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FROM WHITE SUPREMACY AND RACIAL CAPITALISM  
TOWARDS A SUSTAINABLE SYSTEM OF DEMOCRATIC CAPITALISM  
- A STRUCTURAL ANALYSIS<sup>1</sup>

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1. A PERIODISATION OF SOUTH AFRICAN HISTORY (1652 - 1994)

On the day that President Nelson Mandela was released from custody in February 1990, he said:

"The white monopoly of political power must be ended and we need a *fundamental restructuring* of our political and *economic* systems to address the inequality of apartheid and to create a genuine democratic South Africa" (my emphasis).

Before we can discuss the implications of the transformation foreshadowed by Mr Mandela - with a focus on the restructuring of the *economic* system - it is necessary that we take into account the time-period when, and the circumstances under which, the political and economic systems - now in the process of transformation - were created.

White settlement in South Africa started in 1652 when the Dutch East India Company (VOC) established a fort at Table Bay. During the next 200 years the white settlers spread their influence over the territory that is now South Africa. By the middle of the 19th century the white control of South Africa was still very incomplete and dispersed and all but unified. The Cape Province and Natal were British colonies and the Transvaal and the Orange Free State were Afrikaner or Boer republics. Prior to the 1870's the British drive to unify the region under their control was rather half-hearted and incomplete.

The 120 years of economic modernisation since 1870 can be divided into three periods of almost 40 years each: the period of British imperial conquest (1870 - 1910); the period of racial capitalism and segregation (1910 - 1948) (under the firm control of the local English Establishment with the Chamber of Mines at its

<sup>1</sup> A shortened version of this piece was written as a chapter for a book on the transformation process in Poland and in South Africa.

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core); and the period of Afrikaner Volkskapitalisme and apartheid (1948 - 1990).

The 46 years of Afrikaner domination and apartheid can be divided in two equal periods. The first half (1948 - 1973) was the hey day of Afrikaner political domination, apartheid, racism and separate development. It was also a period of high growth and unabated optimism that the system of white supremacy would be maintained in South Africa. During the second half (1974 - 1990) an unprecedented intensification of the liberation struggle of the ANC and other liberation organisations took place. Although the NP remained in power until 1994, and although economic control remained vested in white hands, the all important *powershift* actually commenced in the early 1970's. The 20 years from 1974 until 1994 constituted an overlapping period: on the one hand the whites put forward an unwavering defence of apartheid and white supremacy, while on the other hand a considerable shift of bargaining power was slowly, but unmistakably, taking place in the direction of people other than whites.

The transition from British imperial conquest to English racial capitalism (in 1910), and the transition from the period of English racial capitalism to Afrikaner volkskapitalisme (in 1948) were accompanied by smaller *powershifts*. These were not fundamental powershifts, however, in the sense that they did not change the power structures in a systemic manner. The theme of this chapter will be how both the political and economic systems (for which Mr Mandela foreshadowed a fundamental *restructuring* in 1990), came into being during the period of British imperial conquest. The pivotal years for the formation of racial capitalism and segregation were the period of Milner's Reconstruction (1901 - 1907) and the first fourteen years of the Botha/Smuts government (1910 - 1924).

2. BRITISH IMPERIAL CONQUEST AND THE FORMATIVE PERIOD OF THE SEGREGATIONIST SYSTEM (1870 - 1910)

During the period of British imperial conquest, South Africa was consolidated into a unified political entity. The power structures on which both the white monopoly of political power and the white economic dominance were based, were created during this period. The submission of Africans to white control and the expropriation of the land occupied by them took place as part and parcel of the Mineral Revolution and as a sequence of imperialist intervention by Britain.

After the discovery of diamonds (1867) and gold (1876) a series of relatively



bloody colonial wars and annexations completed the conquest of African societies and brought Boer republicanism to a brutal end. It is now widely accepted that all these wars and annexations were undoubtedly economically motivated to serve the interests of the British capitalist classes during the zenith of the Victorian Pax Britannica. The Anglo-Boer War (1899-1902) was undoubtedly an imperial war inspired by the interest of British capitalists. Gold was central to the fiscal stability of the capitalist world economy of the 19th century since the currencies of many industrial nations were based on the gold standard. Britain's gold supplies were declining in the 1890's and it was therefore of vital importance for Britain to get total control of the conditions under which gold was produced in South Africa. The power structures that remained in place for the greater part of the 20th century were enforced - so to speak - through the barrel of a British gun and maintained to a large extent by capital and ideological propaganda, also of British origin.<sup>2</sup>

At the end of the 19th century, the goldmining industry was confronted by an African peasant society which was reluctant to deliver the required number of workers into wage-labour. To secure the needed cheap unskilled labour, the mining industry and the colonial government deprived the Africans of a large part of the land, which they occupied in order to create an African proletariat which had no choice but to become wage-labourers for its livelihood. The mining-industrial revolution, brought about by British intervention in this period, shared certain features with other countries of rapid modernisation in the late nineteenth century. The long preparatory history of accumulation and proletarianisation characteristic of England's industrial revolution was conspicuously absent in the case of South Africa. Consequently capital had to be supplied from outside - mainly from Britain - while the needed supply of unskilled black labour had to be created deliberately by what Barrington Moore called "labour repressive systems".<sup>3</sup>

The expropriation of African land started before the Anglo-Boer War (1899-1902), but was intensified by Lord Milner's policy of "reconstruction" on behalf of the goldmining industry. Milner's "reconstruction" policy not only provided a legal structure for the submission of both land and African labour to the economic interests of white capitalists and farmers, but it also consigned the

<sup>2</sup> See A. Atmore & S. Marks, *"The Imperial factor in South Africa in the nineteenth century: towards a reassessment"*, in *Journal of Imperial and Commonwealth History*, 1974, vol. 3, pp. 105-139. See also Hobson, J.A., *The War in South Africa*, Nisbet, London, 1900.

<sup>3</sup> See Bundy, C., "Development and inequality in historical perspective" in *Wealth and Poverty*, edited by R. Shrire, Oxford University Press, Cape Town, 1992, p.29.

political fate of the black majority to the political power and dominance of the white minority.

During the Anglo-Boer War the imperial politicians gave the Africans the assurance that "equal laws, equal liberty" would be granted to all population groups after a Boer defeat. But during the negotiations that led to the peace of Vereeniging in 1902, the British Colonial Authority reneged on these promises by making a crucial concession to the defeated Boers. It promised them that the question of granting the vote to Africans would be postponed until *after* self government had been restored to the ex-republics.<sup>4</sup>

A revisionist historian, John W. Cell, has put forward convincing arguments that the system of racial capitalism, and especially the segregationist system, was constructed from 1901 to 1924 - i.e. during the last decade of British imperialism and the first decade and a half after Union in 1910.<sup>5</sup>

During his almost dictatorial regime in the northern provinces (Transvaal and the Orange Free State) Lord Milner established a close alliance with the mining magnates' and made the crucial decision to consolidate and defend a cheap-labour policy. The mining magnates and Milner's main problem was how to attract enough African mineworkers at wages about one-third below the pre-war level. To attain this, the recommendation of the South African Native Affairs Commission (SANAC), which sat between 1903 and 1905, was implemented. Land occupied by Africans was expropriated and "Native locations" were established in order to create a black proletariat<sup>6</sup>

In contrast to the liberal interpretation of South Africa's modernising history (by historians like C.W. De Kiewiet and Leonard Thompson), John Cell maintains that the true origin of segregation should not be sought in the Calvinist religion or the frontier tradition of the Afrikaner. According to him, the origins of segregation are closely related to the massive structural changes that transformed South Africa into a modern state through a mineral, industrial and agricultural revolution.

"Although segregation was perforce built out of historical materials, it was

<sup>4</sup> Bundy, C. "Challenging the Past: South Africa in Historical Perspective" in *Sudafrica: Processi di Mutamento Politio & Costituzionale*, Maggiali, 1993, pp 59-61.

<sup>5</sup> See Cell, W.J. *"The Highest Stage of White Supremacy"*, Cambridge University Press, Cambridge, 1982, Chapter 3.

<sup>6</sup> *Ibid*, pp. 57-60.



no mere extension of the discriminatory attitudes and practices of the past. Created to resolve unprecedented problems [in the early part of modernisation] it was essentially new. It was an order of race relations. Its primary function was to mystify and legitimize a new system of class relationships. It was thus an integral part of the complex process by which industrial capitalism developed in the specific circumstances of South Africa. During the critical and pivotal period ... a decisive intersection took place between class and race. Of that union segregation was born ... Segregation has been built and maintained by [British] power."<sup>7</sup>

Basil Davidson agrees in a recent book with the interpretation of John Cell:

"The history of South Africa since the 1880s .... is that of the dispossessed and eventual destruction of ancient and stable rural communities, and the transformation of their people into the helots and servants of a white minority, whether English-speaking or Afrikaner .... - When the NP came to power in 1948 on a program of full-blooded apartheid, its task was in no way to install systemic discrimination, but only to complete what already existed of that kind, while taking additional measures to repress a growing volume of non-white protest."<sup>8</sup>

### 3. (ENGLISH) RACIAL CAPITALISM AND SEGREGATION (1910 - 1948)

During this period, local politicians and capitalists consolidated the structures of white domination and black exploitation by enacting a series of discriminatory acts of legislation, in terms of the policy of racial and class segregation. Although English speaking white South Africans comprised only 40 percent of the white population, they took the initiative in the development of an economic system that can best be described as a system of racial capitalism. In co-operation with some of the white Afrikaners, the English Establishment formed the dominant group in the South African government in all but 9 of the 38 years between 1910 and 1948. This English Establishment was only excluded from government during the Pact Government (1924 - 1933) of Hertzog and Cresswell. It also played a dominant role in almost all sectors of the South African economy. It is estimated that, as recently as 1948, the English Establishment controlled at least 80 percent of all economic activities outside the public sector and outside the agricultural sector.

The economic basis of the new state was very fragile, mainly because the economic interests of the white Afrikaners - both the large land owners and the small peasants and labourers - were not entrenched in the new power structures. The alliance with the English did not go down well with the more nationalist-

<sup>7</sup> Cell, *Ibid*, pp. 56-57.

<sup>8</sup> Davidson, B., *The Search for Africa*, James Currey, London, 1994, pp. 114-117.

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. What was also lacking in 1910, was a clear ideology to legitimise the segregationist approach.

The segregationist legislation enacted in the Botha/Smuts period (1910 - 1924) was in accordance with the segregationist proposals made by the SANAC. It is, nonetheless, clear that the legislation of this period did not only have the interest of the mining industry and the English Establishment at heart, but also the interest of the white Afrikaners - mainly the large farmers. The Mines and Workers Act consolidated the job-reservation system in mining and industry in 1911; the Native Land Act was passed in 1913; the Native Affairs Act for the administration of the African reserves in 1920 and the Native (Urban Areas) Act for the administration of African locations in 1923.

The single most important piece of segregationist legislation was the Native Land Act of 1913. Shortly after Union, the political alliance between the English- and Afrikaans-speaking whites was threatened by both groups' need for cheap African labour. To avert an open clash on this issue, the Botha/Smuts government and the English Establishment agreed on an economic "alliance of gold and maize". The formula on which this alliance was built - a formula that was inherently exploitative - remained the economic foundation of the system of racial capitalism until the early 1970's.

In accordance with the Land Act, the Chamber of Mines was empowered to recruit migrant labour in the African reserves (and in neighbouring countries), while the white farmers were given the power to evict African croppers, squatters and other tenants who would not submit to the full control of their time and labour by the landowner. Under the Land Act, more than a million African peasants were abruptly proletarianised. They were made pariahs in their own country. The Act supplied both the mining industry and large farmers with the needed cheap and obedient African labour, while additional land became available for both large and small (and mainly Afrikaans-speaking) farmers.) The relationship of structural dominance of whites over blacks, created by the Land Act, becomes apparent when we take note of the fact that the real wages of African workers in two major employment sectors, mining and agriculture, did not increase between 1910 and 1970. During the same period the real wages of white miners approximately doubled from being 12 times higher than those



of black migrant workers in 1911 to 21 times higher in 1971.<sup>9</sup>

The Land Act created a labour "market" in South Africa which was very similar to the Ricardian labour "market" created by the Poor Law of 1834 in Britain. In the 19th century (until 1914), Laissez-faire capitalism in Britain was based on the Ricardian iron law and subsistence wages for the unskilled white proletariat. Racial capitalism in South Africa (from 1913 until 1972) was based on the Ricardian iron law and wages lower than the subsistence level for the unskilled African proletariat.<sup>10</sup> The "iron laws" operative in the British and South African labour "markets" were by no means the automatic and spontaneous results of (genuine) economic laws. Indeed, in both cases artificial conditions were deliberately created precisely in order to prevent the natural outcomes of the forces of supply and demand. In both cases they were political decisions by a small bourgeois elite, made for political reasons and enforced by political power.

If we accept the argument that the formative years of racial capitalism and the segregationist system were the first two decades of the 20th century, it still remains a problem to determine at what stage the ideology, needed to legitimise the segregationist system, crystallised. Although the report of the SANAC in 1905 played an important role in the crystallisation of the segregationist ideology, the commissioners did not succeed in supplying an all-embracing formula to justify their segregationist proposals. Before a coherent ideology could be formulated, it was necessary to create a new independent country and to reconcile the interests of the Afrikaans- and English-speaking whites.

During the Election of 1910, the newly launched South African Party (comprising the main elements of both the Afrikaner and English Establishments) campaigned on the slogan of segregation. But it was, in all probability, only after the Chamber of Mines and the large Afrikaner farmers agreed on "the alliance of gold and maize", that a sufficient organising principle had been discovered. It was only then that the whites were confident enough to defend the segregationist legislation with the necessary conviction and commitment. By then an ideology had been created. Segregation would from then on be defended as the only

<sup>9</sup> See Lipton, M. *Capitalism and Apartheid*, Wildwood Hand, London, 1986, p. 410. The level of real wages of migrant labourers on the gold mines in 1961 was 15 percent lower than the level of 1911. Wages of Africans in the agricultural sector were even lower than those in the gold mines.

<sup>10</sup> The African reserves and migrant labourers from neighbouring countries made it possible for the mining industry to justify average wages below the bare subsistence level, on the grounds that jobs in white areas were merely supplementing the Africans' basic economic life.

basis on which political order could be maintained as a basis on which conditions conducive for economic growth (albeit mainly for the whites) could be ensured. Segregation could therefore be regarded as the essential ideological platform on which *white* South Africa and racial capitalism could grow stronger and richer. As the new state, (in the hands of which the British government had invested an almost complete white monopoly of political power), grew stronger, so the segregationist system - both as an ideology and as an economic system - intensified. Cell explains it as follows:

"The crystallisation of segregation as an ideology was closely related to ... the centralisation of political power, to the rationalisation of mining, to early industrial and urban development and to the underdevelopment of African agriculture ... *Segregation was an organic part of South Africa's modern development as a capitalist (and racial) state and society*. The early phases of modernisation created a crisis for white supremacy. Swift, decisive action was required to save it. Imaginative, ingenious and often moderate men [like Milner, Louis Botha, Smuts, Merriman and Hertzogl] whose knowledge and sophistication should not be underestimated, put their minds to work ... [These] architects of the new order ... were boldly innovative in mystifying the relationship between past and present, in disguising their contrivances, in making what was really discontinuous appear to be organic, "normal" evolution. Their *system* was an act of political creation. They called it segregation ..."<sup>11</sup>

The most important political, economic and ideological elements of racial capitalism and the segregationist system were in place in 1919, when Botha and Smuts signed the Treaty of Versailles on behalf of South Africa, now an independent country. One important element was still missing, however: the participation of the poor part of the white Afrikaners, i.e. the small farmers and the Afrikaner proletariat. To consolidate the system of white supremacy, it was imperative to also include these Afrikaners. Their inclusion has had far-reaching implications in the long-term shaping of the segregationist system. Two important events in the early twenties, the Strike of 1922 and the Election of 1924, slotted the poorer part of the Afrikaners into the "white compact of power".

The impoverishment of a large part of the Afrikaners started with the mineral revolution in the late 19th century. Other contributing factors were the "Rinderpest" (1896) and the Anglo-Boer War. The traditionalist attitudes of

<sup>11</sup> Cell, *op. cit.*, pp 81 and 223, my emphasis.



many Afrikaners and their inability to adapt to the process of modernisation also played a role in white impoverishment. The agricultural revolution that followed on the heels of the mineral revolution stimulated large scale, capital intensive farming. In the first four decades of the 20th century, a rather serious Poor White problem developed in rural areas. It caused a process of forced migration to urban areas. The emergence of the urban Afrikaner proletariat, comprising people that had been a rural petit bourgeois, was a central event in modern South African history. The strong upsurge of Afrikaner nationalism in the 1930's and 1940's can only be explained in terms of the proletarianisation of the Afrikaners and the upsurge of an overheated Afrikaner nationalism.

During the First World War, large numbers of poor white Afrikaners replaced many white English-speakers on the mines. At the same time, the Chamber of Mines was trying to lower cost by increasing the numbers of (the much lower paid) African mine workers *vis-a-vis* the number of white supervisors. This gave rise to direct confrontations between the Afrikaner and the African proletariat in the mining industry. An African strike took place in 1920 and an Afrikaner strike in 1922. Both strikes were put down with great ferocity. The abortive revolution of 1922 was a partial defeat for 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. The dictates of capitalist profitability thus acted to place mining capital in direct conflict with white workers. After the strike, it was agreed that the relationship between African mineworkers and white supervisors would be maintained at 9:1. The harsh repression of the 1922 strike (which left over 200 dead) was central to the (national) consciousness of the Afrikaner working class. It also led to a class-based (white) pact between the mainly English-speaking Labour Party (led by Cresswell) and General Hertzog's National Party. By mobilising anti-capitalist and Afrikaner nationalist (and anti-British) sentiments, the alliance took political power in the Election of 1924.

The segregationist legislation enacted by the Pact Government (1924 - 1933) and the Fusion government of Hertzog and Smuts (1933-1939) undoubtedly hardened the segregationist element considerably and shifted the emphasis from class domination towards race domination. But from a structural point of view, Hertzog's campaign for racist segregation was not a fundamental departure from the system created in Milner's "reconstruction" (1901-07) and during the Botha/Smuts government (1910-1924).<sup>12</sup>

<sup>12</sup> Although racist legislation in the Hertzog period - like the Colour Bar Bill (1926), the Immorality Act (1927) and the Cape's African Franchise Act (1936) - were important

The important arm of the Pact government's economic programme was its welfare state policy which was geared towards compensating poorer whites (of which over 70 percent 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 black labour to agriculture, mining and industry, and the protection of whites from black competition in the labour market.<sup>13</sup> 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 'civilised' 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 'civilised workers' were employed.

Whites were also given protected employment in certain sectors, such as the South African Railways and Government Services. 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. The mining industry was dealt a blow by the 1926 Mines and Works Act (familiarily known as the Colour Bar Act) which entrenched job reservation on the mines. This contributed to significant disinvestment in South African mining from 1924 to 1932. 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.

The system of racial capitalism established during the first decades of the century created favourable conditions for economic growth and capital accumulation for the English-speaking part of the white population in particular. During the first third of the century, the growth rate was relatively low (at less than 3 percent annually) and rather unstable. As a developing country, South Africa was very susceptible to the instability of the international economy, and it was especially hard hit by the Great Depression and exchange rate instabilities. Profit rates in mining were nonetheless high enough to support an accumulation

extensions of the segregationist pattern, these Acts did not create the momentum of segregation. Cell, *op. cit.*, p 216.

<sup>13</sup> Terreblanche, S.J. and Nattrass, N., "A periodization of the political economy from 1910", in Nattrass, N. and Arlington E. (eds.), *The Political Economy of South Africa*, Oxford University Press, Cape Town, 1990, pp. 6-22. This source was used extensively.



process through which the larger part of foreign investment in mining was replaced and the process of industrial development financed. During this period, capital became concentrated in the hands of large corporations, especially in the mining industry. Consequently, racial capitalism attained a monopolistic character which has retained until the present day.

Like 1924, 1933 was an important watershed year in South African political economic history, as it signalled a significant reorientation in political and economic structures and power relations. Confronted with serious economic problems created by the Great Depression and the suspension of the Gold Standard, Hertzog entered into a coalition with Smuts. The fusion government also enabled Smuts and the English Establishment to regain political and economic hegemony. Particularly during the war years (after Hertzog resigned in 1939) 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 was 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 African urbanisation by the 1940's, the South African economy was increasingly facing skilled-labour bottlenecks. The colour bar, which had been circumvented more and more in the 1930's, was effectively made redundant with the outbreak of war. The loss of skilled labour to the army, coupled with a more liberal (predominantly English) administration, resulted in the government authorising Africans to work in skilled positions. The segregationist policies were therefore softened considerably during the war years. The limit to these reforms, however, was aptly demonstrated by the brutal suppression of the black miners' strike of 1946 and the failure by Smuts to reinstate the black voting rights removed during 1936. African mine wages did not follow the upward path of those in manufacturing. Extensive recruiting of cheap migrant labour from neighbouring states served to continue undermining the bargaining power of African miners.

The more liberal approach was looked on with horror by Malan's National Party. The old Afrikaner/English rivalry again emerged to polarise white politics, to the

detriment of people other than white. The indifferent attitude of the Victorian and laissez-faire orientated English Establishment towards the problems faced by the emerging Afrikaner proletariat further aggravated the deteriorating relations between the two groups. Afrikaner proletarianisation was hastened by the bankruptcy of many small farmers in the 1920's and 1930's 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. 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. Afrikaner nationalism, by mobilising 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 mobilisation of ethnic forces to foster Afrikaner accumulation.<sup>14</sup> As Warden pointed out correctly, Afrikaner nationalism is a topic surrounded by mythology. Like all nationalist movements, it has created its own symbolism and its own folklore. Its own history emphasised the unifying experience of the Afrikaner volk. Two themes run through its history. On the one hand, the injustices done to them by the British and the local English establishment; on the other hand, the fear of being "swamped" by the African majority.<sup>15</sup>

#### 4. THE HEYDAY OF AFRIKANER VOLKSKAPITALISME, APARTHEID AND SEPARATE DEVELOPMENT (1948 - 1973)

The election victory of the National Party on an apartheid ticket in 1948 heralded a profound change in the South African balance of power. Soon after taking power, the government put into operation a three-pronged programme designed

<sup>14</sup> 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. O'Meara, D. "Volkskapitalisme: Class and Ideology in the Development of Afrikaner Nationalism 1934 - 1948, Ravan Press: Johannesburg, 1983, p. 110ff.

<sup>15</sup> Warden, *op.cit.*, pp. 87-94.



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 in order to generate Afrikaner employment opportunities; and a variety of welfare programmes were launched to redistribute wealth and uplift the poor white (mainly Afrikaner) population. The proliferation of bureaucracies and administrative structures which accompanied the institutionalisation of apartheid largely solved the "poor white" problem by offering them preferential access to the jobs thus created.

Given the experience of division and diversity in Afrikaner history, the notion of Afrikaner nationalism had to be consciously forged. Apartheid was an important means by which political unity was attained. The unity maintained in Afrikaner circles from 1948 until 1982 was rather remarkable. It was maintained as long as it was possible to continue the welfare state for Afrikaners. It broke up in the early 1980's when P.W. Botha could no longer maintain the high level of agricultural subsidies, due to the redirection of public spending towards Defence which occurred in the name of the Total Strategy.

In the relentless battle between the two white establishments for political supremacy during the 1950's, 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 (in an immoral if not unconstitutional manner) from the common voters roll. 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 Africans.

The increase in the controls over most spheres of African life did not go unopposed, however. The African National Congress (ANC) founded in 1912, which had maintained an essentially non-confrontationist position (apart from a brief spurt of worker militancy in the 1920's), became increasingly class conscious and radicalised in the late 1940's. 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 contributed to the radicalization of the ANC. 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 nationalisation of mines, banks and industry. The state responded by banning 142 ANC leaders and charging 156 members of the Congress Alliance with treason. 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 1960's.

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 1973, after many years of government pampering and patronage, it had increased to almost a three-quarter of the (then considerably higher) income of the English speakers.

The limited reforms of the early 1940's were reversed in favour of the racially repressive and segregationist political and economic institutions which formed the backbone of apartheid. The pass laws were tightened, particularly by the 1952 Abolition of Passes and Co-ordination of Documents Act (which introduced the Reference Book), while convictions escalated dramatically. A plethora of segregationist legislation was also passed.<sup>16</sup>

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

<sup>16</sup> The important acts were 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. 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 organisation and was used to smash the non-racial and black trade union movement. 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.



headquarters, Rivonia, and incarcerated for life in 1963. With this, black protest effectively disappeared for over a decade.

The events of 1960 resulted in an economic as well as a political crisis. To counteract the crisis, Dr Verwoerd intensified his propaganda campaign to justify the system of white supremacy. An outstanding characteristic of the whole period of Afrikaner domination (1948-1994) is the almost desperate attempts made by successive National Party heads of state to crystallise a new ideology which could legitimise (or mystify) the continuation of white supremacy and the structures of racial exploitation. Although the structures and ideology of segregation were now being driven forward primarily by dynamics working within the white (and especially the Afrikaner) society, a re-evaluation of it took place in English-speaking circles during, and also after, the Second World War. Not only was segregationist policy relaxed during the war, but General Smuts said in 1942 that segregation had failed and that it would have to be replaced with trusteeship.<sup>17</sup>

The NP's hardening of segregation into apartheid caused an uproar not only in South Africa, but worldwide. In the aftermath of Hitler's Nazism, any policy based on alleged ethnic and/or racial superiority was very much against the grain of world opinion. Consequently, it was not at all easy for the Afrikaner and the NP to crystallise an adequate ideology to justify the continuation of white supremacy. For the better part of the 40 years between 1950 and 1990, the Afrikaners were wrestling with one legitimacy crisis after another, while putting forward one (racist) ideology after another!

During the 'fifties, Dr Malan justified apartheid and the social welfare system on behalf of the Afrikaner in terms of both the alleged injustices done to the Afrikaner by British imperialism during the Anglo-Boer War and the unequal economic opportunities allotted to Afrikaners by the English controlled system of racial capitalism. At the end of the 'fifties, Dr Verwoerd was astute enough to realise that poor white upliftment was not an adequate justification for the system of white supremacy. Both the uhuru movement in Africa and the relentless criticism of the (somewhat hypocritical) English establishment against the hardening of their segregationist system, convinced Verwoerd of the necessity of a new ideological approach. In the formulation of his separate development ideology (which was always more of an ideology than a policy), Verwoerd took his cue from the pro-segregationist ideas propagated by liberals like Dubow, Edgar Brooks and other anthropologists in the 1920's and 1930's.

<sup>17</sup>

See Cell, *op.cit.*, p. 269-70.

They supported segregationist policy to preserve and protect traditional African culture against the onslaught of industrial society. They were in favour of the retribalization of the African and looked at segregation as a policy to replace both assimilation and repression.<sup>18</sup>

In an ideological *coup d'état*, Dr Verwoerd replaced the policy of apartheid with one of separate development and claimed that it was morally defensible because its aim was to end all forms of racism and discrimination! He promised full national independence and sovereignty to the different ethnic nations in the African communities. But the independence he promised was supposed to unfold within the very limited territorial space of the African reserves comprising 13% of South African territory.

Although it was clear from the beginning that separate development was economically unattainable, the ideology was propagated (and accepted by the majority of the Afrikaners) with an evangelical zeal.

Dr Verwoerd's policy of balkanising South Africa into a multitude of ethnic states resulted in renewed tension between ideologically and religiously oriented Afrikaners on the one hand, and the more pragmatic, liberal English-speakers on the other. However, from the mid-1960's, the power struggle between the two white establishments began to abate as the rapid economic growth of the 1960's 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.

Dr Verwoerd's policy to create a white and/or typical European country at the southern tip of the African continent has had far reaching effects on the structures of the South African economy. It was a deliberate attempt to further marginalise the Africans from the core of the modern sector of the economy. An exceptionally successful policy of social engineering was implemented by Verwoerd (and continued in the time of John Vorster and P.W. Botha) to increase the capital intensity of the economy in an attempt to make the modern sector of the economy less dependent on African labour. To attain this aim the

<sup>18</sup>

See Warden, *op.cit.*, pp. 76-79 and pp. 108-113.



exchange rate was kept at a high level to ensure that important capital goods would remain relatively cheap. Interest rates were maintained at a low level and large tax concessions were granted to investors. Due to these policies, the capital/labour ratio has increased by more than 300% since 1960.

As a result of Verwoerdianism, the modern sector of the South African economy today is far too capital-intensive for a Third World country like South Africa - especially if we take the large supply of unskilled African workers into account. This characteristic of the modern sector is going to create almost insurmountable problems for the restructuring of the South African economy in the years ahead. Due to the excessively capital intensive nature of the modern sector of the economy, its job-creating capacity is at a shockingly low level. On top of this, the economy is highly dependent on capital goods imports. A revival of the economic growth rate will therefore cause a sharp increase in capital goods imports. Dr Verwoerd's policy was responsible for a serious distortion of the economy in that it did not employ scarce resources in accordance with their genuine scarcity prices. The price of the relatively scarce factor - capital - was made artificially cheap, while the price of the abundant factor - labour - was made artificially expensive.

##### 5. THE CRISIS OF WHITE SUPREMACY AND THE INTENSIFICATION OF THE STRUGGLE BETWEEN THE ESTABLISHMENT AND THE LIBERATIONISTS (1974 - 1990)

The political and economic changes that took place between 1974 and 1976 were perhaps the most fundamental and dramatic since the Union in 1910. These changes signalled the beginning of the *powershift* from white supremacy and apartheid towards a democratically elected government and hopefully a sustained system of democratic capitalism.

The coup in Lisbon in April 1974 precipitated the independence of Angola and Mozambique 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".

The Soweto uprising (1976) was an important watershed in South Africa's political economic history. As in 1922 and 1960, South Africa reeled under both

political and economic crises as widespread capital flight was induced. This, coupled with the downswing of the world economy following the OPEC oil price hikes, had a negative impact on South Africa's growth performance. Since 1974 the annual growth rate has averaged 1,7 per cent per annum and real per capita income has declined by almost one per cent annually.

The crisis between 1974 and 1976 revealed quite clearly that the political and socio-economic foundations of twentieth century South Africa had become highly unreliable and untenable. It became evident that the power structure - in its political, economic and ideological dimensions - since it was openly based on racism, dispossession and coercion, could not be maintained. At the same time, the privileged white society had developed such a huge vested interest in the continuation of white supremacy and its exploitative structures that it was still inconceivable for them to relinquish their grip on the levers of power and privilege.

In a desperate attempt to salvage the crisis, an additional ideology was crystallised by P.W. Botha and the generals of his securocratic establishment. It was alleged that South Africa had become one of the prime targets of the Soviet Union's "Total Onslaught" and that a well-organised Total Strategy was necessary to counteract the communist "onslaught" against the white, Western-orientated and Christian civilisation and the capitalist system in South Africa. During the 1980's, the Total Onslaught (allegedly financed, orchestrated and ideologically driven from Moscow) became the convenient pretext for the unwavering defence of the white supremacy against the onslaught of the Liberationists and the South African Communist Party (SACP).

The Total Strategy was used in a rather ingenious manner to mystify the racist basis of the South African system. The struggle for survival was closely identified with the Cold War of the West against communism. South Africa was portrayed as fighting on the side of the "light" against this force of "darkness". The fact that Reagan and Thatcher were in power during the 1980's in the USA and Britain did not only create the ideological "space" for the policy of Total Strategy, but Thatcher's (and to a lesser extent Reagan's) policy also gave the all important economic support to South Africa in its situation of increasing isolation.

To attain some kind of respectability, especially in the eyes of Thatcher and Reagan, the governments of Vorster and P.W. Botha complemented the Total Strategy with a policy of "reform and repression". In the name of reform, the Theron, Wiehahn and Riekert Commissions were appointed. In addition to the



scrapping of job reservation, Wiehahn recommended that the burgeoning independent, African and non-racial trade union movement should be legalised. Because organisational bargaining power was given to African trade unions (like COSATU) in a "black political vacuum", these trade unions were perhaps too successful in improving the wage and working conditions of its members. These successes have brought about a huge gap between the socio-economic positions of the urban black "insiders" (with jobs in the modern sector) and the black "outsiders" or black proletariat (who cannot get jobs and have become more or less permanently underemployed). The wages of African income earners in the formal sector increased dramatically *vis-à-vis* those of whites since the middle of the 1970's, but whether this represented an increase in the welfare of society as a whole is not clear, since rising African wages have been accompanied by an increase in (mainly) African unemployment.<sup>19</sup> When influx control was finally scrapped in 1987, a large part of the rural (underemployed) proletariat migrated to the urban areas and settled in squatter camps in conditions of abject poverty.

Amidst this unfolding crisis, rather peculiar rearrangements took place amongst the different population groups, or at least amongst the elites of the different groups. The relationship between the bureaucratic state and the business community developed (or deteriorated) into an unholy marriage in the early 1980's. With the economy in the grip of stagflation and growing international isolation, the NP government and the business community appeared to be moving closer together in an attempt to consolidate and protect their own positions. Little effort was made on the part of either Afrikaner or English business interests to break the stalemate on reform and to end the tendency to "short termism". Social expenditure, perhaps the key indicator of apartheid, remained radically biased in favour of whites. In 1984, the Tricameral system was introduced as part and parcel of the "reform and repression" strategy. 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 of 1984 was a direct result of the tricameral constitution that excluded the African population. After the United Democratic Front (launched in August 1983 in protest against the intended Tricameral Parliament) began to fire up large scale unrest, several states of emergencies were declared.

<sup>19</sup> Whitford, A. and McGrath, M., *The Distribution of Income in South Africa*, p. 21.

In the middle-eighties the "core" of the bureaucratic state - with almost dictatorial powers to counteract the alleged Total Onslaught - constituted a multiracial co-opted elite, consisting of the upper echelon of the National Party large sections of the Afrikaner and English-speaking business communities (with close patronage relations with the government); key securocrats in the State Security Council and co-opted African, coloured and Asian leaders. This elite developed a large vested interest in the maintenance of "the system" and played a crucial role in the government strategy of "co-optive dominance". Indeed, the most important aspect of the 1980s' power play was the mounting tension between the co-optive dominance strategy of the bureaucratic state and the growing power and influence of organisations in the mass democratic movement.

From an economic and public financial point of view the strategy of co-optive dominance has had disastrous consequences: government spending rocketed in spite of the low rate of economic growth and the sharp decline in the tax capacity.<sup>20</sup> After the Soweto unrest, spending on black education increased sharply in an attempt to pacify the urban blacks. Defence spending increased from 2,2 per cent of GDP in the early 1970's to 4,3 per cent in 1989.<sup>21</sup> To maintain the strategy of co-optive dominance, billions were spent on strategic industries (like Armscor, Sasol, Mossag, etc.), on border industry development, on fighting sanctions, and on increased patronage of the co-opted elite. Due to the close co-operation between the bureaucratic government and the system of racial capitalism, the South African "system" at this stage deteriorated into a system of "structural corruption" - a development which must be regarded as extremely unfortunate. This system of "structural corruption" - to which a large part of Big Business had also been co-opted - is an integral part of the "legacy" the new government has inherited from the old one. To cleanse the "system" (in both the public and private sectors) of its corrupt structures may still prove to be a difficult challenge.

The intensification of the liberation struggle after the Soweto unrest had profound effects on South Africa's international economic relations. Although the sanctions called for by the Liberationists may not have been as damaging as

<sup>20</sup> Total government-spending as a percentage of GDP has increased to more than 30 per cent. Taxation has increased to more than 25 per cent of GDP. During the last few years the Budget deficit has been higher than 6 per cent of GDP. All these percentages are far too high for a developing country like South Africa.

<sup>21</sup> It is estimated that the "overspending" on Defence - i.e. exceeding 2,2 per cent of GDP - from 1974 to 1990, was almost R80 billion in terms of 1990 prices!



had been expected, their moral effect on South Africa's international standing was indeed severe. Given South Africa's status as a developing country with a large need for foreign investment, the disinvestment strategy of the Liberationists and the ensuing large outflow of investment have, however, done immeasurable harm to the South African economy. Disinvestment started with the Soweto unrests, but a massive outflow followed P W Botha's catastrophic Rubicon speech in August 1985.<sup>22</sup>

Since the beginning of the century, foreign investment played quite an important role in South Africa's development. During the period 1946 - 1976, an annual economic growth rate of 4,6 per cent was maintained. During this period, 13,5 per cent of Gross Domestic Investment (GDI) was financed by foreign investment. When foreign investment declined, the growth rate also declined to less than 2 per cent per annum.

Over and above the outflow of investment, real net domestic savings also declined sharply. During the period 1960 to 1978, net savings expressed as a percentage of GDP was fairly stable, fluctuating at an average level of 13,5 percent. Since 1982 it has declined to the low level of 7 percent annually. The combined effect of the high capital intensity of modern sector (due to the Verwoerdian strategy) the large outflow of foreign investment and the sharp drop in domestic savings has increased the South African economy's dependency on foreign investment quite considerably. It is estimated that to attain an average annual growth rate of 4 percent in the decade from 1995 to 2005, South Africa needs an influx of foreign investment of at least \$11 billion annually. To attain a growth rate of 3 percent annually we need an influx of at least \$7 billion annually. It is rather ironic that the liberation struggle and the international isolation of the apartheid regime have made the South African economy much more dependent on foreign investment and foreign cooperation in comparison with what would have been the case if the liberation struggle had not been "fought" to end the system of racial capitalism and white supremacy.<sup>23</sup>

The importance of the *powershift* that commenced in the early seventies becomes evident when one compares the shifts that have taken place over the

last 20 years in the distribution of income between the different population groups. The not insignificant redistribution of income away from whites which has taken place in a situation of economic decline, could only have occurred due to a considerable increase in the bargaining power of people other than whites in the period after the *powershift* commenced.

During the first 70 years of the century, whites received consistently more than seventy percent of total income, Africans twenty percent, and the Coloureds and Indians combined less than ten percent.<sup>24</sup> From the whites' point of view, the power structures on which the systems of segregation and apartheid were based were very much to their advantage.<sup>25</sup> From 1970 until 1991, important changes in the racial shares of income took place. The share of the whites declined from 71,0 percent to 61,2 percent; the share of the Africans increased from 20,5 percent to 27,6 percent; the share of the Coloureds increased from 5,6 percent to 7,3 percent; and the share of the Asians increased from 1,9 percent to 3,9 percent.<sup>26</sup>

During the period 1975 to 1991, important changes also took place in the relative position of households within each racial group. The income of all the white households declined in this period, with the largest decline in the ranks of the lower 40 per cent. Their income declined with 40 per cent. This decline can be regarded as an important reason for the upsurge of the ultra-rightwing movement in white (and mainly Afrikaner) circles. In the case of the Africans, the income of only the top 20 per cent increased - by 38 per cent. The most disconcerting development since 1975 is the sharp decline in the income of the bottom 40 per cent of African households. Their income declined with 41,5 per cent, while the next 20 per cent of households' income declined with 26 per cent. Sixty per cent of all African households were therefore considerably poorer in 1991 than in 1975. It is therefore clear that the black "outsiders" have not only been impoverished by the exploitative structures of segregation and

<sup>24</sup> See Lipton, M., *op.cit.*, p. 659. At the same time, the whites declined as a percentage of the total population while the Africans increased. In 1900 the whites were 22% and the Africans 67%. In 1960 the whites were 17,5% and the Africans 70%. In 1991 the whites were 14% and the Africans 74% of the total population.

<sup>25</sup> R.W. Johnson was probably correct when he claimed (in 1977) that "at some point around 1970 white South African overtook Californians as the single most affluent group in the world." Johnson, R.W., *How long will South Africa survive*, London, 1977, p. 28.

<sup>26</sup> Whiteford, A & McGrath, M. *Distribution of Income in South Africa*, HSRC, Pretoria, 1994, Table 5.1. According to Charles Sumkins' studies the share of the whites' personal income declined from 71,7 percent in 1970 to 53,9 percent in 1990, while the share of that of Africans increased from 19,8 percent to 33 percent. *Ibid.*, p. 20.

<sup>22</sup> Any attempt to determine the "capital flight" from South Africa since 1970 encounters difficult statistical problems. It is estimated, however, that the outflow of capital since 1970 may be as high as \$30 billion. Disinvestment by South African companies was responsible for a substantial part of the total outflow.

<sup>23</sup> See Terreblanche, S.J., "The need for a transformation period towards a post-apartheid South Africa", in *A Journal of Opinion*, XVIII/2 Summer 1990.



apartheid since the beginning of the century, but that they also had to bear the brunt of the damage done to the economy by the intensification of the struggle since 1975 and the unwavering defence of the apartheid system by successive NP governments. The income of almost all the Coloured and Asian households had increased by 1991. In spite of the improvements that have taken place in the racial share since 1975, large racial disparities in the per capita income have been maintained. These racial disparities are often labelled as the inequalities of apartheid. This is an oversimplification. Although the structures and policies of racial capitalism and apartheid cannot be blamed for all the inequalities, a large (albeit indeterminable) part of these inequalities can - and should - be blamed on the social, economic and political structures created during the period of white supremacy. If the per capita income of the whites is put on an index of 100 in 1970, the income of the Asians, Coloured and Africans was 19,6, 16,7 and 6,7 respectively. In 1991, these relationships were 33,3, 18,5 and 8,1 respectively. The richest 10% of households receive 51% of total income, while the poorest 40% of households receive less than 4%. (Less than 2% of white households are part of the poorest 40%). In Brazil - the country with the second worst distribution record - the poorest 40% of households receive 8% of total income.<sup>27</sup>

In addition to these disparities in the per capita income, government social spending is still very much to the disadvantage of Africans. If the per capita social spending on whites were put on an index of 100 in 1990, the per capita social spending on Asians, Coloureds and Africans would be 85, 62 and 27 respectively.<sup>28</sup> In January 1992, the IMF published an Occasional Paper (No. 91) on Economic Policies for a New South Africa. The Paper focused sharply on the unequal social spending and on the need of closing the racial spending gap:

A major challenge to budgetary policy in the new South Africa will undoubtedly lie in the area of social spending. In particular, policymakers will need to address the question of how far and how fast to move to a more equitable pattern of social services to those who currently do not receive social benefits. Social spending in South Africa - net of social security payments - has risen to levels that are relatively high by international standards. Correspondingly, the scope for addressing social

<sup>27</sup> *Ibid*, Table 5.3 and p. 39.

problems through raising further the share of these expenditures in the budget appears to be limited. Rather, a basic reordering of priorities within the present social spending budget is required if South Africa's social problems are to be addressed without resorting to either deficit financing or to increased fiscal revenues.<sup>29</sup>

The IMF Paper made, *inter alia*, a comparison between the level of social spending in South Africa and other upper-middle-income countries. According to the Paper, South Africa's expenditure on *social security and welfare* has lagged behind those of other countries, largely reflecting South Africa's limited social safety net. For 1983-87, the share of GDP spent in South Africa on this category was only 2,1 percent, compared to over 8 percent for the upper-middle-income group countries (with whom South Africa can be compared) and over 13 percent for industrial countries.

The highly uneven provision of social services is also reflected in *education expenditure*. In 1990 R4 087 was spent on every White pupil, R907 on blacks, R2 406 on Coloureds and R3 055 on Asians. With actual education expenditure in 1990 at 5½ percent of GDP, very high pressures will come to bear on the budget as the more advantaged groups try to protect the existing quality of their education and the less advantaged strive to equalise spending at higher rates.

The extent of poverty in African households in particular is extremely alarming: it is estimated that almost 49 percent of all households (or 17,3 million people) were living in poverty in 1991.<sup>30</sup>

It is a mighty irony that Milner and Smuts deliberately deprived the Africans of their original livelihood, so as to create an African proletariat with no choice but to become wage labourers (at subsistence wages) in mines and on farms. After 90 years, the segregationist structures of Milner and his successors have created an African proletariat of 3 million households without the opportunities for employment which they so desperately need in order to maintain a livelihood, albeit at the bare minimum.

<sup>29</sup> IMF, *Economic Policies for a New South Africa*, Occasional Paper No. 92, Washington D.C., January 1992.

<sup>30</sup> Fewer than 67 percent of African households (or 3 million households) and 40 percent of Coloured households were living in poverty. The breadwinners of the 3 million African households living in poverty are mainly those that cannot get employment in the modern sector of the economy. Whiteford & McGrath, *op. cit.* Tables 7.1 and 7.3.



It is estimated that 88 percent of all personal wealth is owned by the top 5 percent of the population. Due to the Land Acts of 1913 and 1936 it was (until recently) not possible for blacks to own land (small exceptions aside) in 87 percent of the South African territory. As far as power is concerned, economic power and control are very much concentrated in the hands of the white group. Fewer than 10 'corporate conglomerates' control more than 80 percent of the value of the stocks quoted on the Johannesburg Stock Exchange. 'Media Power' is concentrated in the hands of a few large newspaper groups.

A rather controversial question is whether the capitalist system needed the apartheid system (and its exploitive structure) in the second half of the century to the same degree as (racial) capitalism had needed segregation (and its exploitive structure) in the first half of the century. The fact that the manufacturing industry needed a skilled and permanent labour force during the high growth period of the 1960's and was opposed to stricter influx control, created the impression that manufacturing capitalism - in contrast to mining and agricultural capitalism - was against the apartheid system. This impression was strengthened by the so-called "Oppenheimer thesis" that capitalism and apartheid were incompatible in the long run. Mr Harry Oppenheimer claimed in the 1950's and 1960's that economic growth would make apartheid wither away, as blacks were drawn into skilled jobs and middle-class life. This claim was supported in 1964 by an Anglo executive, Michael O'Dowd, who insisted that South Africa's political and social development was not abnormal for a country just emerging from the first stage of industrialisation - like contemporary Mexico or like Britain in the 1850's - when minority governments also ruled harshly. He explained that "a watershed is reached when the supply of unskilled labour ceases to appear inexhaustible and the ruling minority starts to find that it actually needs the rest of the population". He argued further that if a high growth rate could be maintained for a long enough period (driven by the large corporations like Anglo-American), the high economic growth rate would in due course erode apartheid and "usher in" a period of declining discrimination and a democratic system.<sup>31</sup>

The argument of the Oppenheimer thesis was correct in so far as the manufacturing sector needed a different kind of labour and that adaptations in the apartheid system (especially concerning influx control, trade-unions and African education) became necessary for on-going industrial development. It

<sup>31</sup> O'Dowd, M., "South Africa in the Light of the Stages of Economic Growth" (1964), published in Leftwich, A. (Ed.) *South Africa: Economic Growth and Political Change*, Allison & Busby, 1974.

may also be true that the "integration" of Coloureds and Indians into white structures was to a large extent brought about by the shortages of skilled manpower in the 1960s and early 1970s. As far as the Africans are concerned, the apartheid system was not broken down by the "dynamism" of capitalism as was predicted by the Oppenheimer thesis. On the contrary, the apartheid structures were broken down by the intensification of the liberation struggle from 1976 onwards. It happened during a period of chronic low growth and increased international isolation. The apartheid system collapsed not amidst high prosperity and a scarcity of skilled labour - as the Oppenheimer thesis claims - but because of an unbearable economic crisis. During the final phases of the crisis (during the last half of the 1980s) the English-orientated business sector was not on the side of the Liberationists, but very much part and parcel of the Bourgeois Establishment in its unwavering resistance against the so-called Total Onslaught. What was lacking in the Oppenheimer thesis was a clear distinction between class and racial discrimination and the deep-rooted racial prejudices in the ranks of the privileged white community.

During the final decades of white supremacy and apartheid, unmeasurable damage was, unfortunately, done to the South African economy by the intensification of the Struggle. It caused considerable impoverishment in the ranks of the lower half of both the African and the white (mainly Afrikaner) population groups. A rather difficult question to answer is who is to be blamed for the damage done to the South African economy during the Struggle of the 1980's. Is the Establishment (including the business sector) who tried in vain to maintain the "old order", to be blamed, or are the Liberationists, who opted for a "destructive" strategy to end apartheid and white supremacy, to be blamed? The blame must, apparently, be put on the shoulders of the Establishment, because of its adamant defence of the illegitimate old order.

## 6. NEGOTIATIONS AND THE POLARISATION BETWEEN THE LIBERATIONISTS AND THE (WHITE) ESTABLISHMENT (1990-1994)

At the end of the 1980's the situation in South Africa became very precarious. Without being able to overthrow or to transform the social order fundamentally, the ongoing structural deterioration of the economy the growing international isolation and the growing strength of the mass democratic movement inside and outside South Africa nevertheless presented a formidable challenge to its stability and legitimacy. While the bureaucratic state could still mobilise the powers necessary to perpetuate the *status quo*, it was unable to restore its



stability and both its internal and external legitimacy to such an extent that sustained economic growth could again be maintained.

By 1989 a stalemate existed in South Africa. Unexpected events in the international arena made an important contribution to break the stalemate. Even before 1989 several foreign heads of state had told the South African government that they wanted it to move away from apartheid and to urban the Liberationist organisations. After the fall of the Berlin wall in 1989 these pressures intensified. In August 1989 F.W. de Klerk replaced P.W. Botha as State President. The National Party had already acknowledged in 1986 that the policy of separate development had failed and that it would be necessary to reintegrate the so-called independent homelands into South Africa. At the end of 1989 all the ideologies put forward to legitimise white supremacy had become redundant and without any credibility. For the white community this was a very uncomfortable situation.

At the beginning of 1990, President de Klerk was confronted not only by a profound economic crisis and a deteriorating security situation, but also by an ideological bankruptcy. In his opening address to Parliament on 2 February 1990, De Klerk made a dramatic move. He announced the unbanning of the Liberationist organisations and released many political prisoners, including Nelson Mandela. His new ideological stand was to enter into negotiations with the Liberationists to find a new constitutional dispensation in which the whites would retain sufficient bargaining power to keep their large economic interests as intact as possible. Given this strategy, the negotiations evolved into a new kind of "power struggle", i.e. a struggle between the (mainly black) Liberationists and the (mainly white) Bourgeois Establishment.

Although this new "struggle" was mainly concerned with constitutional matters, some of the main issues at stake were about the economic relationships between the different power blocs or stakeholders. The events during the negotiation process started in 1990 were an important entrée to the restructuring of economic relations that still has to take place as seen from a political economic point of view. The negotiations took place between the two main "power blocs" - i.e. the Bourgeois Establishment on the righthand side of the ideological spectrum and the Liberationist Alliance on the lefthand side of the spectrum. The Bourgeois Establishment comprised five smaller "power blocs" - the Afrikaner-oriented bureaucracy (including the securocrats), the English-oriented capitalistic sector, the rather powerful media, the well organized professional groups and the NP government. At the end of the 1980's a fairly close "unholy marriage" existed between the English and Afrikaner

establishments. When De Klerk made his historic speech, the loosely-knit coalition between the five "power blocs" was immediately united into a rather close "compact of power" or Bourgeois Establishment, of which Mr de Klerk became the undisputed leader and spokesman.

The Liberationist Alliance (on the lefthand side of the ideological spectrum) comprised the ANC, COSATU and the SACP. From a structural point of view the differences between the Establishment and the Alliance were rather striking. While the Establishment could command rather considerable economic, bureaucratic, securocratic and professional power, the Alliance could only count on people's power (in the case of mass demonstrations or when the election took place) and on the ideological power for being on the moral high ground.

Until the middle of 1992 De Klerk promised his supporters that he would not agree to a new constitution if a minority veto were not statutorily entrenched in it. He needed this veto power to protect the large economic interest of his Bourgeois Establishment. In May 1992 the negotiation process derailed and the Alliance withdrew from Codesa II. During July and August 1992 the situation became very tense, due to rolling mass demonstrations organised by the Alliance. Pres. de Klerk tried in vain to take a strong stand on the issue of a minority veto. In the end he slipped rather dramatically on the slippery slope of the inevitable. Eventually he and the NP had to settle for a government of National Unity in which members of the NP could gain membership in the executive (cabinet) for five years, but without any veto power.

The first democratic election took place on the 27/28th of April 1994. The ANC got 62,5 per cent of the vote, the NP 20,5 per cent and the Inkatha Freedom Party (IFP) 10,5 per cent. In the Executive of 32 members the ANC got 20 members, the NP 7 and the IFP 3.

## 7. IS IT POSSIBLE TO BUILD A SUSTAINABLE SYSTEM OF DEMOCRATIC CAPITALISM IN THE NEXT 10 YEARS?

The challenges facing the new government of Pres Nelson Mandela are quite formidable. Political power has shifted from the White elite (comprising 14 per cent of the population), to a democratically elected government of national unity. It is nonetheless a government dominated by the ANC whose support base is mainly African. The top echelon in the bureaucracy is, to a large extent, still concentrated in white (and mainly Afrikaner) hands. The economic system of



racial capitalism - characterised by racial inequalities by the concentration of economic power in the hands of a few corporative giants and by a high degree of monopoly in many sectors of the economy - is still in white (and mainly English-speaker's) hands.

The document on the Reconstruction and Development Programme (RDP) of the Tripartite Alliance (ANC, SACP and Cosatu) stated unequivocally that "the South African economy is in a deep-seated structural crisis and as such requires fundamental restructuring". This fundamental reconstruction will i.a. entail the creation of "a strong, dynamic and balanced economy which will eliminate the poverty ... and extreme inequalities in wages and wealth .. address economic imbalances and structural problems ... (and) democratise the economy and empower the historically oppressed ... by encouraging broader participation in decisions about the economy in both the private and public sectors".<sup>32</sup>

What this democratisation of the economy and the (economic) empowerment of the historically oppressed will imply in the next, say, 10 years, is not clear at all. We must take account of the fact that neither the political system nor the economic system has ever been subjected to a process of democratisation in the 120 years of South Africa's modernising history. The enormity of the task to democratise (for the first time ever) both the political and the economic system - with the purpose of creating a sustainable system of Democratic Capitalism - should be appreciated in the perspective of other countries' historical experience. For our purpose it is necessary to distinguish between the experiences of developed and developing countries in the process of political and economic democratisation.

The system of representative democracy was described by Arend Lijphart in 1984 as "a recent and rare phenomena". According to him "not a single democratic government can be found in the nineteenth century, and it was not until the first decades of the twentieth century that ... fully democratic regimes with firm popular control of governmental institutions and universal adult suffrage were established."<sup>33</sup>

The institutionalisation of representative democracies in highly industrialized countries after the First World War has had important fiscal and economic implications. It was instrumental to the rise of the welfare state and a sharp

<sup>32</sup> Reconstruction and Development Programme (RDP), paragraph 4.1.1 and 4.2.2. My emphasis.

<sup>33</sup> Lijphart, A., *Democracies*, Yale University Press, New Haven, 1984, p 37.

increase in government spending.<sup>34</sup> Democratic Capitalism in developed countries was rather unstable during the first three decades from 1920 until 1950. But during the "golden age of capitalism" (1950 - 1973), an annual growth rate of almost 5 per cent was maintained in the developed countries. This was also the period of great optimism about the compatibility of democracy and capitalism. Since the oil shock of 1973, economic growth rates in developed countries have dropped to annual rates of less than 3 per cent. When public spending continued to increase rather sharply and stagflation and unemployment proved to be endemic, a sharp ideological polarisation took place in all developed countries.

The ideological debate between the New Right and the New Left is mainly about the incompatibility of democracy and capitalism. The New Right claims that the "democratisation" and "welfarisation" of the capitalist economy have been taken too far and that developed countries are now faced with the crisis of "overloaded" government. The New Right puts forward a strong plea that the growing power of the demos (or majority government) should be curtailed by a system of legal democracy. The main purpose of legal democracy must be to lay down statutory curtailments on government spending.

The New Left, on the other hand, claims that democracy is endangered by a legitimacy crisis. It alleges that the ability of democratically elected governments to govern effectively is seriously curtailed by the power of the large corporations.<sup>35</sup> The New Left claims that the legitimacy crisis of democracy can only be solved if a fundamental restructuring of the relationship between the public and private sectors takes place. The New Left regards such restructuring as an imperative, if we accept the principle that the power of a democratic government to make decisions must be free of the inequalities and the constraints imposed by the (market determined) appropriation of private capital.<sup>36</sup>

<sup>34</sup> Public spending (G) in 15 industrialised countries as a percentage of GDP increased from 12 per cent in 1910 to 29 per cent in 1950 to 35 per cent in 1970 to 48 per cent in 1988. See Cusack, T R, *The Changing Contours of Government*, International Relations Research Group, Berlin, Table 1.

<sup>35</sup> R Milliband, a New Left author, claims that the capitalist class is highly cohesive and that it constitutes a formidable constraint on Western governments and state institutions, ensuring that they remain instruments of the domination of society. See Milliband, R, *The State in Capitalist Society*, London, Weidenfeld & Nicolson, 1969, pp 128-9.

<sup>36</sup> See Held, D. *Models of Democracy*, 1987, p 283.



The New Right is of the opinion that democratic capitalism is in a crisis because the system is too "democratic". The New Left, however, is of the opinion that democratic capitalism is in a crisis because the system of corporate capitalism is too powerful and too obsessed with the idea of capital and wealth accumulation.

In developing countries democracy and capitalism have proved to be much less compatible than has been the case in developed countries. The main reason for this is the inclination of democratic elected governments to overstrain the tax capacity of their underdeveloped economies in their efforts to address the problems of poverty and inequality. The Treaty of Versailles created several "new" democracies in Southern and Eastern Europe. During the unstable inter-war period almost all these countries' public spending (mainly for social welfare purposes) increased rather sharply. In almost all these countries (and in the developed Germany) the new democratic constitutions were replaced with fascist regimes.

After the Second World War, democratic constitutions were installed in developing countries of South America, Southern Europe and in previously colonial countries of Africa and South East Asia. In many of these countries the process of political and economic democratisation - i.e. the system of democratic capitalism - also proved to be a luxury that could not be afforded by these countries.<sup>37</sup> The worst examples were the Latin American countries that were guilty of macro-economic populism.<sup>38</sup> Sharp increases in public spending gave rise to large budget deficits, run-away inflations, balance of payment deficits, and, eventually, to large scale capital flight.

Hopefully the new government in South Africa will be careful enough not to make itself guilty of macro-economic populism. The ANC has committed itself towards a sound fiscal policy:

"We must finance the RDP in ways that preserve macro-economic balances, especially in terms of avoiding undue inflation and balance-of-payment difficulties. This requires a strategic approach that combines public and private sector funding, taking into account the sequence and

timing of funding sources and programmes."<sup>39</sup>

The compatibility of democracy and capitalism and the sustainability of the post-apartheid system hinges on this point. If we compare the legacy of racial capitalism and apartheid - in terms of poverty, deprivation and inequalities - with the tax capacity and the poor state of South Africa's public finance, then it becomes clear that it will be extremely difficult to reconcile the needs for a redistributive policy (needed for the socio-economic upliftment of the historically oppressed) with a policy to promote economic growth and reconstruction. The ANC acknowledges this dilemma, but it is relatively optimistic that it is possible to integrate redistribution and economic growth in their RDP:

"The RDP is based on reconstruction and development being parts of an integrated process. This is in contrast with a commonly held view that ... growth and redistribution are processes that contradict each other .... The RDP integrates growth, development, reconstruction and redistribution into a unified programme."<sup>40</sup>

The ANC's intention to maintain macro-economic balances and to integrate growth and redistribution in a unified programme is meritorious. But the real question is whether it is attainable if we compare the political dynamics of the ANC Alliance with the constraints set not only by the state of the economy but also by the resistance of the Bourgeois Establishment against the ANC programme of redistribution, reconstruction, economic empowerment and socio-economic democratisation.

Looking at the dynamics of the ANC democratisation policy from a New Right point of view, there exists a danger that the "black demos" will demand welfarisation that can easily lead to "overloaded" government. It is stated in the RDP that the programme is "people driven ... and focused on our people's most immediate needs, and it relies ... on their energies to drive the process of meeting these needs". The RDP states unequivocally that "through-going democratisation of our society is absolutely integral to the whole [programme]."<sup>41</sup>

It is a pity that the RDP does not spell out the targets it wants to attain in the first five years more explicitly. Consequently it is almost impossible to judge the attainability of the reconstruction and development programme. Although its aim

<sup>37</sup> See Lipfert, *op. cit.*, Chapter 3.

<sup>38</sup> The extreme examples are Allende in Chile (1971-73), Peron in Argentina (1946-49) and Garcia in Peru (1985-88).

<sup>39</sup> RDP, paragraph 6.2.3.

<sup>40</sup> RDP, paragraph I III. 1F.

<sup>41</sup> RDP, paragraphs I, III. 1C and 1G.



to 'eliminate the poverty, low wages and extreme inequalities in wages and wealth generated by the apartheid system' is meritorious and above dispute, it would unfortunately not be attainable in less than two decades<sup>42</sup>. We should, therefore, be aware of the distinct danger that the perhaps too high expectations in Liberationist circles can easily generate demands that cannot be met, given the poor state of the South African economy. The possibility of a rather dangerous revolution of rising expectations cannot be discarded.

The Bourgeois Establishment associates itself rather closely with the New Right point of view. During the negotiation process, the NP made a strong plea for a system of "legal democracy" with a statutorily entrenched minority veto. The purpose of this plea was to enable the privileged white minority to prevent the new government from becoming guilty of "overloaded" government and of giving preference to redistribution above growth.

Fortunately a statutorily entrenched minority veto was not included in the constitution. Such a veto would have created a lame duck government totally unable to address the inequalities of apartheid and the widespread poverty. Instead of a minority veto, the NP was granted participation in the government of national unity. The NP will undoubtedly try to use this participation to protect the large vested interests of its Bourgeois Establishment as thoroughly as possible.

Looking at the ANC democratisation and welfareisation programmes from a New Left point of view, there exists perhaps an even larger danger that the new government could end up in a legitimacy crisis by being unable to deliver on reasonable promises. This inability can be the combined result of several inhibitory factors such as a continuation of the low growth rate (mainly due to an inability to invite the necessary foreign investment), chronic balance-of-payment constraints (due to the high capital intensity of the modern sector and the high tendency to import capital goods), and unsolvable public financial problems (due to the high public debt and an inability to rationalise the "structural corruption" that has become endemic to the public sector).

On top of these possible inhibiting factors, the main constraint that can obstruct the implementation of the RDP is the power and the ideological orientation of the Bourgeois Establishment. It will be to the great detriment of the ANC if it underestimates this power and ability of the Bourgeois Establishment (and especially the power of the highly concentrated corporate sector) to delay the

redistribution and welfareisation plans of the ANC and, by so doing, to create a legitimacy crisis. It seems as if the ANC is not, to the necessary degree, aware of the ability of this rather strong Bourgeois Establishment to create ideological doubts about the merits of the RDP.

It is important that the rich (mainly white) part of the population should be aware of the fact that the economic system of racial capitalism, segregation and apartheid has enriched them out of all proportion with its merit and effort. They must also realise that a large part of the African population was undeservedly impoverished and even deprived of their human dignity by the same power structures. Up until now the Bourgeois Establishment has, however, been remarkably successful in obscuring the benefits it attained from the apartheid structures and in denying its responsibilities towards restitution. As long as the rich part of the population is not prepared to make a clear acknowledgement of the injustice of racial capitalism and apartheid, it will be difficult for the ANC to implement its reform programmes successfully.

In the publication on the RDP, the possibility that the economic power and the ideological orientation of the Bourgeois Establishment may represent serious stumbling blocks in the road of the new government's reform programme, is not even mentioned. Another rather disturbing deficiency of the RDP publication is that it contains no analysis of the exploitative nature of the power structures on which racial capitalism has been based for the last 100 years. On top of this, the authors of the RDP did not take the trouble to acquaint themselves with the possible ideological "propaganda onslaught" the Bourgeois Establishment would in all probability launch against any social upliftment programme with likely redistributive implications.

In certain important aspects, the RDP document is rather vague and far from persuasive. Phrases like the need "to democratise the economy" and "to empower the historically oppressed" are used, but without indicating what policy measure will be implemented to accomplish them. By not analysing the deployment of the political, economic and ideological "power game" during the last, say 100 years, and by not giving concrete examples of what economic "democratisation" and "empowerment" mean, one cannot but draw the conclusion that the ANC does not have an adequate grasp of what it will take to solve "the deep-seated structural crisis" through "a fundamental restructuring of the economy".<sup>43</sup>

<sup>42</sup> RDP, paragraph 4.2.2.1.

<sup>43</sup> See RDP, paragraphs 4.1.1 and 4.2.2.



Perhaps the most important reason why the ANC attempts to democratise the economy may end in a legitimacy crisis is the conspicuous absence of a strategy to persuade the Bourgeois Establishment of the ideological merit of the RDP and the contribution the richer part of the population will have to make towards its implementation. It is important that the Bourgeois Establishment should be convinced that its dogmatic growthmanship and freemarketeer ideologies are not - and cannot be - appropriate in the present situation. Up until now, the Bourgeois Establishment seems to have been much more effective in its ideological propaganda about the economic policies that should not be implemented because they may damage the vested economic interests of the rich and the very rich.

The ANC dominated government should be aware of the possibility that the Bourgeois Establishment might be inclined to manipulate South Africa's high dependency on foreign investment (from developed and free market orientated capitalist countries) in order to promote policy measures that may not be conducive to or compatible with the achievement of the RDP. The RDP states quite clearly "that neither a communist central planning system nor an unfettered free market system can provide adequate solutions to the problem facing [South Africa]". It also states that "reconstruction and development will be achieved through the leading and enabling role of the state, a thriving private sector and active involvement by all sectors of civil society".<sup>44</sup> But given the strong free marketeer and anti-redistributionist attitudes prevalent in the Bourgeois Establishment (in both the public and corporate sectors), we have reason to believe (or to fear) that this establishment may not be content with the interventionist and redistributive policies needed to accomplish the aims of the RDP. The view held by the Bourgeois Establishment is that the most effective policy to alleviate poverty is to maximise economic growth. Although this view has merit, it is not unconditionally true in the present South African situation. Due to the high capital intensity of the modern sector (and the low employment creating capacity of the economy), the "trickle down effect" resulting from economic growth can turn out to be relatively small. Redistributive measures may therefore be necessary not only initially, in order to create socio-economic stability conducive to economic growth, but also continuously, in order to bring about adequate "transfer" of the benefits of economic growth to the poorer 40 percent of the population. The new government cannot ignore the warning of Whiteford and McGrath:

"The gap between black and white income was certainly a partial cause of

<sup>44</sup> RDP, paragraph, 4.2.1

the social and political turmoil which this country has experienced over the past decade and more. The possibility now exists that the emerging income gap among Africans [between "insiders" and "outsiders"] can threaten the viability of [the] democratically elected government."<sup>45</sup>

The ANC dominated government should also not underestimate the bargaining and propaganda power concentrated in the hands of a few corporate giants with close connections in international corporate circles and in international capital and money markets. We have ample reason to believe that the economic and ideological (or propaganda) power of the corporate sector will be used to "manipulate" the RDP in "directions" conducive to the interest and/or profitability of the corporate sector. Against this background it is rather important that the government of national unity should formulate indicators about which economic developments will promote the social welfare of the society as a whole and which will not promote it. If appropriate indicators are not decided on, the corporate sector will prescribe what is in the economic interest of the country. The democratically elected government cannot afford such a state of affairs to develop.

By publishing its RDP without a proper ideological motivation of its merits and without challenging the ideological stand of the Bourgeois Establishment, the ANC runs the risk of being guilty of "mechanical reform", i.e. the pursuit of change through manipulations, regulations, and through the brute use of its political power, rather than through persuasion. To assume that the Bourgeois Establishment is positively orientated towards the RDP and that it will give its full cooperation to it in the government of national unity, is rather naive. If one compares the dogmatic growthmanship and freemarketeer approaches of the Bourgeois Establishment with Pres Mandela's agenda to create "a people-centred society of (socio-economic) liberty", then it is difficult to see how the "artificial coalition" between the ANC and the NP can be sustained for five years.<sup>46</sup> Although the NP (as the political arm of the Bourgeois Establishment) has formally agreed to the aims of the RDP and to the aim to create "a people-centred society of liberty", the ANC should be alerted to the possibility that the terms "RDP" and "a people-centred society of liberty" can easily become vague catch phrases (like "the levelling of the playing field"), to which everyone in the government of national unity can pay lip service, but without being prepared to

<sup>45</sup> *Op.cit.*, p. 75. The bottom 40% of Africans received 12,3% of Africans' income in 1978. In 1991 their share shrank to 6,4%. The top 20% of Africans' share increased from 40% to 64%. Tabel 6.1

<sup>46</sup> On Pres. Mandela's agenda see his speech in Parliament on 24 May 1994.



accept the full cost-implications of its implementation. Attempts to reconcile the already attained political liberty with adequate socio-economic liberty for everyone will undoubtedly put severe strain on the government of national unity.

If the New Right perspective that a danger exists that the "black demos" can cause "overloaded" government is correct, and if the New Left perspective that a danger exists that the constraints set by the Bourgeois Establishment can delay the RDP to such an extent that the new government can end in a legitimacy crisis is also correct, what then is to be done?

The real dilemma facing South Africa in the transition from white supremacy and racial capitalism to a sustainable system of democratic capitalism was implicitly encapsulated in the bravado claim put forward by the minister of finance in the first budget speech of the government of national unity:

"The [new] government has the legitimacy, the capacity and the resolve to succeed. It is determined to pursue both social justice and aggressive growth - the best of two worlds, and the Budget seeks to embody this aim."

This was easier said than done. The minister, nonetheless, acknowledges that we want to integrate two worlds in one. On the one hand a capitalist-orientated First World, inhabited by relatively rich people with an ideological orientation typical of the extreme individualism and materialism characteristic of the British-American world. On the other hand a typical Third World, inhabited by historically oppressed people (of which more than a half are living in abject poverty) and with the agenda to create a people-centred society (of socio-economic) liberty.

The two worlds are worlds apart. The one world is orientated towards economic growth, the other towards economic democratisation and empowerment. In the next decade, South Africa desperately needs high and sustainable economic growth. At the same time it needs large scale social upliftment and human development. Without sustainable economic growth, on-going social upliftment and economic democratisation will not be possible. But without an improvement in the socio-economic conditions of the desperately poor in the immediate future - as a precondition to the ending of violence and criminality - it will not be possible to create the socio-economic stability needed for sustainable economic growth. South Africa is, therefore, caught in a rather difficult "Catch 22

situation". To succeed in efforts to promote both aggressive growth and social justice - in a manner in which democracy and capitalism can be compatible - South Africa needs the enabling support of at least three things.

Firstly, it will only be possible to integrate the First and the Third World components of the South African society if we can again become a part of the world economy. The efforts to create a sustainable system of democratic capitalism crucially depend on South Africa's ability to create conditions (political, socio-economic and ideological conditions) attractive enough to invite the highly needed foreign capital and participation. It will also depend on the ability and the preparedness of foreign countries to give the necessary support to South Africa during the process of transition.<sup>48</sup> To open up opportunities for foreign investors, the monopolistic nature of the South African economy (a typical remnant of racial capitalism) would have to become more competitive. The unbundling of the large conglomerates to create the needed "competitive space" for foreign companies will be a painful part of the economic restructuring process, but it is an indispensable one. Similarly, production costs (and especially wages) must be kept at a low level as South African exporters want to attain competitiveness in international markets.

Secondly, we need a well-developed and well-integrated civil society as part and parcel of a pluralistic network of power blocs. Both of these are conspicuously absent at present. The nearest we got to a "civil society" was in the multitude of organisations associated with the liberation struggle. These organisations were targeted to destroy the apartheid system and were, therefore, destructive

<sup>48</sup> South Africa will need an influx of at least \$100 billion of foreign capital during a transformation decade to maintain an economic growth rate of 4 percent annually. Is this kind of money available and is it possible to allocate it to South Africa? In terms of the global flow of capital, an amount of \$100 billion over ten years is relatively small. But to allocate this amount to South Africa mainly as venture capital will be extremely difficult, if not impossible. It is unrealistic to expect that the multinational corporations that have left South Africa will return, or that new ones will make large investments after 15 years or longer of disinvestment or disengagement. Even during the transformation decade, with a gradual transition towards a democratic government, the high degree of uncertainty will discourage many potential investors. Although South Africa has an excellent infrastructure and a large reservoir of well-educated and professional people and should therefore not be compared to any other African country, potential investors will nonetheless be discouraged by what has happened to the economies of almost all the African countries in the first decade after independence. *En route* to liberation, a non-racial South Africa will unfortunately have to carry the heavy burden of the 'Africa independence syndrome' over and above the heavy burden of abnormal apartheid-based developments. To create conditions attractive enough to invite the necessary foreign investment should be a high priority for the new government. It would *inter alia* be necessary to stop the intergroup violence and the high level of poverty-related criminality.



in nature. But it is still uncertain whether these organisations can become inclusive enough to integrate organisations previously part of the old establishment and whether they can change their orientation to become constructive in their criticism.

South African proponents of a market system - not to mention the dogmatic preachers of a free-market system - normally underplay the necessity for a stable and balanced social framework (civil society) as a *precondition* for an effective market economy. A market system can only promote the *social* welfare of the total society and all its component parts if the social framework supplies enough centripetal forces and if adequate cross-cutting cleavages exist. The group-structured apartheid system was a typical conflict-model, in which economic activity was essentially a zero (and even a negative) sum game between the groups. *En route* to a functional market economy all remnants of apartheid and all group-orientated and conflict-creating social and political structures will need to be eradicated. Protagonists of a market or capitalistic economy, especially those with a large vested interest in this kind of system, should realise that such a system will only be compatible to a (truly) democratic government in South Africa if a well-integrated social framework (or civil society) can be created.

An effective civil society will also demand an end to the sharp polarisation between the Bourgeois Establishment and the Liberationist Alliance. For broadly-based pluralistic networks of power groups to develop, the "compact of power" between the bureaucracy, the corporate sector, the media, professional organisations and the NP will have to be disentangled in order to create space for the ANC to develop separate mod<sub>1</sub> vivendi's with each of these power blocs. Similarly, the close alliance between the ANC, the SACP and COSATU must also be disentangled. Only if the necessary pluralism can be created in the South African society, as a complement to the civil society, enough countervailing forces will become institutionalised to stabilise the system of democratic capitalism. Unfortunately, it will take at least a decade to bring about these changes. This part of the transitional process will also be painful and may cause considerable friction. It is, therefore, essential that an enabling ideology, justifying this transformation, be put forward.

Thirdly, we need an inclusive South African ethos (or a unifying ideology) to end the sectionalism and the "groupism" (or group conflict) which has been endemic to the South African society during the better part of the last 300 years. What this inclusive South African ethos should be, is difficult to tell. Pres Mandela's idea of "a people-centred society of liberty" is a worthy and attainable idea. It is an idea that can be appropriate for a developing country on the African

continent. How to reconcile this idea of a future South African society with the ideas to which the (mainly white) bourgeois society has become accustomed (or spoiled) during the long period of racial capitalism, can prove to be a rather difficult challenge.

The task to crystallize an inclusive South African ethos (or unifying ideology) cannot rest on the shoulders of the political parties alone. In spite of the government of national unity, the main political parties (ANC, NP, JFP) still reflect South Africa's unfortunate history of group conflict and ethnic division. Consequently important segments of the (potential) civil society - like the churches, the universities and commissions of investigation - will have to play a strategic role to crystallize an appropriate and unifying South African ethos. In many other countries a common enemy or a war, create the opportunity to consolidate the inhabitants of the country into a people with common values and a common destiny. Such an opportunity does not exist in our case. We also cannot afford a war. Our challenge to create some kind of unity out of our diversity will therefore be so much more difficult. It is, however, a challenge we cannot ignore.

July 1994