all! In a well-organized market system in which the state intervenes properly to rectify market failures and a too unequal distribution of power, opportunities and income, market prices can indeed reflect useful (although far from perfect) information at relative low transaction costs. But between the neo-classical model (or market fundamentalism) and the hard and imperfect reality there is a huge distance. Anybody that tries to interpret (or justify) what is

going on in an economy in accordance with the neo-classical model is most often dangerously wrong.

Middle class (or bourgeois) people are inclined to claim that their privileged position is the result of their high productivity and/or their high economic “value” and that the market is “clever” enough to award the correct “price” to them. People like to believe things that make them happy and that make them feel important. To claim that one’s salary is an indication of one’s true value is nothing but bourgeoisie ideological propaganda in terms of the unrealistic neo-classical model.

The question that each one of us – as middle class people – must ask ourselves in all sincerity is the following: *What has happened before my birth or during my lifetime that gave me the “lucky break” that enabled me to be a privileged person with lucrative opportunities, with personal property and/or tangible property at my disposal?*

The privileged and/or “property” position of 80% or 90% of middle class persons must be attributed to “extra-economic” or “extra-market” factors like *inheritance* or political intervention. Almost all middle class people are in their privileged positions due to a

“lucky break” during their own life or during the lifetime of their parents or grandparents. Every middle class person ought to be very grateful for the “extra-economic” factors that gave him/her the original “lucky break” to become part of the middle class.

Let me give historic examples. Before the French Revolution the rise of the bourgeoisie in Europe was blocked by the privileges and power of the feudal aristocracy. The French Revolution destroyed the Ancient Regime and created political and social conditions conducive to the rise of the middle class in France. The same happened in Britain when the Reform Act was enacted in 1832. From 1832 the nascent bourgeois used their parliamentary power to create socio-economic conditions extraordinary favourable for the rise of the middle class: the Poor Laws were abolished, wages were determined – according to Ricardo’s iron wage laws – at the subsistence level; labour could not organize trade unions until the 1870s and could not strike before the 1890s. The British system of Laissez-faire Capitalism was a bourgeois driven system and it created opportunities for the bourgeoisie ($\pm 25\%$ of the population) to exploit the lower class (70% of the population) until ± 1940 .

The English speaking whites in South Africa experienced their *embourgeoisement* from 1890 until 1948 by exploiting the blacks systemically. The Afrikaners experienced their *embourgeoisement* by exploiting the blacks to an even greater degree systemically from 1948 to 1974, while $\pm 20\%$ of the blacks experienced their *embourgeoisement* since 1974 by being privileged by whites during the last decades of apartheid and by the ANC government since 1994.

I have been asked to give a review of the rise of the Afrikaner middle class. Before I can do that, I had to say something about the serious pauperization (and even proletarianization) of a large part of the Afrikaners from ± 1880 until ± 1940 . During the 200 years from ± 1700 until ± 1900 an Afrikaner wage-earning class did not exist. Almost all the Afrikaners opted to be landowners or part of the master class. But the economic system in place was a kind of feudalism and the “market value” of farms was very low. Many of the landowners were impoverished subsistence farmers. During the process of modernization – that was brought about by the mineral revolution ($\pm 1890-1940$) – many of the subsistence farmers became bankrupt and were forced to migrate to the urban areas. They were poor white Afrikaners without skills and the necessary job opportunities. Many factors contributed to their

pauperization: The larger Afrikaner farmers (the so-called *Notables*) deliberately forced the poorer farmers from the rural areas by systematically buying their farms rather cheaply. The Rinderpest (1896-7) and the Anglo-Boer War (1899-1902) had a devastating effect on the poorer farmers in the Transvaal and the Freestate. In Afrikaner folklore the idea was propagated that British imperialism and the indifferent attitude of the English Establishment towards the socio-economic predicament of the Afrikaners were important reasons for the impoverishment of the Afrikaners. Although there is an element of truth in this legend, it has been overemphasized by Afrikaner nationalism.

The South African political situation was dominated - especially during the first half of the 20th century – by the confrontation between the demands of the Afrikaner proletariat (with electoral rights) and the African proletariat (without electoral rights). What complicated this confrontation was that the African proletariat was “created” deliberately to solve the labour problems of the gold mines and the maize farmers, while the Afrikaner proletariat emerged largely inadvertently as a by-product of the process of modernization. Due to the fact that the political system of white political dominance and the economic system of racial capitalism were in place in South Africa during the 20th century, the

confrontation between the Afrikaner and African proletariat was “solved” in favour of the Afrikaners and to the detriment of the Africans.

In 1932 the Carnegie Commission came to the conclusion that the economic position of one-third of the Afrikaners was satisfactorily, that one-third was poor and that the poorest third was desperately poor. At that stage \pm 25% of the Afrikaners were middle class people – the large landowners and the professional people.

South Africa experienced an average growth rate of 4.5% from 1934 to 1974. These were South Africa’s fat years in biblical terms. The *embourgeoisment* of the impoverished part of the Afrikaners started slowly from 1934 until 1948. They benefited from the high growth. They were better educated and better equipped to benefit from the new job opportunities created by the growth process, while many of these new job opportunities were reserved for them by the discriminatory legislation enacted by the white parliament since 1910. Many Afrikaners also “joined” Jan Smuts’ army during World War II and received good salaries.

The real *embourgeoisement* of the Afrikaners took place from 1948 to 1974. In implementing its policy of “affirmative action” or social upliftment from 1948, the NP enacted additional repressive and discriminatory legislation. All the blacks – including the Coloureds and Indians – were systemically exploited to a larger degree than was the case during the first half of the century. The NP used its fiscal powers to tax wealthier English speakers and increased social spending on Afrikaners. The public sector and public corporations were also used to create lucrative job opportunities for Afrikaners. All these redistributive policies significantly improved the economic position of Afrikaners. An outstanding feature of the NP policy was its rather interventionist character. The NP intervened in the economy in all sorts of ways and used public corporations as a vehicle for Afrikaner upliftment.

The NP policy of deliberate Afrikaner “favouritism” was especially advantageous to the upper layers of Afrikaners, whom it enriched and empowered in a spectacular manner. In a curious twist of fate, in the late 1950s the NP’s emphasis shifted away from the ideological aim of uplifting poor Afrikaners towards helping richer

farmers and emerging Afrikaner entrepreneurs¹. Examples of Afrikaner favouritism were the allocation of fishing quotas, mining and liquor concessions, land, speculation, urban development, government contracts and all sorts of valuable inside information. Although the favouritism may have been relatively “clean” of corruption in the first 10 to 15 years after 1948, the Afrikaners became increasingly more corrupt from the middle 1960s onwards.

The per capita income of the Afrikaners was in 1948 less than 50% of the per capita income of the English speakers. In 1975 their per capita income was 75% of the (then much higher) per capita income of the English speakers. The embourgeoisment of the Afrikaners during the third quarter of the 20th Century was indeed spectacular. From about 25% with middle class status in 1930, the Afrikaner middle class increased to more than 80% in 1975 (*petit bourgeoisie* included). What facilitated the *embourgeoisment* of the Afrikaner was that they were always less than 12% of the population, they possessed considerable tangible property (mainly agricultural land) and they controlled (since 1948) parliament that enabled them to increase taxation on the rather wealthy English speakers and to intensify repressive and

¹ Largely as a consequence of NP policies, Afrikaner control of private industry (excluding agriculture) rose from 9% in 1948 to 21% in 1975. If the state corporations were included, industrial output under the “control” of the Afrikaners rose to 45% of the total in 1975.

discriminatory legislation. On top of this a high degree of solidarity existed within the Afrikaner society. Almost all the civil societies among them participated voluntarily in the cultural and economic upliftment of the Afrikaners.

With the knowledge of hindsight we can allege that the *embourgeoisement* of the Afrikaner happened – through extra-economic factors – too easily, too quickly, while they became in a rather short period rather too rich. When the South African economy experience a period of stagflation and creeping poverty during the struggle (1974-1994), the income of the lower 60% of the Afrikaner declined considerably. As a typical *nouveau riche* middle class they were quite vulnerable to an economic setback.

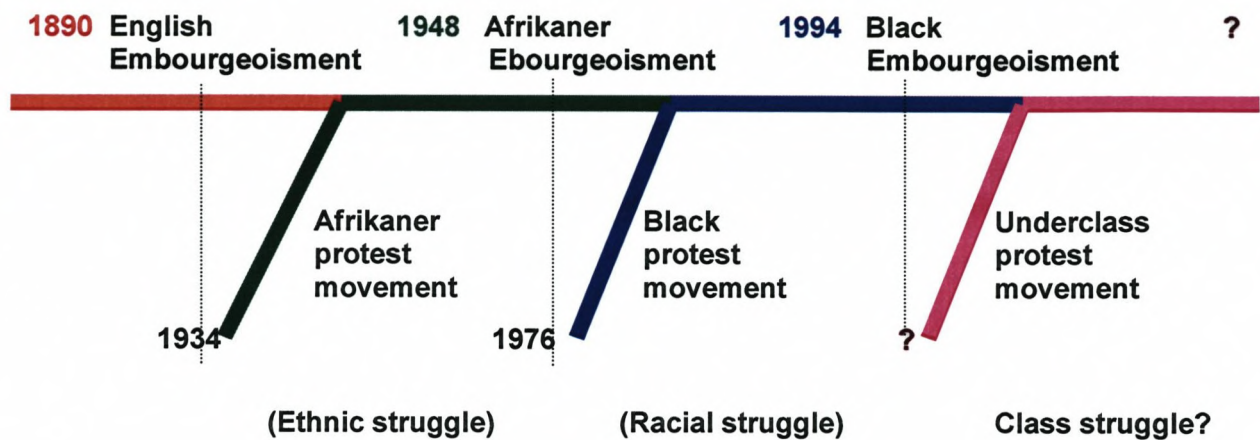
To put the rise of the Afrikaner middle class into a proper historic perspective, it is necessary to emphasize a seemingly universal characteristic of a middle class – especially a *nouveau riche* middle class. As soon as a population group's middle class status becomes consolidated, the majority of them are inclined to forget about the “lucky break” and the “extra-economic” factors that propelled them (or their parents) into the middle class. Then they are inclined to think that their progress and wealth is the result of their *own* efforts and virtues. They then claim to be self-made

men (and women). At this point a (new) middle class tends towards greediness. This is when they are inclined towards arrogance, thinking that they are smarter and endowed with more talents than the less fortunate. They start leaning towards short-termism and shortsightedness by being reluctant to extend the same “artificial” opportunities – that enabled them (or their parents) to climb the bourgeois ladder – to the poor. In a developing country with a two-economy divide, a *nouveau riche* middle class tends to be so indifferent towards the socio-economic plight of the impoverished part of the population, to the extent that they underestimate the danger of socio-economic instability. As a consequence, they may become in due course, guilty of pure stupidity in spite of the looming social unrest.

Let me give you three examples in the South African history. During the 70 years after the discovery of gold in South Africa, the colonial and English-orientated governments created political and socio-economic conditions conducive for the *embourgeoisment* of the white English speakers. The segregation laws enacted during this period, enabled the English speakers to become rich by exploiting cheap and docile African labour. This English middle class was rather indifferent towards the poor white Afrikaners and blamed their poverty to a lack of brains due to too many inter-

marriages. The English speakers co-opted the small Afrikaner elite and neglected the rest. This typical middle class greediness, the arrogance and plain stupidity of the English speakers evoked a protest movement against English dominance from 1934 in the form of the ideologically driven Afrikaner nationalism. This protest movement enabled the NP to take over the government in 1948. During the 1950s the English speakers experienced quite an economic setback, but experienced a second *embourgeoisment* in the prosperous 1960s.

During the middle of the 1970s the Afrikaners demonstrated all the typical characteristics of a middle class: they became greedy, arrogant and even stupid and displayed very little sympathy towards the impoverished blacks. When the Soweto unrest erupted in 1976, the struggle against Afrikaner dominance and privileges got going. In 1994 this protest movement enabled the blacks to take political power. The Afrikaners experienced a significant economic setback from 1974 until 1994.



During the past 11 years the English speakers experienced a third and the Afrikaners a second *embourgeoisement* due to the fact that the ANC government policies of neo-liberalism, market fundamentalism and globalism are pro-middle class, pro-white, pro-rich and pro- all those people in powerful middle class positions irrespective whether it is (old) economic power or (new) political power.

During the past 30 years the top, say 20%, of the blacks experienced their *embourgeoisement*: firstly as a result of the political powershift that took place from 1974 until 1994, and, secondly, as a result of the ANC's policies of affirmative action and Black Economic Empowerment (BEE). Unfortunately, the (new) black bourgeoisie already displays the typical characteristics of a middle class: greediness, arrogance, short-

termism and stupidity. The new black *nouveau riche* is conspicuously indifferent towards the plight of the impoverished half of the population. They cosset the idea that they have achieved their middle class status and wealth through their *own* merit and efforts. This black middle class must take note of how the arrogance and the stupidity of both the English and Afrikaner middle class were punished by protest movements. Actually, the English speakers and Afrikaners ought must also be keenly aware of the clear message projected by the South African history.

The most outstanding characteristic of the present South African economy is the deep chasm between the First and Second Economy in our two-economy divide. The First Economy is modern, smart and progressive. It is engaged in Global Capitalism and equipped with new and capital intensive technology. It creates job opportunities for ±12 million people. It displays the characteristics of the economies in the Rich North and, therefore, could be described as an open First World capitalist enclave. More or less half of the population is actively involved in the First Economy.

The Second Economy is undeveloped or largely underdeveloped. It cannot generate savings and investments. It cannot create jobs except the occasional odd jobs. The inhabitants of the Second Economy (also $\pm 50\%$ of the total population) are maintaining living standards that compare with those in the Poor South or other African countries. South Africa's per capita income makes the country the 52nd wealthiest in the world. But South Africa's HDI (Human Development Index) ranking declined from 85 in 1990 to 120 (out of 177 countries) in 2004, according to the 2005 UN Development Report. This increasingly "skewed" relationship between per capita income and the HDI is the result of worsening levels of poverty and inequality in South Africa. The poverty of the poor has become deeper since 1994. Although the government acknowledges that the problems of unemployment, poverty and inequality need serious attention, they are unfortunately not prepared to acknowledge that the socio-economic conditions of the poor are deteriorating.

As long as the government persists with the current policy approach – of neo-liberalism and market fundamentalism – the chasm between the First Economy and the Second Economy will get deeper. The South African economy has become like two

islands: the one drifting towards the Rich North with all the wealth and comfort associated with it and the other one drifting towards the South Pole with all the coldness and discomfort associated with it. This drifting in opposite directions cannot but create tensions in the “tectonic plates” on which the South African system is built. If the “drifting,” continues, the tension between the “tectonic plates” may cause them to snap apart. The question is not whether the inhabitants of the Second Economy will stage an uprising. The question is *when* it will happen and *what* will be its intensity.

Let there be no doubt in the minds of every middle class person in South Africa. It is *not* possible to do anything *meaningful* about the Second Economy without the full cooperation of the political and the economic middle class in the First Economy and without their preparedness to make huge sacrifices – of an institutional, ideological and material nature – on behalf of the poor. In a nutshell: what is needed is an ideological *paradigm shift* and a shift in the *mindset* of the middle class in which these middle class people relinquish their typical bourgeoisie mentality, i.e. their greediness, their arrogance, their short-termism and their stupidity.

The popular idea that a high growth rate in the First Economy – within the existing power and policy structures – will pull the inhabitants of the Second Economy out of their misery, is typical bourgeois propaganda to strengthen their own position but (yet again) to the detriment of the poor. The two economies in our two-economy divide is simply too far removed from each other, the inhabitants of the one are too powerful and the inhabitants of the other too pathetically powerless and the character of the two economies are too different to ensure that economic growth in the First Economy will automatically be to the advantage of the Second Economy.

One feels inclined to ask in desperation what more is necessary to convince the middle class (in both the private sector and government circles) that in a two-economy divide like ours, *there can never be a sufficient and a long term trickle down effect*. I am amazed about how short sighted, how impractical and how dogmatic middle class people can be when confronted with a chasm as deep as the one between the First and Second Economy in our two-economy divide. What we need is to *transform* both economies in our two-economy divide into a *truly developmental state system*. Unfortunately, it is very unlikely that this dual transformation will take place. Several factors militate