

Political Economy



South Africa in Crisis



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First published 1987
Reprinted 1988

ISBN 0 620 11327 8

© COSATU Education, July 1987

Published by:
COSATU Education
P. O. Box 1019
2000 Johannesburg
Printed at Natal Witness, Pietermaritzburg

This publication was produced by COSATU Education with assistance from a number of other educators, researchers and economists. COSATU Education would like to thank these people for their invaluable help. Responsibility for the contents of the publication lies, however, with COSATU Education.

We wish to specifically acknowledge Leonard for all his graphics which have helped to bring dreary statistics to life.

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Introduction

THE Central Executive Committee of COSATU took a decision in 1986 that active discussion and study of the South African economy was a priority. This decision was prompted by the very serious problems of unemployment, retrenchment, inflation and poverty that we now face. It was also prompted by an understanding that organised workers must be able to propose and fight for solutions to these problems. In addition sanctions are now becoming a reality. The need to thoroughly understand the economy is even more urgent.

One of the biggest problems for any person trying to understand the South African economy is the question: Through whose eyes do we study it? We can look at the economy through the eyes of the capitalists or we can look at it through the eyes of workers. Depending on which set of eyes we use, we'll see a very different picture.

The newspapers, radio, TV and education system all look at the economy through the eyes of the capitalist. They talk of economic laws* which are efficient and benefit everyone. And when the economy goes into a recession* or into a crisis* they argue that the economic laws are being interfered with. They want people to think that the economy is something controlled by laws that workers cannot change.

In this booklet on the South African economy we will look at the economy through the eyes of workers. We will see how politics and economics have combined to the benefit of the capitalists. In doing this we will undertake a study of the political economy * of South Africa.

The aim of this booklet is to provide a starting point for a study of the South African political economy. We will be looking back into our history to understand the very close link between politics and economics.

The purpose of such a political economy study is to allow us to better understand just how serious the present crisis is. Being clearer on this will also allow us to begin discussing the real and effective solutions to the crisis. This is important because many of the solutions being proposed at present will benefit capitalism but will lead to small changes for the mass of the people.

Helping the reader

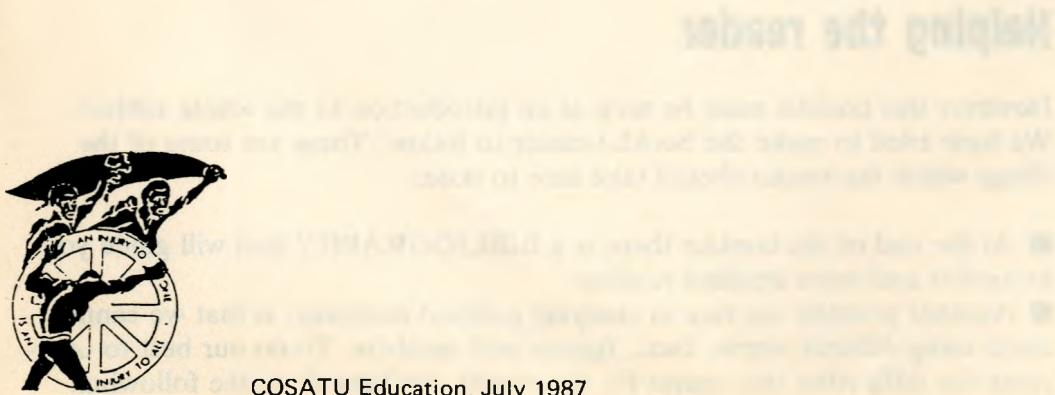
However this booklet must be seen as an introduction to the whole subject. We have tried to make the booklet easier to follow. These are some of the things which the reader should take care to note:

- At the end of the booklet there is a BIBLIOGRAPHY that will guide you to further and more detailed reading.
- Another problem we face in studying political economy, is that we cannot avoid using difficult words, facts, figures and numbers. To do our best to overcome the difficulties this causes for the reader, we have done the following:

— As you read you'll come across words that have an asterisk next to them eg. political economy*. If you look up the GLOSSARY at the end, you'll find these words listed in alphabetical order with a brief explanation of what the word means.

— The facts, figures and numbers are usually presented in visual form in charts or diagrams. The charts and diagrams are there to illustrate the text. So it is possible to read the text without always having to look at the charts. The original source of the information is listed in the NOTES to each chapter at the end of the booklet.

— In this booklet we have sometimes used the word race and racial descriptions of the people of South Africa. It is, however, important for us to understand right from the start that the whole of the idea of race has no basis in any scientifically accepted explanation of the nature of human beings. The idea of race has been seriously challenged, not only by scientists but, by many others who have studied the nature of human society and its development. It is now quite clear that the idea of race has a definite political and social meaning, which is linked to the forms of control over groups and classes in various societies. The idea of race has been used in this way in South Africa. This booklet uses racial descriptions because these make the explanations of the controls easier. In doing this we are not accepting the racist divisions imposed upon the people of South Africa.



COSATU Education, July 1987

Outline of the booklet

Chapter 1: Introduction to the South African Economy

This gives a brief introduction to the South African economy as it stands today. We look at the size of the economy in relation to certain other economies and major features of the South African economy.

Chapter 2: The development of capitalism and cheap labour

This chapter focusses on the development of the gold mines and the migrant labour system. This system grew out of the need for cheap labour for the gold mines.

Chapter 3: Capitalism, apartheid and cheap labour

This looks at the changes in the political economy that threatened the supplies of cheap labour and how apartheid then re-established supplies of cheap labour.

Chapter 4: Problems for Apartheid Capitalism

Apartheid represents a system of strong and direct controls over labour. It is an evil and inhuman system which suppresses resistance to it. However, it is a system which has certain fundamental weaknesses that mean it cannot last forever. This chapter deals with the serious problems that began to emerge.

Chapter 5: A political, economic and social crisis

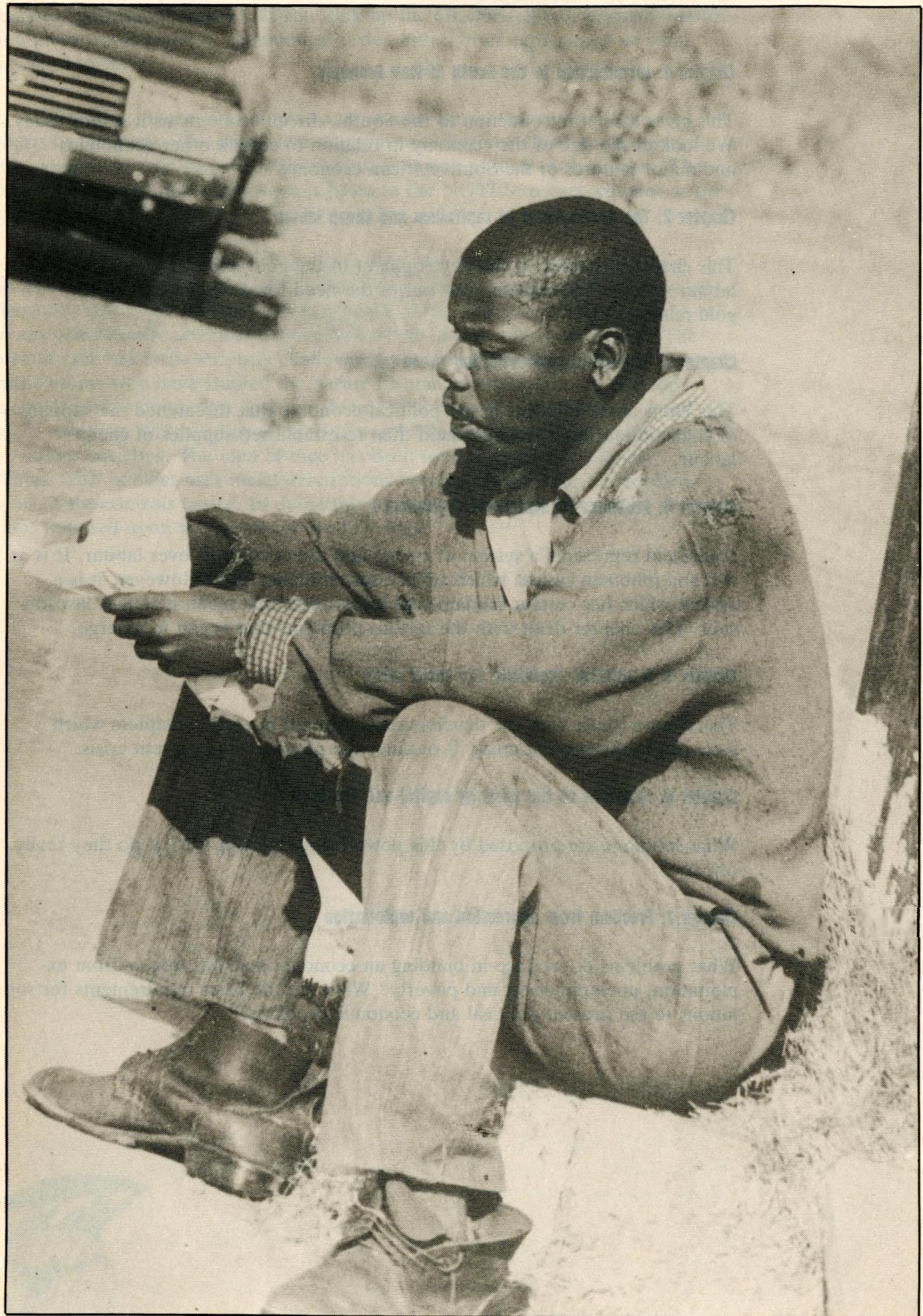
This chapter deals with the developments covered in earlier chapters which gave rise to the present crisis. It outlines the nature of the present crisis.

Chapter 6: Solutions to the crisis by capital and the State

What solutions are proposed by this powerful partnership? What do they really offer?

Chapter 7: Freedom from oppression and exploitation

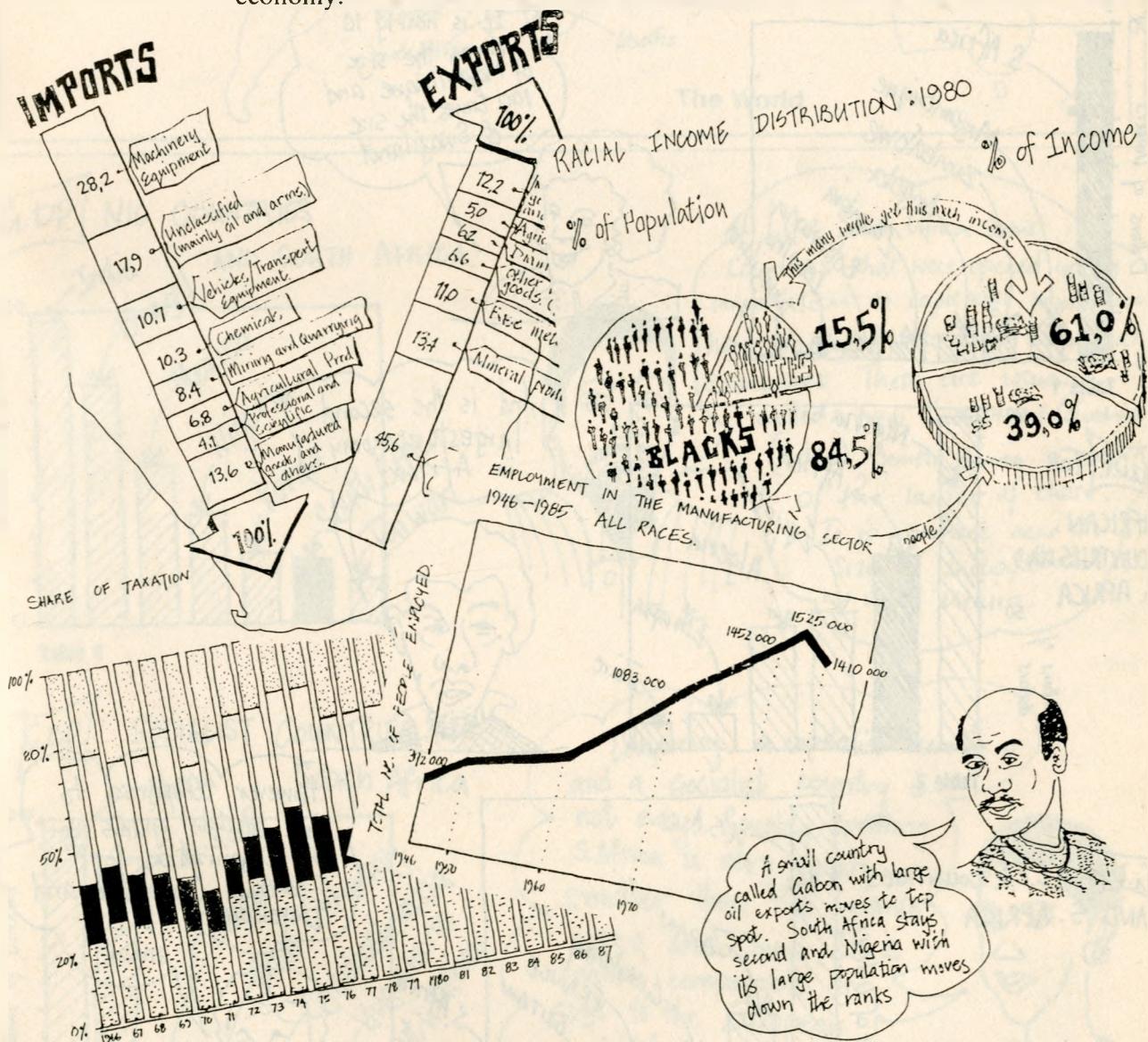
What problems do we face in building an economy that will free us from exploitation, unemployment and poverty? What are the basic requirements for solutions to the present political and economic problems?



Chapter 1

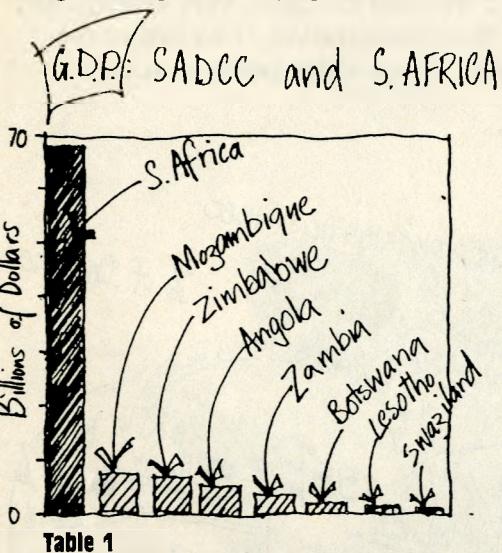
Introduction to the South African economy

In this chapter we will try to understand the South African economy by examining matters such as the relative size of the economy and the way in which production * and wealth * are distributed. We will try to do this by first looking at the money value of goods and services which are produced in South Africa in any one year. This value is called the Gross Domestic Product or G.D.P. * and can be compared with the GDP of other countries. We will then try to understand how the production of goods in S.A. and its wealth is distributed amongst the population. We will also examine, very briefly, the levels of employment in the country and the concentration of wealth in the hands of powerful monopolies and the links we have the international economy.

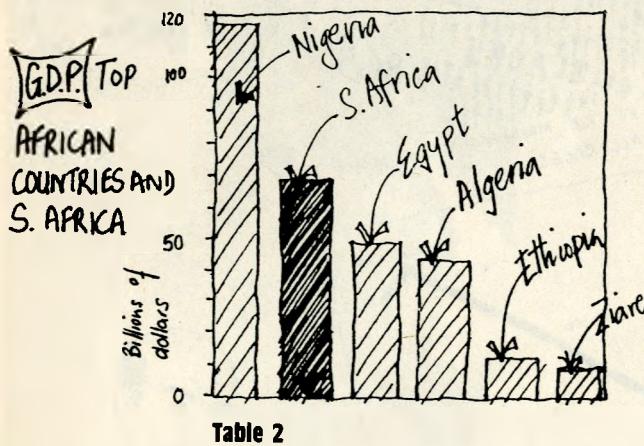


GDP Comparisons

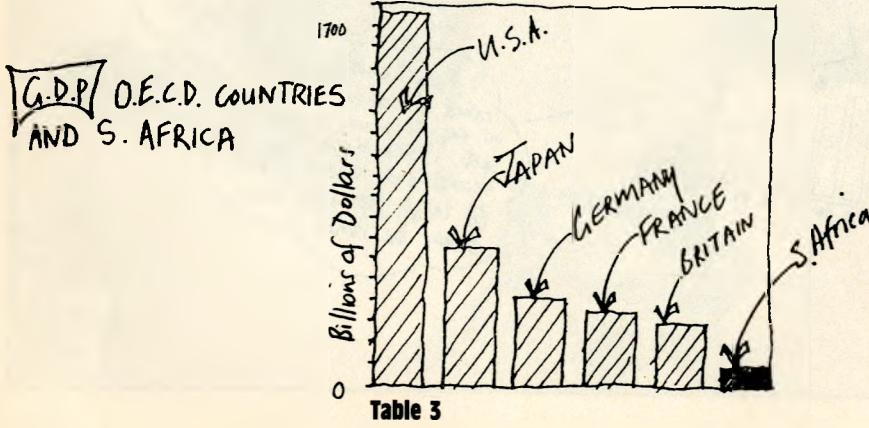
The usual way in which economies are compared for size, is to take the GDP and compare it to the GDP for other countries. There are problems in making these comparisons because we are using money prices. This is especially so in comparing mainly agricultural countries with industrial countries and in comparing capitalist and socialist economies. The pricing system in capitalist and socialist countries is very different so comparisons are a real problem. However the following charts give a rough picture.



South Africa is very large compared to its neighbours in the Southern African Development Coordinating Committee (SADCC)



And is the second largest economy in Africa



However compared to the capitalist giants in the Organization for Economic Cooperation and Development it is small



Ch.D.P.

NIC COUNTRIES

AND SOUTH AFRICA.

Billions of Dollars

350

India

Brazil

Mexico

Nigeria

Korea

South Africa

Taiwan

Table 4

K.D.P.

SOCIALIST COUNTRIES AND
South Africa

1200

U.S.S.R.

Poland

East Germany

Czechoslovakia

Yugoslavia

South Africa

Table 5

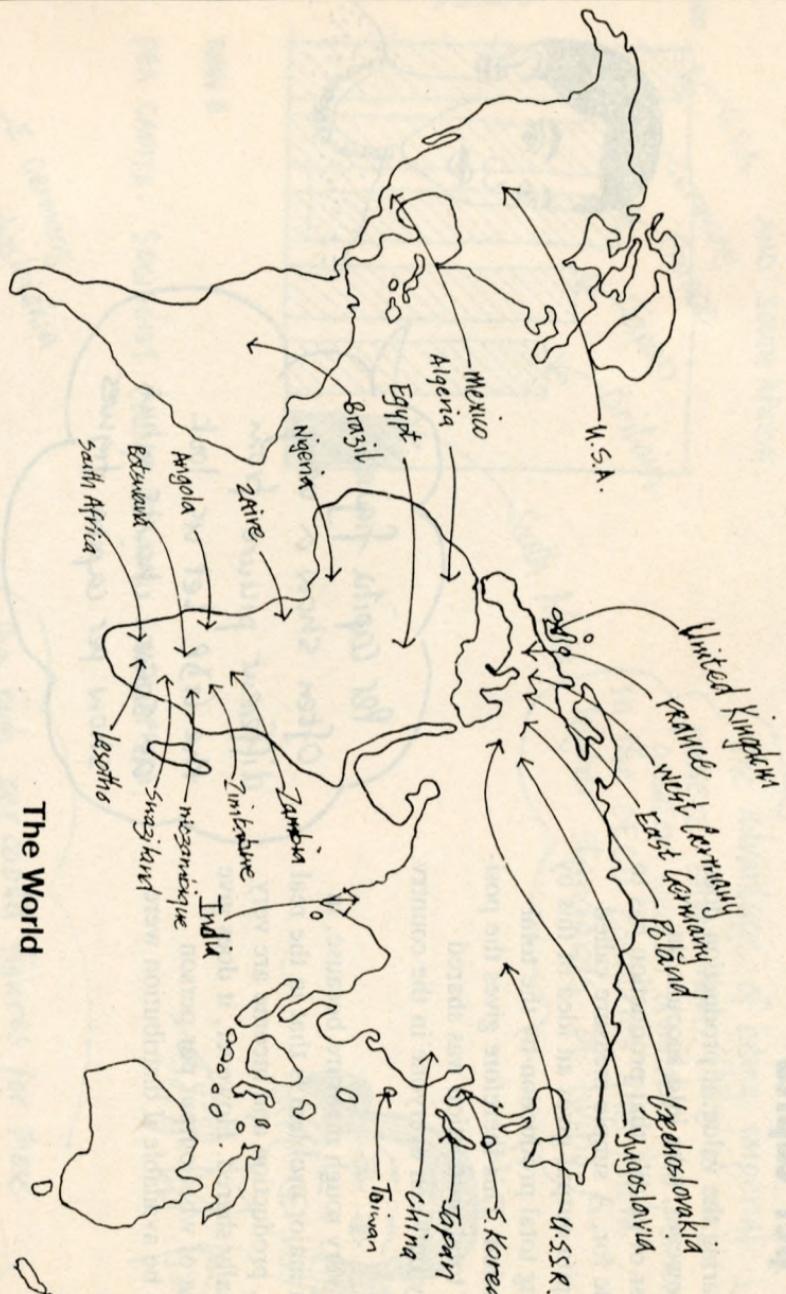
Billions of Dollars

Comparing a capitalist country and a socialist country is not easy. Roughly speaking S.Africa is very much smaller than the giants USSR and China. It is more comparable in size to the European socialist countries.



Like South Africa some countries that were opened up by imperialism to capitalist production have developed into large industrial economies. These are usually called New Industrial countries (NICs). South Africa is one of the larger of these. It is nowhere near the size of India, Brazil and Mexico.





The World

GDP per capita

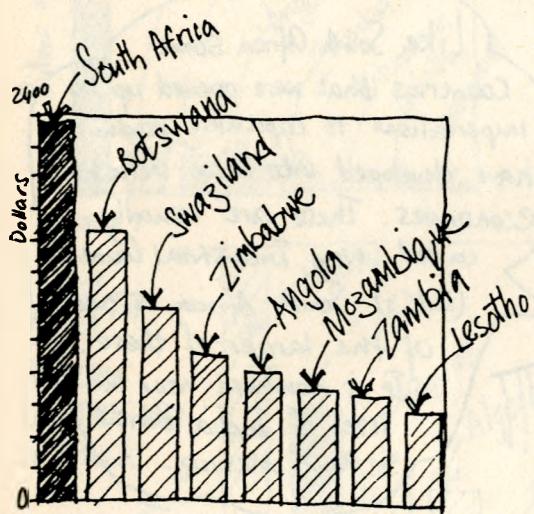
Comparing the value of production does not, however, take into account the number of people that production has to provide for. A simple measure called per capita output gives an idea of this by dividing total production by the total population. This therefore gives the position if total production was shared equally between everyone in the country.

It is a very rough measure because, in fact, a major problem is that in the real world, production and income are very unequally shared. However, it does give an idea of what output per person would be available if distribution were equal.

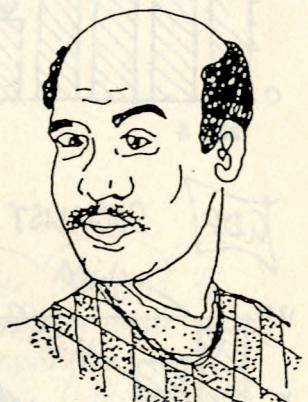


Per capita figures often show a very different picture from the GNP. Let us look at some charts which show per capita figures

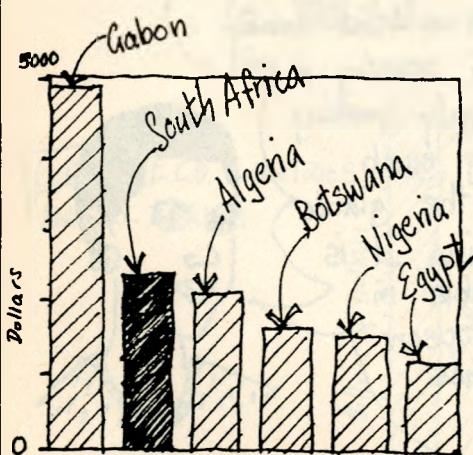
PER CAPITA: SADCC COUNTRIES AND SOUTH AFRICA.



Per capita production is a measure that compares production to population. This often changes comparisons between countries. So if we compare Table 6 with Table 1 then Botswana moves much closer to South Africa because of its small population whereas Mozambique drops down.



PER. CAPITA: AFRICAN COUNTRIES AND SOUTH AFRICA.



A small country called Gabon with large oil exports moves to top spot. South Africa stays second and Nigeria with its large population moves down the ranks

Table 7

PER CAPITA: OECD COUNTRIES AND SOUTH AFRICA.

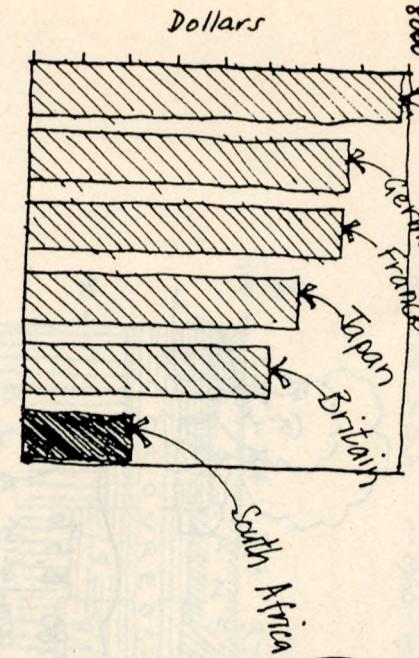


Table 8

PER CAPITA: SOCIALIST COUNTRIES AND SOUTH AFRICA.

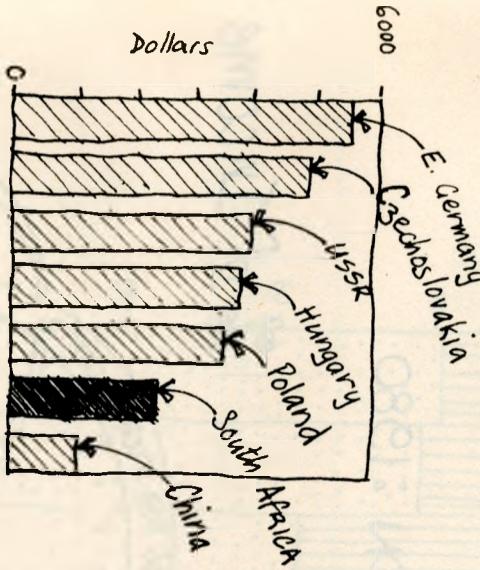


Table 9

PER CAPITA: NIC COUNTRIES AND SOUTH AFRICA.

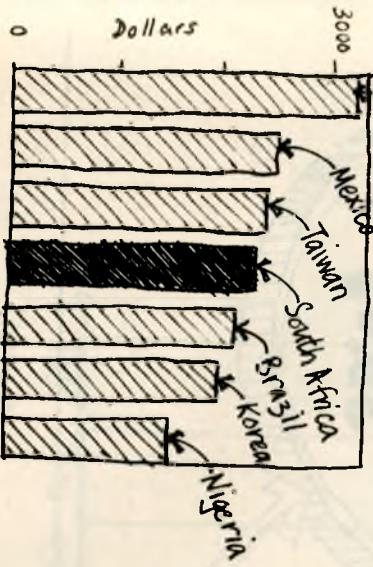


Table 10

It is interesting how these NIC's have similar per capita figures. In fact on closer examination they have similar structural problems. The NIC's are very often larger economies than European capitalist countries but they also have very large populations.

The high per capita figures for these socialist countries is interesting. Apart from the USSR and China they do not have the natural wealth of South Africa. Yet despite massive war destruction they have higher per capita incomes than South Africa. China with its very large population falls below South Africa.

The advantage of being imperial powers shows here. There is much greater wealth available per person in the OECD countries. This allows higher standards of living.

The Distribution of Wealth in South Africa

We have seen both the production and per capita figures above. However these alone do not give a complete picture. For example, the per capita figures do not explain how the wealth and income in any country are divided between the people of that country. In particular, they do not explain how the wealth of the country is divided between the various social classes*. In capitalist countries, a small number of people control and own a vast part of the wealth, while the great majority share the rest. And in South Africa, this inequality is made even worse because of the way in which wealth is also divided racially.



In 1980 15,5% of the population earned 61% of the income of the country

RACIAL INCOME DISTRIBUTION : 1980

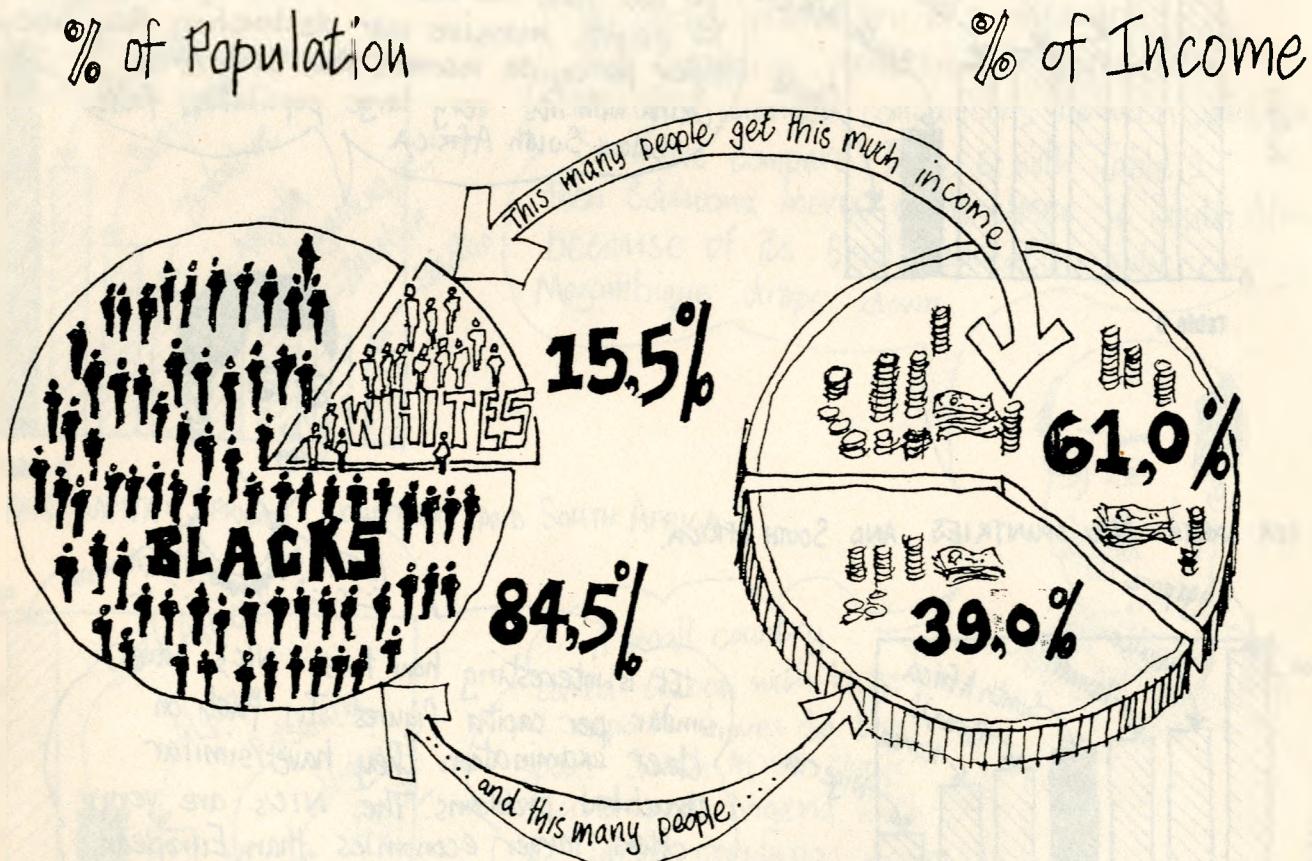


Table 11

SHARE OF THE RESPECTIVE POPULATION GROUPS IN THE PERSONAL INCOME OF THE R.S.A — 1960 — 1985

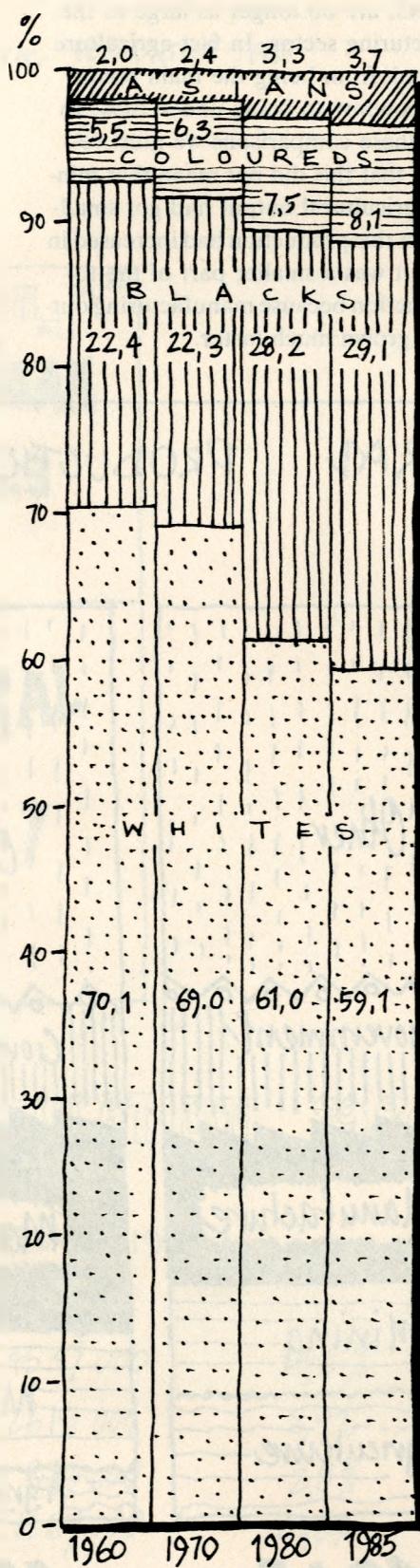
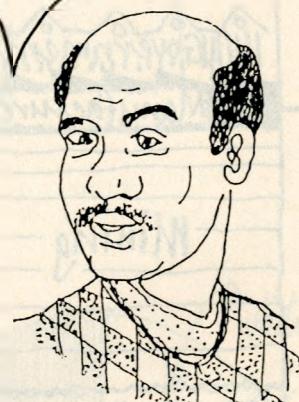


Table 12

In 1970 a study found that whites earned 71.2% of total income and blacks 28%. Considering that whites were about 20% of the population the disproportion is very clear. Other studies indicate that between 1960 and 1985 there has been a change with a greater proportion of income going to blacks. The greatest change took place between 1960 and 1970. However this process is now clearly slowing down. But the disparity in the proportion of income going to whites and blacks remains very large.

The 1970 study showed that within the white population, 20% owned 82% of the wealth; for Indians, 20% owned 99.4% and for Coloureds, 20% owned 99.9%. We have no estimate for the African population. Wealth includes the ownership of houses, land, stock exchange shares etc. The one thing that is quite clear is the massive difference between whites and all other races.

Even within the different population groups there is great inequality. A study in 1970 found that in the white population, 20% owned 82% of the wealth.



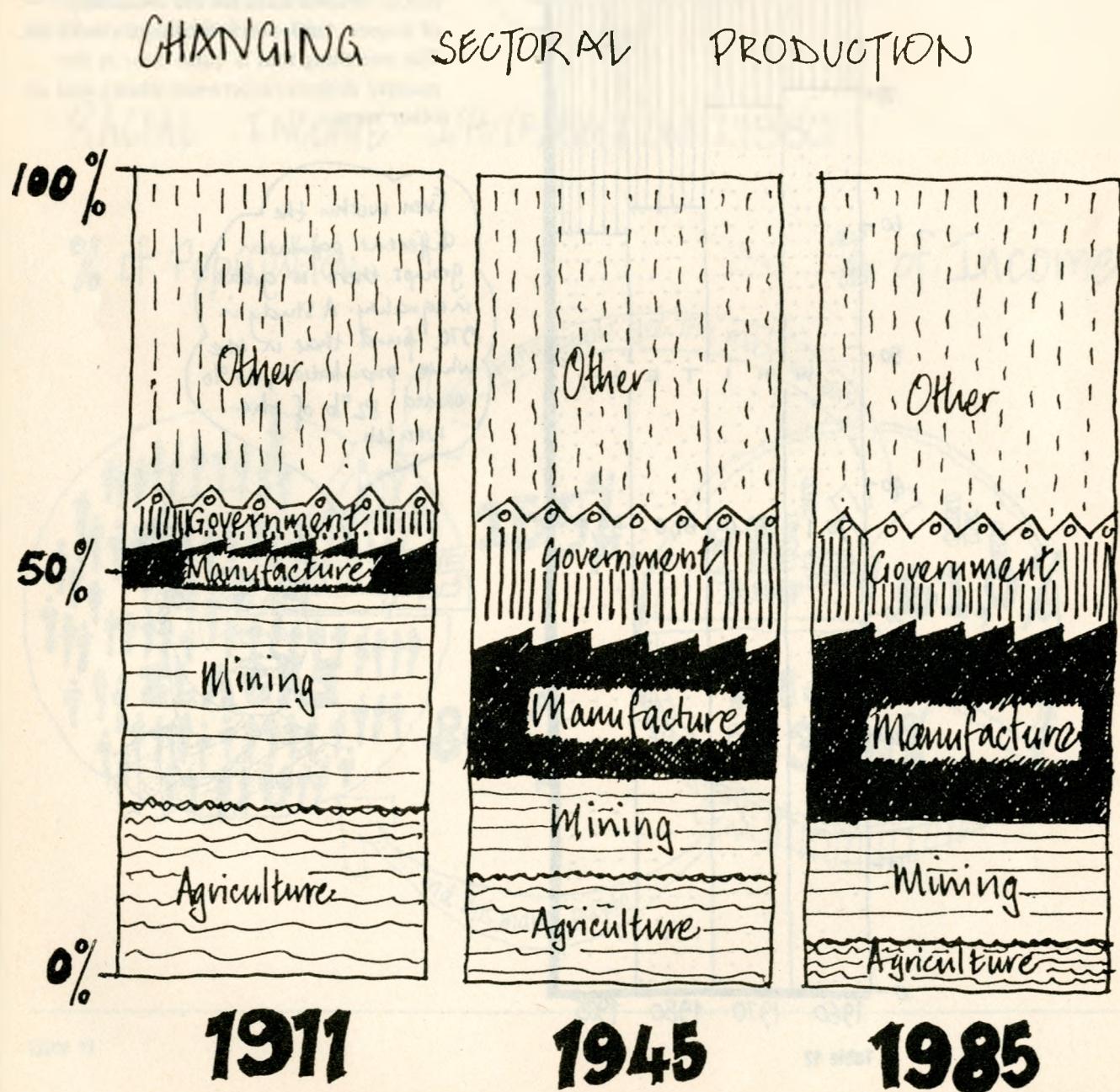
The Composition of G.D.P.

We have seen how the GDP is measured in each country and how per capita figures are calculated. We have also seen that these do not show how wealth is distributed. Now we must try and understand the various sectors in the economy whose production goes into making up the GDP. Large scale capitalist production started with the mining of diamonds and then gold. Even today, mining is a very large part of our total production. However, other sectors have developed and now manufacturing is the largest sec-

tor.

The following charts will show how production is distributed in the various sectors of the economy. As we will see mining and agriculture, which were the most important sectors of the economy until 1943, are no longer as large as the manufacturing sector. In fact agriculture has shrunk from being the main sector of the economy to being under 10%. In making these comparisons we must remember that this did not mean that mining or agricultural output had got smaller. In fact this production had increased in size but it was a smaller part of the total production because manufacturing output had grown much faster.

Table 13

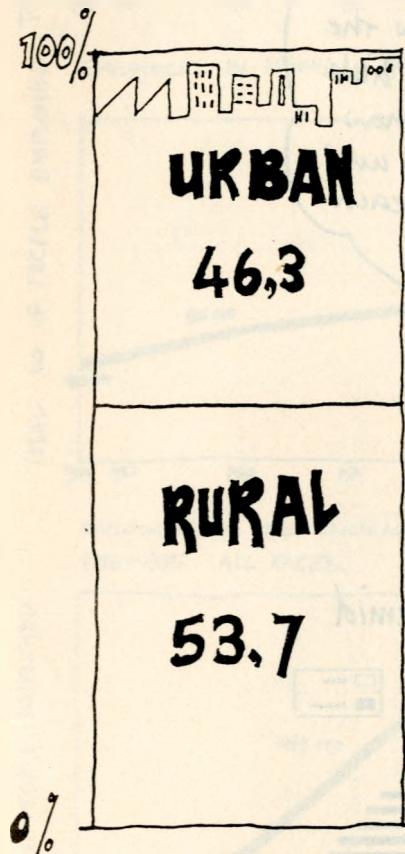


Population

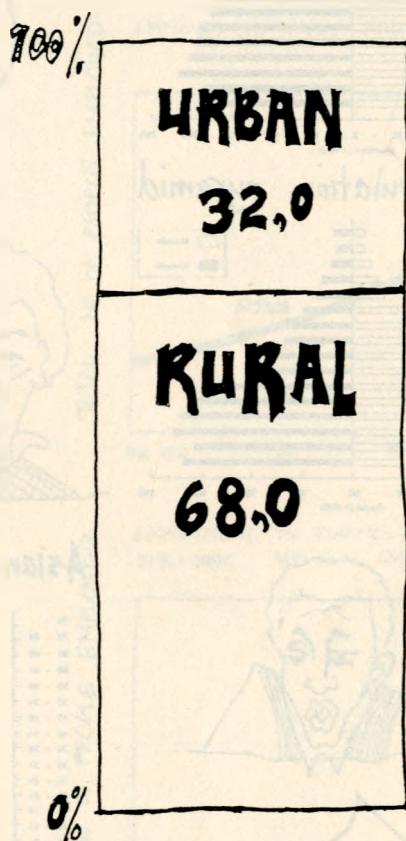
In South Africa, people living in the urban areas make up a large part of the population. Those in rural areas, live mainly in the so-called homelands.

Table 14

URBAN AND RURAL POPULATION : 1980
All RACES



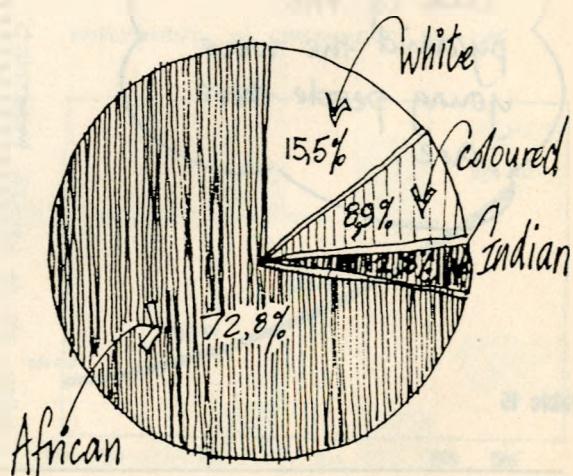
URBAN AND RURAL POPULATION : 1980
AFRICANS



TOTAL POPULATION 1980

TOTAL POPULATION : 1980

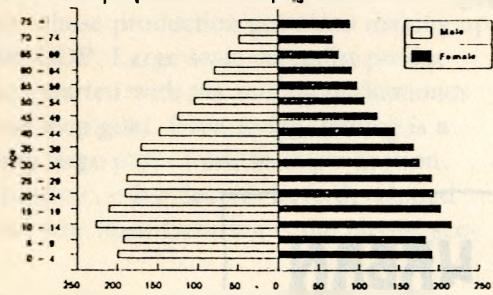
White	4537 000	15,5 %
Coloured	2619 000	8,9 %
Indian	824 000	2,8 %
African	21367 000	72,8 %
Total	29365 000	100 %



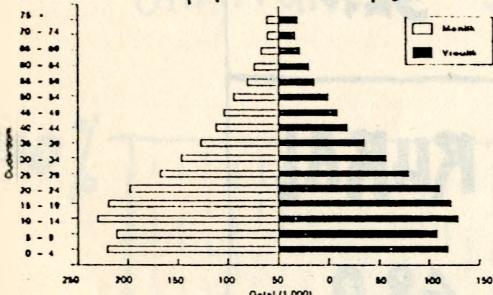
A further feature of our population is that there are many young people, as can be seen by the large number who are 19 years and under. This is especially true for the black population.

POPULATION PYRAMID

White population pyramid



Coloured population pyramid



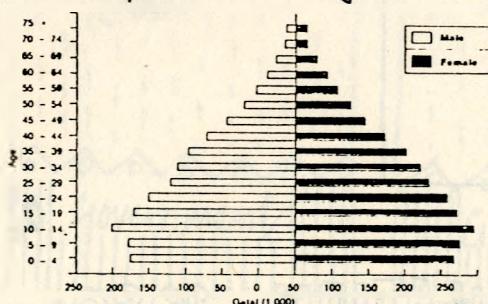
The wider the base of the pyramid the more young people there are.

Such a young population has significant effects on the political economy. Firstly, it means there is a growing demand each year for new jobs. Secondly, there is a growing demand for schools, universities, child care centres and housing. Thirdly, there are important political effects in having a very high number of unemployed youth.

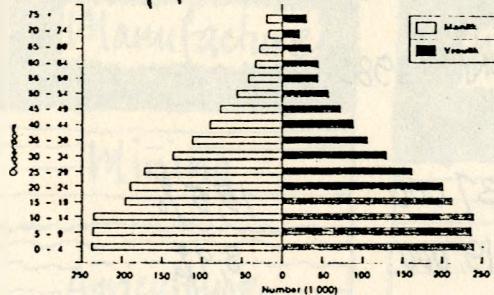
These pyramid drawings show the following: Each little block shows how many males and females in each group



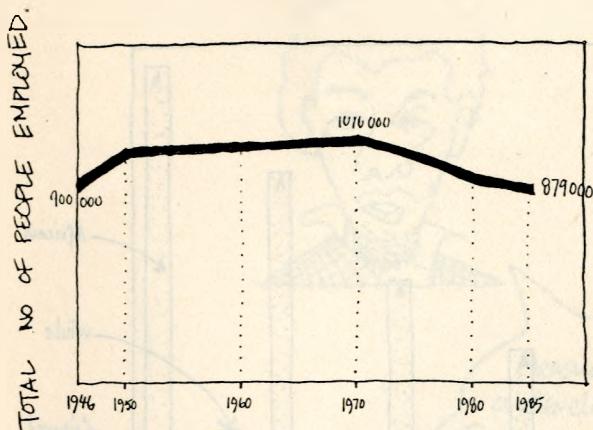
Asian population pyramid



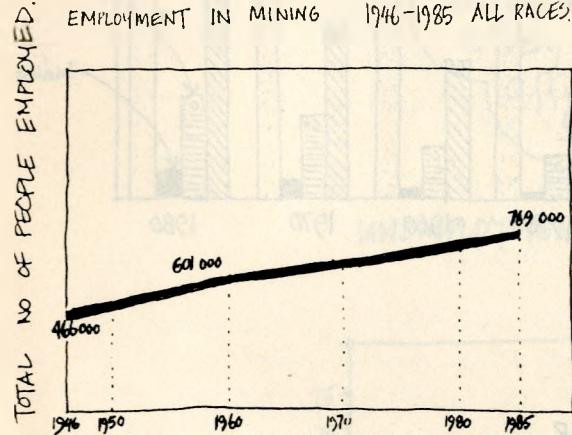
Black population pyramid



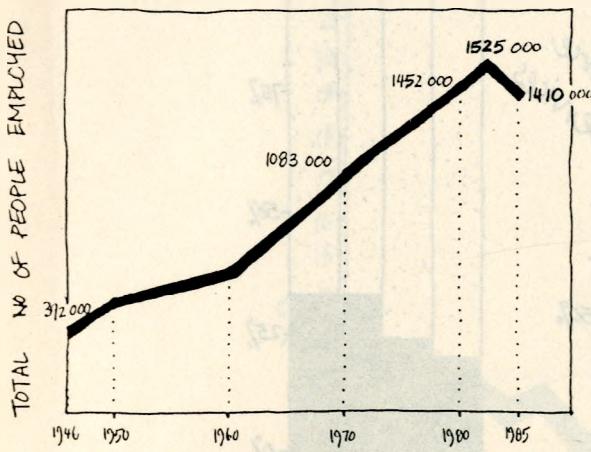
EMPLOYMENT IN AGRICULTURE 1946-1985 ALL RACES. Table 16



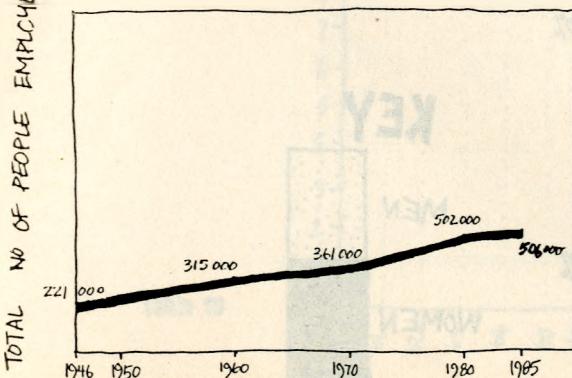
EMPLOYMENT IN MINING 1946-1985 ALL RACES.



EMPLOYMENT IN THE MANUFACTURING SECTOR 1946-1985 ALL RACES.



EMPLOYMENT IN TRANSPORT 1946-1985



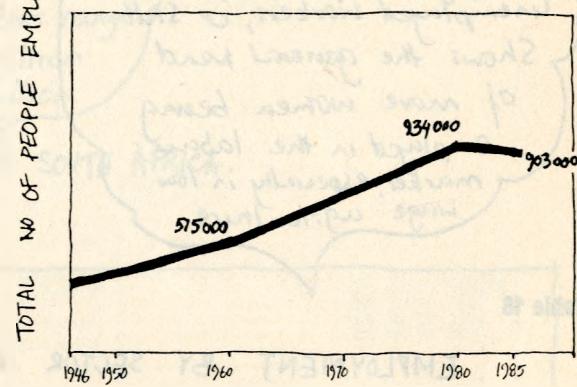
Employment

South Africa has a large working class employed in the various sectors of the economy. As the economy has developed manufacturing has become the most important sector of employment.

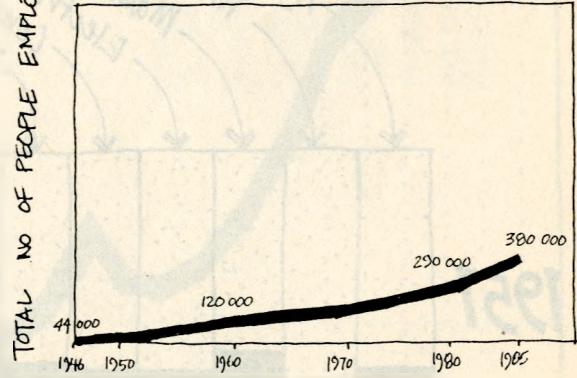
The only sectors in which employment continues to grow are government and finance and insurance.



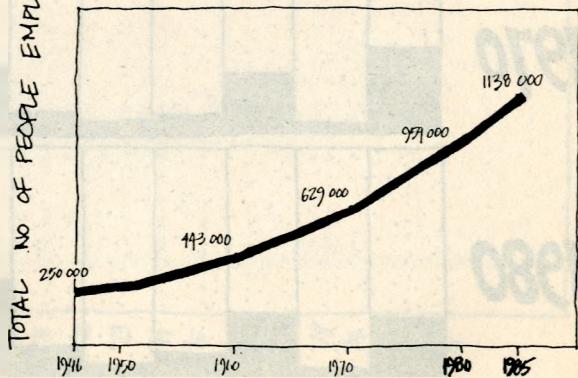
EMPLOYED IN TRADE AND CATERING 1946-1985



EMPLOYMENT IN FINANCIAL, INSURANCE AND REAL ESTATE 1946-1985



EMPLOYMENT IN GOVERNMENT 1946-1985



The racial composition of employment has also changed over the years. Black workers have become the dominant group in industrial employment. Women have also become a very important part of the wage labour force. However, although this has made women more independent and more important in union and political organisations, it is clear that they still work mostly in low wage jobs and experience greater exploitation and job insecurity than most men.

Although the chart below is calculated using total figures of employed and unemployed workers, it still shows the general trend of more women being employed in the labour market, especially in low wage agriculture

RACIAL EMPLOYMENT 1946-1980

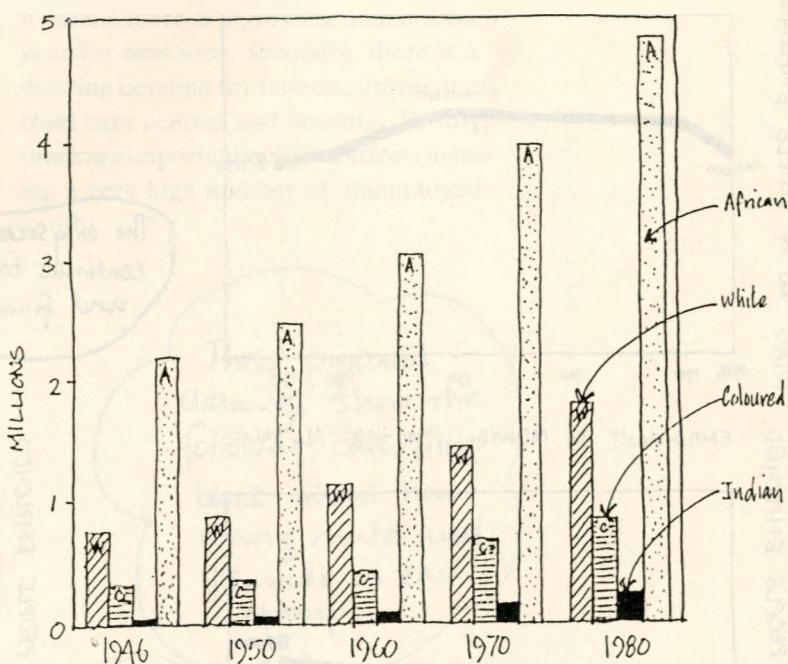
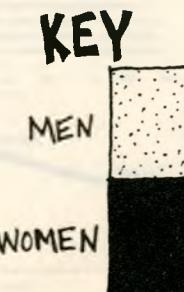
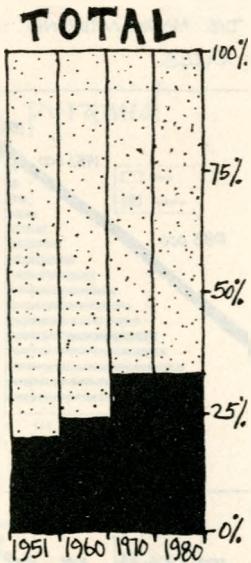
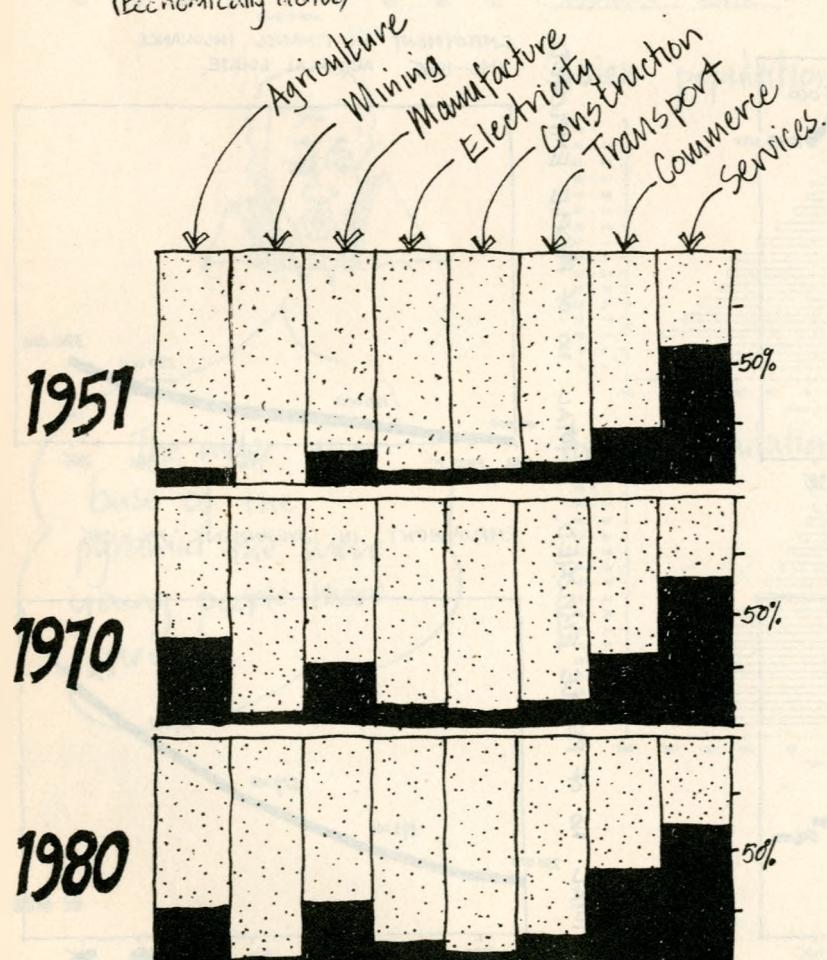


Table 17

Table 18

EMPLOYMENT BY SECTOR AND GENDER
(Economically active)





Measuring unemployment in a developing country is difficult. In apartheid South Africa it is very difficult. In 1987 Official estimates range between 1½ million and 3 million

UNEMPLOYMENT RATE IN SOUTH AFRICA.

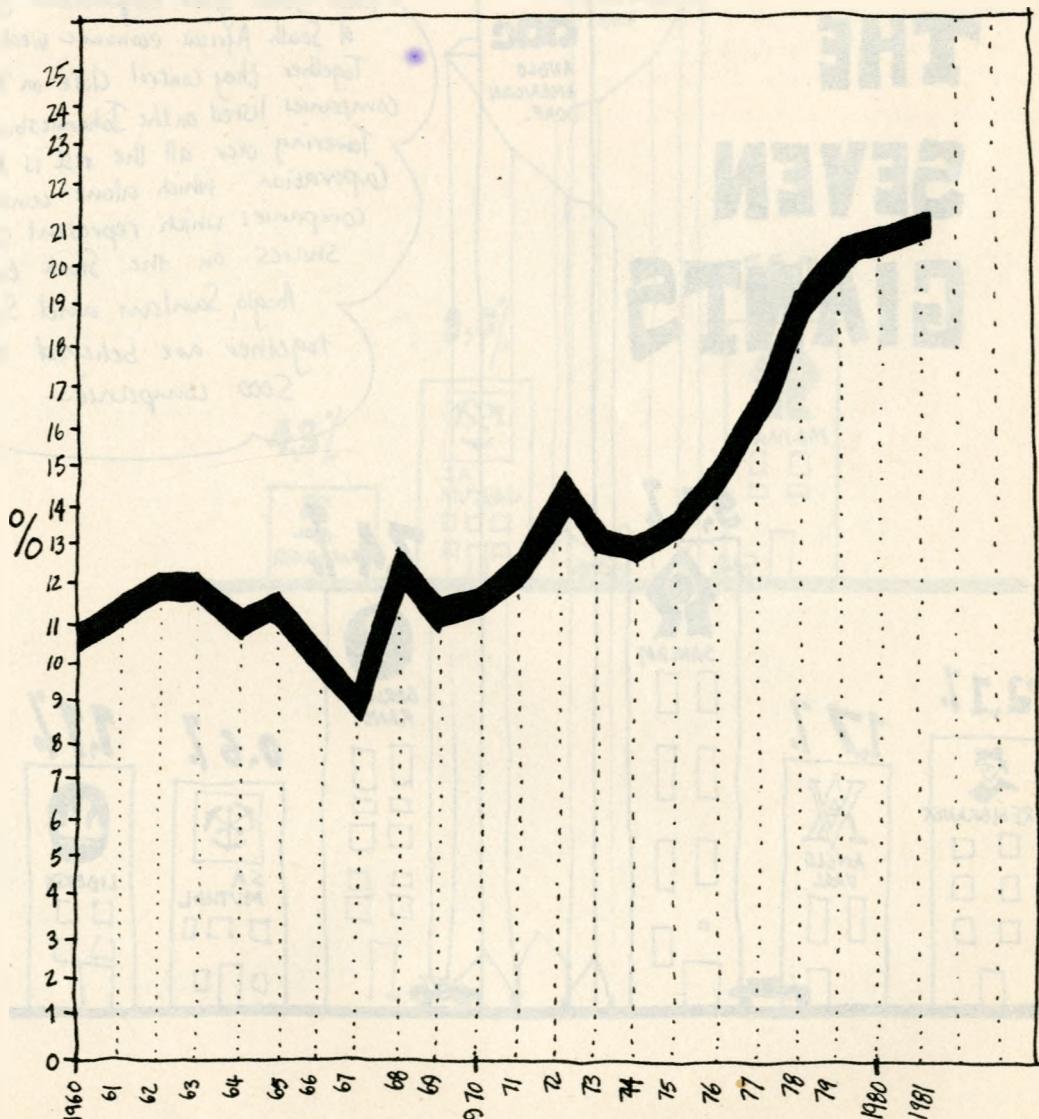


Table 19

However, the real problem in South Africa now, is that of unemployment. The number of jobs available is far fewer than the number of people seeking and needing employment in wage labour. Worse still, is the fact that in the last few years the number of wage paying jobs available has fallen. Finally, many of those who have a job are paid less than a reasonable living wage.

Monopolies in industry

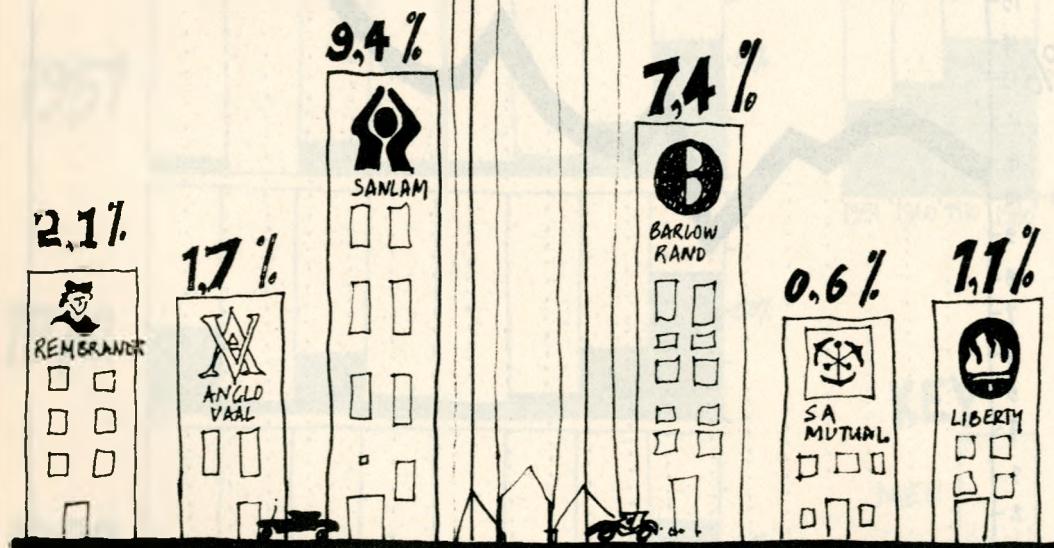
Free enterprise is meant to be a system where many companies compete with each other. We are told that it is this competition that makes free enterprise such an efficient system. But, in reality, South Africa is a land of giant monopolies, which quite clearly dominate the economy and its production.

Table 20

J.S.E. CONTROL — 1983



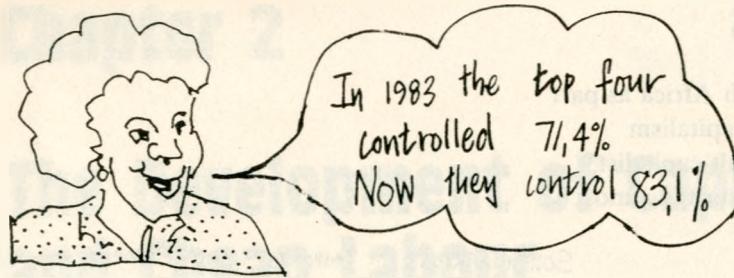
THE SEVEN GIANTS



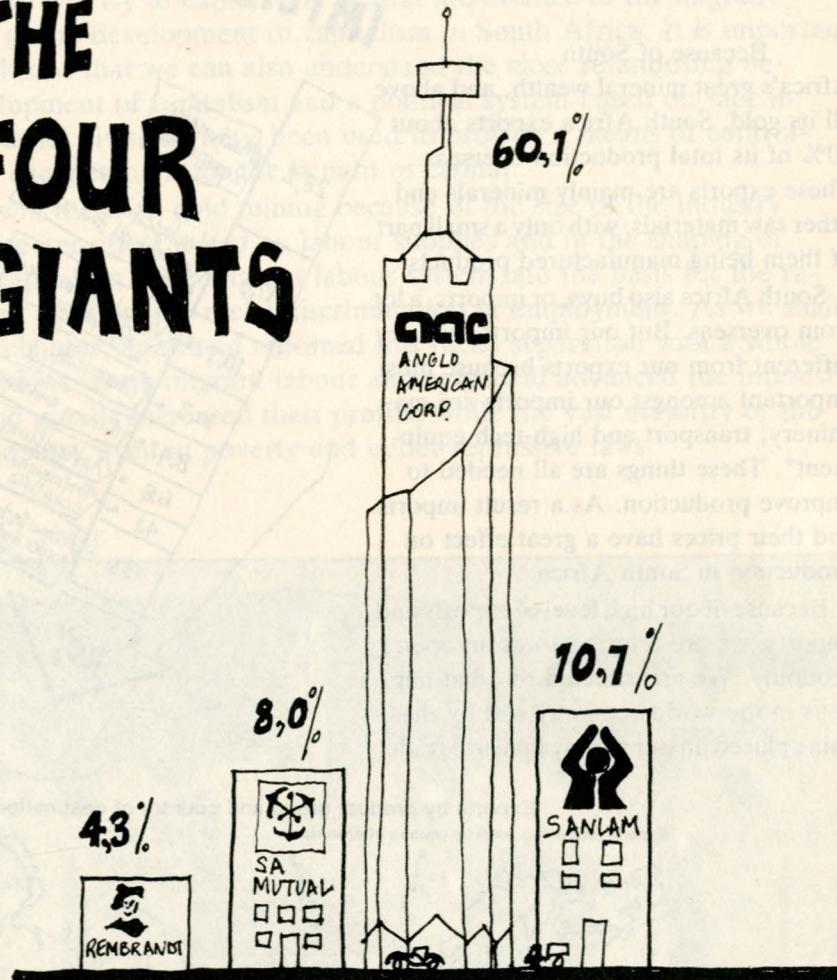
These seven giant corporations control nearly all of South Africa's economic wealth.

Together they control close on 72% of all the companies listed on the Johannesburg Stock Exchange. Towering over all the rest is Anglo American Corporation which alone controls a string of companies which represent 52.5% of the shares on the Stock Exchange.

Anglo, Sanlam and SA Mutual together are believed to control 500 companies.



THE FOUR GIANTS



Exports/Imports

Capitalism opened up South Africa as part of the world expansion of capitalism and imperialism*. As a result capitalist production in South Africa started almost entirely for export.

SOUTH AFRICA'S IMPORTS AND EXPORTS - 1985

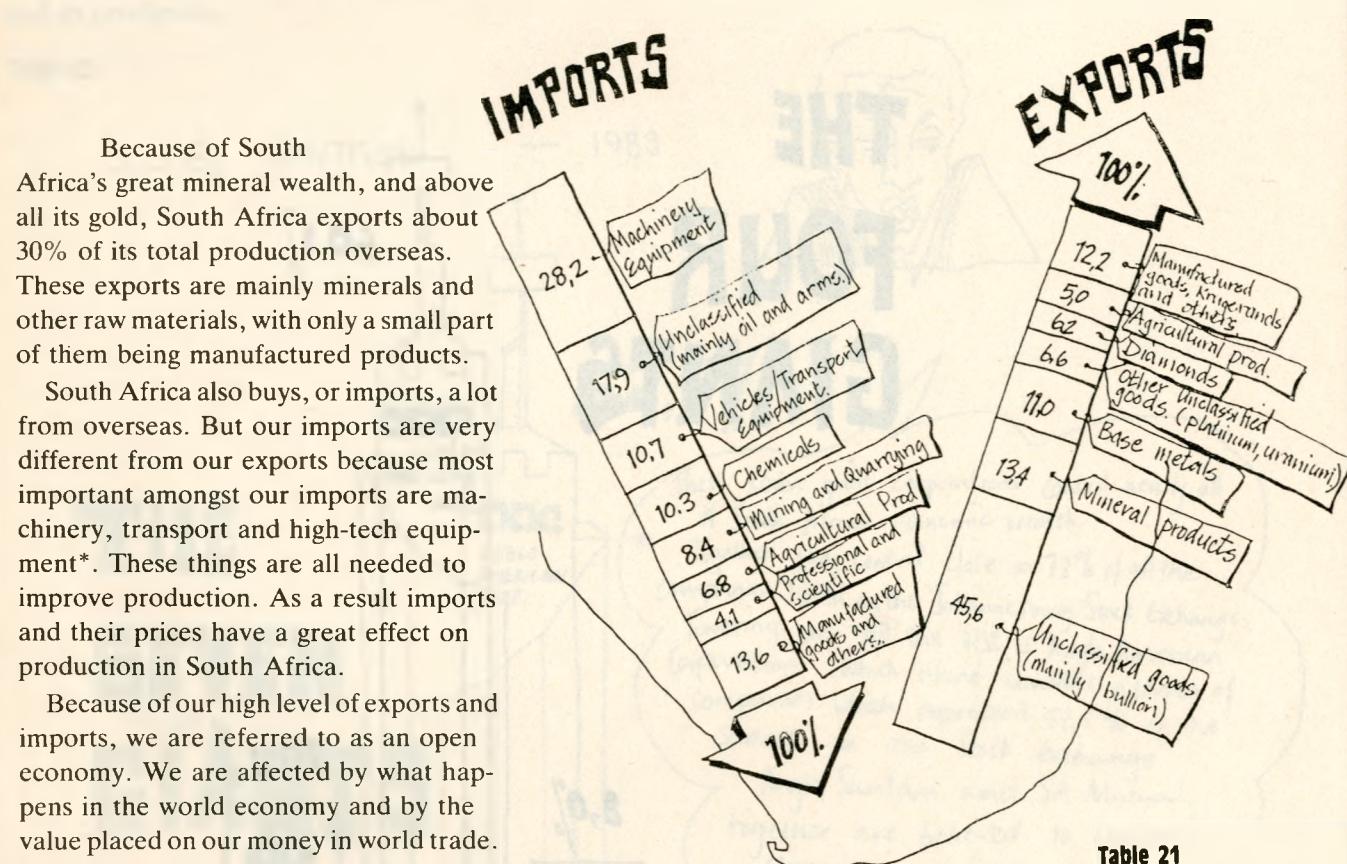


Table 21

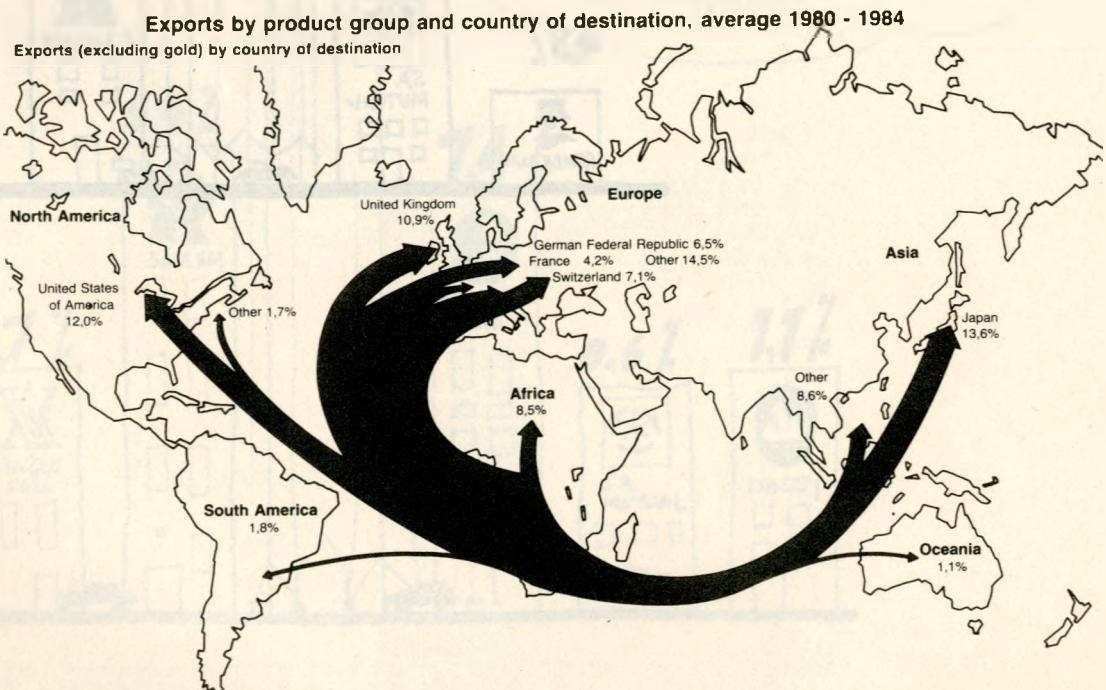


Table 22

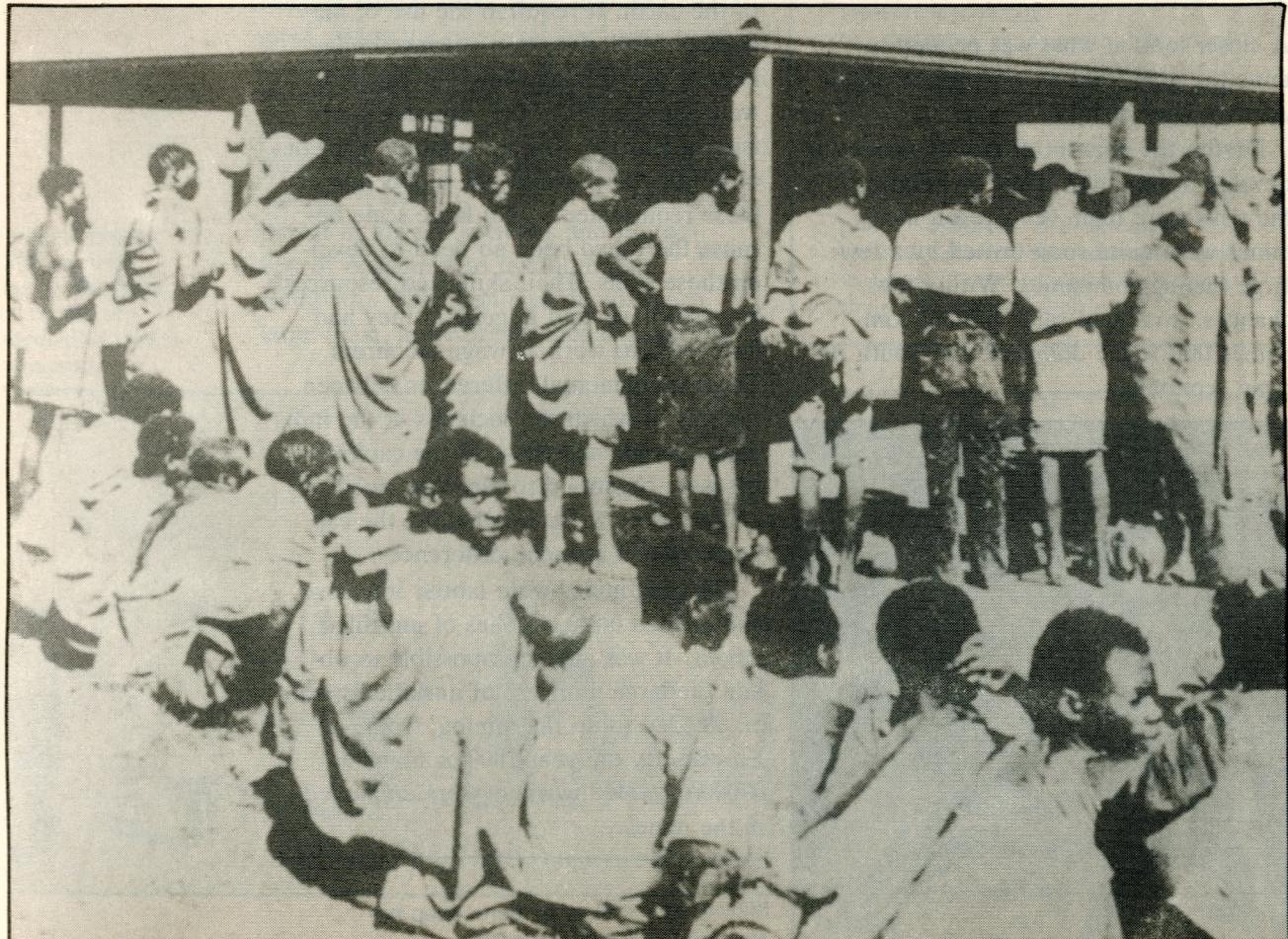
Chapter 2

The Development of Capitalism and Cheap Labour

In this chapter we will try to explain the central importance of the migrant labour system* to the development of capitalism in South Africa. It is important to understand this so that we can also understand the close relationship between the development of capitalism and a political system based on race in South Africa. Racial divisions have been used to provide a means of controlling labour and cheapening it for the benefit of capital.

The chapter will focus on gold mining because of the size of the industry and the much greater effect it had on labour supplies and in the shaping of South African capitalism. The migrant labour system laid the basis for the racial separation of housing and racial discrimination in employment. As we shall see in the next chapter, apartheid enforced this racial separation with a whole system of racial laws. Both migrant labour and apartheid advanced the interests of capitalists and greatly increased their profits, while the vast majority of the people of the country lived in poverty and under repressive laws.

Young men being recruited for their first job - 1906



Migrant labour — a cheap labour system

Gold mining

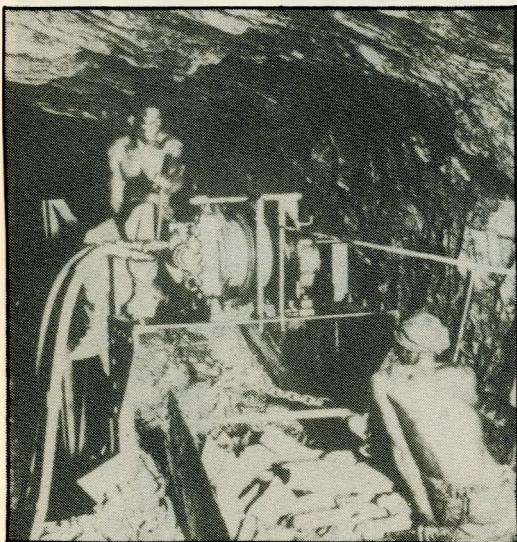
South Africa's economic growth has depended on its rich raw materials and on a plentiful supply of cheap black labour. The gold mines were at the centre of this system.

The year 1886 does not mark the discovery of gold in South Africa. The black people of Southern Africa had long mined, used and traded gold. However, gold on the Witwatersrand was exceptional in the quantities of gold that existed. But this gold was embedded in other rock which had to be mined, crushed and chemically treated to recover the vast amounts of gold lying hidden below the Highveld. It was only international capital* that had the power to acquire and coordinate the money, machinery and labour that was needed to mine the gold.

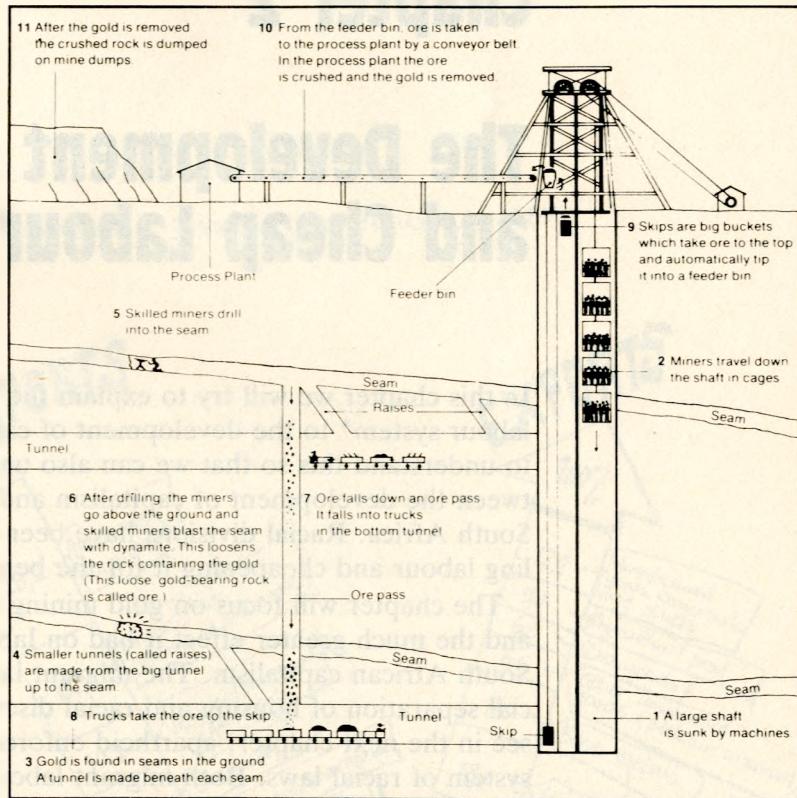
Needs of the gold mines

A closer look at what was needed to mine the gold, tells us a lot about South Africa's later history.

Firstly, the amount of money needed to develop a mine was large. In addition, the risks were high. As a result most mines were quite soon owned by a few large mining companies. With a few changes, it is these same mining companies that today dominate the South African economy.



How Gold is Mined



Secondly, within a few years the mining had to be done deep below the surface of the earth. It required the use of machinery, explosives and advanced engineering and mining skills. All of these were supplied from the capitalist countries of Europe. The indigenous* societies of South Africa could not supply any of these requirements on a large scale because there had been no need to develop those skills. Their skills and resources* lay elsewhere, and in general they had little need to work as wage labourers. These fundamental differences between the way in which the societies of the indigenous people and those of the capitalists were organised to meet the needs of people, were to be widened by the capitalist system as racial differences.

The gold mines were labour intensive and needed large supplies of unskilled labour. It was almost impossible to obtain the large numbers of unskilled workers needed to do the mining, from Europe. By the year 1899 as many as 97000 unskilled workers were employed in the mines.

Mining soon had to be done deep below the surface of the earth

The main concern of the gold mining capitalists was to mine gold at a profit. The gold would be sold overseas at a fixed price to be used as international money and for other purposes. To do this the mining capitalists needed a large supply of cheap labour. They quickly organised themselves into a labour recruiting organisation which then proceeded to lower wages and lobby the government to pass labour control legislation.

The basic purpose of the legislation was to ensure that blacks entered the towns to supply their labour. The migrant labour system cheapened the cost of labour because it enabled capitalists to ignore the needs of workers' families. The owners of the gold mines paid a very low money wage to the workers since they expected workers' families to be provided for from the land on which they were forced to stay by pass laws, influx control and anti-squatting Acts. This system was also used by other capitalists.

Defeat of african societies

Workers were forced to work for wages because money taxes were imposed on them. Since the pre-capitalist* society of the african peoples was not based on money, this forced workers into wage labour. However, to impose taxes, requires the ability to collect taxes. The system, therefore, required the military defeat of african societies and the defeat of resistance to taxation. The Bambatha Rebellion was the last such large-scale, armed resistance to taxation.

Young migrants, 1905, on their way to the Rand, led by the employee of a recruiting agency

The Role of the Chiefs in Recruiting



The chiefs had to play a double role in industrial times.

On the one hand, they were the traditional protector of their people. On the other hand, they were subjects of the state and could not afford to 'make trouble', otherwise they could be deposed. Many chiefs were also in the pay of WNLA as recruiting officers.

The chief's traditional influence over his people was very useful to the mines. For example, if a chief ordered a whole age group to go to the mines, it was very difficult for an individual to refuse.

On the other hand, some chiefs tried to protect the mine labourers. In 1930 one WNLA agent reported that: 'the Angoni chiefs (in Mozambique) say that they can readily send 35 000 men to work in the Transvaal only if: food is more plentifully supplied; "brothers" are not separated; they are under the supervision of someone they trust, who knows them, their language and their ways.'



To make sure that these taxes were paid by labour, and not through the sale of agricultural products, a range of discriminatory measures were taken against black farmers and in favour of white farmers. In any event, blacks were restricted to a small part of the land in the country as a whole and no roads, railways or dams were built on this land, except when needed by the ruling classes.

Control over black farmers

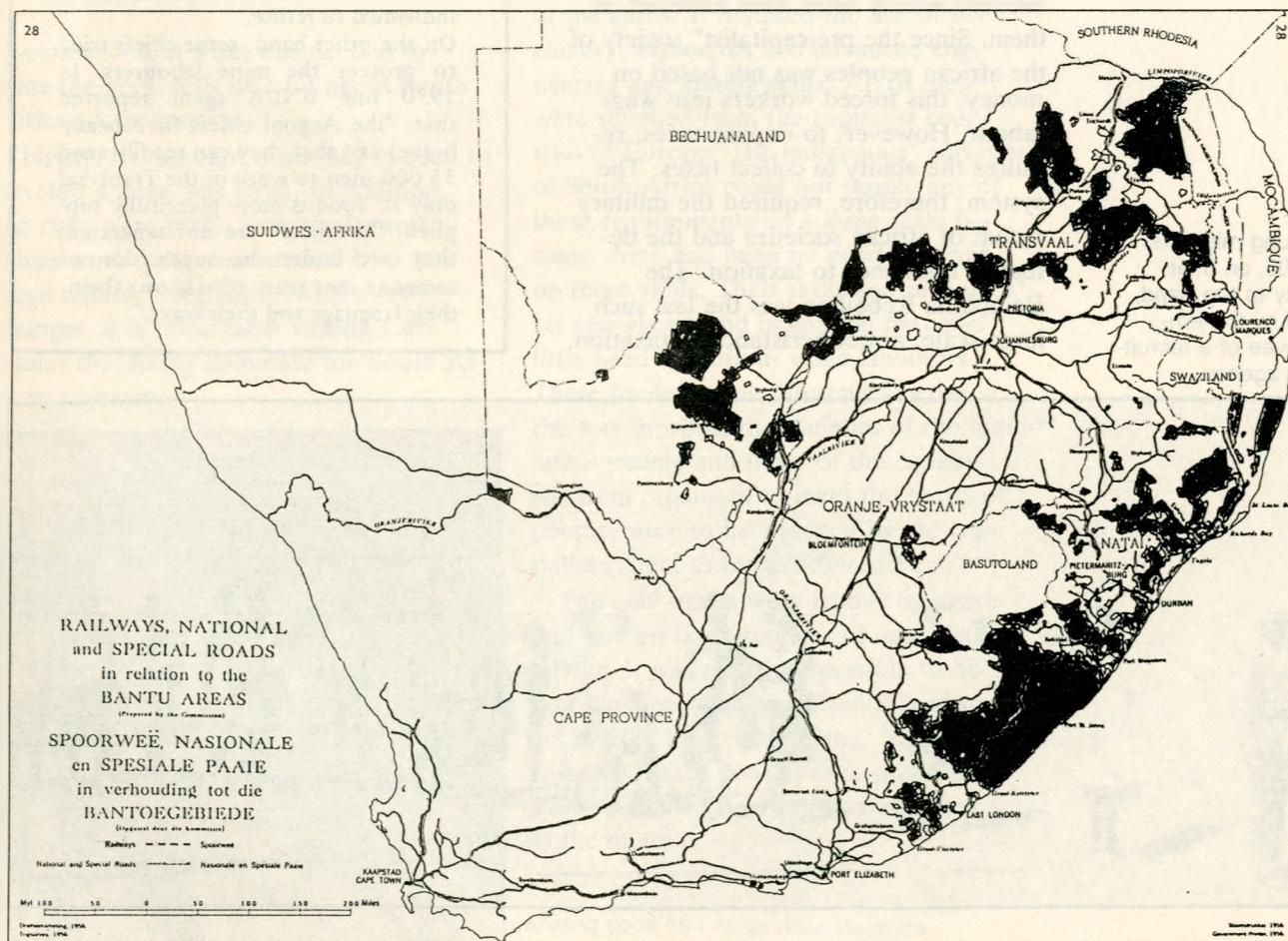
Furthermore market-directed or cash crop agriculture needs money for credit in bad years. Money is also needed to purchase better agricultural machinery, equipment and fertiliser produced by industry. Black farmers in the reserves were denied this credit, whereas white farmers were actively assisted on a large scale. The very low money wages earned in the gold mines were insufficient to purchase this equipment.

To produce and market an agricultural surplus needs good roads, railways, irrigation, electricity, grain storage

facilities and market places. These things are seldom built by capitalists. They are usually built by the State or with State assistance. In the reserves, the State did nothing to assist their development. This lack of infrastructure* was a serious disadvantage for the reserve areas. It meant that even if agricultural production did rise in the reserves, it was too difficult and therefore costly, to get it to city markets. In addition because there were no dams for irrigation, agricultural and livestock production depended entirely upon rainfall conditions which could fluctuate widely.

Taken together these factors meant that as population rose in these reduced land areas it was difficult for production to increase at the same rate. Poverty began to increase. In these circumstances those who were a little better off to begin with, became wealthier while the poor became poorer. Land and cattle began to concentrate in the hands of fewer and fewer people in the reserve areas. The position of those who had to depend on wages from migrant workers deteriorated.

Although this map shows the network of roads and railways in 1955, nothing much has changed since then. Bantustans still have minimal infrastructure.



Political opposition

The migrant labour system could not be brought into being overnight. There was political resistance to the controls required by this system. Black political opposition grew rapidly at the time of the formation of the Union of South Africa in 1910 which further reduced black political rights. The 1913 Land Act gave rise to a great deal of anger. Just before that Act was passed, the South African Native Congress had been formed in 1912. It

was an organisation which organised opposition across tribal lines. As the ANC, this became the oldest liberation movement in Africa.

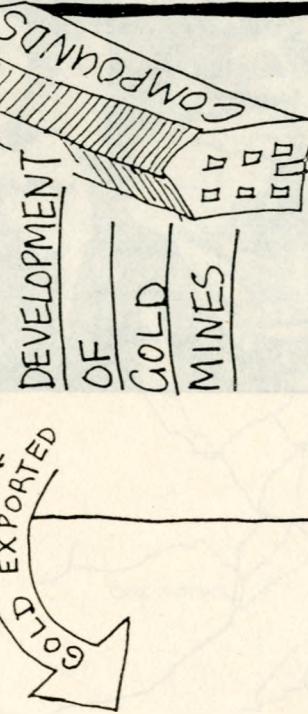
But despite the resistance to the new controls, the migrant labour system was implemented as a powerful system of control over labour. But it was not without its difficulties. The continuation of the system of migrant labour gave rise to many problems in the reserves. This led to the mass movement of people into the towns which gave rise to economic and political problems in the urban areas.



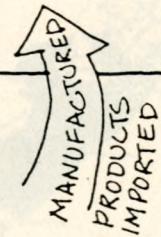
Members of the SANC, the forerunner of the ANC, 1918

THE MIGRANT LABOUR SYSTEM.

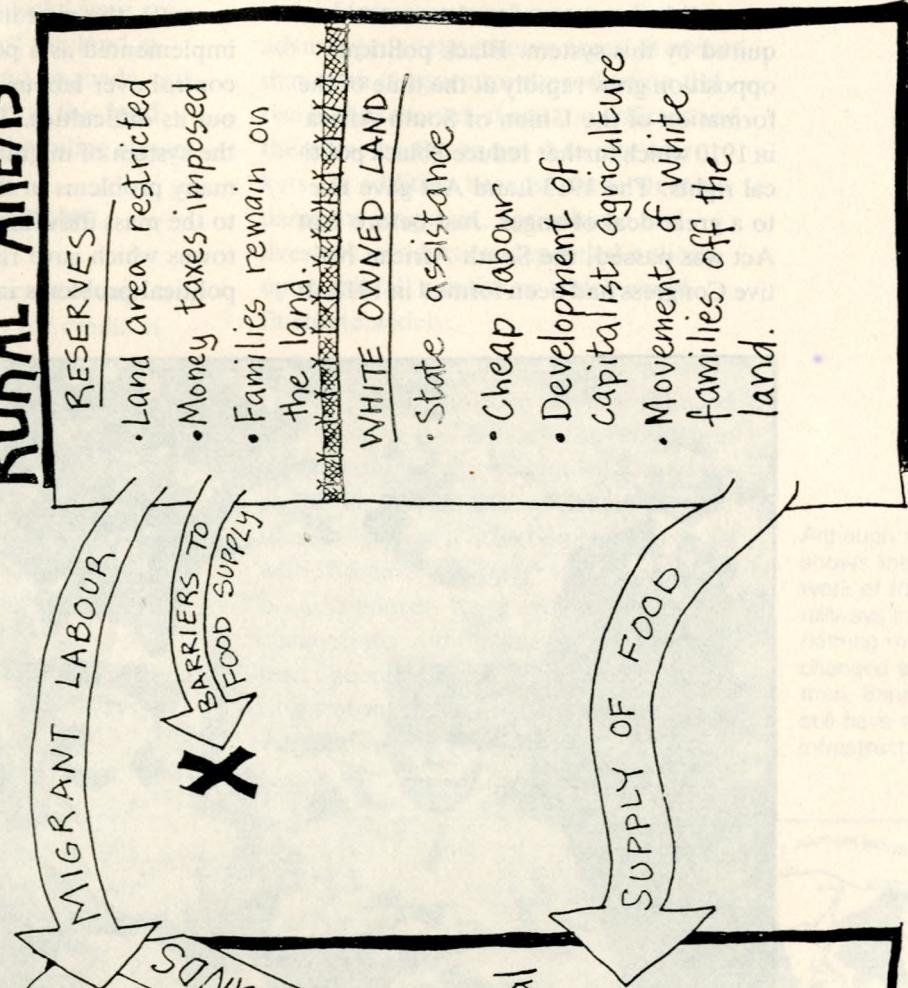
URBAN AREAS



- Inflow of international capital
- Inflow of skilled workers
- Need for cheap labour



RURAL AREAS



- Land area restricted
- Money taxes imposed
- Families remain on the land.
- State assistance
- Cheap labour
- Development of capitalist agriculture
- Movement of white families off the land.

Chapter 3

Capitalism, apartheid and cheap labour

In this chapter we will look at the effect of two developments in the political economy. The first was the growth of the manufacturing sector which meant that many more workers were required and different skills were needed. The second was the movement of people into the urban areas resulting from the decline in production in the reserves which we looked at in the last chapter. These changes in the political economy had a direct effect on the cheap labour system and gave rise to the Apartheid State. Apartheid and the cheap labour system are therefore closely related. In many respects apartheid is an extension of the migrant labour structures.

The development of capitalism caused major changes within white agriculture. Of particular importance was the growth of large scale capitalist farming. The State used parastatals* to develop the infrastructure that was necessary in achieving the high rates of economic growth that resulted from apartheid policies.

Workers at a sweetmaking factory - East London, 1930's

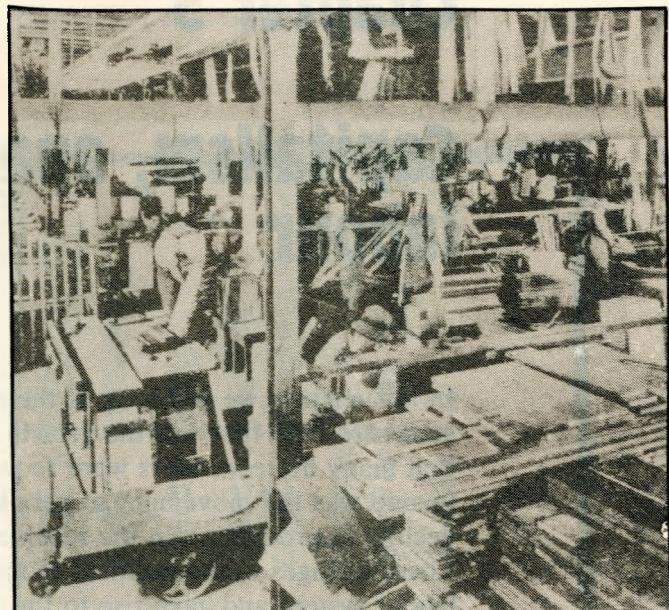


Growth of manufacturing

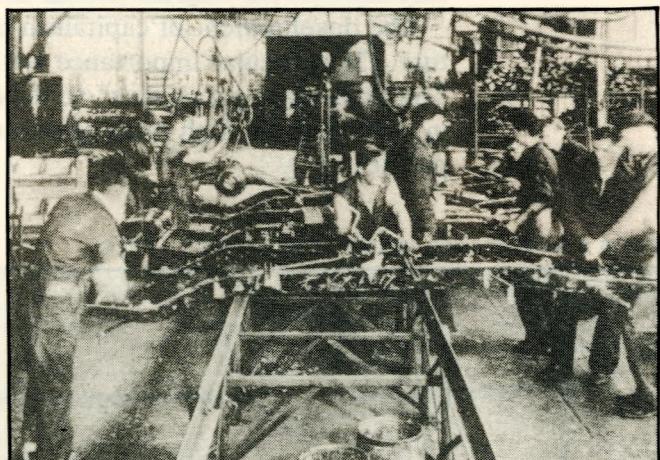
Capitalist production started in South Africa mainly for the export of raw materials, of which gold was the major export. These exports made it possible to import manufactured products from the capitalist economies of Europe. These imports were cheaper than could be produced locally. This pattern of exports and imports fitted in with the trade patterns of imperialism* as it developed. The very low money wages paid to black workers were also an obstacle to the development of local manufacturing industry in South Africa.

This economic structure became an increasing problem politically since large numbers of whites were being forced off the land by capitalist agriculture. These people needed industrial jobs. Here the State had to intervene to protect and develop local manufacturing industry against competition from foreign manufacturers.

These policies strengthened white nationalism in South Africa. In addition, the Second World War isolated the South African economy and forced it to develop its own industrial capacity. This process also had to ensure that the economy became more diversified. Therefore a different kind of labour force would have to be developed. In particular, it would have to ensure that there were sufficient numbers of semi-skilled and even large numbers of skilled operatives. For this reason, these workers would have to be more permanently based in the cities. The



Furniture factory - 1927



Workers assembling motor chassis at General Motors in 1935

migrant labour system which had served the gold mines well, was now inadequate to the requirements of a changing economy.

Women workers at a textile factory



ICU POEM

**We are building up a union
With which we hope to save the land
I.C.U. are its initials,
In its ranks we take our stand.**

**We shall show by workmen's councils
How to banish sweated ills
How to raise the blackman's status
How to conquer strife that kills:**

**Union means an all-in movement
None outside to scab upon us;
With folded arms we'll stand like statues
Sing our songs but make no rumpus.**

**That is how we'll win our battles
Make good our claims to rights;
We have no other weapon left for us
Brains not Bombs shall win our fight.**

**Forward then in one big union
All in which we're organised
Solid phalanx undivided,
No more shall we be despised.**

**I.C.U spells workers only;
I.C.U. — fraternity
I.C.U. means liberation;
I.C.U. — "Labour holds the key."**

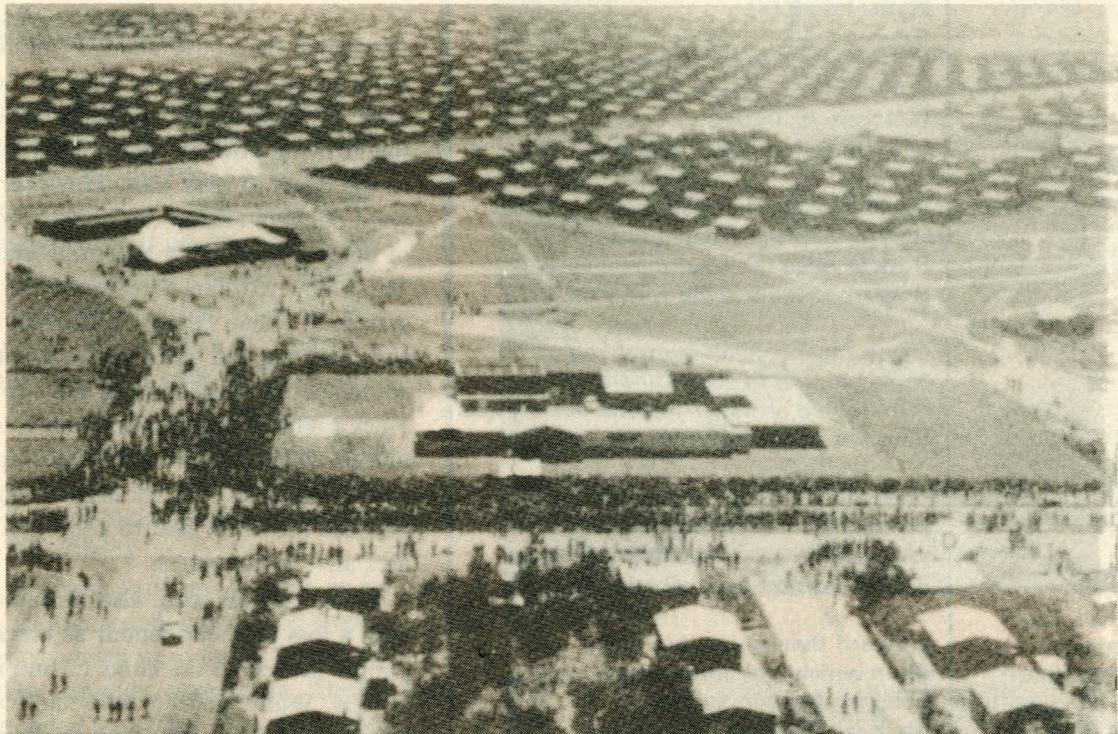
Even before the 1920's, white workers had used race to protect themselves. Here they protest against the scrapping of race discrimination laws with a banner saying "Workers of the World Unite and Fight for a white South Africa".

Urbanisation

Alongside the above changes, more and more black people were leaving the reserve areas with their families because of the growing poverty there. They moved to the cities to seek jobs. However, there were dangers arising out of this process of black urbanisation and industrialisation. These new workers threatened the very system of cheap labour. Industrial capitalists could see the cities growing and could see the possibility of the rise of black political organisation and trade unions which would force wages up. Black workers had to fight for higher wages because they now had to keep their families alive in the cities.

White farmers were also threatened with a loss of cheap labour as black people moved to the cities to find industrial jobs. White workers who had mostly been supporters of the Labour Party, began to grow nervous about their privileged position. The racial policies of the Afrikaner Nationalists who had been trying to win the support of white workers, now seemed to offer them protection of their privileged position.





The National Party evolved its policy of Apartheid from when it came to power in 1948. This policy of rigid racial controls throughout the society was their answer to the developments in the political economy. Under this system the South African economy was able, for the next 20 years, to grow more rapidly than any other capitalist country in similar circumstances. The strength of the Apartheid State also saw a massive inflow of foreign capital especially in the 1960s.

The Apartheid State

To effectively implement the policies of Apartheid, the ruling classes, represented by the power of the Nationalist Party, had to develop and shape the Apartheid State. The Apartheid State rapidly affected every part of people's lives, including even their sexual relations. It demanded and won loyal and determined administrators to carry out the job of ruling. The National Party set about building the apartheid regime* by placing its own supporters and members in control of the civil service, police, army and the courts.

The State had to develop a whole range of new administrative departments based on its racial laws. In addition, new bantustan administrations had to be formed.

Naturally, the very repressiveness of the state has always given rise to resistance from the oppressed. Faced by growing resistance, the state has mainly reacted by violently suppressing that resistance since accommodation and reform would have undermined the whole apartheid structure.

As a result the apartheid system has grown into a monstrous system of controls over every facet of the lives of the people in this country. And these controls are best seen and understood if one understands the system of apartheid in all its many ugly parts. In this booklet we cannot do that. We cannot, for example, deal with how it shapes the ideas of the oppressed through the media and through the education system. In the main we are looking at the economic and political effects of the system of apartheid on the oppressed. At the same time, we want also to understand some of the problems which apartheid is faced with, so that it becomes clear that apartheid is not here to stay forever.

People march to the Sharpeville police station on March 21, 1960 to protest against passes. Shortly thereafter 67 protesters were shot dead by police.

So we can see that the strong political controls based on racism and tribalism have developed out of the fundamental need of capitalism to ensure a large supply of labour, as well as its control and allocation to where it is most required. It is this need which has given rise to the political and social injustices of apartheid.

In one way it is clear to the oppressed that the main economic effect of apartheid is the poverty they live even though South Africa is a land of great natural wealth. But, that does not mean that the many economic effects of apartheid are clearly and fully understood. They are carefully hidden by our education system and by the media.

MIGRANT'S LAMENT - A SONG

If I have wronged you
Lord forgive me
All my cattle were dead
My goats and sheep were dead
And
I did not know what to do
Oh Creator forgive me
If I had done wrong to you
My children: out of school
Out of uniforms and books
My wife and I were naked - naked...
Short of clothing

If I have wronged you
Lord forgive me
I went to WENELA
To get recruited for the mines
I went to SILO
To work at sugarcane
Oh creator forgive me
If I had done wrong to you
But they chased me away
They needed those with experience
With long service tickets and no one more

If I have wronged you
Lord
Forgive me
I left my wife and children
To look for work alone
I had to find a job
Oh Creator forgive me
If I had done wrong to you
I was despairing in Egoli
After months searching for this job
And when I found one
I lost it
For I didn't have a 'SPECIAL'

If I have wronged you Lord
Forgive me
I found a casual job
I felt that my children would be happy
With my earnings
Oh how happy I was!
Oh creator forgive me
If I had done wrong to you
Yes, as my children were happy
And as I was working
The blackjacks arrived to arrest me
So again I lost my job

If I have wronged you Lord
Forgive me
When out of jail I searched again -
Another casual job, happy again
The boss was happy too
And he gave me a letter
To fetch a permit from back home
Oh creator forgive me
If I had done wrong to you
But the clerk said: "I can't see the paper"
And added "You must go in peace my man"
So I had to buy him beer, meat and brandy
For him to "learn" to read my piece of paper

If I have wronged you Lord
Forgive me
I was working again
But I realised so far for nothing
Oh creator forgive me
If I had done wrong to you
So I joined the union to fight my boss
For I realised: there was no other way Lord
But to fight with the employer
There was no other way
Now go trouble maker go.

A.T. Qabula

The Political Economy of Apartheid

What we need to understand is how the apartheid policies dealt with the changes in the political economy that we examined above. Apartheid policies were directed at the supply, control and allocation of labour and the cost of this labour to capitalists.

Supply, control and allocation of labour

Influx control became a much more organised and rigorous system because of the needs of developing capitalism. The Labour Bureau system was introduced. It was a powerful extension of the earlier recruiting system used mainly for mine labour. Influx controls also came to apply to women, although this was strongly resisted at first. In effect a very detailed system was developed, with the aim of using the administration boards and magistrates in rural areas to control as much of the labour supply to the cities as possible. However, there was now an important new need. The development of manufacturing in different parts of the country required an efficient allocation of labour in addition to its control. People with skills had to be allocated to the right places. Also the ruling classes could not allow people to move freely into any city they chose. Such free movement could cause labour competition between areas. The higher wages offered in certain areas could cause an increased supply to that area and a corresponding shortage elsewhere.

The Labour Bureau system attempted to control the jobs and the area to which a worker could go. Of course the system was not totally efficient and there were many complaints from capitalists who always wanted more and better systems. However, no other capitalist country has been able to develop such a system of control and allocation.

A crucial question faced by capitalism was the cost of labour. We need to examine the direct and indirect costs to Capital and the State of such a large scale movement of people into cities.

Economic effects of urbanisation

The size of a modern city and the technology that goes with it impose certain economic costs. Economic resources that could be used to further increase the private profits of capitalists, have to be diverted to meet the social needs that are generated by a large city.

Some examples will make this clearer. Let us take roads. A modern city has a heavy flow of traffic. To carry such a flow requires tarred roads. Without these, traffic would come to a standstill every time it rained and when it was dry, the dust would be unbearable.

Heating and cooking is another example. The size of a modern city requires a clean form of energy, namely electricity. Anyone who doesn't understand, need only look at Soweto in winter, to see what happens when dirty energy such as coal is used. Such smog and fumes are unhealthy and they interfere with modern electrical technology and machinery.

Sewerage systems are another example. The large volumes of sewerage that have to be moved, make it more and more expensive to do this by road. It is easier to do this through a piped sewerage system. Septic tanks are not an entirely satisfactory answer in a city because

they take up space and are not as efficient as a piped system. In any event, there is a real health hazard arising from both a poor sewerage and drainage system.

Such basic needs require the expenditure of money. Because the construction of such infrastructure is so large a project, and because it has to be shared socially, it is usually some form of government (central, provincial or local) that builds and maintains such an infrastructure. To finance and build this infrastructure means that the governments financial resources have to be diverted from other uses. Taxation and loans to government are used to finance such construction.

The movement of people into the cities had to be carefully controlled because if that were not done, it would cause serious financial pressures on the capitalist state. This cost would have affected the ability of the state to assist the development of the infrastructure (physical and financial etc.) which was so important to capitalism. In addition, such concentrations of people deprived of the vote and of facilities would lead to a serious and dangerous situation. This was a real danger and it became clear in the rising political militancy of the 1950's.

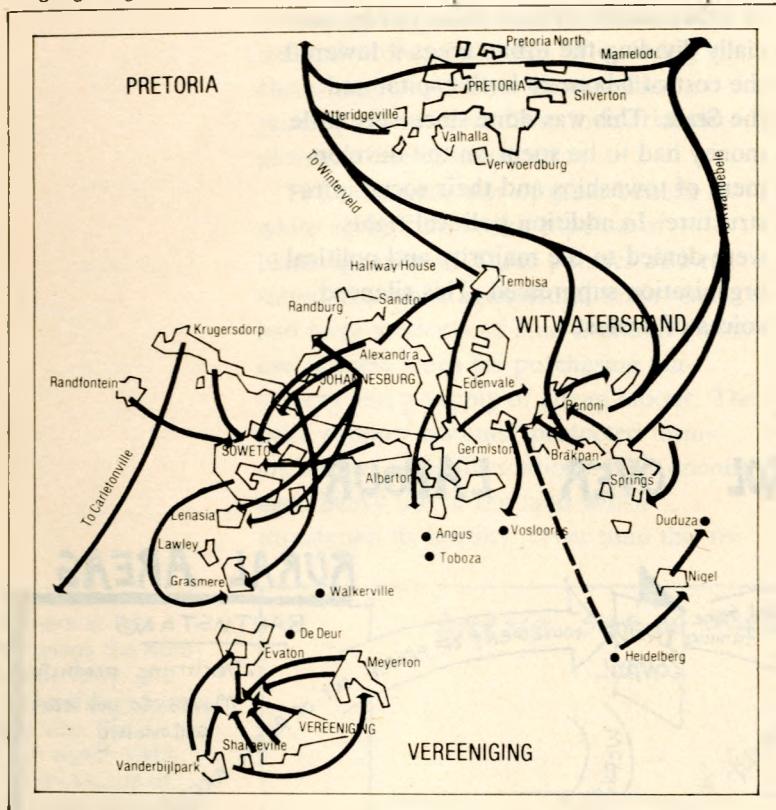
Edenvale shanty township before its removal to Thembisa



Apartheid cities

It was these pressures arising from urbanisation and industrialisation which capital and the Apartheid State had to come to grips with. The National Party government began to address this problem by the passing of various urban areas laws (including the Group Areas Act).

Segregating the Cities



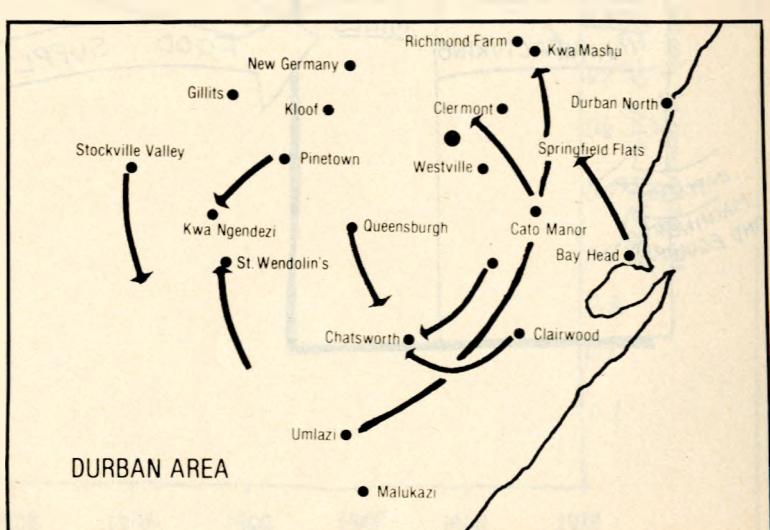
The movements of people shown in these two urban areas show just how significantly residential areas were rearranged by apartheid. Regrettably these were not the only areas affected - there were many more.

Actually many people came here to KwaMashu (from Cato Manor) but many of them were not very quick to adjust themselves to this life....Because there were so many laws to deal with now, in a somebody's four-roomed....They said, "Ugh, life here! Because there is somebody who is on our shoulders. It shows that this is not your land, this is not your house, you never paid a thing over it, you just pay rent."

The laws segregated the urban areas into the white cities and the black townships. These townships were cheap compared to what would have had to be spent on proper cities. Roads were not tarred, electricity was not supplied, sewerage systems were primitive, no recreation other than beer halls was provided and education and health expenditure was kept to a minimum. The beer halls were used to help finance the townships and to make them profitable. People were not allowed to brew their own beer or to purchase "white" liquor.

It took some years to implement these laws in the urban areas. People were physically removed from areas and their old houses destroyed. Millions of people were subject to the horror of forced removal. There was resistance and great bitterness. The National Party realised that the destruction of established and united communities also helped break up political organisation.

New security laws were introduced and the police force and the army strengthened. Resistance, however, continued and grew throughout the 1950s under a more radical leadership of the Congress Alliance* and of some smaller organisations. In 1960 the state banned and jailed thousands of people and then banned the ANC and PAC.



Unions and education

Almost as soon as the National Party was elected to government in 1948, the State turned its attention to workers and their unions. They passed laws aimed at "bleeding the unions dry". By 1956, laws had been passed which divided union membership on racial lines and made organising along non-racial lines almost impossible.

The Bantu Education system was put into effect. It grew from the need to create and to mould a working class which was equipped only with the basic skills necessary for production. And it was also an education system which was meant to reinforce the ideas of tribal difference, racism and division. The education system, in other words, became central to the struggle for the minds of the oppressed.

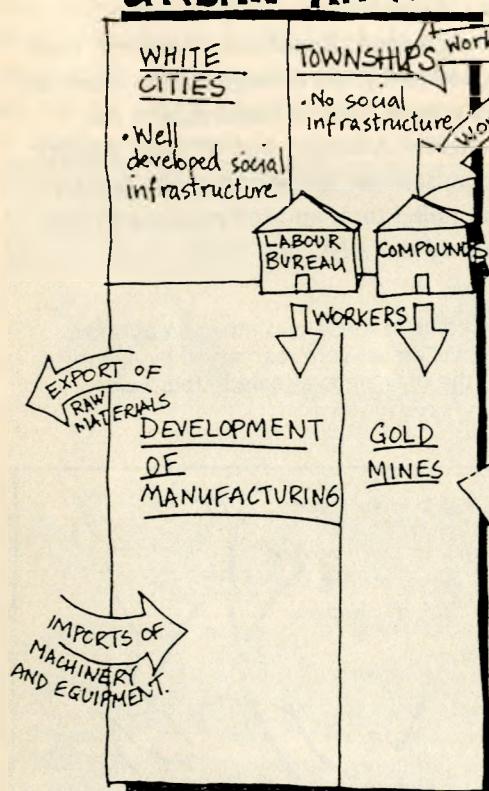
Private schools, church schools, missions and universities were elite and conservative in their structures but they provided a form of liberal education. However they were attacked with racist legislation as they threatened the total dominance of Bantu Education.

Cheap labour

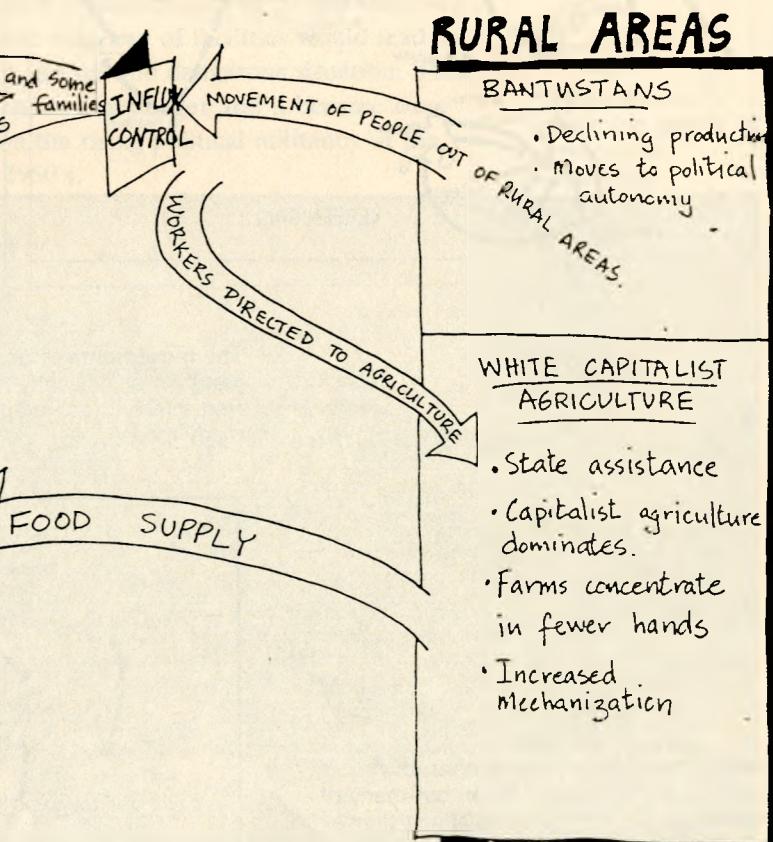
What apartheid did was to allow a process of urbanisation to take place but by racially dividing the urban areas it lowered the cost of labour to both capital and the State. This was done since very little money had to be spent on the development of townships and their social infrastructure. In addition political rights were denied to the majority and political organisation suppressed. This silenced voices of protest.

APARTHEIDS CONTROL OVER LABOUR

URBAN AREAS



RURAL AREAS



Development of Capitalist Agriculture

White farmers had long been assisted by the State in developing the productive capacity of the land. The main forms of assistance were low interest loans and credit provided by the Land Bank and the development in the 1930's of the Agricultural Marketing Boards to stabilise agricultural prices. Apartheid policies assisted white agriculture by ensuring a cheap supply of labour despite the growing competition from industrial employment in the urban areas.

This assistance was of great benefit to white agriculture at the expense of black agriculture. These policies also resulted in a white agricultural sector that had large amounts of land available to it, low interest loans for purchasing machinery and a supply of cheap labour. The price support systems* protected farmers against price fluctuations. This encouraged heavy use of the land which threatened its fertility. Over time this re-

Assistance to white farmers at first increases the number of farms and reduces their average size. But from about 1948, the pressures of capitalist agriculture reduce the number of farms and increase their average size.

Subsidies to white agriculture

Between 1910-1936

- white farmers received R224 M in State subsidies
- black farmers received R1,25 M.

quired increased use of fertilisers and more and more advanced farming techniques. This in itself gave rise to a growing concentration of land into the hands of more effective capitalist farmers. To compete amongst themselves, they developed even more advanced techniques and used more machinery. Increasingly agriculture became an area of large-scale capitalist production. Smaller farmers experienced serious economic problems and generally the sector provided less employment than before.

Agricultural control boards

1. Banana Board	12. Lucerne Seed Board
2. Canning Fruit Board	13. Maize Board
3. Chicory Board	14. Meat Board
4. Citrus Board	15. Mohair Board
5. Cotton Board	16. Oilseeds Board
6. Dairy Board	17. Potato Board
7. Deciduous Fruit Board	18. Rooibos Tea Board
8. Dry Bean Board	19. Tobacco Board
9. Dried Fruit Board	20. Wheat Board
10. Egg Board	21. Wool Board
11. Karakul Board	

AVERAGE SIZE OF FARMS & NUMBER OF FARMING UNITS.

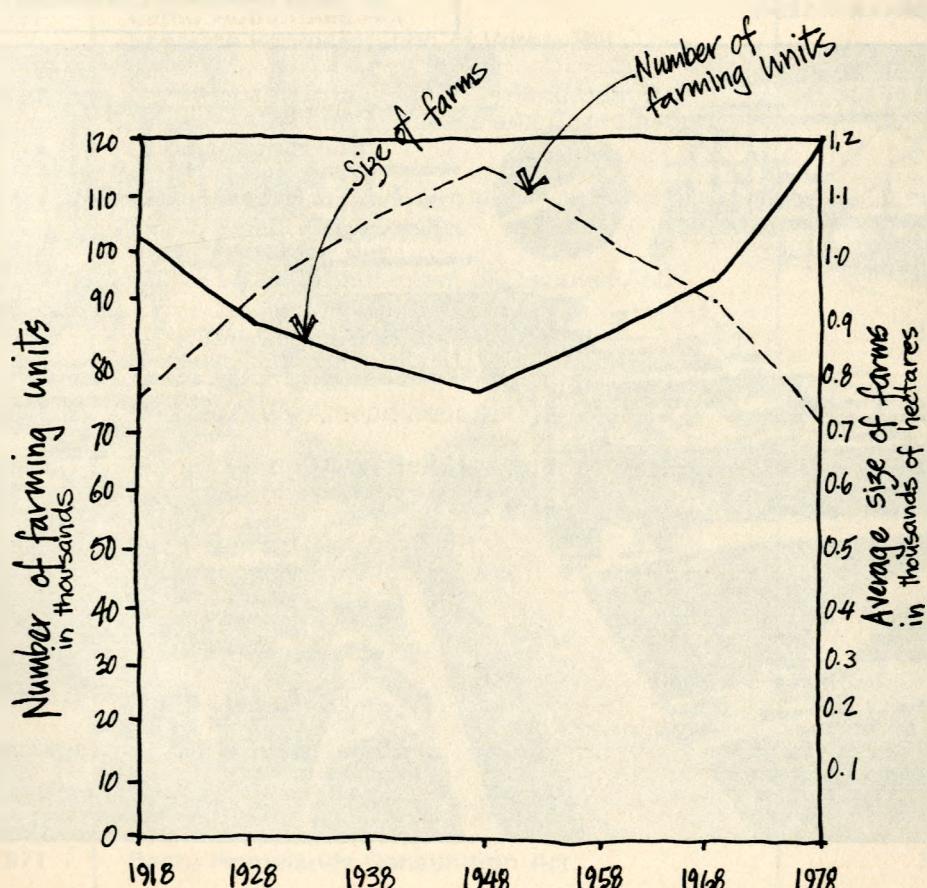


Table 23

Parastatals

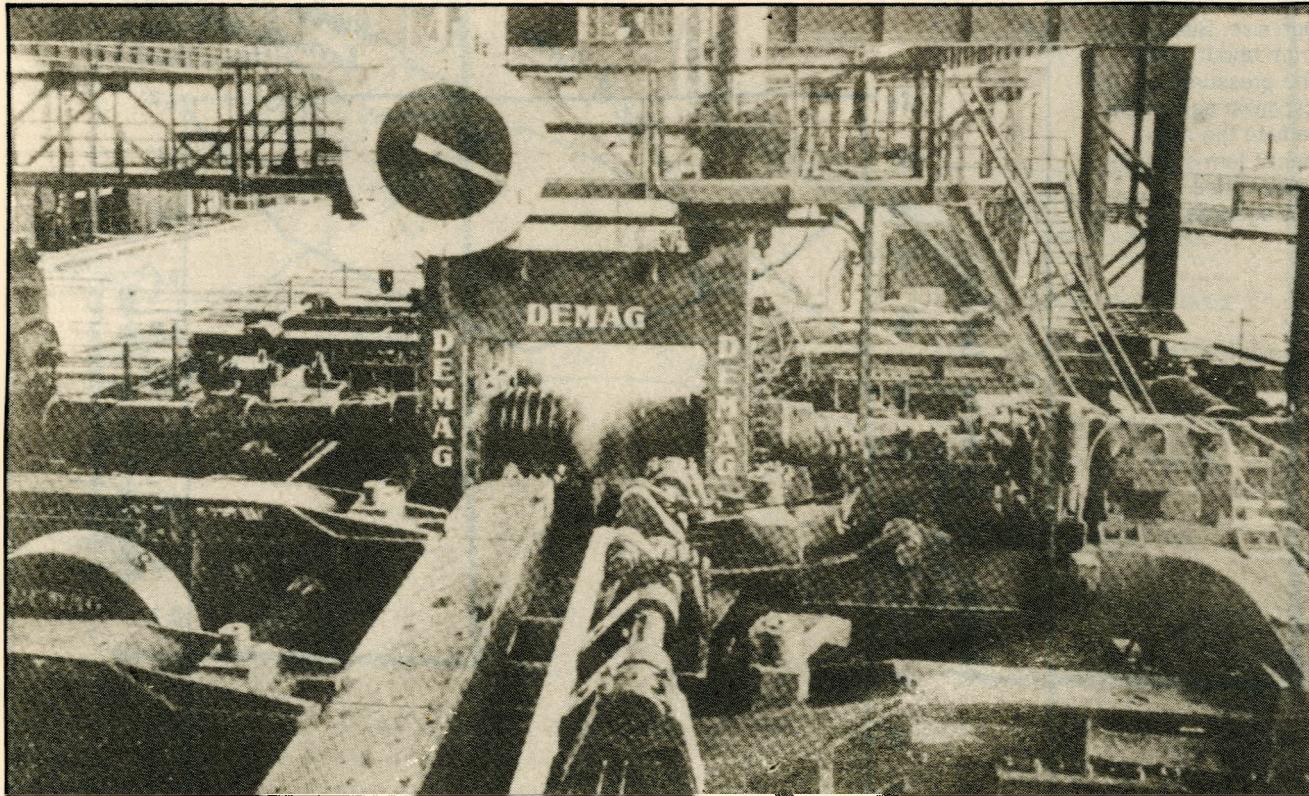
The State played a major role in assisting manufacturing development and the growth of capitalist agriculture. This was done by developing the basic infrastructure needed by these sectors. This was done through the parastatals*. The State-owned railways and harbours, steel works, post office and electricity suppliers, kept their prices stable and low. The State had the resources to develop the parastatals since apartheid policies removed the need to develop a social infrastructure both in the urban and reserve areas.

To try and reduce their financial burden many parastatals now operate as public corporations. This means they are meant to operate according to profit criteria. Some key parastatals such as SATS and the Department of Posts and Telecommunications are not on this adjacent list.

An ISCOR plant rolling the first cast of ingots (metal blocks) in 1934.

Public corporations

1. Aluminium Investment Corporation of South Africa (Pty) Limited
2. Armaments Corporation of South Africa Limited (Armscor)
3. Atlantis Diesel Engines (Pty) Limited
4. Atomic Energy Corporation of South Africa
5. Bophuthaswana National Development Corporation Limited
6. Ciskeian National Development Corporation Limited
7. Corporation for Economic Development Limited (CED)
8. Electricity Supply Commission (ESCOM)
9. First National Development Corporation of South West Africa Limited
10. Fisheries Development Corporation of South Africa Limited
11. Industrial Development Corporation of South Africa Limited (IDC)
12. Iron and Steel Industrial Corporation Limited (ISCOR)
13. KaNgwane Economic Development Corporation Limited
14. KwaZulu Development Corporation Limited
15. Land and Agricultural Bank of South Africa
16. Lebowa Development Corporation Limited
17. Mining Corporation Limited
18. Phosphate Development Corporation (Pty) Limited (FOSKOR)
19. QwaQwa Development Corporation Limited
20. Rand Water Board
21. Rehoboth Investment and Development Corporation Limited
22. South African Abattoir Corporation
23. South African Bank Note Company (Pty) Limited
24. South African Broadcasting Corporation (SABC)
25. South African Coal, Oil and Gas Corporation Limited (SASOL)
26. South African Development Corporation for Inventions
27. South African Gas Distribution Corporation Limited
28. South Atlantic Cable Company (Pty) Limited
29. Southern African Development Bank
30. South-West African Broadcasting Corporation
31. South-West Africa Water and Electricity Corporation (Pty) Limited
32. Southern Oil Exploration Corporation (Pty) Limited (SOEKOR)
33. Southern Oil Exploration (South-West Africa)
34. Transkei Development Corporation Limited
35. Tsonga Development Corporation Limited
36. Venda Development Corporation Limited



Apartheid and economic growth

There was a great deal of foreign investment coming into South Africa, particularly after 1961. This further strengthened the processes of capitalist development in South Africa.

All these developments (the role of the state, foreign investment, the support of parastatals, the concentration of capital and the developments in capitalist agriculture) gave rise to a very high and sus-

tained rate of growth throughout the 1960s. In fact the growth rate achieved by the South African economy in this period, exceeded that of every other capitalist country outside Japan. Business, white agriculture, white workers and whites generally, were the main beneficiaries of this rapid growth. Blacks, especially black workers, benefited little from this growth. However, this particular form in which South African capitalism developed contained within itself difficulties which placed limits on its continued and even development. These difficulties began to surface in the 1970's.

Apartheid and Economic Growth

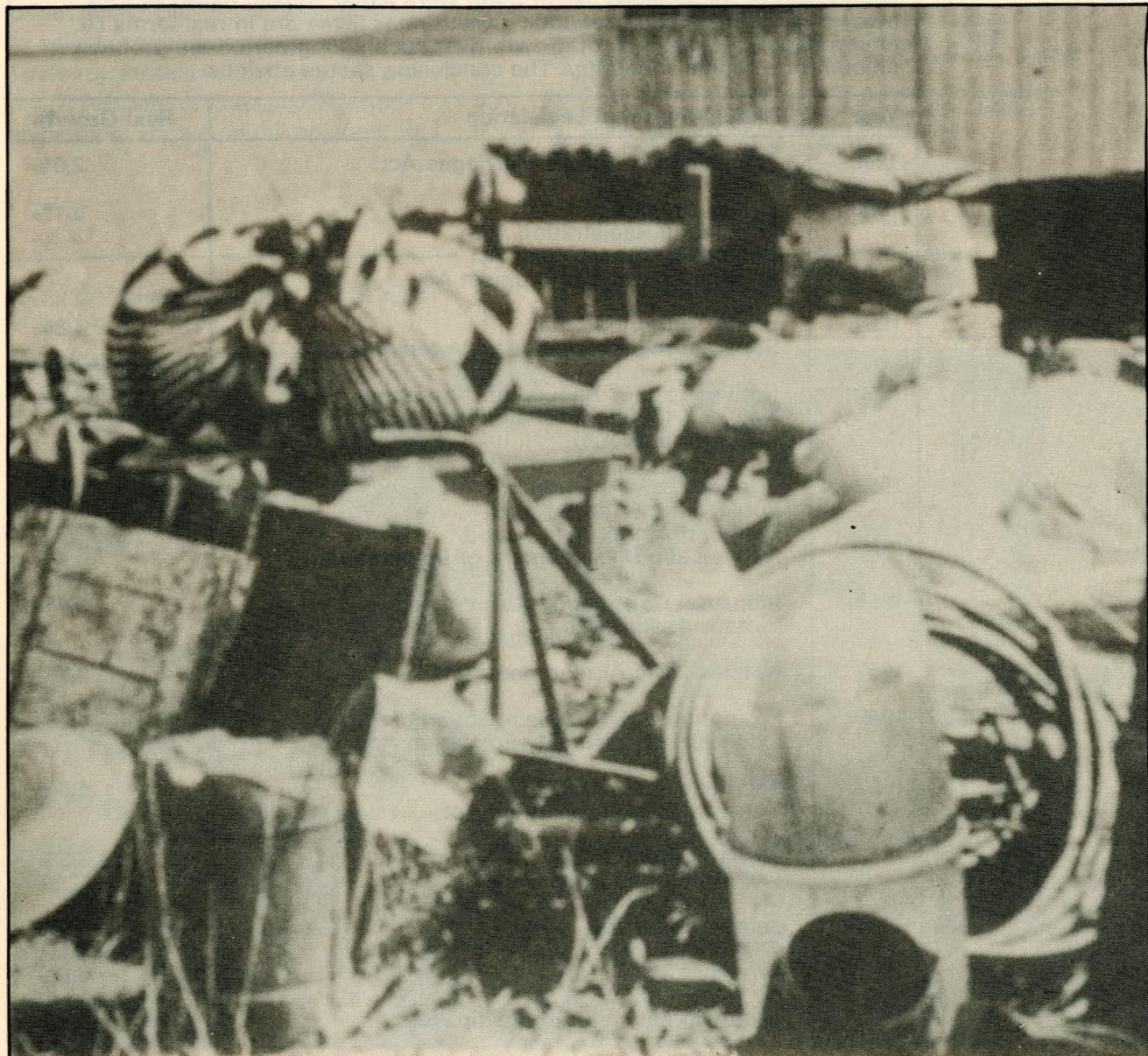
The legislation listed below are only the main Acts passed. They are not all the Acts or Regulations. All of them were either racially based or took away civil liberties. The economic growth rates listed are in real terms i.e. after inflation. These rates of growth over such a long period are probably unique for a capitalist country. The conclusion seems obvious.

Year	Major Apartheid Legislation	Real Growth
1949	Prohibition of Mixed Marriages Act	2,6%
1950	Group Areas Act Population Registration Act Immorality Amendment Act Suppression of Communism Act	6,1%
1951	Bantu Authorities Act Separate Representation of Voters Bill	4,8%
1952	Natives Labour Regulation Amendment Act Natives (Abolition of Passes and Coordination of Documents Act)	3,6%
1953	Criminal Law Amendment Act Public Safety Act Bantu Education Act Native Labour (Settlement of Disputes Act)	4,8%
1956	Industrial Conciliation Act amended Riotous Assemblies Act	5,4%
1957	Natives Laws Amendment Act	3,7%
1959	Promotion of Bantu Self-Government Act Extension of University Education Act	4,2%
1962	Sabotage Act General Laws Amendment Act	5,6%
1963	90 Day Detentions Transkei Constitution Act	3,9%
1964	Bantu Labour Act	10,9%
1967	Terrorism Act	6,9%
1970	Bantu Homelands Citizenship Act	5,2%
1971	Bantu Homelands Constitution Act	5,4%

Chapter 4

Problems for Apartheid Capitalism

During the 1950's the basic apartheid structures were laid in place. In the 1960's these were strengthened and a high rate of economic growth was achieved. In this chapter we will look at problems that began to emerge and which led to increasing political problems for the Apartheid State. Both in the reserves — now called Bantustans by the regime — and in urban areas, economic deterioration led to increased political organisation and opposition. The State responded by developing its security forces which had certain effects on the economy. Inflation became a more serious problem. The chapter will look at both these developments.



Possessions of an evicted farmworker lie at Nondweni resettlement camp - 1981

Table 25

	REMOVED
CAPE	
E. Cape	401 000
W. Cape	32 000
N. Cape	150 000
	+ 385 000 Group Areas removals in Cape, end 1980
O.F.S.	514 000
NATAL	745 500
TVL	1 295 400
TOTAL/	3 522 900

TOTAL NUMBERS REMOVED
c 1960 - 1982

The dumping grounds

The migrant labour system was based on the controlled movement of labour out of the reserves. The development of this system was accompanied by the total neglect of infrastructural development in the reserves. By the 1970s however the levels of growth of the 1960s could not be sustained. Unemployment grew rapidly. The reserves now took on a different function — that of dumping grounds for the thousands of unemployed, the old and the sick.

During the 1960's and 1970's, apartheid's forced-removal policies moved more people into these areas. Population pressure began to increase but, production of food within the reserves did not. Neither was this fall in production compensated for by an increase in money wages.

A rising population, limited land available to the large population in the rural areas, a lack of agricultural equipment and of basic infrastructure, all began to cause serious problems. The land rapidly became less useful for crops and for the keeping of cattle. More and more people were simply relocated on barren and unproductive strips of land.

This circular was sent from J.P. Dodds, Secretary for Bantu Administration and Development on 12 December 1967 to all its offices.

SETTLING OF NON-PRODUCTIVE BANTU RESIDENT IN EUROPEAN AREAS, IN THE HOMELANDS

1. It is accepted Government policy that the Bantu are only temporarily resident in the European areas of the Republic, for as long as they offer their labour there. As soon as they become, for some reason or another, no longer fit for work or superfluous in the labour market, they are expected to return to their country of origin or the territory of the national unit where they fit in ethnically if they were not born and bred in the homeland.

THE CRAZY LOGIC OF APARTHEID

— Forced removals in the Pretoria area in the 1960's

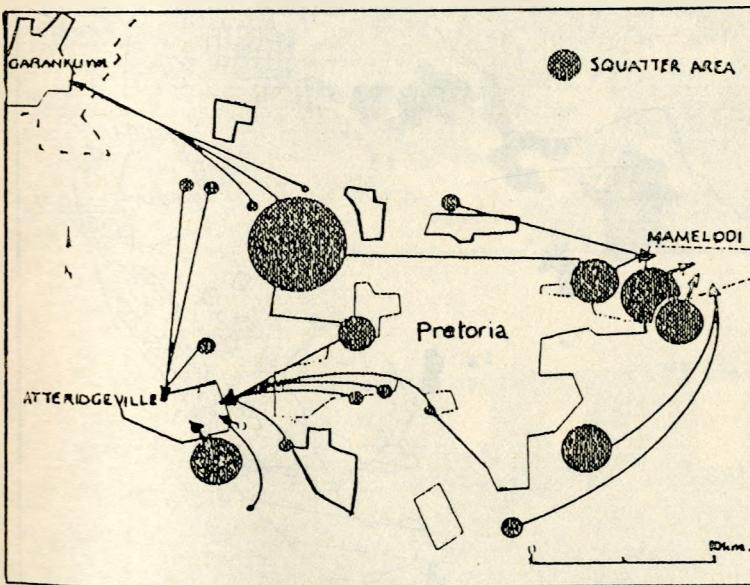
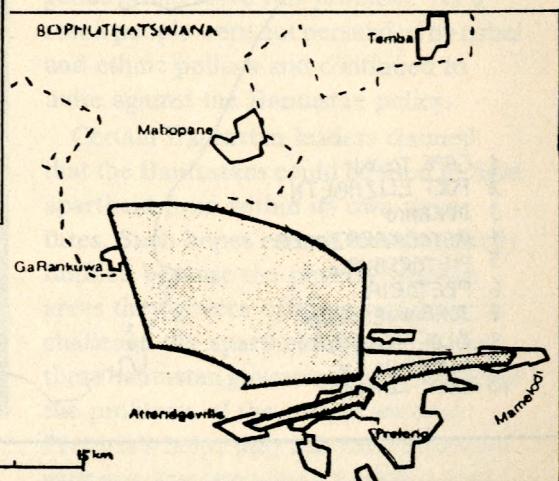


Table 26

leads to.....
the inconvenience and cost of long
distance travel in 1987



Bantustans

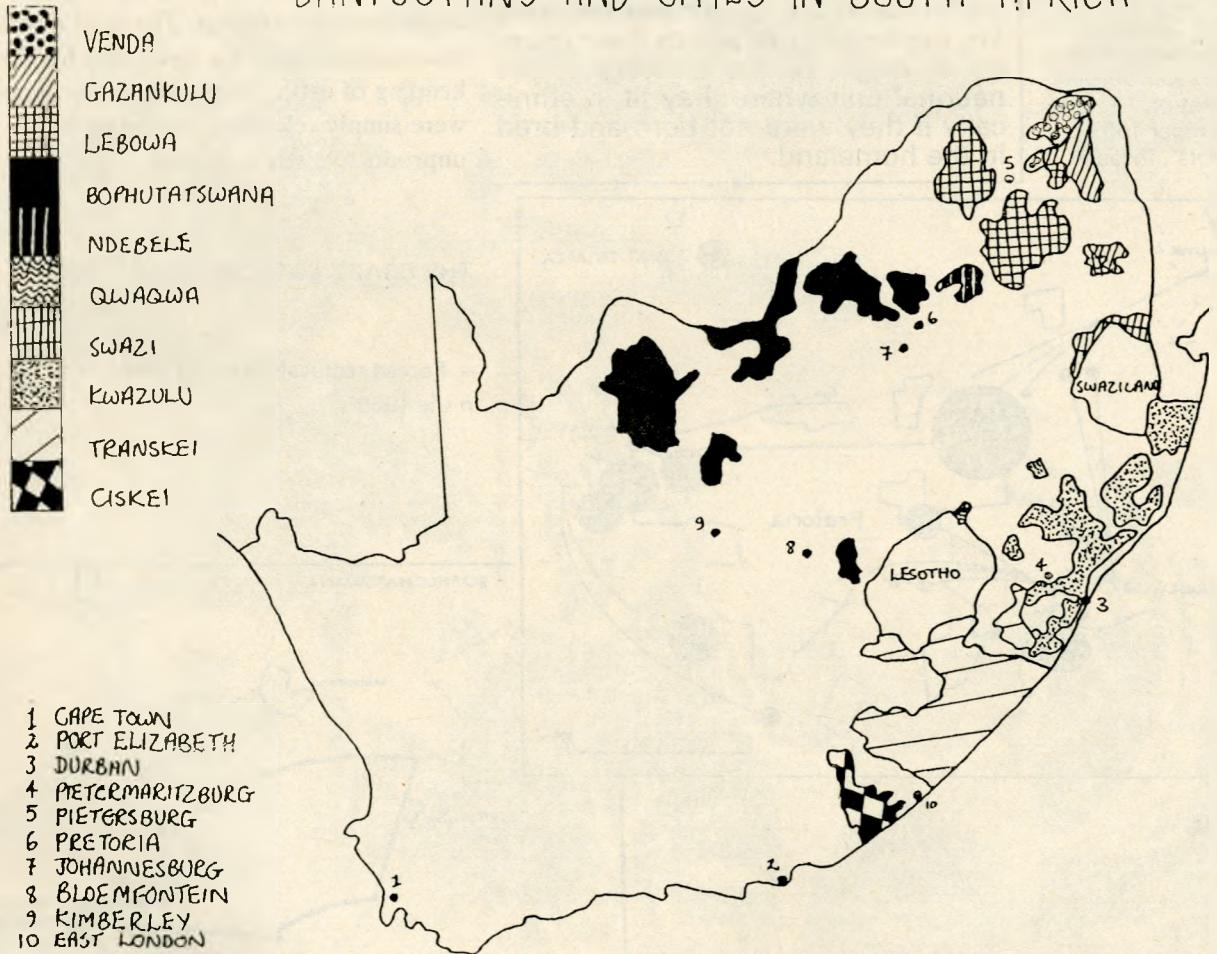
The National Party was not unaware of these problems. Commissions such as the Tomlinson Commission had, as early as the 1950s, reported on these problems extensively. Out of these problems and the recommendations of some of these commissions, the BANTUSTAN POLICIES came to be shaped. The whole of the country was to be divided into white and black areas and the latter were further divided by "tribal" and ethnic divisions. The regime was clearly concerned about the lack of political rights for the majority and it knew that this was a question which had to be answered. The answer which the ruling classes evolved; was the idea of ethnic representa-

tion in the bantustans — the barren wastelands where workers families were now being dumped.

The breaking up of South Africa into these Bantustans attempted to deal with a number of problems.

- It had the political intention of dividing the oppressed, which as we will see did not succeed.
- The formation of the Bantustans created a whole strata of administrators and politicians whose jobs depended on the existence and growth of the Bantustans. In this way the State hoped to create political allies for its policies. However, this did not work as well as the Nationalists had hoped and the Bantustan governments generally relied heavily on the South African State to support and protect them.

BANTUSTANS AND CITIES IN SOUTH AFRICA





A new factory in a decentralised area provides jobs for workers at very low wages.

Workers wait in vain outside a Bantustan labour bureau



Toilets at Waaihoek await the arrival of people removed from the Weenen area

● It allowed for a relocation of labour, especially the unemployed. This was not easy to do and in order to deal with this problem the decentralisation policies of the State were developed. These were designed to locate jobs on the borders of the Bantustans. However, the policy proved expensive and not very effective in creating jobs.

● The Bantustans were used to deny political rights to blacks living in urban areas and white areas. This reinforced and retained white minority power in the urban and white agricultural areas where South Africa's productive capacity and wealth really lay.

However, the Bantustan policy has had to be forcefully imposed upon people. The reasons for this lie in the poverty of these areas and the inability of the State to develop them economically. It was, therefore, very clear to people that they were being forced out of the economically viable areas and being denied rights in these areas. No amount of propaganda could solve this problem. As a result people were not persuaded by tribal and ethnic politics and continued to unite against the Bantustan policy.

Certain Bantustan leaders claimed that the Bantustans could be used to fight apartheid from within its own structures. Such hopes cannot be successfully fulfilled because the poverty stricken areas they govern offer no real base to challenge the apartheid regime. Since these bantustan governments cannot solve the problems of the people without Pretoria's help, they rely on Pretoria to suppress any opposition to themselves.

Urban problems

The high rate of economic growth in the 1960's and the expansion of the manufacturing and commercial sectors provided more jobs in the urban areas. People, leaving the poverty stricken areas of the homelands, moved into the urban areas.

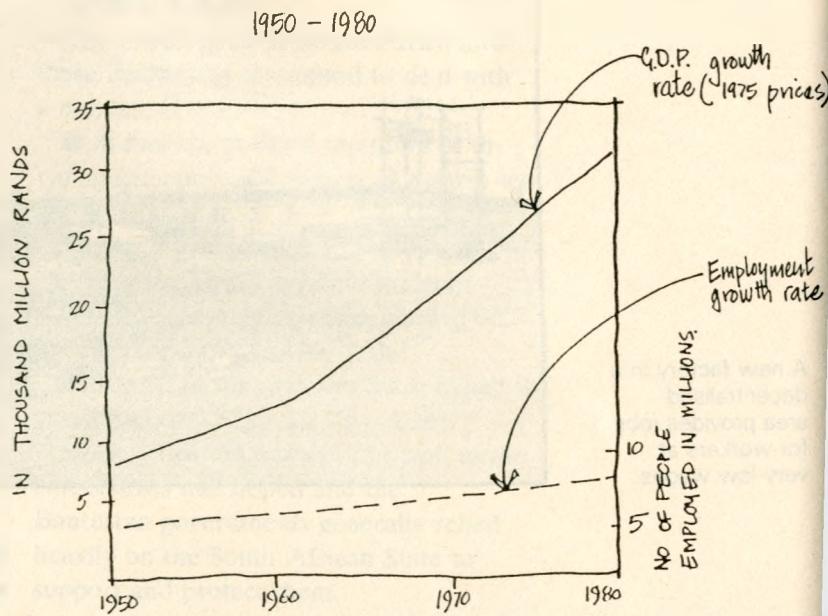
Apartheid clearly divided the urban areas. In black areas large new townships were developed. However, they were cheap townships without the basic infrastructure to provide for a decent life. In the white areas, a high proportion of the wealth was spent on building modern, beautiful and clean cities. In white residential areas money was spent on building luxurious houses and buying a wide range of expensive cars.

But in the townships the rising inflation that started in the 1970's, meant that workers real wages were now falling rapidly. These pressures led to strike action by workers and their organisation into trade unions once again. The signs of the problems to come were rapidly beginning to appear.

The very much larger student population and the inadequate provision of schools also came to the fore. The deep

EMPLOYMENT AND G.D.P. GROWTH RATES.

Table 27



and growing discontent of students suddenly burst into the open, especially when the state blindly tried to force its policies onto them. An explosion occurred in 1976 which has continued from 1976 to the present day.

So, once again, mass resistance and organisation began to grow in the very townships that had been one of the means of crushing organisations in the 1950s.

GDP has grown much faster in real terms than employment





One of the effects of destabilisation - Maputo harbour is running at 16% of the 1973 volume, due partly to South Africa's boycott of it.

The rise of the military

The growing political instability, the international hostility towards apartheid and the increasing success of liberation movements in Southern Africa, all turned the regime's attention to its military power.

From the mid-seventies the apartheid regime was particularly concerned with resistance from outside South Africa's borders. It has continuously explained armed attacks as the work of agitators and "terrorists" from outside. And because of its fear of the changes taking place in Angola, Mozambique and Zimbabwe, it has often attacked them with total disregard for the rights of those countries and even of world opinion.

The policy of destabilisation

The ruling classes in South Africa actively supported the Smith regime in Zimbabwe and the Portuguese colonial regime in Mozambique and Angola. Yet despite South African assistance, all these regimes were replaced with governments led by national liberation movements. The South African regime, faced with the threat of ANC base areas close to its borders, again went on the offensive. It began attacks on the economies of the surrounding states. The aim of such destabilisation is to forcefully persuade the surrounding countries not to be a base area for the ANC.

Such a destabilisation policy, however, required South Africa to build a heavily armed and equipped army. There were two reasons for this: First, the state now prepared to attack the countries bordering on South Africa. It was no longer enough simply to fight

off the guerilla attacks of the ANC.

Second, in order to seriously damage the economies of these neighbouring countries, it became necessary to have an airforce for the purposes of bombing. The SADF also began raids deep into these countries to destroy their infrastructure and disrupt their economies. For this they needed armoured vehicles and other transportation equipment. In addition South Africa has increasingly armed and supplied reactionary movements in Angola, Zimbabwe, Mozambique, Lesotho and other countries. In a few cases they have succeeded in changing the governments of other countries but mostly they have had to continue to finance long, expensive and futile wars.

Economic effects of the military

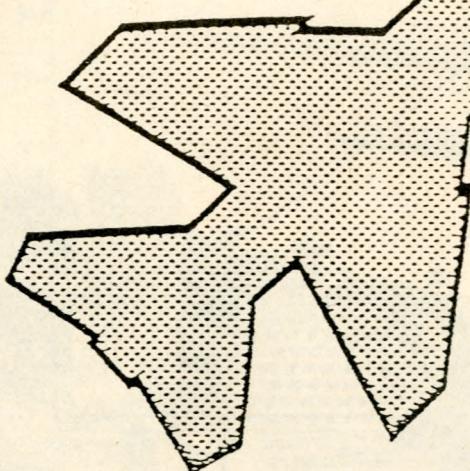
However, this strategy was expensive in a number of ways that are not always obvious. The arms embargo or boycott of South Africa meant that South Africa had to develop and manufacture its own heavy military equipment. This directed a large part of the governments tax revenue into military expenditures and away from expenditure on housing, education and the things which are necessary for any stable and humane society.

This expenditure began to reshape production in the economy. A large part of the metal and engineering industry turned its production toward military equipment. Government was a better and more stable customer than the private sector*. Ordinary consumers cannot buy ratsels, hippos and Impala jets. They can only buy stoves, beds, fridges, washing machines, TV's and all the other things that the metal and engineering industry could have made instead of military equipment.

The effect of this was that a smaller part of production now went toward supplying consumer goods. The situation was made worse by the fact that the development of arms and its related industries improved profits and created jobs mainly for skilled white workers. This resulted in improved conditions for white workers. Consumer goods production was directed at the affluent white market.

Table 28

DEFENCE



86/87:R5,123bn

87/88:R6,683bn



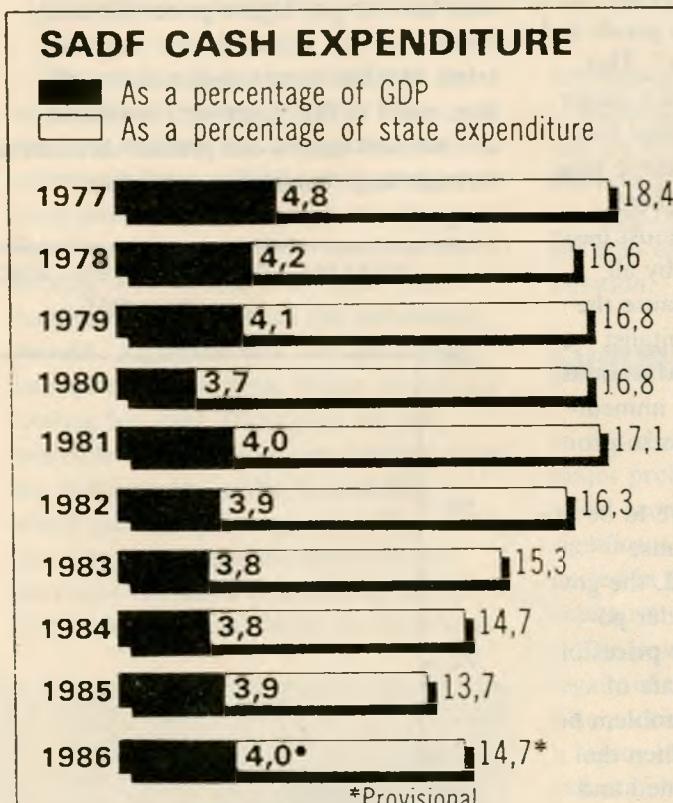
Profits were made by charging higher prices on a smaller number of goods sold to an affluent market. High profits and high white wages meant that these higher prices could be charged without reducing the total sales revenue*. The products themselves became more sophisticated to meet the needs of this affluent white market, this was particularly true of consumer durables*. This in turn meant more sophisticated technology in production. Such technology was usually labour saving leading to reduced employment.

The effect of this was a manufacturing sector based on a limited but affluent market and using advanced technology. In

these circumstances it was easier for monopolies in manufacturing to raise prices in order to increase their profitability.

Taken together the effect of these developments in manufacturing was to generate inflation, introduce labour saving technology and deny the black working class any access to consumer durables.

It was not military expenditure alone that caused these economic effects. Other forces were working in the same direction. However, it is important to understand that apartheid's military machine played a very large part in twisting and distorting our productive capacity in favour of the wealthy and against the needs of the poor.



FOREIGN DEFENCE EXPENDITURE LEVELS

As a percentage of 1986 GDP*

Israel 19,2**
USA 6,8
UK 5,1
France 4,0
RSA 4,0
Germany 3,1

Table 29

These figures are after the build-up of the military in the 1970's. They mark a considerable change in the economic structure of the country. For a country with South Africa's social problems, spending the same proportion on defence as France is not a hopeful sign.

Chapter 5

A political, economic and social crisis

The problems we have looked at in the previous chapter are now so serious that they can be described as a crisis. In this chapter we will try to explain what is meant by the crisis. We will try to understand how it is related to the problems which the ruling classes are attempting to solve. The State has a difficult job to do if it wants to protect the interests of the ruling class. In this chapter we will see whether it can. To do that we will look at where and how it gets its revenue and what the problems are even there. Without an adequate revenue the State has even greater difficulties in carrying out its political policies.

Can Big Capital help the State out of its financial and political crisis? We will also try to see whether that is possible in this and the following chapters.



Early attempts at reform

By the end of the 1970's the problems that we have been looking at were becoming more serious. Previous state policy had relied mainly on repression as the apartheid system became more rigorous. However, now more voices within the ranks of government and big business — faced with the growing problems — were saying that apartheid would have to be reformed. They were concerned with the possible effects of repression and the resistance to it, because it was beginning to seriously affect business confidence.

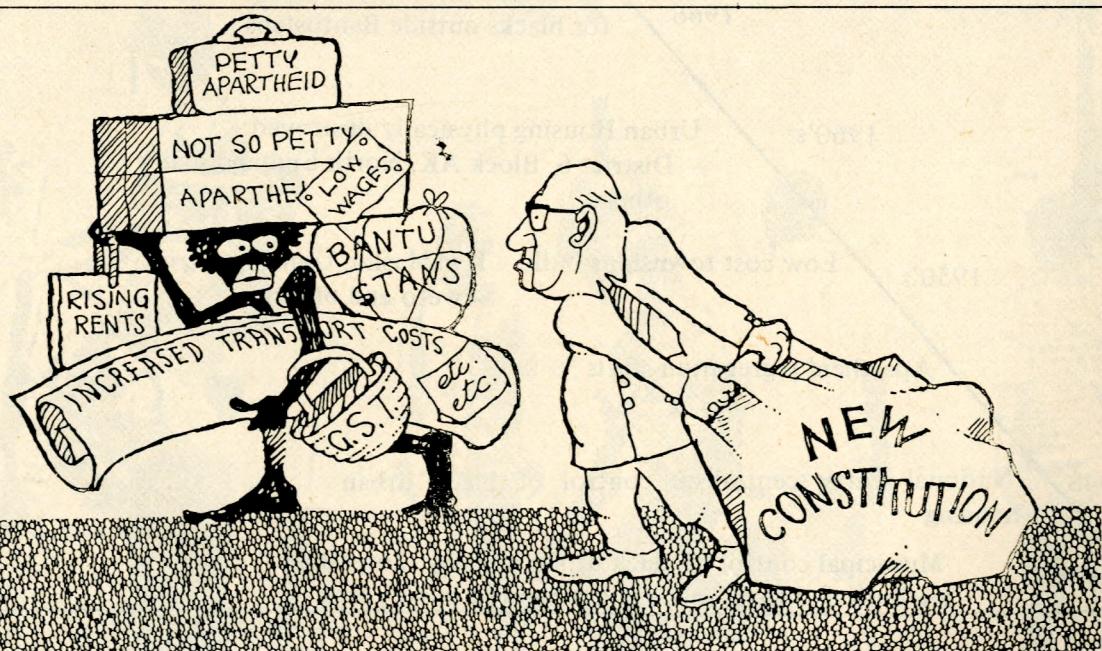
It is never easy for a capitalist state to adjust to a crisis. This is because of the nature of capitalism itself. Capitalism is not a system that stands still. The search for profit is always driving it forward. However, not all capitalists will agree on particular directions the political economy takes. Capitalists all support capitalism but within capitalism they are in fierce competition with each other. So different groups of capitalists will favour directions that suit their competitive needs.

In addition, therefore, to dealing with the overall crisis, a capitalist state has to deal with the political problems created by the differing viewpoints within the capitalists themselves. This always makes it very difficult for a capitalist state to carry out reforms in the system. The position in South Africa was and is no different.

The moves to some kind of reform first showed in the Wiehahn reports which proposed the acceptance of black trade unions. Although there was a clear intention on the part of the government to keep controls over these trade unions, the militancy and organisation of these unions soon made these controls ineffective.

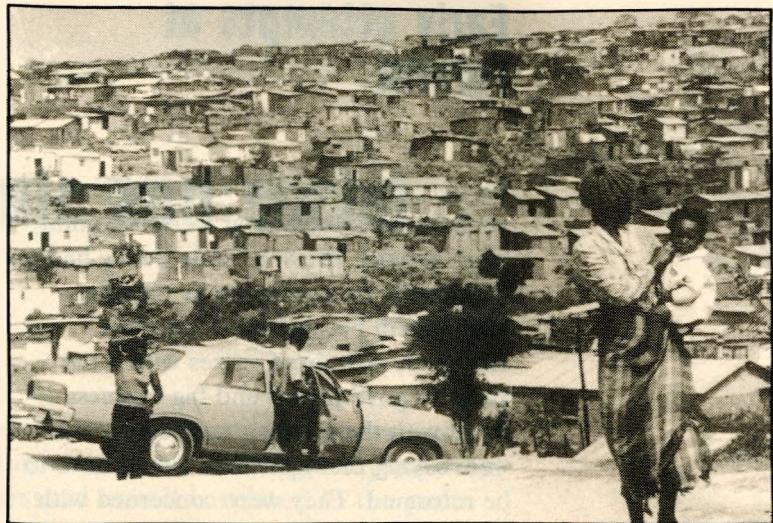
In the urban areas, there was a great deal of unrest and dissent. The ruling class attempted to create divisions between the voteless and oppressed peoples. They wished to incorporate so-called coloureds and Indians into separate structures, linked in a subordinate relationship with the white parliament.

This attempt has proved a dismal failure. The Tricameral Constitution only served to worsen the political crisis by uniting opposition around it. A whole range of organisations grew out of this opposition of which the UDF and the NF were the larger ones.

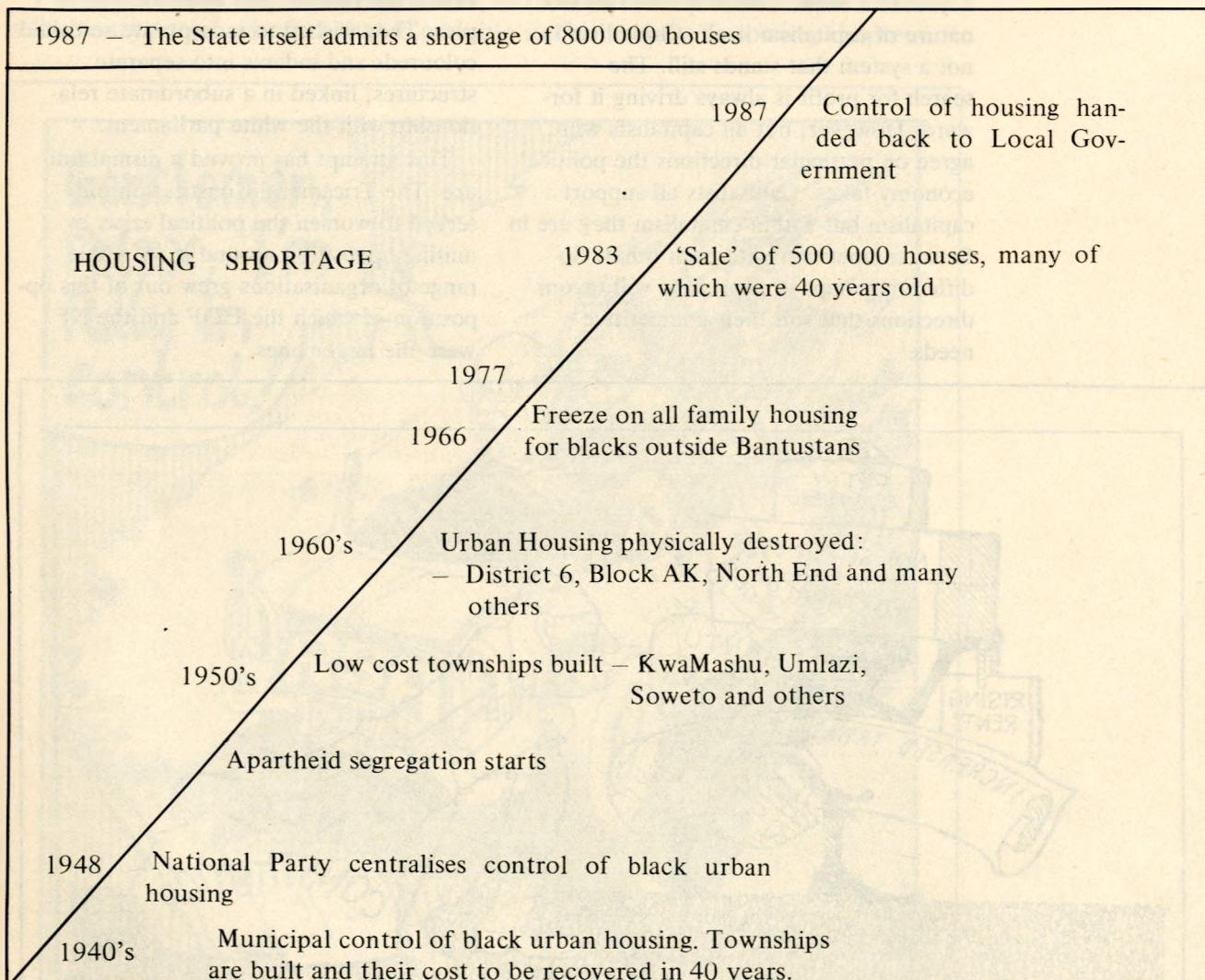


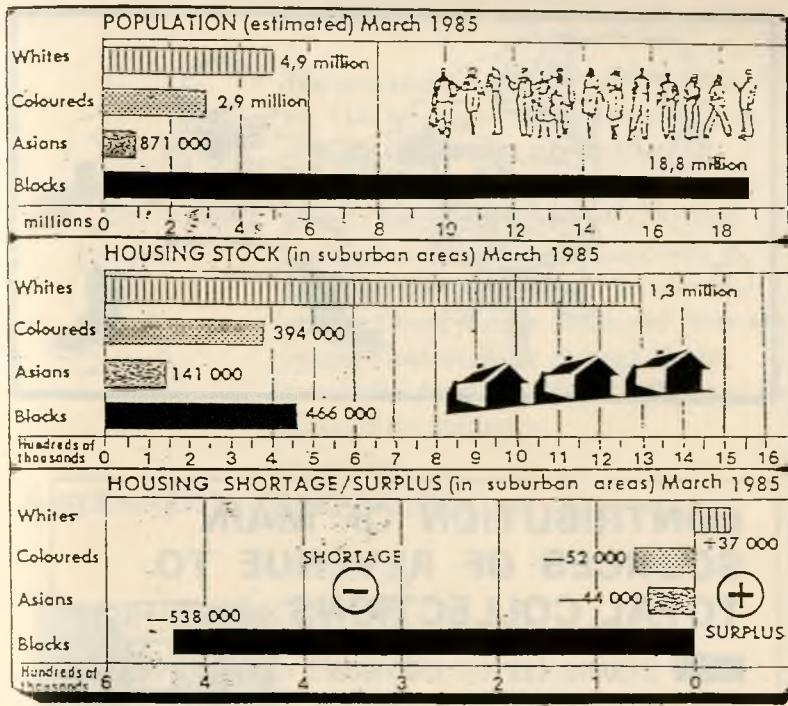
Pee Wee Botha: 'Hey, you boy! You've forgotten this one.'

However, even more serious problems were in store for the State. It remained committed to the Bantustan policies, but was being forced to deal with the urban problem. Large squatter settlements were emerging in most cities, some very close to the city centre and white residential areas. Housing was inadequate and the maintenance of the townships was starting to cost a great deal of money. The State — desperate to remove these pressing problems from its direct responsibility — was forced to acknowledge the permanent urban existence of black people.



APARTHEID'S HOUSING POLICIES AND THE RESULT





Sunday Star 22/6/86

Urban explosion

The system of Black Local Authorities was now introduced as an attempt to transfer power in the townships. But the uselessness and greed of those willing to serve on these councils soon showed. They simply could not deal with the basic needs of the townships because of the totally inadequate resources and funds available to them. And when they tried to increase rentals, this resulted in a massive backlash against the payment of any rentals at all.

The resulting chaos in township life gave rise to great surges of popular resistance which were led, in the main, by the youth. They attempted to link these struggles to questions around education and the ruling class reacted by sending the army into the townships. The army now turned inwards, to defend the system of apartheid which was now under serious attack from within the heart of the country itself.



We can see from all this that the State had attempted political reforms, but it was helpless without an economic base to support it. Reforms, therefore, only served to build and renew the strength of resistance.

Why was the State unable to support its political reform policies with higher levels of economic development in the country as a whole? To answer this let us once again look at the State itself.

The Fiscal Crisis of the State

The Apartheid State, as we have seen, was the moving force of capitalist development, a development which mainly benefited big capital, white agriculture and white workers. However, this state also had to administer the growing problems of apartheid capitalism. This presented serious fiscal* problems for the state. To understand these fiscal problems better, let us look more closely at the income of the apartheid state.

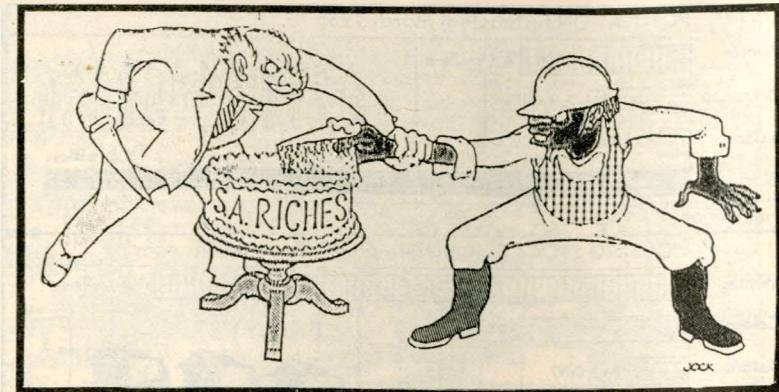
Government income

Taxation

Taxation is one of the most important sources of income for the state. Tax can take many different forms but the most important distinctions are:

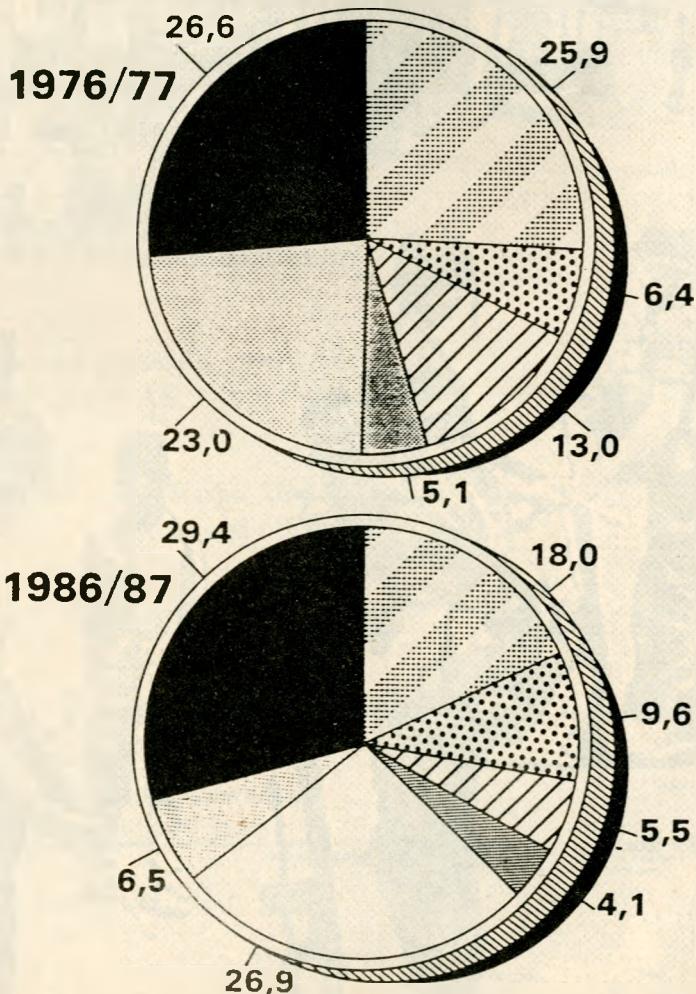
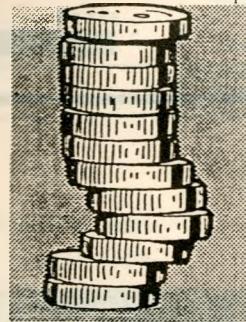
- Direct tax — this is income tax collected mostly through the PAYE system from workers and through the tax on company profits.
- Indirect tax — this is a tax on expenditure and is therefore only indirectly a tax on earnings or income. GST is at present the most important form of this in South Africa.
- Tariffs and duties — these are also indirect forms of tax. A tariff is the tax charged on imported goods and services, while duties are a form of tax on items such as alcohol and cigarettes.
- Other taxes could be imposed. One example is a tax on wealth which, here in South Africa, is only really imposed when people die.

Table 32



CONTRIBUTION OF MAIN SOURCES OF REVENUE TO TOTAL COLLECTIONS

- Income tax on individuals
- Income tax on companies
- Income tax on gold mines
- Excise duty
- Customs duty
- Sales tax
- Other income



Borrowing

The government can also borrow money. That is, it can obtain loans. The government can borrow money from tax payers by means of what are called loan levies. Government can also borrow in the capital market* in the same way as any other company. Loans can also be obtained from foreign banks and there are special loans available through the International Monetary Fund (IMF)* and associated institutions.

GOVERNMENT BORROWING.

The growing size of the debt.

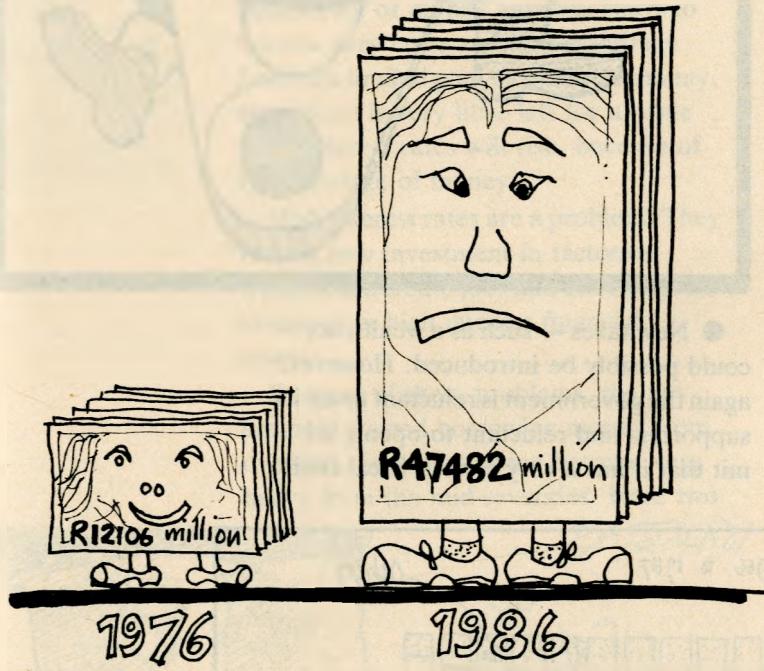


Table 33

Sale of services

In addition, the government can raise income by selling goods and services. These could include rents and other services. Also, the parastatals which supply electricity, transport, and other services, add to the state's overall income when they make profits.

Printing money

Lastly, the government can also borrow money through the Reserve Bank. In this way, it can increase the total supply of money in the whole economy. This is usually called "printing money". This can be done because our monetary system works on the confidence of businessmen and ordinary people. We see this confidence working daily in bank cheques which are promises to pay. A cheque could be converted into rands and cents.

In practice, however, people usually deposit the cheque into their own bank or building society account not bothering to draw cash. The result is that the amount of money held in bank accounts, is greater than the amount of rand notes and coins available at any one time. Banks also provide overdrafts to businesses, which allows these businesses to draw more money out of a bank than they actually have. In this way they are effectively increasing the supply of money in the economy. However, banks have to be careful about how they act, because all these transactions are based on confidence and are regulated by banking laws.

We do not really have to look in detail at the complex limits set for this. What is useful for us to know, is that one of the limits set on bank lending is the amount of I.O.U.'s from the government that the banks themselves hold. The more the government issues I.O.U.'s, the more the banks hold and can therefore increase the cheque money in the system. So when government starts giving out certain types of I.O.U.'s to the banks the money supply increases. That is why this form of government borrowing is called "printing money".

Faced by rising State expenditure, the government has to increase either its income or decrease expenditure. The problem it faces is that it cannot decrease its expenditure without seriously affecting its military budget, the costs of the political structures of apartheid, the Tricameral and Bantustans systems, and its many administration expenses. Could the State overcome the problem by raising its income?

Problems in raising income

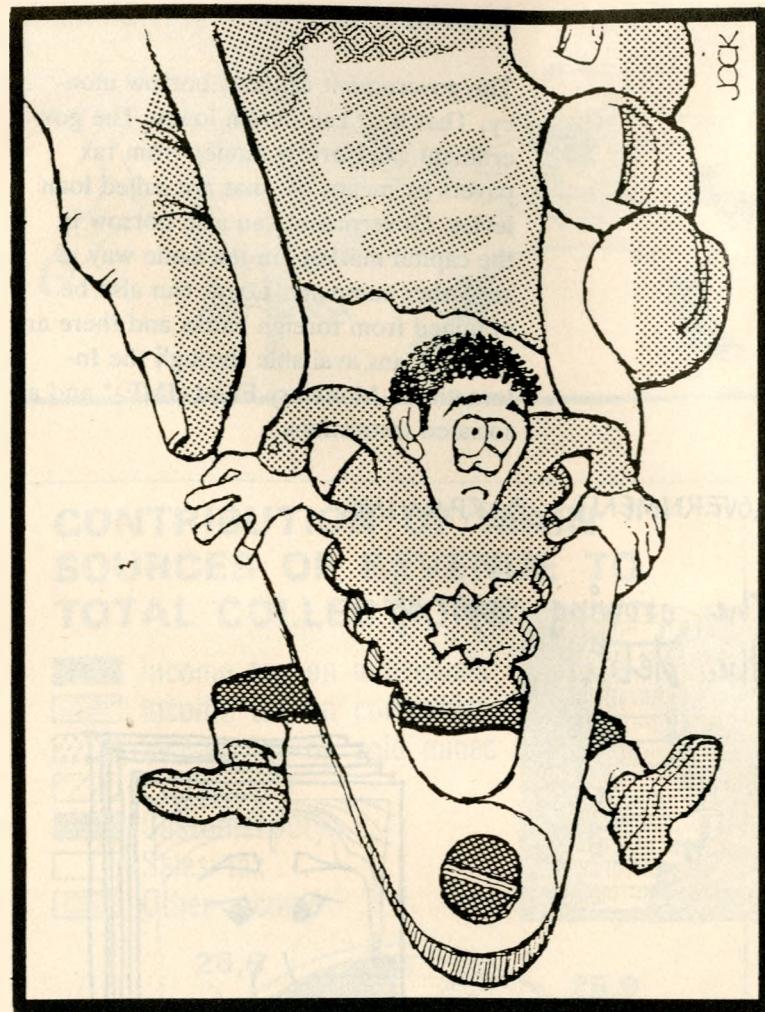
Let us look at each of the above four types of government income.

Taxation

- Increases in both direct and indirect forms of taxation are a bigger and bigger problem for this government. White voters and companies are resisting increased tax. Such increases are a sign that the government is in trouble. In taxing companies more, the government fears that this will stop companies from investing more money in business. Even if this may not be the case, capitalists often use this as a threat so as to prevent government from raising taxes.

- A further increase in GST, (which has already risen from 4% to 12%) would also have its problems. The government understands that an increase in GST could spark off a mass campaign against taxation. It is indirect taxation, such as GST, that affects workers and the poor more heavily than does income tax. Such tax increases will add fuel to the fires of political resistance.

- Tariffs also do not offer the hope of any additional income. The falling value of the Rand has already made imports very expensive. To increase the price of imports further through higher tariffs, is inflationary.



- New taxes — such as a wealth tax — could possibly be introduced. However, again the government is reluctant to tax its supporters and reluctant to openly admit that it has a very serious fiscal crisis.

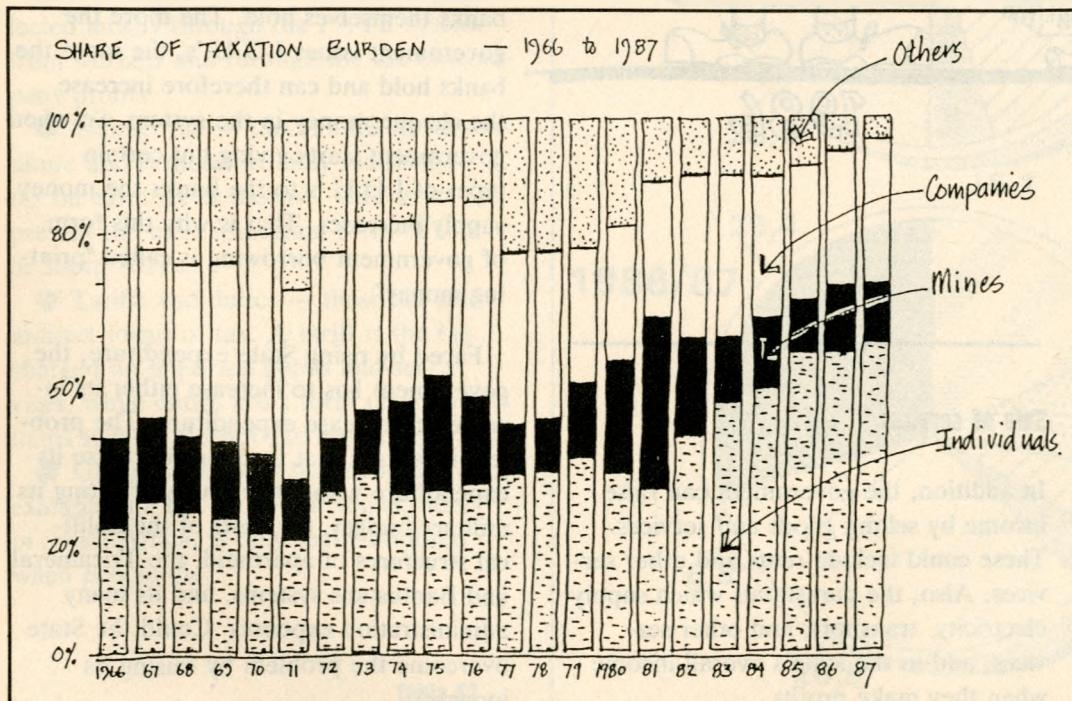
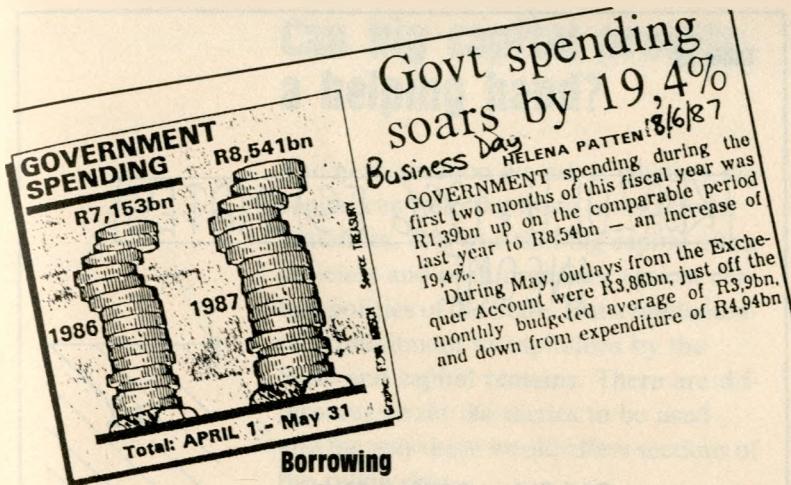


Table 34



The government is no longer able to borrow money as it did. When the government tries to borrow money in South Africa, it faces a problem because there is just not enough money to borrow at the present. If the government, which needs a lot of money anyway, starts to borrow very large amounts of money from this limited pool of available money, then there is very little left for anyone else. Interest rates will rise, because of this shortage of money.

High interest rates are a problem. They reduce new investment in factories which could create jobs and encourage investment in high interest financial assets.

Because of these problems, the government started borrowing money from overseas. Such borrowing became very heavy from the mid-seventies. Here two

mistakes were made by government:

The first was that it believed that it would easily be able to repay such loans. As a result, short term loans were made on the basis that these could be repaid within a few years. This meant a heavy burden of repayments just when the country's fiscal problems were getting worse.

In addition, the ruling classes did not foresee the serious political problems that they were heading for. As these got worse, many people — and their money — started to leave the country for both political and economic reasons. The value of the Rand began to fall and because interest on loans had to be repaid in foreign currency, the government had to use more and more rands to repay its debt. To do that, it had to use up valuable foreign exchange. Eventually, in 1985, the foreign exchange crisis forced the government into refusing to pay its due debts and to delay repayment of others. When it did this, it had even more difficulty in borrowing new money.

Political problems had also from 1983 closed off other very important sources of international borrowing such as that from the International Monetary Fund (IMF).

Printing money

The "printing money" solution seems like a magical formula to solve the problem. However, it too has its problems.

More money is made available to the State. But this greater amount of money does not necessarily encourage other parts of the economy to produce more products, create more jobs or pay higher wages. What happens, therefore, is a form of uneven growth, which puts money into certain kinds of economic activity but, which does not stimulate the whole economy. Those sectors of the economy where money is available, can pay the higher prices demanded. In other words, the available goods are sold at higher prices. But, more importantly, more jobs are not being created. For these reasons the printing of money at the present time, can only add to the problems of inflation and will not solve the problems of the capitalist economy.



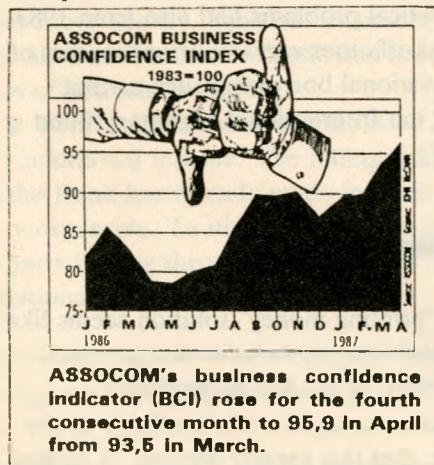
"Never mind his growth, how are you going to feed him?"

Barriers to solving the fiscal crisis

This situation where the State has to increase its expenditure but cannot increase its income without causing serious inflationary problems, is called a fiscal crisis. Such a fiscal crisis is not peculiar to South Africa alone. Many capitalist countries experienced similar problems after the relatively high rates of economic growth in the 1950's and 1960's. However, apartheid has shaped the fiscal crisis in very important ways.

Moreover, apartheid capitalism faces particular political barriers in solving this fiscal crisis. Some of these political barriers are:

- The constant political instability of South Africa makes it very difficult for capitalists to make long term decisions about investment and production. This generates a loss of business confidence which is so important for capitalism's development.



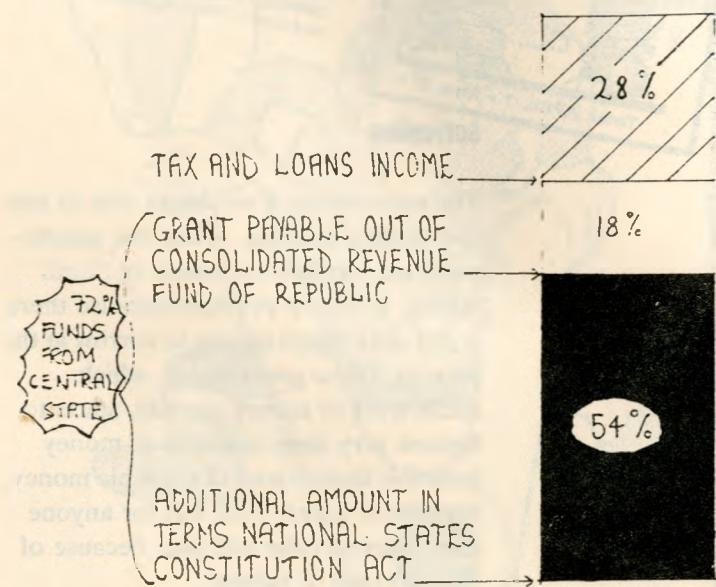
Businessmen measure their confidence carefully but a more realistic measure is the money leaving South Africa

- The racial political forms of control which have grown out of apartheid capitalism have meant that a huge state bureaucracy has developed. There are any numbers of administration departments, bantustan and Tricameral parliaments, city and black councillors. These are a heavy drain on the State's finances. The costs incurred in oiling the bureaucratic machinery of oppression are no longer small.

Table 35

KWAZULU: 1986 ESTIMATES

INCOME



- The state is forced to rely increasingly on naked repression to proceed with its reform initiatives. That repression is a costly and wasteful exercise.

- Apartheid has led to a large part of the South African population being denied participation in the economy. Cheap labour policies have resulted in blacks not having the income necessary to buy the goods and services which the economy can produce. Rising unemployment and prices have worsened the situation. Thus the racially developed form of South African capitalism has itself limited its markets and hence not developed profitable investment opportunities. This has led to a massive outflow of private capital.

- The political turmoil which has resulted from the failures of the apartheid system, has served only to worsen all these problems.

All these political barriers mean the apartheid State will not be able to "reform" itself. It will find it very difficult — probably impossible — to go further than it has. It will constantly rely on repression and control and for that reason its reforms will remain meaningless.

Can big capital provide a helping hand?

The next question we ask is whether big capital can help the State in its reform initiatives. It is true that big capital often criticises and even organises against certain policies of the State. But a fundamental commitment to capitalism by the State and capital remains. There are differences about the tactics to be used and the way these would affect sections of the ruling class.

Can big capital — the monopolies — help the State to carry out reforms? A key area is the ability of capital to create

Below are extracts from correspondence between John Wilson, FCI President and P.W. Botha over the reimposition of the State of Emergency in June 1986. The correspondence was drawn from the Financial Mail July 18, 1986.

THE PRESIDENT AND THE FCI

FCI: "The FCI strongly disapproves of the declaration of the State of Emergency and the further detention of trade union and community leaders. It dissociates itself from the strategy of political repression and economic isolationism to which the SA government is apparently committed.

Botha: "There is no reason for the government to recommit itself and the country to the politics of conciliation and negotiations as you have requested.

"If you have taken the trouble of studying my address in Parliament and message to the South African nation yesterday (the day the emergency came into effect), you would have known that I have reiterated the government's commitment to reform.

"Kindly do not trouble me with your points of view if you are not prepared to take the trouble of familiarising yourself with mine.

"Unless you too come to grips with the realities of the security situation in this country and act accordingly, you are bound to pay a heavy price. This is not a

threat — it is a considered warning.

"Instead of criticising the government in the most irresponsible fashion you should be helping it. That is your duty as a South African.

FCI: "FCI decisions are not lightly taken and any press statements that we make are considered against the background of what is best for the socio-economic and political future of SA." Wilson also noted the FCI's concerted attempts at countering the disinvestment campaign and general vilification of SA. Wilson also said in his reply that FCI members fully recognised the President's duty to safeguard the State and its people, and appreciated the magnitude of this task. "We merely differ as to the methods employed.

"As you know, the FCI believes that a negotiated solution for our country's problems is vital if a viable economy is to be sustained."

The letter ends by commending Botha's leadership in the reform process and his commitment to universally accepted democratic principles, and says the FCI would be pleased to meet the president if he wished.

jobs and to increase the wealth of this country as a whole. If capitalism can develop the economy, increase the number of jobs, it will be able to lessen resistance to the capitalist state and the system of capitalism itself. Rising income and more taxes will lessen the State's fiscal crisis.

To do this, further development of the manufacturing sector would be very important. However if we look back at how manufacturing developed we see certain barriers to its rapid growth at present.

Barriers to manufacturing sector growth

South African manufacturing industry has to compete with producers in the more developed capitalist economies in the same way as many developing countries. The competition is greater because other NIC's* are in a similar position to South Africa. Competition from imperialist capital, through the power of multinational companies*, and other NIC's make it difficult for manufacturing to develop rapidly in South Africa.

It is important to remind ourselves that there were particular reasons why South Africa developed a relatively large manufacturing sector. The large gold mining industry and its urban based workforce, provided a sizeable domestic market for its products. The political power of white nationalism allowed for sustained and systematic import substitution* policies. The mineral wealth of South Africa, and in particular gold, generated sufficient foreign exchange to finance the imports of heavy machinery needed to expand manufacturing. The large mining monopolies were able to enter an effective alliance with the State to open up large steel works and non-ferrous plants. Migrant labour and apartheid allowed the State itself to undertake massive investments in roads, railways, harbours, and projects such as ISCOR, SASOL, ARMSCOR and other parastatals. It was able to do some of these things because it had spent so little money on the social services required by the majority of South Africans.

As a result of this, the manufacturing sector grew rapidly in the 1960's and early 1970's. However, there were limits to this growth. The production of heavy machinery, transport equipment and certain chemicals in South Africa became very expensive. The reason for this was that the South African economy was not large enough to offer the economies of scale* which could be achieved in the developed capitalist countries. At the same time, South Africa's import substitution policies meant a rise in the price of goods because, that policy required the protection of locally produced goods against the competition of lower priced imported goods. This protection raises the price of South African products making South African manufactured exports less competitive on world markets. Further import substitution, therefore does not offer any real solution to the problems of the manufacturing industry as it would be very expensive.

The cheap labour trap

Finally, as we have seen, the South African economy has been built on cheap labour. This has resulted in a situation where the great majority of the people of South Africa are poor, while a few are very wealthy. As we saw in the previous section production of consumer goods and particularly consumer durables is directed mainly at an affluent market.

The high prices of these products cannot be lowered because of the technology used in producing them and because of inflation. Expansion of a large consumer durable market is, therefore, only possible if there is a dramatic increase in wages. However, the way in which capitalism works is its own barrier to such a high wage growth path. Capitalism is a system of competition between capitalists. This is true no matter whether we are dealing with a few giant monopolies or many smaller companies. If there is a large increase in wages then generally profits will fall. If they do not fall then prices would have to rise. Both these possibilities are a problem to capital. If profits start to fall capitalists will export their money and seek higher areas of profit. If prices rise then the product will remain

EMPLOYMENT IN THE MANUFACTURING SECTOR 1946-1985

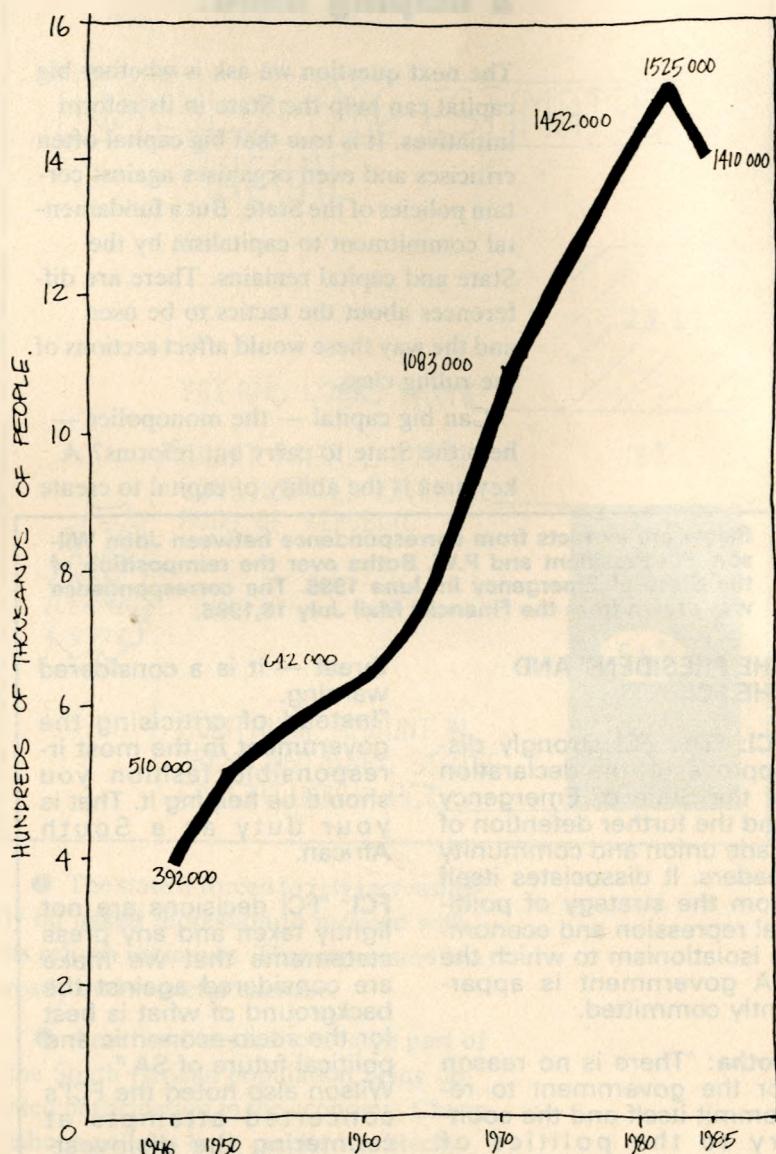


Table 36

expensive in comparison to the incomes of people and there will be no further expansion of sales.

The usual way in which capitalists deal with higher wages is to use faster machinery so that less labour time is spent producing each item of the product produced. In this way higher wages are paid and prices and profits are not affected as much. However, this process would only increase retrenchment, cause more poverty and reduce the number of people who could buy the product.

So we are left with the following possibilities. No one capitalist would risk a high wage policy because of the fear of competition. They would only do this if

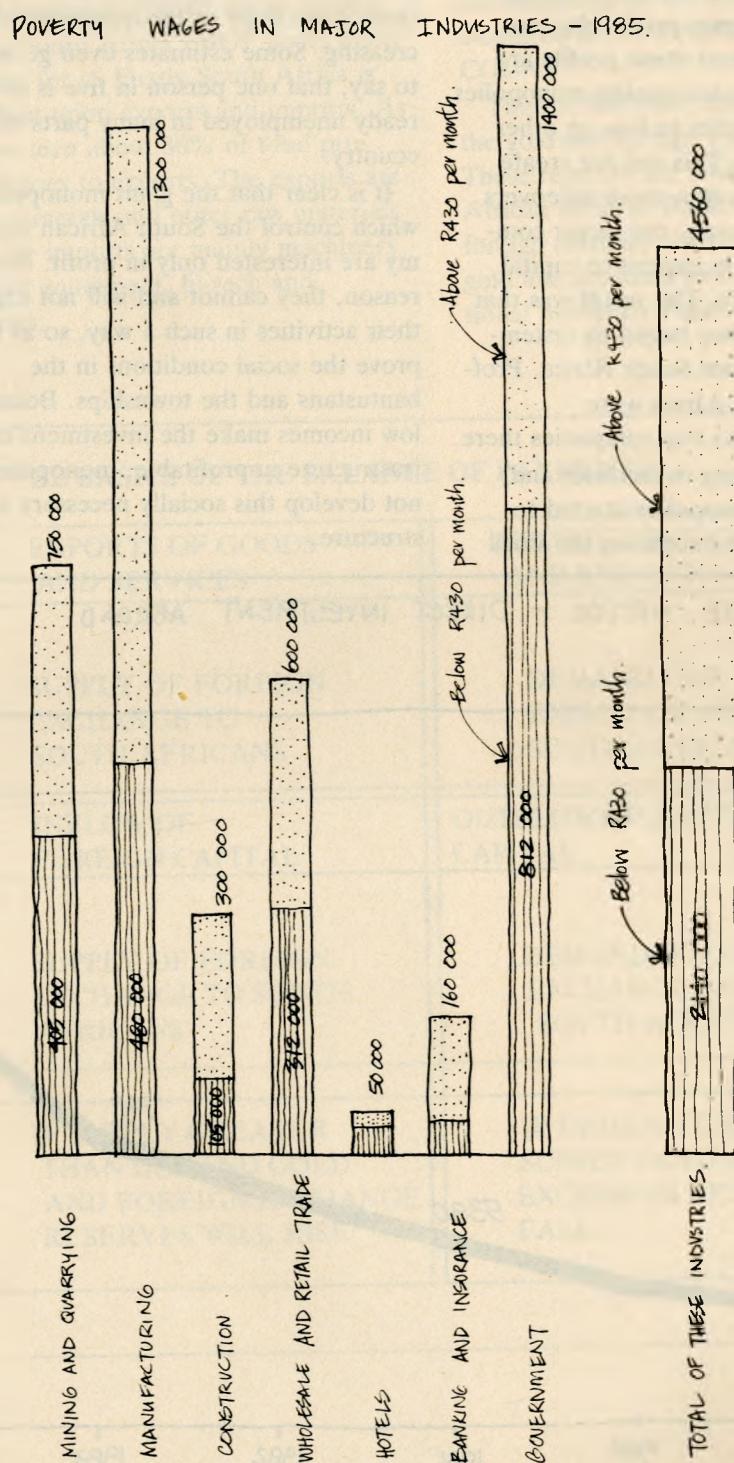
Between 1982 and 1985, 115 000 jobs were lost in the manufacturing sector - and these are the official figures.

they could mechanise which would cause retrenchment. All capitalists together would not increase wages because it would either reduce profits or increase prices both of which would restrict further expansion of sales. Higher wages would in any event probably lead to mechanisation and unemployment.

In summary therefore, it is very unlikely that South African capitalism would move to a high wage growth path. This is also a very important point for unions. If they only concern themselves with

money wages then they are on a road to nowhere.

It is also important to understand that the above reasoning also undercuts a common argument put forward by capitalists and their supporters. This argument is that wages should be kept low in order to create jobs. Capitalists only undertake new investments when they can sell their product at a profit. As we have seen it is low wages that are now a barrier to the expansion of sales. So low wages by themselves will not create jobs.



This graph shows just how many workers are earning poverty wages. R430 per month was calculated by UNISA in 1985 to be the minimum an average family could survive on with minimal comforts. Almost half of the workforce in the major industries was earning below this minimum in 1985.

Table 37

Concentration and Centralisation of Capital — Monopolies

The power of monopolies in manufacturing and elsewhere in the economy acts to further reduce job creation. These monopolies have earned large profits. They have done this by rationalising* their production so as to cut costs. They have taken advantage of inflation to raise prices faster than wages and recently they have made very large profits in Rands because of the rate of exchange.

But as we have seen profitable new growth areas to invest these profits are hard to find. The giant mining monopolies used their large profits to buy up other smaller companies. This did not create jobs. In fact more often these takeovers destroyed jobs because, the larger companies could bring in expensive capital intensive technology. The result was that during the 1970's they began to systematically disinvest from South Africa. Profits earned in South Africa were exported overseas to buy companies there.

Instead of investing in factories and mines the large monopolies started to make financial investments on the stock

exchange*. Insurance companies began to play a much more important role in the financial markets. This also did not create jobs but instead led to the building of large and expensive new offices for these companies.

The majority of new factories opened were in the low wage, union-free bantustans and border areas.

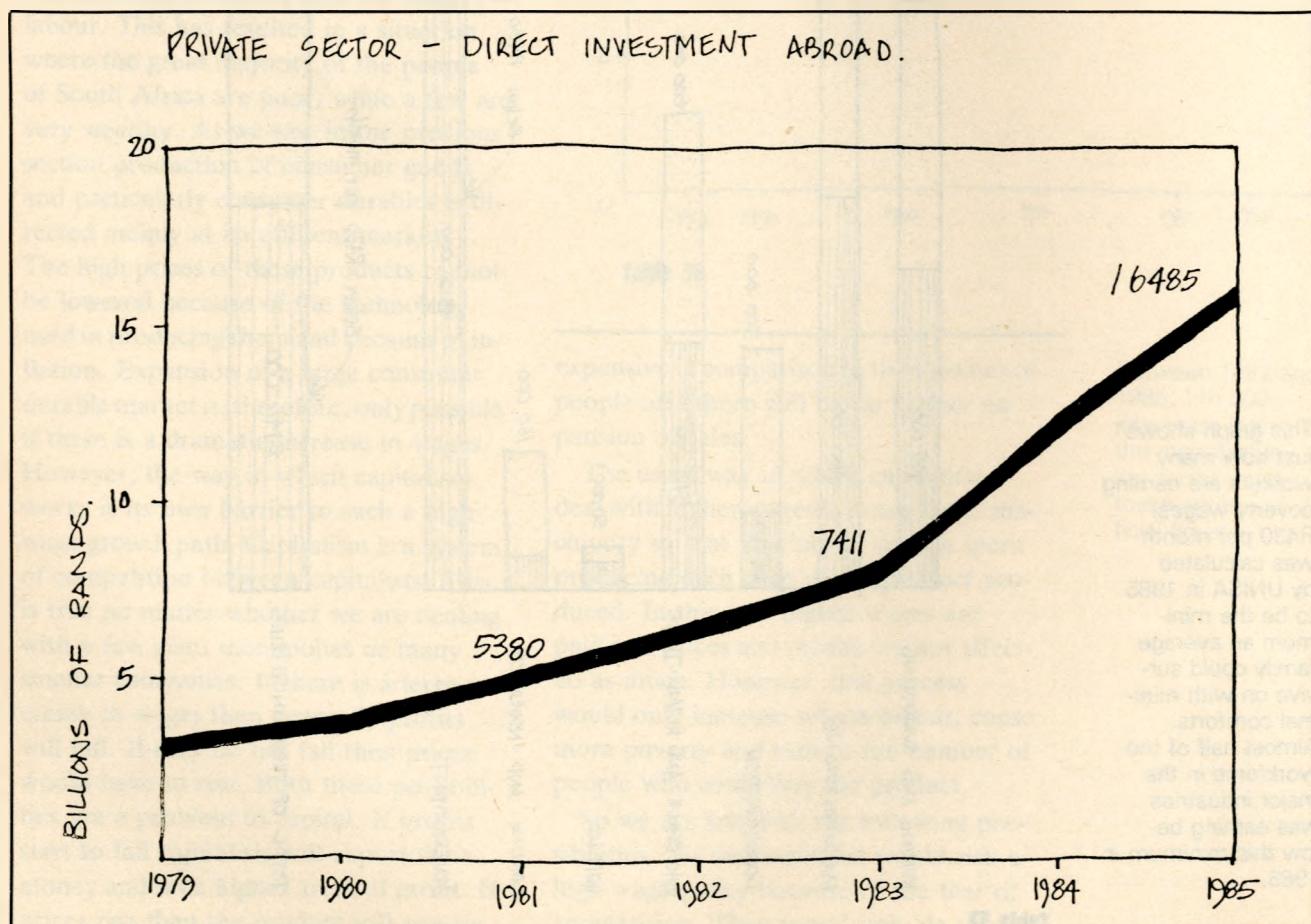
The result is that despite economic growth, South Africa has an enormous unemployed population. As we have seen, this figure has continued to grow and there is no hope of the numbers decreasing. Some estimates even go as far as to say, that one person in five is already unemployed in many parts of the country.

It is clear that the giant monopolies which control the South African economy are interested only in profit. For that reason, they cannot and will not expand their activities in such a way, so as to improve the social conditions in the bantustans and the townships. Because low incomes make the investment in infrastructure unprofitable, monopolies will not develop this socially necessary infrastructure.

Table 38

Between 1983 and 1985 the amount of private sector investment overseas increased by more than R9 billion

PRIVATE SECTOR - DIRECT INVESTMENT ABROAD.



Capitalism in South Africa is in a trap. Unemployment is growing because manufacturing cannot grow. And the poverty of the people caused by unemployment and low wages, are themselves major factors in preventing a capitalist expansion of manufacturing.

The Balance of Payments

If the economy, and in particular the manufacturing sector, is to grow the balance of payments (BOP) has to be considered. South Africa's BOP poses many problems for it. Firstly South Africa is dependent upon exports and imports. As we have seen about 30% of total production goes to exports. The exports are mainly minerals and other raw materials whilst the imports are mainly machinery, transport equipment, hi-tech and chemicals.

South Africa's exports depend on world market conditions which are often unstable. However, if exports fall and South Africa earns less foreign exchange* then a cut back on imports will affect it seriously because the imports (being mainly machinery and equipment) are needed for new investment.

Secondly, the BOP is not only concerned with the export and import of goods and services measured in what is called the CURRENT ACCOUNT. There are also movements of money or what are called capital movements. These are measured in the CAPITAL ACCOUNT.

Thirdly, the BOP refers to changes in the gold and foreign exchange reserves. These reserves are held by the South African Reserve Bank. They consist of foreign currency, (mainly US dollars) gold and accounts held with the International Monetary Fund.

THE BASICS OF THE BALANCE OF PAYMENTS

	EXPORTS OF GOODS AND SERVICES	IMPORTS OF GOODS AND SERVICES
CURRENT ACCOUNT 	SUPPLY OF FOREIGN EXCHANGE TO SOUTH AFRICANS	DEMAND FOR FOREIGN EXCHANGE BY SOUTH AFRICANS
	INFLOW OF FOREIGN CAPITAL	OUTFLOW OF SOUTH AFRICAN CAPITAL
CAPITAL ACCOUNT 	SUPPLY OF FOREIGN EXCHANGE TO SOUTH AFRICANS	DEMAND FOR FOREIGN EXCHANGE BY SOUTH AFRICANS
CHANGES IN GOLD AND FOREIGN EXCHANGE RESERVES 	IF SUPPLY GREATER THAN DEMAND GOLD AND FOREIGN EXCHANGE RESERVES WILL RISE	IF DEMAND GREATER THAN SUPPLY GOLD AND FOREIGN EXCHANGE RESERVES WILL FALL

Economic and political crises are reflected in the BOP, mainly in the capital account. In looking at the State's fiscal problems we saw that it has had to borrow heavily. However, in doing so it also has to repay its loans. The burden of repayment has increased greatly over the last few years.

At the same time, however, for reasons that we have looked at, South African capitalists have been exporting their profits on a large scale. This has meant that on the capital account there has been a large outflow of money — to repay government borrowing and because of the export of profits. This outflow has meant that there is a great demand for foreign exchange. This increased demand for foreign exchange has not been met by the earnings from exports. In addition because of South Africa's political and economic problems, new foreign investment which would have supplied foreign exchange has virtually dried up.

So the demand for foreign exchange has exceeded its supply. This has caused the price of foreign exchange to rise. Each one of our Rands can buy less and less foreign exchange, meaning the Rand's exchange value has fallen. When the value of the Rand falls South Africa's exports become cheaper to foreigners but its imports become more expensive.

Such a situation is not necessarily a good one because of the importance of imports. Here we see why gold and foreign exchange reserves are held by the South African Reserve Bank and how they can be used. Where foreign exchange demand is greater than supply the Reserve Bank could reduce its reserves of foreign exchange by selling them. In this way they try and close the gap between demand and supply.

However, South Africa's capital outflow problem became so large that foreign banks stopped all lending because they feared that South Africa would not be able to repay its debts. The Reserve Bank now has insufficient reserves to close the gap between the demand and supply of foreign exchange. The result has been a very dramatic decline in the foreign exchange rate — which is a fall in the value of the Rand in terms of foreign exchange.

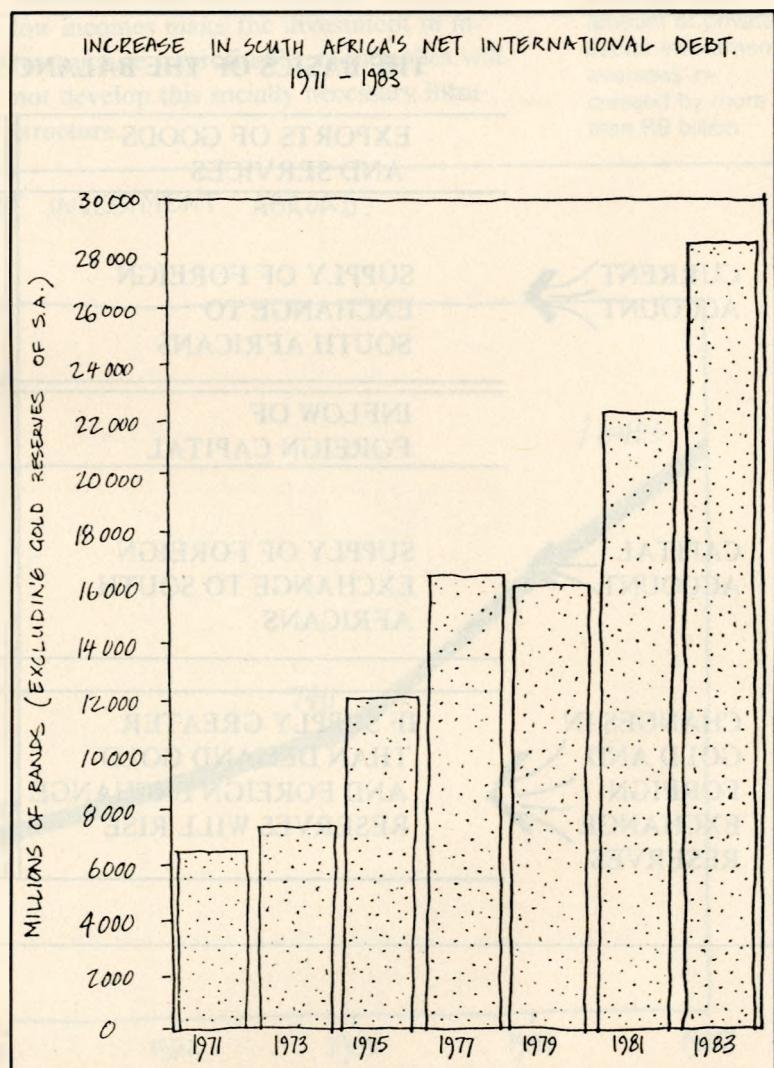
Over the last few years there has been a structural change in South Africa's exchange rate. The Rand is now half its value of a few years ago. This has a number of consequences.

- Imports are now much more expensive. Because of the nature of South Africa's imports, mostly machinery and equipment, this restricts economic growth. Also high priced imports used in production, increase prices and, therefore, contribute to the inflationary spiral.

- The low exchange rate does benefit exporters because their products are so much cheaper for foreigners. This is particularly true of gold, the price of which is fixed in US dollars. So the value of gold in Rands has risen greatly. Correspondingly the Rand profits of gold mining companies have risen. However, as we saw before these profits are not being used to create jobs.

- Cheap exports might earn a lot of money for the monopolies but this has other long-term consequences for South

Table 39



Africa. Monopolies will export as much as possible now in order to make profits. In this way South Africa's rich natural resources are being exhausted with no real benefit to workers. Workers will face the problem of having to rebuild the economy on exhausted mineral supplies.

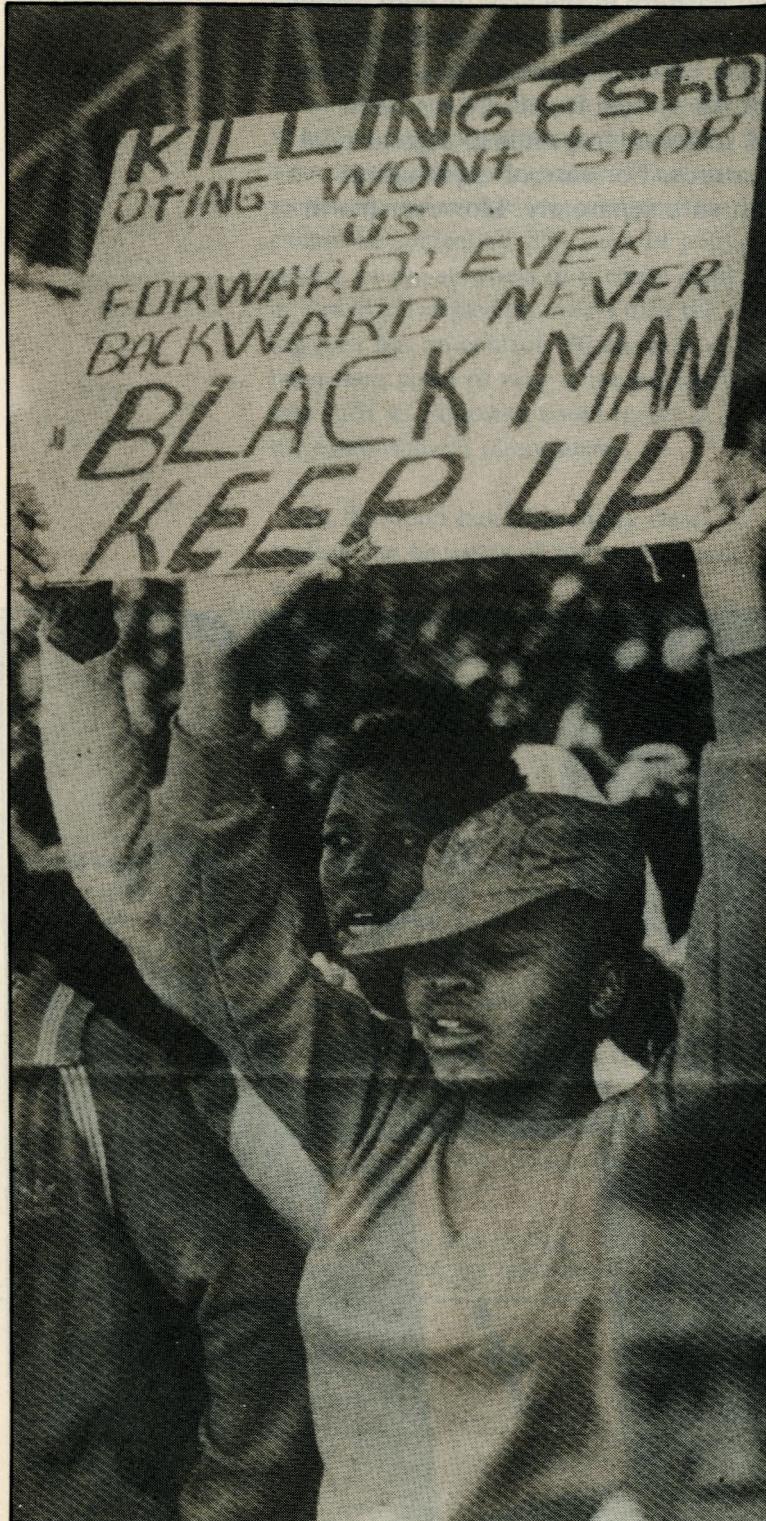
So before rapid economic growth can take place these BOP problems will also have to be dealt with. This is not easy in a situation where there is a political and economic crisis since the Reserve Bank

is unable to build up the reserves necessary if it wants to significantly affect the exchange rate. The present BOP position therefore constitutes a further barrier to economic growth.

Conclusion

The above factors make it very unlikely that capitalists will solve the Apartheid State's problems. This is because of the difficulties they confront in investing and creating jobs in South Africa. These difficulties stem from the workings of capitalism itself, especially the fact that production takes place for profit and not to meet people's needs. These structural obstacles to investment and job creation are a central part of the overall political and economic crisis. We can therefore summarise the main elements of the crisis as follows.

- The State's persistence with rigid racial policies and its unwillingness to accept the most basic elements of democracy and justice are serious political barriers to the solving of the crisis.
- The State has no political reform proposals which would be acceptable to the majority of the oppressed.
- Unless reforms bring about real and material benefits to large numbers of people, they will be meaningless. The present fiscal crisis makes the State unable to substantially finance reform.
- Despite all the laws and the army, the State has not been able to wipe out opposition to it. Serious and widespread opposition continues to exist.
- Present moves to very limited reform do not even begin to answer the fundamental problems of unemployment and poverty. Capitalism, driven by its need to generate profits, has created its own obstacles to further investment within South Africa. Hence capital also offers no significant solutions to unemployment and poverty.
- The policies of the Apartheid State have also resulted in a situation of instability and conflict with the countries bordering on South Africa. It has meant that South Africa spends much needed resources on financing that conflict, instead of using the wealth of this country to improve the lives of South Africa's people.



Chapter 6

Solutions offered by Capital and the State

In the last chapter we saw very fundamental barriers in the way of both capital and the State solving the present crisis. However both have proposed various solutions and we need to examine these. They know that unless they can come up with answers to the pressing problems of the system it will always be in serious danger of collapse. We will not look at these proposals in a great deal of detail but rather examine their central features. For ease of explanation political and economic solutions will be dealt with separately. However it will be clear how closely related these two are.

Chief Buthelezi addressing the KwaZulu Natal Indaba



The dilemma of reform

Capital and the State are not totally blind to the problems that have been outlined in the previous chapter. However, what is also clear is that they have no solution which all capitalists and all political groups can agree on. There are many disagreements about what should be done and these disagreements have deep causes.

The ruling class is aware that the problems are serious. Its dilemma is whether it will be able to retain political control whilst making far-reaching reforms. Their basic aim is to secure the wealth of South Africa for capitalism. However what worries the ruling class is that reforms may raise mass expectations that cannot be controlled. The pace of political reform or the slowness of it could result in a political explosion over which the ruling class has no control. Worse still from their point of view is the possibility that such an explosion could result in the establishment of socialism.

On the other hand the ruling class realises the necessity of reform to boost economic development. For without economic growth there is equally the danger that discontent will explode into an uncontrollable national uprising that could also lead to a socialist political alternative.

So we find that some capitalists and politicians are prepared to go further than others — even as far as Lusaka — in seeking and proposing reforms. This is because they differ in what they consider to be necessary to secure the future of capitalism.

Multinational capital is more experienced in dealing with post-colonial changes in the Developing World so it is more confident that it can secure capitalism in a post-apartheid South Africa. Because of their larger international markets they are more sensitive to the world's abhorrence of apartheid. Recently popular pressure in Western countries has resulted in limited sanctions. For these reasons multinational capital is generally prepared for more rapid reform.

What are the solutions being put forward? They can be viewed as political and economic although these cannot be separated because of the interrelationship between them.

Political solutions

Many detailed political solutions have been put forward by the political parties of the ruling class. What we will examine are not the details of such solutions, but certain basic and central features of most proposals.

GAVIN RELLY, Chairman of Anglo-American:

"I have always taken the view that whether one likes the ANC or not - and I personally do not like its policy of violence nor its Marxist economic thinking - it constitutes an important factor in the SA political set-up.

"Because its leader, Mandela has been jailed, he has become a myth and I believe the ANC should be challenged for what it is and therefore we must release its leaders.

"Let them demonstrate whether they have anything to offer. But while the whole process feeds on mythology, you can never come to grips with it - and I believe we have to."

RAYMOND ACKERMAN, Chairman of Pick 'n Pay:

"We must convince the world that sanctions which are a

violent and immoral option in itself, will impoverish our country.

"Only economic growth will ensure peace in South Africa and blacks should stop calling for punitive measures."

TONY BLOOM, Chairman of the Premier Group:

"Political power-sharing is the ultimate issue to be addressed before South Africans can aspire to being a just society with equal treatment before the law for all citizens.

"The prerequisite for negotiations to take place must be the unbanning of organisations like the ANC and the release of Mandela and other jailed political prisoners." (All quoted in Sunday Star 6.7.86)

Law and Order

One thing that the South African State and capitalists — South African and international — all agree upon is the need for strong security forces to maintain "law and order". The only differences they have amongst themselves are the way in which the security forces should conduct themselves. Law and order in this country has become a political concept describing State security. It has lost any link with the basic democratic notions of justice and the rule of law. It has degenerated into a justification for retaining the status quo.

Group Rights

A central feature of this status quo has become the concept of groups and group rights. The National Party defines groups in racial and ethnic terms. Other sectors of the ruling class talk only of groups. It is argued that the purpose of defining such groups is to protect their identity and interests. However, a more likely political reason for defining South Africa by group is to fragment, divide and control the people of this country. Protection of group rights will mainly serve to protect the interests of a wealthy, minority ruling class. So far a problem confronting this approach is that the ruling class has not been able to find credible leaders among the oppressed peoples that will lend legitimacy to group based solutions.

The process of negotiation

For the ruling class a major political issue is the question about how to start a process of negotiation and with whom this process should be undertaken. This requires agreement on the basis of a negotiated settlement. Negotiating a one person one vote solution is not as yet acceptable to the State or capitalist reformers because they fear its consequences. So most negotiation proposals avoid a one person one vote solution and virtually all proposals look toward group-based negotiations. It would seem that the more groups there are in-

volved, the better from their point of view.

KwaNatal Indaba

Many solutions have been proposed. However, the KwaNatal Indaba variety seems to be the one most favoured by many capitalists and reformers at present.

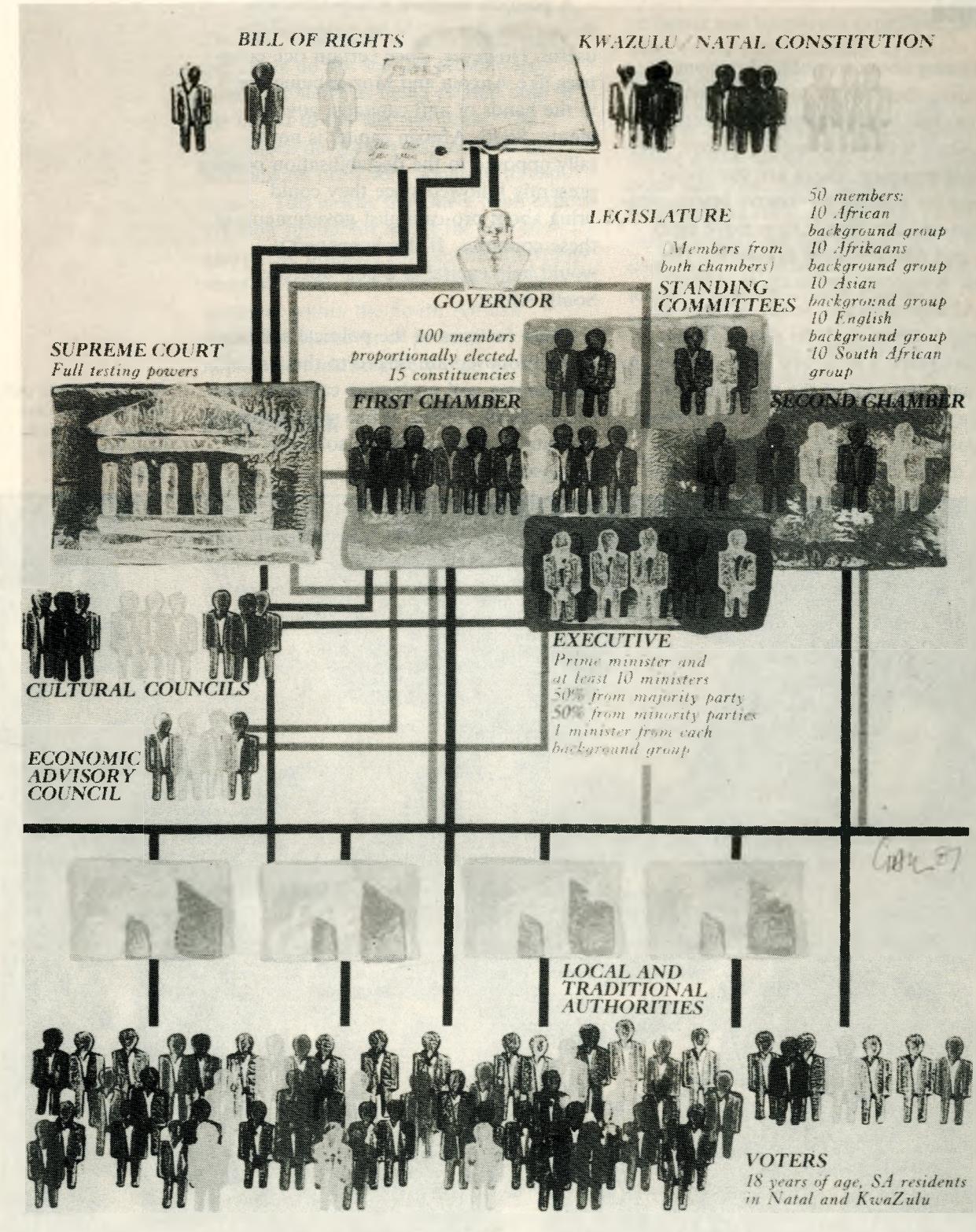
The important features of the Indaba are:

- It is negotiation by groups and organisations and not by elected representatives. But it is important to understand that these group interests are still defined mainly by race.
- It is a regional solution that would be linked in to a federal structure.
- Group rights and identities are stressed and each group, no matter how small a minority it is, has the constitutional power to delay and change legislation that affects it. This would clearly make it very difficult to significantly redistribute wealth.

The advantage of the Indaba for capital is that it has been negotiated with Inkatha's support. Inkatha is presented as a legitimate black organisation. There is some truth in this. However, it does not represent all blacks in Natal and certainly does not do so nationally. More dangerous however, is the role of the press and the media who do their best to improve the credibility of Inkatha. In doing so they are hiding the truth. The truth is that Inkatha has the same problems as any Bantustan government. For reasons that have been examined, there is considerable opposition to such governments and violence is being used to repress such opposition. However, the ruling class reasons that if the proposal can be pushed through in Natal, it offers to capital and the State a possible solution nationally.

It is doubtful that the Kwa Natal option can be reproduced in other areas since nowhere else does a similar organisation to Inkatha exist. Attempts are being made to manufacture such organisation but it is not proving an easy task. Nonetheless the ruling class will no doubt continue to promote and seek such Kwa Natal style solutions.

Proposed Constitutional Structure of KwaNatal



Government by groups is never a simple matter

"It is clear that if one wishes to follow the road of free enterprise, and if one sincerely believes in capitalism and not socialist doctrines, then it is imperative that a non-racial, democratic society based on merit, equality of opportunity, and the ownership of property, must be brought into being. This society can only function correctly if the principles of free enterprise are able to operate." Chris Saunders, Chairman of Tongaat-Hulett Group (from Leadership Magazine - special focus on the Indaba, 1987)

International Support for any solution

In thinking about its political options the ruling class has to consider whether a solution will be internationally acceptable. Only if this is so will it remove international pressure. There are two main reasons for wanting to remove international pressure. The first is to remove sanctions and disinvestment pressures. The second is to open up Southern African and African markets. South Africa's developed industry and the size of its monopolies place it in a very good position to dominate and exploit the very rich sub-continent of Southern Africa. At present this possibility is made very difficult because of the clash between the Frontline

States and the South African regime.

A political solution which removed those obstacles would be economically useful. However, since certain rich countries like Angola and Mozambique are in the hands of anti-capitalist governments, South African capital is not totally opposed to the destabilisation policies presently followed since they could bring about pro-capitalist governments in these countries. If this happened it would help capital in a post-apartheid South Africa.

These features of the political solutions being proposed are linked to the aim of maintaining and protecting capitalist interests in South Africa. What we will now examine is what economic solutions are proposed.

Anti-SA Protest outside the SA Consulate, New York City, December 1984



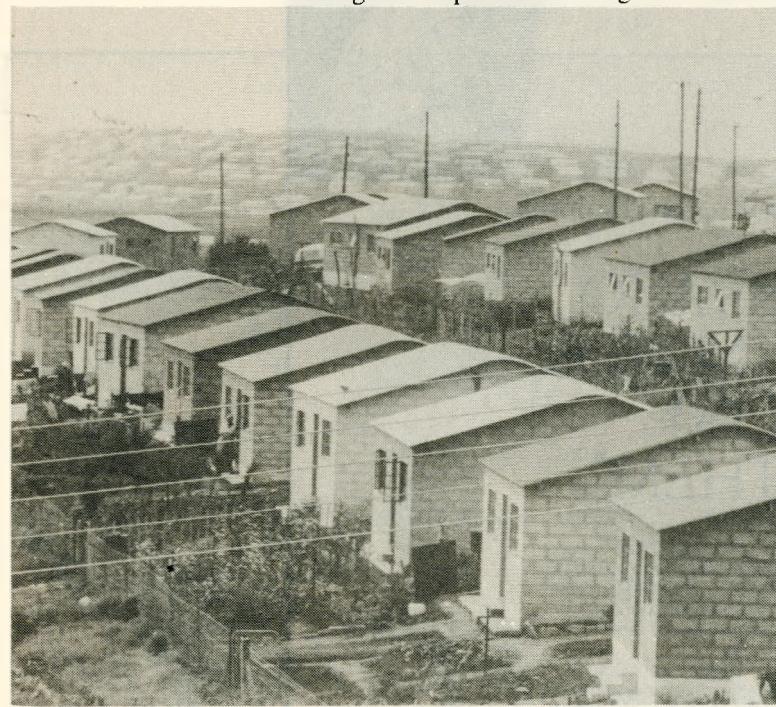
Economic solutions

The first important point to see is that capitalists do not see the present economic problems as being related only to the unrest of the last two years. The limitations on growth discussed earlier have always been very apparent to capitalists. This is why they have been exporting their profits for about the last 10 years. The problem for capitalist development is to find profitable forms of investment within the South African economy. However at present the monopolies are earning very high profits.

Privatisation

One way proposed to deal with this problem is what is called privatisation. What the capitalists want is for the State to hand over certain parastatals to private enterprise. In effect this means that the State would hand over parastatals to the large monopolies. It is argued that the

Capitalists would find it difficult to make houses profitably at a price that workers could afford



Leon Louw, Executive Director of the Free Market Foundation of Southern Africa, quoted in Star 15.12.86

First, whoever governs in a country such as South Africa will find that government ownership or control politicises issues and provokes conflict.

If things such as housing, education, transport and labour (the four most conflict-ridden areas in South Africa) were privatised/deregulated, the major problems would be solved. These areas would be depoliticised.

Second, if the state owns and controls less

of the economy and is therefore less important to the average person, the potential for finding politically popular and successful solutions and compromises would be considerably increased. It has been observed that "the greater the power of government, the greater the struggle for power."

Third, privatisation is by far the most exciting and promising way of providing thousands of entrepreneurial opportunities overnight, especially to black people.

Fourth, the Government is committed — and pressure is upon it — to end discrimination in programmes such as education, pensions and health. A few simple

control and the running of parastatals by the State is inefficient and they would be better run by private capitalists. But what would such a transfer of the parastatals achieve?

This kind of privatisation is simply a transfer of ownership and does not constitute a new investment which would generate new jobs. Since monopolies will be producing for profit there is the danger that efficiency for the sake of profit will come before jobs and as we have experienced efficiency usually means retrenchment.

By placing more profits in the hands of the monopolies the problem of job creation cannot be solved. Profits have to be invested in new areas of production to create new jobs. One proposal that tries to deal with this problem is another kind of privatisation which proposes that the State should withdraw from areas of social consumption* like housing, health and education and open these up to private enterprise.

Again it is not clear why this will create more jobs and employment. The danger of efficiency continues to mean retrenchment for workers. Even if capitalists were to expand into areas such as housing, large numbers of people could only purchase the houses if they were relatively cheap. Capitalists just could not make a profit at such low prices.

One answer would be for the State to subsidise housing for people. In this way capitalists would get a higher price and the purchaser would pay a lower price. The difference would be paid by the State. In this way new areas of profit are opened up to capital but only if the State can pay the subsidy. This of course will only worsen the fiscal crisis of the State that we examined earlier. So this course of privatisation does not seem to offer a great deal either.

calculations will demonstrate that this cannot be done by raising expenditures upon blacks to the levels presently allocated to whites per capita simply because there is not enough money.

It is politically unsaleable to reduce white levels so that, with existing government resources, there will be equal benefits.

Privatisation apparently provides the only known way of generating vast sums of money quickly with which to equalise fast enough to satisfy black aspirations, international demands, and government objectives. Without large scale privatisation, there is an insoluble impasse.

Small Business Development and Deregulation*

The other argument presented by capital is that there are too many laws and regulations preventing the growth of small enterprises. This argument calls for deregulation. Such deregulation will lower working costs of small companies and therefore allow them to expand. It is further argued that such small companies are more labour intensive because they do

not use as many machines.

What regulations are the capitalists worried about? There are many, but the most important of these are the health and building regulations, Basic Conditions of Employment regulations, health and safety regulations, licensing laws and various industrial relations agreements. A major effect of deregulation is that it will lower wages and therefore the cost of production. It will also result in creating more dangerous working conditions.



Mr L. Kwtane, Tailor, Guguletu, Cape Peninsula.

**“A FEW YEARS AGO
I WAS LOOKING FOR
A JOB. NOW I’M
CREATING THEM.”**

The real rewards of a small business go far beyond the remuneration of the entrepreneur. Because small business creates employment opportunities for more people, in more critical areas, at a much lower cost. And more jobs mean more prosperity, enhanced social stability and greater faith in our free market economy.

Since its inception the Small Business Development Corporation has been helping entrepreneurs of all population groups to grow and to prosper. By providing financial assistance to small businessmen, by supplying premises and guidance, and by cultivating a spirit of enterprise throughout the subcontinent, the SBDC has already created jobs for an estimated 30 000 people.

The challenge is vast and complex, the challenge of inspiring hope among those with little to hope for, of inspiring faith among those who have not experienced the satisfaction of reward, and of developing our most important resource – the human one.

But, like Mr Kwtane, we are looking to the future with confidence in a better tomorrow.



SBDC

Your Investment in Prosperity.

Major Shareholders in the SBDC		R
These 34 companies owned more than 87% of all the shares in the SBDC in 1985 (IMF 27.9.85)	General Mining Union Corporation Limited	5 240 000
	Gold Fields Mining and Development Limited	5 240 000
	Rembrandt Group Limited	5 240 000
	Suid-Afrikaanse Nasionale Lewensassuransie-Maatskappy	4 192 000
	Barclays National Bank Limited	3 160 000
	South African Mutual Life Assurance Society	2 700 000
	Anglo American Corporation of South Africa Limited	2 620 000
	De Beers Holdings (Pty) Limited	2 620 000
	Volkskas Nywerhede Limited	2 620 000
	Nedbank Limited	2 096 000
	AECI Limited	1 572 000
	The Standard Bank of South Africa Limited	1 572 000
	Standard Credit Corporation Limited	1 572 000
	Barlow Rand Limited	1 080 000
	BP Southern Africa (Pty) Limited	1 048 000
	Boland Bank Limited	1 048 000
	Caltex Oil (SA) (Pty) Limited	1 048 000
	Commercial Union Assurance Company of South Africa Limited	1 048 000
	Johannesburg Consolidated Investment Company Limited	1 048 000
	Cape Wine and Distillers Limited	1 048 000
	Liberty Life Association of Africa Limited	1 048 000
	Mobil Oil Southern Africa (Pty) Limited	1 048 000
	Shell South Africa (Pty) Limited	1 048 000
	The South African Breweries Limited	1 048 000
	South African Marine Corporation Limited	1 048 000
	The Tongaat Group Limited	1 048 000
	Triomf Fertilizer (Pty) Limited	1 048 000
	The Trust Bank of Africa Limited	1 048 000
	Federale Volksbeleggings Limited	848 000
	Total South Africa (Pty) Limited	557 280
	Consolidated Textile Mills Limited	524 000
	Murray and Roberts Limited	524 000
	Sasol Limited	524 000
	Unilever South Africa (Pty) Limited	524 000

The big monopolies support the development of these deregulated small enterprises because it offers them new markets. The monopolies produce most of the basic products that will be used by these small enterprises. If, by introducing more exploitative conditions, these small capitalists can carry out the activities that the production techniques of the monopolies prevent them from carrying out, then all the better from their point of view. Such a policy of deregulation and small enterprises will also give rise to a middle class which will defend the interests of capitalism. But they would never be able to create the jobs that are needed.

The fact that such small enterprises cannot operate profitably now, is more the result of the power and control of the monopolies and the low levels of income of the vast majority. It is not regulations that are the real barrier to their expansion. Furthermore jobs at low wages do not solve the problem of poverty.

Inward Industrialisation

Privatisation and deregulation are sometimes seen as part of an overall policy of inward industrialisation. This would be a strategy to expand the size of domestic production and thus provide more jobs. We have looked at some of the problems in the way of the success of such a policy.

There are other proponents of inward industrialisation who do not place stress on free enterprise. They argue for greater protection of domestic producers and a reorganisation of production to meet the consumer needs of a larger market. Such a set of policies requires greater coordination between capital and government. This form of inward industrialisation does not have many supporters amongst capital and within the State. It certainly is a more complex set of policies and it raises issues of State involvement and planning looked at in the next chapter.

Women working on a government unemployment project clearing bush



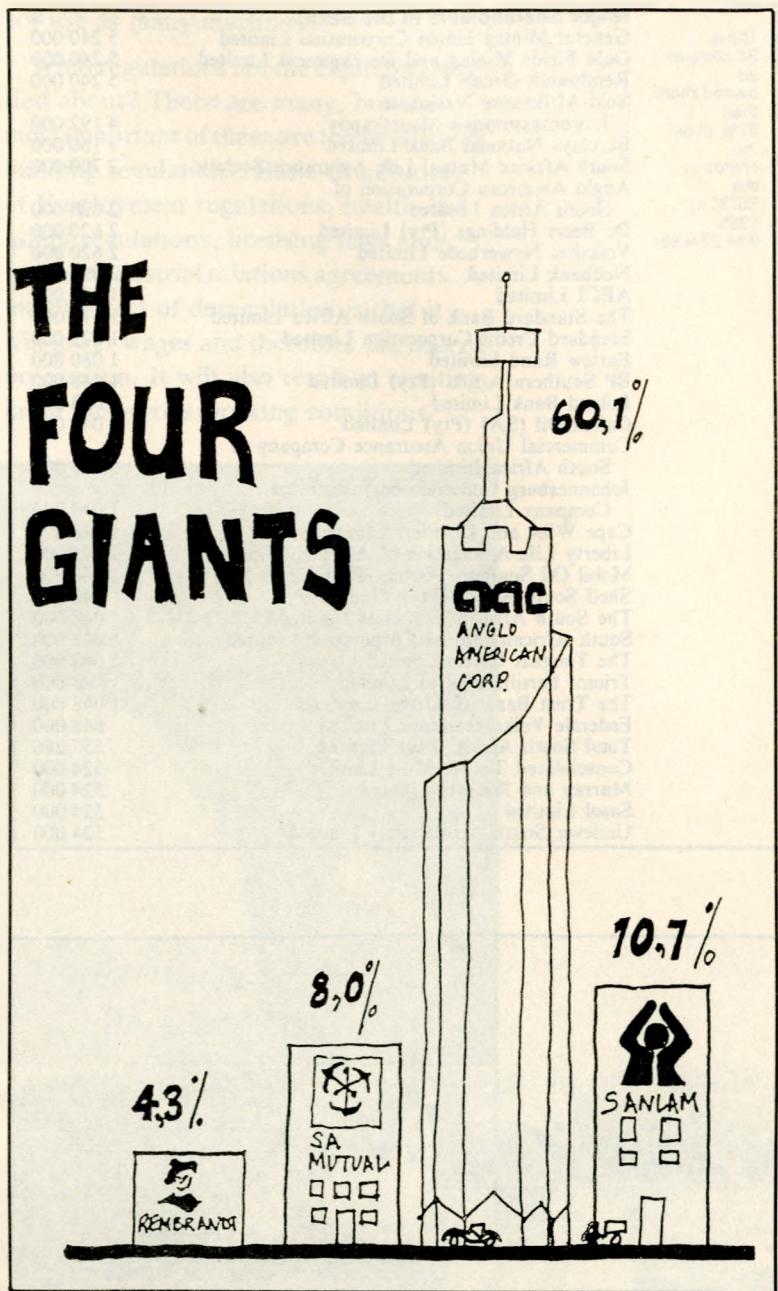
Free enterprise

Privatisation and deregulation are usually justified by their supporters as being linked to the whole philosophy of free enterprise. It is argued by them that until now there has been too much State interference in the economy and that privatisation and deregulation would correct this.

However, as we have seen, such proposals will improve the profits of the monopolies while at the same time reducing the income and employment levels of the vast majority of the people of South Africa. What then is such free enterprise offering? In any event to privatise the parastatals could only be done if very large companies took them over. This would only increase the size and power of the monopolies and further strengthen the power and grip which the monopolies have over the capitalist economy.

The stress on free enterprise in these solutions has a definite political purpose. It tries to distinguish free enterprise as a form of capitalism that differs from apartheid capitalism. In this way it is hoped to persuade people that free enterprise capitalism is an acceptable system and that it was apartheid that was wrong. But, as we have seen, all the solutions which they propose have the effect of strengthening the power of monopoly capitalism. Only the monopolies have the power and the resources to privatise the economy on a large scale. This means essentially that no structural changes to the economy are being offered by these solutions.

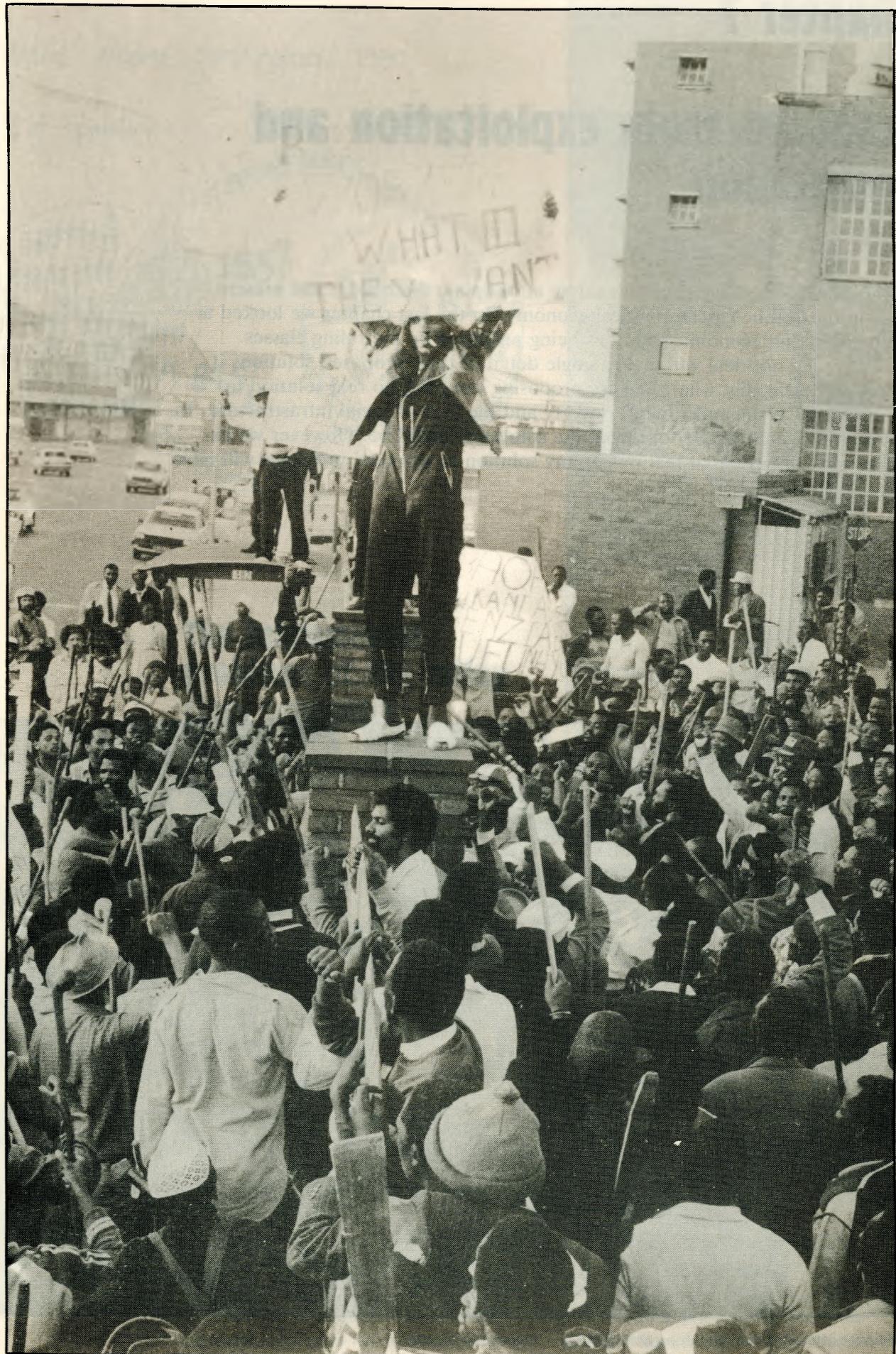
It could also be argued that deregulation and the whole of the idea of small business development* is intended to develop the free enterprise economy. As we have seen however, that is a totally unrealistic idea. Small businesses cannot produce the steel, electricity, chemicals, petrol and other forms of energy which are essential to any economy. For that reason monopolies will continue to dominate the economy. But we must also understand that the idea of small business development is important for capitalism because it creates a class, the petit bourgeoisie, who will be allies of big capital.



Conclusion

The political solutions being offered fall short of full democracy based on one person one vote. The main purpose of the solutions is the understandable desire by capitalists to retain capitalism. This links with the economic solutions which also will benefit capital — the monopolies and their petit bourgeois allies — but will have very little effect on unemployment and poverty.

In view of this what sort of solutions should be proposed by workers. In the next chapter we look at some basic requirements for worker directed solutions.



Chapter 7

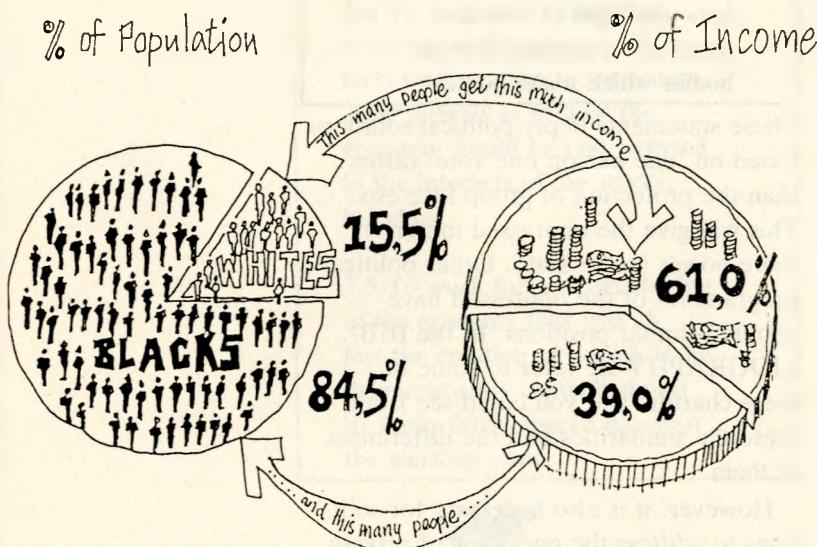
Freedom from exploitation and oppression

In this booklet we have tried to analyse and explain the history and present crisis in the South African political economy. In the last chapter we looked at the political and economic solutions being proposed by the ruling classes. Whilst we did not deal with every single detail of their proposed solutions it seems very clear that what they are proposing can offer no real solution to the problems of unemployment, poverty and the lack of social infrastructure. In this chapter we do not set out what the solutions should be. However we examine what the essential features of any solution to workers' problems will have to be.



Delegates attending the launching of COSATU – December 1985

RACIAL INCOME DISTRIBUTION : 1980



The fundamental problems of the ruling class proposals

Protection of wealth and privilege

There are two basic problems with the solutions put forward by the ruling class which mean that they do not answer the needs of the masses in South Africa.

The first is that its political solutions are all designed to protect group interests. However this hides a very real problem because most of the wealth and resources of South Africa lie in the hands of a small class of rich and powerful white capitalists who have, in addition, always been protected as a racial minority. Protection of such group interests will effectively continue the wealth and privilege of a white minority in this country. The solutions being put forward by the State may reform apartheid since legalised racist discrimination might be removed. But the wealth and the privilege of those in power will not be reduced. Removing racial legislation will allow wealthy blacks to join this protected elite.



Profit, private ownership and free enterprise

The essential link between group-based political solutions and free enterprise economic solutions, is private property. Private ownership of the country's means of production* and protection of group rights effectively mean that the present economic structure will remain intact. In previous chapters we saw that production purely for profit, within this structure, is a barrier to employment creation and rising incomes for the majority.

If the problems of unemployment and poverty are going to be solved, solutions will have to deal with a substantial restructuring of the economy.

The basics of progressive solutions

For these reasons, the solutions offered by progressive forces in South Africa have to be based on political and economic proposals that will achieve this restructuring.

COSATU has stated:

"We the trade union representatives here present firmly commit ourselves to a unified democratic South Africa free of oppression and economic exploitation. We believe that this can only be achieved under the leadership of a united working class..."

Preamble to the COSATU Constitution

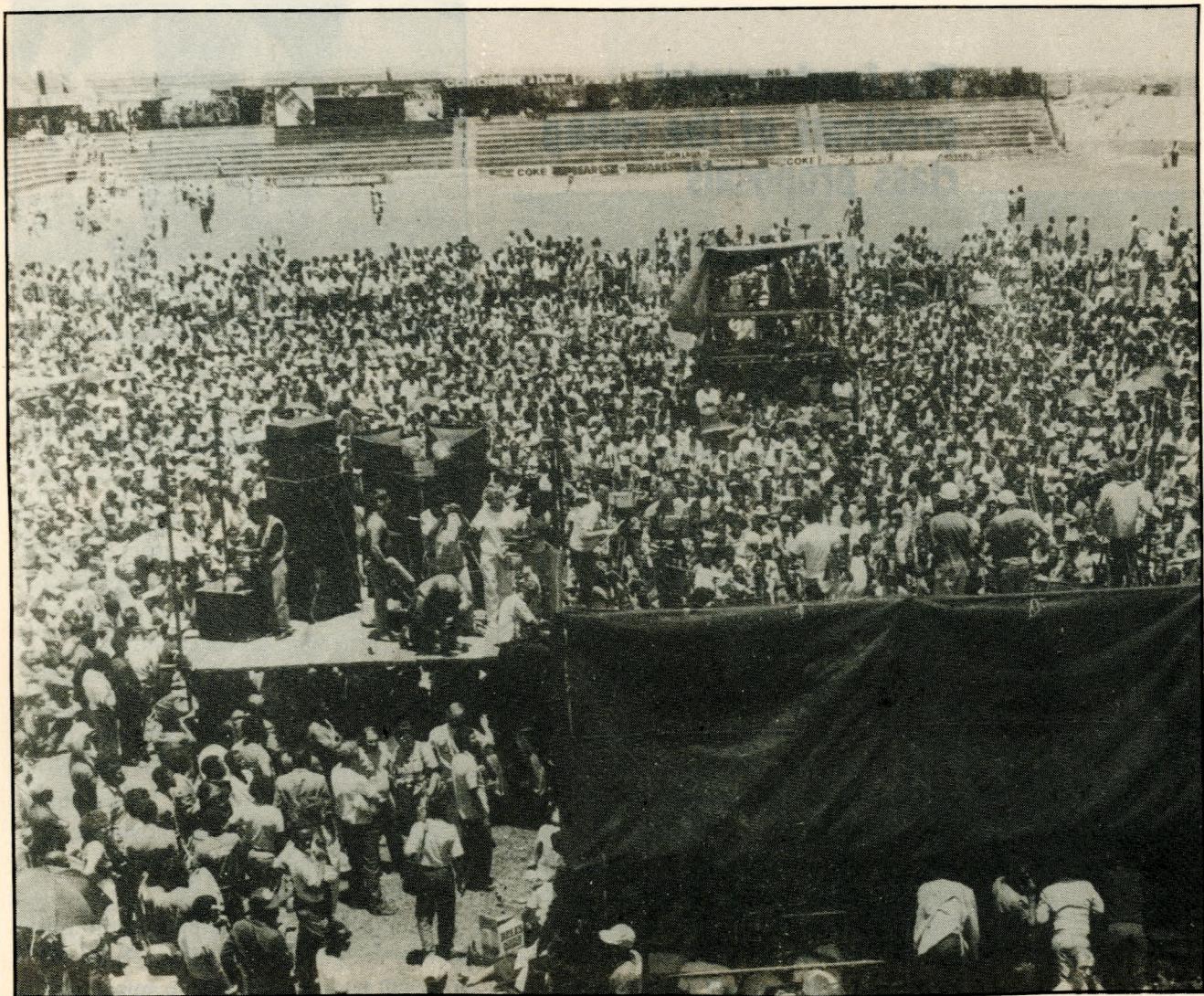
The Freedom Charter adopted by a Congress of the People on 26th June 1955 states

"Every man and woman shall have the right to vote and stand as a candidate for all bodies which make laws."

These statements imply political solutions based on "one person one vote" rather than the protection of group interests. This will give the oppressed majority more power in the State. Other political programmes of the oppressed have adopted similar positions. In the BIBLIOGRAPHY we refer to some of these charters and you could see from these the similarities and the differences in them.

However, it is also necessary for solutions to address the questions of private property and profit since they are also fundamental barriers to the solution of our problems.

Workers attend the launch of COSATU in December 1985



COSATU has made important statements on this. In its constitutional "Aims and Objects" clauses 3.4 and 3.5 read as follows:

3.4 To understand how the economy of the country affects workers and to formulate clear policies as to how the economy would be restructured in the interests of the working class.

3.5 To work for a restructuring of the economy that will allow the creation of wealth to be democratically controlled and its fruits fairly shared amongst the working class.

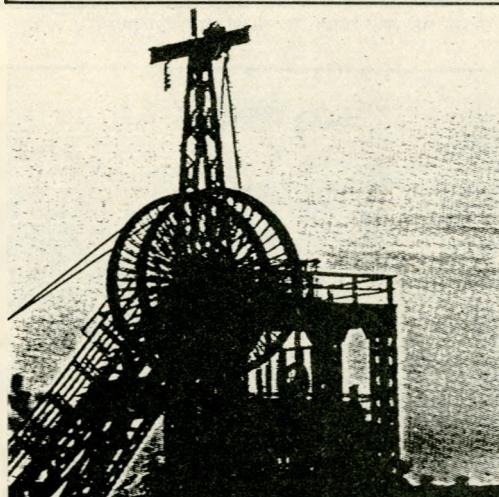
In the Freedom Charter it states

"The national wealth of our country, the heritage of all South Africans, shall be restored to the people;

The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole;

All other industries and trades shall be controlled to assist the well-being of the people;

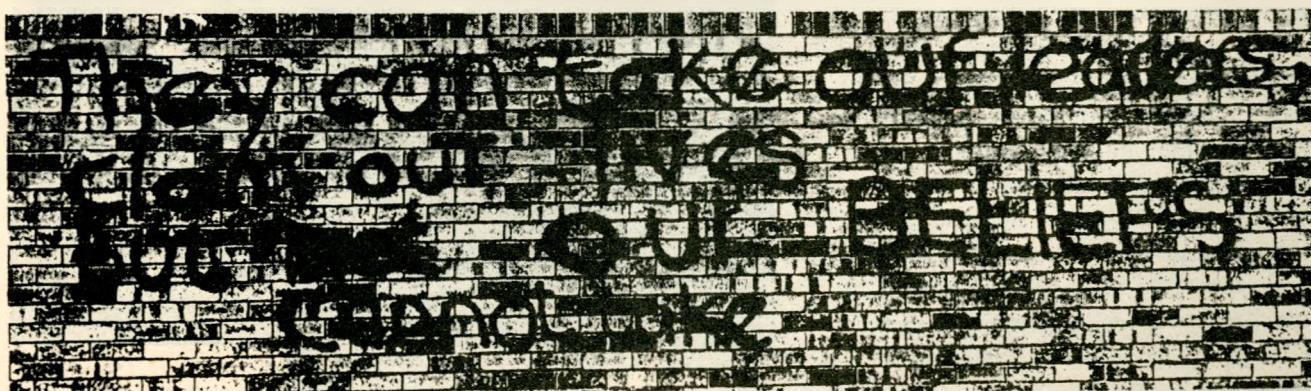
All people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions."



"The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole" - Freedom Charter

"To work for a restructuring of the economy that will allow the creation of wealth to be democratically controlled and its fruits fairly shared amongst the working class" - COSATU

Taking the above statements as important examples of the solutions offered by progressive movements, they clearly differ substantially from those offered by capital and the State. They are based on one person one vote and they are committed to economic solutions which include State ownership and controls over profits, therefore implying or calling for a restructuring of the economy.



Crucial issues

The above are not detailed solutions to the problems we face in this country. They serve as starting points and a guide to more detailed programmes. There are important issues raised in these proposals which require further consideration.

- The exact form of the democratic structures we need to build for the future to eliminate oppression and exploitation in our society must be debated and discussed now. But it is not just a question of discussion and debate. The structures built by present political organisations will lay the foundations of future democracy. These democratic structures will crucially affect the economic system that is developed after apartheid.

- The protection of individual rights requires more detailed examination and debate. In a capitalist economy the protection of individual rights is too closely integrated with the protection of economic power. This protects ownership of the means of production while acting against the rights of the producers who are, together with their families, the majority of the people in any society.

Clearly individual rights have to be protected. This must be done by the procedures of justice. These procedures have to be clearly spelt out and firmly entrenched in society. But what we must guard against is the protection of individual rights being used as a cover to retain a grossly unequal distribution of wealth between rich and poor.

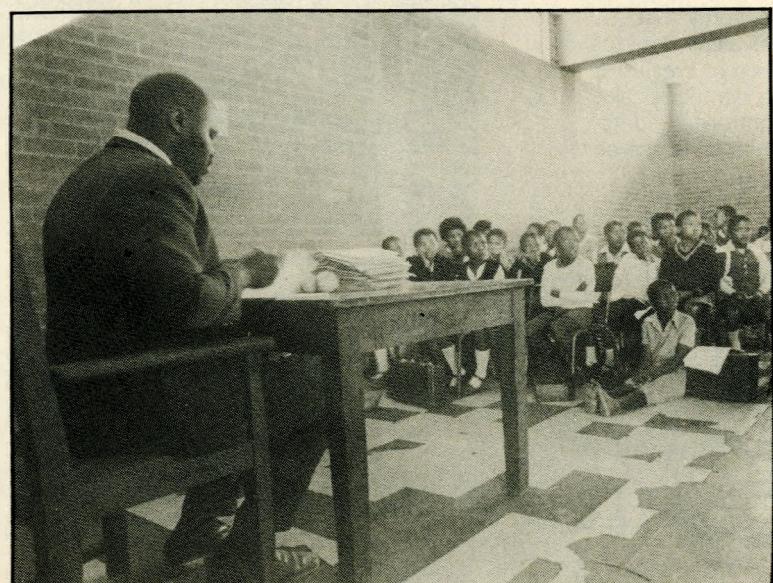
- The nationalisation of the productive assets of a country can take many forms. In fact nationalisation does not immediately eliminate the problems caused by production for profit. If the present relationship of product prices to wages is maintained, we are left in a position where housing and other social infrastructure will still have to be subsidised by the State. Because of the size of the problem, such subsidisation will require the State to be in control of massive resources. Alternatively there will have to be substantial changes in prices and wages.



Solutions will have to deal with: Poverty wages....



Lack of housing.....

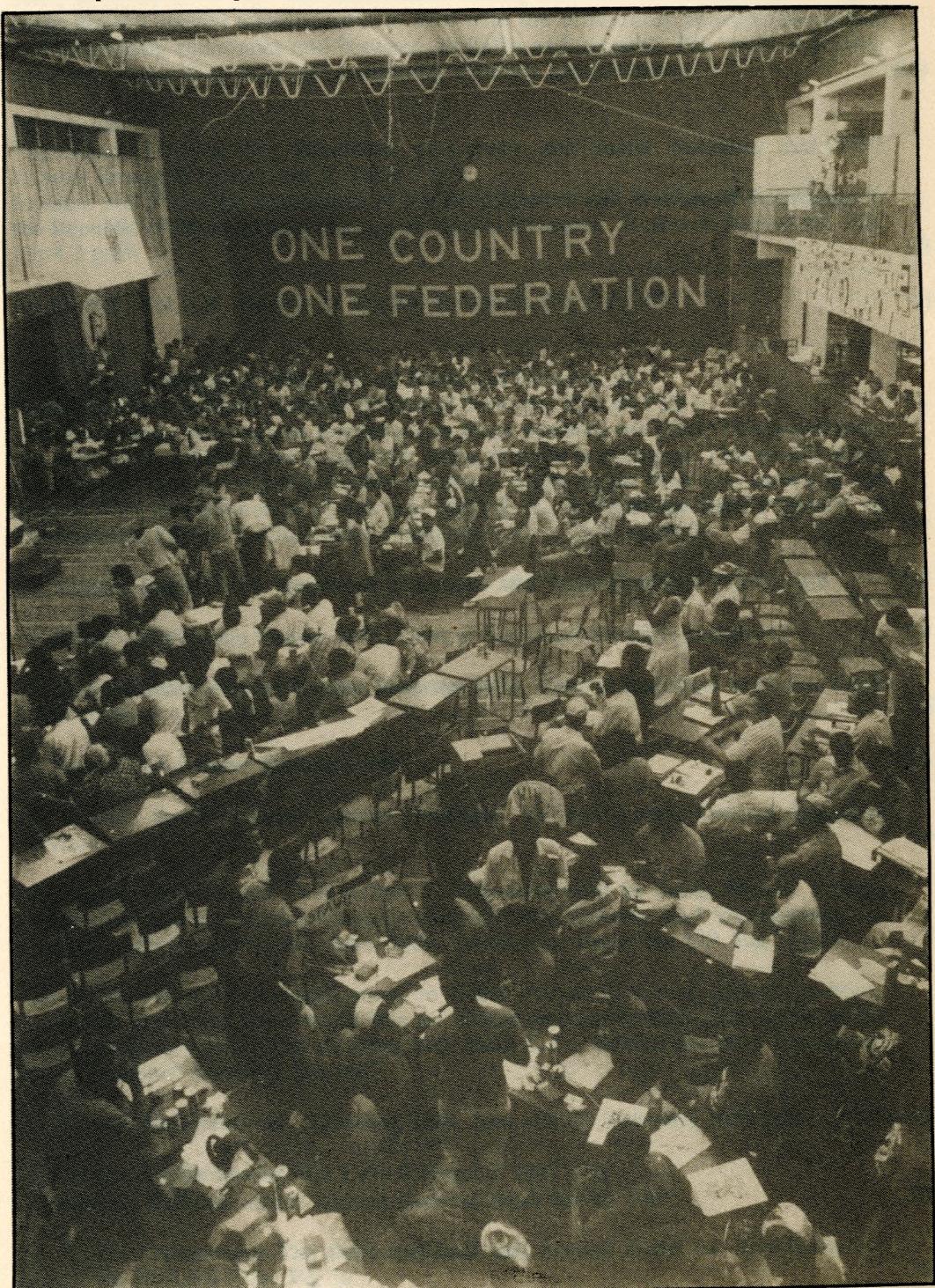


Inadequate schooling facilities...

Both options imply a considerable restructuring of the economy. The issue at stake is whether such restructuring could be achieved without a comprehensive overall economic plan. Partial attempts at restructuring in a developed industrial economy can often be chaotic. If a comprehensive economic plan is considered, this involves more than nationalising productive assets. A planned economy* begins the process of socialising the means of production*. Such a transformation raises many questions. Important examples are the de-

gree of democracy in the planning process, the elimination of the exploitation of women, the mix between private and State production and the form of landholding in agriculture.

These are very important and difficult questions. There are many more raised in deciding upon appropriate institutions. Socialism as an economic, political and social system tries to address these problems. But to talk of socialism as if it was a magical formula does not answer these questions or bring about change — that is the task of organisation.



NOTES

Guide to reading these NOTES. In the text of the book the tables are numbered. The graphics are described below. The numbered tables and graphics in each chapter are listed below. The page on which the table or graphic appears is also listed below. The NOTES contain the source of the information and any other explanatory or cautionary notes about the information. If a reference is used a second time it is referred to in a shortened form with just author and publication.

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1-10. Source: Summers R. and Heston A. "Improved International Comparisons of Real Product and its Composition 1950 - 1980" Review of Income and Wealth , June 1984, 30 (2) pp 207 - 262. The tables show dollars, however, in fact the authors have constructed a special measurement to deal with the differences between developed and developing economies and between capitalist and socialist. The result is a more accurate comparision than just comparing a money measurement.	6-9
11. Sources: Population: Hendrie D., Handbook of Labour and Social Statistics , SALDRU Labour Research Series, Vol 5, Table 1 p.9 Income: Nel P.A., An Assessment of the Development and Welfare of Employees in the Republic of South Africa , Bureau of Market Research, Research Report No 133, Fig 4.2 p.69	10
12. Source: Nel P.A. Bureau of Market Research, Fig 4.2 p.69	11
13. Source: South African Statistics 1982 , Central Statistical Services, 21.7 Statistical News Release , Central Statistical Services, 23.6.86 P12.1 There are some very serious limitations in these statistics for 1985. This arises from the method fo valuing gold production when its price is changing. This would affect the value of mining output probably making it much larger than that shown in the graphic. For an explanation of this see: Meth C.E., A Challenge from FOSATU on Productivity , FOSATU Occasional Publication No 6 Durban 1983.	12
14. Source: Hendrie, D. Handbook of Labour and Social Statistics Table 1 p.9	13
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19. Source: Bell T. and Padayachee V. Unemployment in South Africa: Trends, Causes and Cures , Second Carnegie Enquiry into Poverty and Development in Southern Africa. Cape Town April 1984, Conference Paper No 119, Fig 1 pg.3	17
The measurement of unemployment in South Africa is a very serious problem. Apartheid structures have made this an almost impossible task. For some of the latest problems with official statistics see: Meth C.E. "Behind the New Unemployment Estimates" Indicator SA 1987	
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GLOSSARY

APARTHEID REGIME — the National Party government is often referred to as the apartheid regime. This is not merely a term of abuse, it has a political meaning. A regime implies a form of government where a particular political party or faction has systematically placed its loyal supporters in control of all aspects of the State. In this way the apartheid policies were implemented in all areas of society and the economy.

CAPITAL — this term is used in a few different ways. Used alone it means a stock of money that is invested in order to earn more money.

CAPITAL GOODS — like capital these are products/goods that are used by capitalists in order to produce other products. They are not consumed directly by consumers but are part of the means of production

CAPITAL MARKET — this is a market where borrowers and lenders of capital meet. The transactions are usually conducted through a number of different kinds of financial institutions — the stock exchange is one part of this capital market.

CAPITALISM — capitalism is an economic system where the purpose of production is to make a profit. This profit forms the income of capitalists because they own the means of production. The working class do not own the means of production so they depend on wages as a form of income. Private ownership of the means of production is central to this system. Capitalism has emerged out of a long struggle over the control of the means of production. This occurred from about 1600 onwards in Europe. Thereafter capitalism expanded to other areas of the world. This expansion led to many bitter struggles. The economic and political domination of these areas is called **imperialism**.

CONGRESS ALLIANCE — an alliance formed in 1955 between the ANC, South African Indian Congress (SAIC), South African Coloured Peoples Organisation (SACPO), Congress of Democrats (COD) and the South African Congress of Trade Unions (SACTU), which joined in 1956.

CONSOLIDATION — to bring together in one piece. So it was a policy of bringing together pieces of land to form them into Bantustans.

CONSUMER DURABLES — these are products that are not used up immediately and last a few years. They are manufactured products which are expensive eg motor cars, stoves, fridges and tv's.

CRISIS — in a capitalist market economy different activities in the economy are related to each other. For example investment is related to consumer demand, bank interest rates and the rate of profit. These relationships don't work smoothly and economic activity moves up and down (see RECESSION). A crisis occurs when these relationships become so disconnected that big changes have to be made in the economy in order to reorganise it and get the relationships working again. In capitalist economies the crisis is most serious when investment becomes unprofitable for capitalists. Because of the way that capitalism works there is a continual danger of this situation. In addition to these economic factors political factors are always woven into the crisis either as part of its cause or as the means to reorganise the basis of capitalist production again.

DECENTRALISATION — this means to move things away from the centre. The policy was, therefore, to move industries away from the large industrial areas in the cities and spread or decentralise them to border areas and homelands.

ECONOMIC LAWS — it is argued that economics deals with the actions of large groups of people so that their behaviour can be predicted accurately and will always be the same. This argument would mean that people could not change these laws. Such an argument forgets that people do have control over their actions through a political process.

ECONOMIES OF SCALE — this is a situation where the price of each unit of production falls as the numbers produced increase. This happens because the cost of expensive machinery has to be recovered by the capitalist. To do this they include a part of the cost of the machine in the price of each unit of production. Therefore the more units produced, the less will be the cost that is added to each unit. This allows the price of each unit to be lowered, although often capitalists keep the price high and make a greater profit. However there must be a large enough market for a product before there can be economies of scale.

FISCAL — the word fiscal comes from the Latin word 'Fiscus'. It refers to the income which the state gets from the public in one form or another and how it expends this income. So a 'fiscal crisis' is a crisis where the expenditure of the state is far greater than its income and the State cannot correct this by normal means.

FOREIGN EXCHANGE — this is all foreign currency. Some foreign currency is more widely used in trade, tourism and other international transactions. It is easier to exchange these currencies so they are referred to as convertible. The most important convertible currency is the US dollar. Other important currencies are the Pound Sterling (United Kingdom), Deutschemark (West Germany), Swiss Franc, Yen (Japan) and French Franc. Many currencies are not convertible because they are in short supply and unstable. The currencies of Socialist countries are not convertible because the way in which they trade with each other and the rest of the world is substantially different.

FREE ENTERPRISE — this term arises from a theory of capitalism where enterprises freely trade with each other and freely employ labour, unrestricted by the State. The essential elements of the theory of free enterprise capitalism are:

- individual decision making rather than collective or social decisions. It is assumed that each individual makes decisions based on what is best for that person alone.
- freedom of movement of both labour and capital to go to where they can earn the highest wage or profit.
- free markets where the prices are not controlled in any way but are set by demand and supply. High demand and low supply means a high price whilst low demand and high supply means a low price.
- competition between capitalists and between labour to set the prices. This assumes that most companies are about the same size and can compete with each other and that workers can move freely.

To understand this theory better we must understand that it was used to attack the controls over labour and prices that existed in the old feudal system. It was a powerful theory but from the beginnings of capitalism the actual world had large monopolies, control over labour and forced supplies of labour. In the real world people seldom do or are even able to think only about their individual needs. The problem we face is that actual capitalism is very different from the theory.

HI-TECH — this is a shortened form of the words high-technology. This means an advanced form of technology. Technology is the science, engineering and method of producing things. Eg. Using a hacksaw to cut metal would be using low-tech whereas using a laser beam to cut metal would be hi-tech.

IMPERIALISM — the economic domination of one country by another. Such domination also gives the dominating country political power and influence over the dominated country. Colonialism is the case where there is actual direct political control as well.

IMPORT SUBSTITUTION — a process where a locally produced product replaces an imported one. This process usually has to be actively encouraged either because the imported product is cheaper, or not previously produced in the country. The State imposes a tariff or tax on the imported product in order to make local production competitive or possible. The limits of such import substitution are usually set by ECONOMIES OF SCALE.

INCOME — the amount of money earned or received by a person in any one day, week or year. Workers income is called a **WAGE** and capitalists income is **PROFIT**.

INDIGENOUS — the people who lived in Southern Africa for at least a 1000 years before the Witwatersrand gold was mined. They lived in organised pre-capitalist societies.

INFLATION — this is a general rise in prices of goods and services. Where there was a general fall in prices it would be called deflation. The rise in prices is measured by the CONSUMER PRICE INDEX published by government.

INFRASTRUCTURE — these are basic structural things that have to be built in order for other productive activities to take place. The most important are roads, railways, harbours, electricity, water, posts and telecommunication. There are other very important forms of infrastructure that are needed by workers. These are housing, education, health services, child care facilities, old age homes and recreation facilities. We will call these **social infrastructure**.

INTERNATIONAL CAPITAL — capital is used here to mean a fund of money under the control of capitalists — that is they use the money to earn profits and increase their capital. So international capital would be capital that moved across borders and mainly came from the imperial powers of Europe.

INTERNATIONAL MONETARY FUND (IMF) — this is an international organisation in which the central banks of most capitalist countries participate. Its purpose is to regulate international monetary transactions between countries. It is an important source of loans to its member countries. These loans are made with strict conditions attached to them. The IMF has played an active role in facilitating international trade and capital movements and therefore is an important organisation for international capital.

MARKETING BOARDS — the Marketing Boards help white agriculture by fixing prices for certain agricultural goods. For example if there is an oversupply of a product, the Marketing Board will either store, export or destroy the excess. In this way farmers are guaranteed a price and a market for their goods. As a result they have tended to concentrate on farming one or two products.

MEANS OF PRODUCTION — these are the physical requirements for production to take place. They include land, raw materials, natural resources, buildings, machinery and equipment.

MIGRANT LABOUR SYSTEM — a system of labour supply where workers migrate (move) from their homes to the place of employment. These two places are relatively far apart, sometimes even in different countries. In migrating the workers generally leave their families behind. In South Africa this migrant labour system was enforced by legal controls. Capitalism benefits from such a system because it bears no responsibility for the workers' families.

MULTINATIONAL COMPANIES — these are companies which conduct business in more than one country, usually many countries. National boundaries do not limit their activities and influence. Sometimes they are also called TNCs (Transnational Corporations).

NEW INDUSTRIAL COUNTRIES (NIC's) — these are developing countries that have developed relatively large industrial economies. In particular they have developed large manufacturing economies. Each NIC has its own history but there are some features that are often common. These are rich natural resources, large domestic markets, import substitution policies, political repression to encourage rapid economic growth and a dependence on foreign capital and technology. Not each one of these features has to be present. Eg. Israel, and Taiwan have small markets compensated for by very large foreign capital assistance.

ORGANISATION OF ECONOMIC COOPERATION AND DEVELOPMENT (OECD) — the following countries: Britain, France, West Germany, Italy, USA, Canada, Japan and some 14 other Western countries formed an organisation in 1960 to coordinate certain economic and commercial matters and policies.

PARASTATALS — these are organisations that are not like other departments of the State such as education or health. They operate as large companies buying and selling products in the same way as capitalist companies. However, they are owned by the State either completely or as a majority shareholder. In South Africa the parastatals are important as they provide basic products and infrastructure.

PLANNED ECONOMY — many of the countries of Eastern Europe (E. Germany, Yugoslavia, Czechoslovakia, Poland) Russia, China and other socialist countries have planned economies. This means:

- the state is directly responsible for planning the production, consumption and distribution of goods and services and their prices. This requires social ownership of the most important means of production.
- market forces (the forces of supply and demand) do not determine the prices of goods or what is to be produced.
- planning is not based on the idea of private profit although surplus production is used for investment and to build capital.
- there are differences between countries about the extent to which planning is centralised because one of the criticisms of the planned economy is that not enough power is given to workers to plan at enterprise level.
- a planned economy does not mean that all enterprises are owned by the State, there is usually significant private production.

POLITICAL ECONOMY — political and economic activity are related to each other and influence each other. They cannot be separated. This means that we have to study political economy. It is also a method of analysing capitalist society. Those who wish to ignore political factors and talk of **LAWS OF ECONOMICS** usually talk about the study of **ECONOMICS**.

PRE-CAPITALIST — Capitalism (the system of production for profits) developed from approximately the year 1600. Before it spread to many parts of the world other systems of production existed. In fact some of those systems of production have not been totally destroyed and continue to exist alongside capitalist production although they are dominated by it. All these systems of production which existed before capitalism are called **PRE-CAPITALIST**.

PRICE SUPPORT SYSTEMS — this has been used in agriculture where **MARKETING BOARDS** are used to fix a price. In this way the incomes of farmers were protected. An alternate way of doing this is through a system of subsidies. These are a payment made directly to the farmer because of changing agricultural prices.

PRIVATE SECTOR — this refers to the part of the economy which is not owned or controlled by the State (the Public Sector).

RATIONALISATION — this is a process where capitalists try and increase profitability by reorganising production so as to lower costs. This is usually done by introducing more efficient machinery and reducing the number of workers involved in production.

RECESSION — a feature of capitalist economies is that they grow for a while and then decline. In the 1930's when production and output started to be more accurately measured it was found that sales and investment would rise for a year or two and then fall. This fall in activity is called a recession and the rise is called a revival. This pattern of recessions and revivals seemed to follow a cyclical path i.e. there was a predictable number of years between them.

RESOURCES — these are supplies of useful things such as land, water, food, minerals and labour power.

SMALL BUSINESS DEVELOPMENT CORPORATION (SBDC) — many capitalists and government believe that economic growth can be stimulated by helping to promote small business. According to them small business does not need large capital outlays, and it can also create new jobs. That is why the SBDC was created in South Africa. Big business and government are both shareholders of the Corporation.

SOCIAL CLASSES — society is divided into many different groups. In capitalist society the most important division is into groups that own and control the means of production (capitalists) and those who do not (workers). These groups are called classes.

SOCIAL CONSUMPTION — the State in South Africa and the other capitalist countries play a big part in providing certain services for which it charges. (eg. Electricity, telephones, transport, hospitals). These are areas of social consumption ie where society (the people, not government) consumes the goods or services offered.

SOCIALISATION OF PRODUCTION — in a planned economy the purpose of production is to meet the needs of the people of that country. This requires that basic decisions about production and consumption will be made through a conscious planning process rather than through market forces. For this to be done in a democratic way requires that decisions about consumption and production are made collectively and the means of production must be placed under the control of the producers who work with them. This would be an economic system where there is socialisation of production.

SOUTH AFRICAN RESERVE BANK — it is the central bank of South Africa. It is a parastatal and it regulates the supply of money in the country and the availability and supply of foreign exchange. All the advanced capitalist countries have a central bank eg. Bank of England.

SOUTHERN AFRICAN DEVELOPMENT COORDINATING COMMITTEE (SADCC) — the following countries: Angola, Botswana, Zimbabwe, Zambia, Mozambique, Swaziland, Lesotho and Tanzania have formed one organisation to try and assist each other economically.

STOCK EXCHANGE — this is the name given to the market in which company shares and other financial assets are bought and sold. Companies sell shares publicly in order to raise money for themselves. Once shares have been issued by a company, other people continue to buy and sell them on the stock exchange as forms of investment. Companies whose shares are bought and sold on the stock exchange are called **public companies (Ltd)**. Each major capitalist country has a stock exchange which is generally located in the main business centre eg. London, Johannesburg, New York.

WEALTH — is the amount of assets a person has. Assets can take the form of money, jewellery, houses, land, factories and so on. Wealth differs from income because it is a stock of assets whereas income is a flow of money. Another important distinction is that certain assets are productive and others are not. Ownership of productive assets is the basis of the economic power that capitalists have.

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A bibliography is meant to be a reading guide. It contains a list of some of the important sources where more information concerning the subject being discussed can be found. Written information is found in various kinds of publications. These include books, journals, occasional publications, periodicals and newspapers. Some of these are published daily, others weekly and yet others are monthly or less frequent publications.

It is important to remember that all written documents represent a particular viewpoint and that this even includes documents which only deal with "facts and figures". This is so because "facts and figures" are selected to represent a particular position. This booklet, for example does not pretend. It represents the point of view of the working class. Most information in the capitalist world, however, represents the views and the power of the capitalist classes. After all, it is they who own the vast majority of the printing presses, books, materials and most importantly the newspapers of the world. So one has to be guarded and careful about how one uses written information. It would be foolish to take "facts and figures" or any other information for granted simply because it is written in a well organised book or publication.

CHAPTER 1

There are various newspapers, journals which carry important facts about the economy. Some of these are easily obtained:

● Newspapers:

- Business Day
- Weekly Mail
- The finance sections of weekend papers.

● Periodicals

- Financial Mail
- SA Barometer
- Indicator South Africa.

(The latter 2 are not so easy to get but are available through subscribing.)

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