



WORKSHOP
PACKAGE
ON
DISCUSSION DOCUMENT
ON ECONOMIC POLICY

WORKSHOP PACKAGE

ANC DISCUSSION DOCUMENT ON ECONOMIC POLICY

HOW TO USE THIS PACKAGE

This package was prepared by the ANC Department of Economic Policy to assist branches to discuss the discussion document on economic policy. It serves as a guide to discussion and is not a replacement for the document.

The package contains ideas for inputs, illustrations and guide questions for discussions. The illustrations can be made into WALL CHARTS or TRANSPARENCIES and used with an overhead projector. We suggest that a group of people (the political education committee) come together to plan a workshop for branch members. Read both the package and the discussion document before planning.

The ANC is in the process of setting up ANC Economic Associations in each region. If you need help, contact members of the Association through the regional office.

This package is done in 7 sections, they are as follows :

1. Introduction

This section is in the form of an input which emphasises the importance of economics to our struggle for change and talks about the role that each of us have to play in developing the ANC's economic policy.

2. What is an economy

Much reference is made to 'the economy' This section presents a brief description of what an economy is, with the use of a diagram.

3. The South African Economy

Using the definition in part 2, this section presents a summary of the experience of the South African economy. It provides facts and figures about the level of inequality, poverty and crisis in the economy.

4. The Goals of a democratic Economy

This section introduces the need for a new democratic economy and lists the goals of such an economy.

5. Strategies for changing the economy

This section discusses the need for GROWTH, REDISTRIBUTION and POLITICAL DEMOCRACY as three interrelated processes which are central to building a democratic economy.

6. A Development Strategy

This section discusses the need to prioritise our different objectives, since we will not be able to achieve all our expectations immediately.

7. A role for all people in building the economy

In the context of a mixed economy there will be a role for all sectors in society. The role of each sector is discussed in this section.

SECTION ONE

INPUT

Present this section as an input and invite some comments at the end.

There can be no real democracy in South Africa unless we achieve both political and ECONOMIC democracy. There are too many countries where people achieved political power but the economy remained in the hands of a few and the quality of life for the majority did not improve. We need to take the question of economic democracy and the challenge of changing our economy a lot more seriously.

This discussion is a small beginning.

All of us experience the problems of our economy. We see that inflation puts up prices and that we cannot afford to buy all things we need. We see the increasing number of our people being unemployed as factories close down. We see the big difference that exists in the lifestyle of whites compared to that of the African majority etc. We need to ask why all these problems exist and what can we begin to do about it.

It is clear that unless the masses of our people stand together and demand the changes we need made to our economy not much is going to happen. We cannot leave such an important issue to the ANC leadership or economic experts. Each one of us has the opportunity through our branch structures to make our voice heard and to make our contribution to the discussions on economic policy.

In addition we can suggest through our branches issues and demands around which the ANC must begin to organise mass campaigns.

Change will only come through mass action, and this is true for the economy as well.

GROUP DISCUSSION

How do you think ANC membership should be involved in drawing up the ANC's economic demands ?

SECTION TWO

INPUT

In this section we want to establish some understanding of the workings of a basic economy. Use CHART or TRANSPARENCY ONE to explain this. It might be useful to explain this in two parts:-

Firstly, an economy involves the use of SCARCE RESOURCES in the process of PRODUCTION to create GOODS and SERVICES. These goods are used to satisfy the WANTS and NEEDS of people in society. Scarce resources include both LABOUR, with varying levels of skill and MATERIAL RESOURCES in the form of land, natural minerals, factories and money. All these things are available in limited quantities. If there was a never ending amount of these things in the economy we would have no problems because everybody could have as much as they want. Production involves the process of changing these resources through the application of labour into usable goods and services.

Secondly, in Capitalist or Mixed economies, which are the dominant form of economy in the world today, there are two main groups that own and control the scarce resources. They then have the power to decide what these resources are used for in terms of what is produced and for whom. These two groups are the capitalists and the state.

A few examples follow which illustrate the diagram :-

The state in South Africa took control of the resources which produce electricity. They used their control over electricity to employ mainly White workers in electricity production and chose to supply electricity mainly to industrial and white areas of the country.

Capitalists in the 1950's and 60's, used their control over capital (money) resources to import machinery and to employ cheap African labour to produce luxury goods for the white market.

GROUP DISCUSSION

It might be useful at this point to ask for questions of clarification and get a few contributions. It is important that everybody understands this section since the explanation of the South African economy is based on the same diagram.

SECTION THREE

INPUT

The purpose of this section is not to provide a detailed history of the South African economy but to give some idea of the nature of the economy and the historic basis for current realities and quantify some of the inequalities.

Using CHART or TRANSPARENCY TWO, make the following key points and then open the issue up for discussion and contributions :

THE STATE :

Since the emergence of the modern economy, from the late 19th century when gold and diamonds were discovered, the state has played a major role in the economy. It has always acted in the interests of the rich and White. It introduced the Land Acts in 1912 and 1936 and Hut and Poll Taxes in order to force African people into jobs on the mines and farms. The remainder of the families starved in the reserves. It used taxpayers money to set up PARASTATALS which served to provide jobs for whites and cheap services for whites and capitalists. egs. ISCOR in 1928, ESCOM in 1921 and SATS in 1910.

This role of the state was intensified in the period since the Nationalist Party came to power.

- Repression of workers and trade unions to keep wages low and profits high,
- Influx control and Pass Laws to control workers and yet ensure a steady supply to the factories and white farms,
- Bantu Education policy to keep labour unskilled,
- more parastatals and greater discrimination in how the taxpayers money was spent to uplift white health, education and living standards.

THE CAPITALISTS :

They have benefited from the states Apartheid policies. The mining companies that benefited in the early period by making huge profits, used this to set up banks and built the factories producing MANUFACTURED goods. This meant they had the possibility of expanding their control of many SECTORS of the economy, which they did. In the past decades, they have continued to benefit from cheap government services, electricity, waste etc.

They followed a model of IMPORT SUBSTITUTION INDUSTRIALISATION, which involved buying machines to produce goods that were previously imported. The goods they produced were generally luxury goods that only the whites could afford. This meant that whites were able to compete with the lifestyles of people in Europe while the majority African population continued to live in poverty.

It is clear from the above that scarce resources were controlled by a white government and white capitalists to improve their own lives. There is a concentration of land, industry, political power and skills in white hands.

- Job Reservation and Bantu Education etc. has meant that there are very few Black people who are skilled.
- The exclusion of Black people from political power has meant they have no experience of government.
- The land Act and similar Laws prevent even today African people from owning 87 % of the land.
- Since only those with money can make money, very few Black people own factories and businesses. 98 % of all the capital stock on the Johannesburg STOCK EXCHANGE is owned by whites.

This economic and political history has produced a country with terrible inequalities, poverty and a weak economy. Some points to make this clear:

NO GROWTH :

Since the mid 70's the economy has been in a crisis. The population has been growing at about 2.5% a year while the economy at just over 1 % . This means the country has become poorer. Further, there has been a decline in the level of investment. This means fewer new factories, and fewer new jobs. This has increased the number of unemployed people. Today over 30 % of people in the working age group are without jobs. This adds up to between 3 and 4 million people. USE CHART OR TRANSPARENCY THREE to illustrate this.

TOO FEW OWN TOO MUCH :

The South African economy is one of the most centralised economies in the world. 4 Big companies own over 80 % of the shares on the stock exchange. (Anglo American, Rembrandt, SA Mutual and Sanlam)

USE CHART OR TRANSPARENCY FOUR to highlight this.

USE CHART OR TRANSPARENCY FIVE to show what Anglo American controls.

MASSIVE INEQUALITIES :

Of 57 countries that South Africa was compared with, it has the most unequal distribution of wealth and income. The richest 5 % of the population owns about 80 % of all personal wealth in the country. Whites who make up 14 % of the population earn about 65 % of the wage packet at the end of the month while the remaining 86 % earn only 35 % of the income. The massive differences in education and health facilities are well known.

- Job Reservation and Bantu Education etc. has meant that there are very few Black people who are skilled.
- The exclusion of Black people from political power has meant they have no experience of government.
- The land Act and similar Laws prevent even today African people from owning 87 % of the land.
- Since only those with money can make money, very few Black people own factories and businesses. 98 % of all the capital stock on the Johannesburg STOCK EXCHANGE is owned by whites.

This economic and political history has produced a country with terrible inequalities, poverty and a weak economy. Some points to make this clear:

NO GROWTH :

Since the mid 70's the economy has been in a crisis. The population has been growing at about 2.5% a year while the economy at just over 1 % . This means the country has become poorer. Further, there has been a decline in the level of investment. This means fewer new factories, and fewer new jobs. This has increased the number of unemployed people. Today over 30 % of people in the working age group are without jobs. This adds up to between 3 and 4 million people. USE CHART OR TRANSPARENCY THREE to illustrate this.

TOO FEW OWN TOO MUCH :

The South African economy is one of the most centralised economies in the world. 4 Big companies own over 80 % of the shares on the stock exchange. (Anglo American, Rembrandt, SA Mutual and Sanlam)

USE CHART OR TRANSPARENCY FOUR to highlight this.

USE CHART OR TRANSPARENCY FIVE to show what Anglo American controls.

MASSIVE INEQUALITIES :

Of 57 countries that South Africa was compared with, it has the most unequal distribution of wealth and income. The richest 5 % of the population owns about 80 % of all personal wealth in the country. Whites who make up 14 % of the population earn about 65 % of the wage packet at the end of the month while the remaining 86 % earn only 35 % of the income. The massive differences in education and health facilities are well known.

EXTREME POVERTY :

- people do not have enough food; thousands of babies die of malnutrition each year.
- people do not have enough housing; there is a shortage of 1,2 million housing units
- people do not have enough education; 60 % of Africans are functionally illiterate
- there are not enough jobs

GROUP DISCUSSION

What are the main problems in the South African economy that we need to address ?

Consider both short term and long term issues and problems.

SECTION FOUR

INPUT

What we discussed so far are the problems in the economy. It is clear that we need a new kind of economy.

The question we need to answer is :

What kind of economy do we want and how are we going to get there ?

The ANC has committed itself to a DEMOCRATIC MIXED ECONOMY that will serve the interests and well being of all the people of South Africa. The ANC's discussion document suggests that the following list are the aims of such an economy :

USE CHART OR TRANSPARENCY SIX when presenting these goals.

- * Creating new jobs and reducing the level of unemployment.
- * Putting up wages, especially of the poor.
- * Producing more goods and meet the basic needs of the people.
- * Favouring black people and women in particular to improve their position in the economy.
- * Implement land reform, to ensure that more people have access to land.
- * Provide more housing, health and education for all.
- * Improve conditions for workers and allow them full union rights.
- * Ensure the proper and efficient running of the economy.
- * Develop a new less exploitative and more co-operative relationship with our neighbouring states and Africa in general.

SECTION FIVE

The more difficult question is how are we going to achieve all this, keeping in mind the existing reality.

One of the ways is to ensure ECONOMIC GROWTH.

Growth means increasing the amount of goods that are produced in the country. To do this we need to find money to invest in more factories and more jobs. Secondly we need people with enough money who are going to buy these goods.

Growth will not be achieved by taking from those who have and giving it to who do not have. This is unrealistic, but also there is not enough to go around. Also, by doing this we will not have produced anything new. Some people hope that a new democratic government will provide for all their needs. If the government is to provide everything it will have to raise the money through taxes, which is how the government gets its money. We do not have the money to pay the amount the government will need.

Others might suggest that the government can just print new money to pay. This is not good for the economy, because when there is more printed money in the country than there are real goods in the shops then we get INFLATION, which puts up prices and causes serious problems for the poor.

There are different ways of getting Growth. It was achieved in South Africa in the past by producing luxury goods for the rich. We do not want that type of growth. We want growth that will be the result of producing basic goods that the majority need. The problem we have at the moment is that the people who need these things do not have the money to buy them. This means we need some REDISTRIBUTION of money to the poor which will make it possible for the poor to buy.

This can be achieved in a number of ways :

- * Creating new jobs,
- * Redirecting government spending towards the poor, social welfare spending,
- * Affirmative action to favour the underprivileged,
- * Land reform and through longer term measures such as upgrading education standards among the poor to facilitate their more equal participation in the economy.

Some people may suggest that the best way to redistribute is to nationalise the major corporations so that the government can use the profits of these corporations to benefit the people. This is an option the ANC is exploring. The disadvantage of this option is that we would then have to use limited state funding to purchase these corporations instead of on other state projects. Also we would need skilled personnel to run these firms. It may be possible to influence the way profits are used in corporations by other methods, for example by insisting on trade union and state involvement on the boards of companies.

It is clear then that we are talking about growth that is achieved as a result of redistribution and the production of basic goods. These will not be possible unless the majority have voted into power a democratic government that is committed to these goals. We have seen in other African countries situations in which a Black government replaces a White colonial government, but acts in the interests of only the rich Black people. The majority therefore remain poor. This happens only because there is no real POLITICAL DEMOCRACY.

(USE CHART OR TRANSPARENCY SEVEN here.)

Therefore, to achieve the aims set out earlier we need to have
ECONOMIC GROWTH BASED ON REDISTRIBUTION AND THE
PRODUCTION OF BASIC GOODS IN THE CONTEXT OF REAL POLITICAL
DEMOCRACY.

One of the big debates about the future economy is concerned with the role a future democratic government will play in the economy.

The existing government and the business community are suggesting that a democratic government should have as little to do with the economy as possible. They support the idea that MARKET FORCES should be free to operate. They believe that if everybody competes on an equal basis, motivated by the profit motive; then the economy will be more efficient, will grow faster, and the poor will eventually benefit from this. This is like arguing that in a 100 meter race, in which whites have been given a 50 meter start, that it is now fair because all are free to run !

The ANC does not believe that market forces alone will result in anything else but a continuation of existing disparities of income and wealth. The history of this country shows that growth does not improve the welfare of all people . In the 1960's South Africa's economy grew at a phenomenal rate, and yet the distribution became more unequal.

While growth is an essential component of improving people's welfare, because it can lead to more jobs and increased taxes for redistributing, it is essential that the government take a lead in promoting its objectives of a just economy. In the past the apartheid government intervened in the Economy to benefit whites, now it is essential that the new government intervenes to ensure that the economy benefits all people.

SECTION SIX

A Development Strategy

The ANC recognises that it will be unable to achieve all its objectives at once. It will therefore need to formulate a development plan, in consultation with the people, which sets out the priorities for immediate action.

That plan will need to include the following elements :

THE ECONOMY MUST MEET THE NEEDS OF THE PEOPLE

COMFORT :

Money will need to be found to relieve the terrible conditions in which many people live.

SECURITY :

A new government would need to take final responsibility for ensuring that people receive adequate benefits :

pensions;

unemployment benefits;

disability grants etc.

HOUSES :

A new government will need to address the huge housing shortage as a matter of priority. This will involve a number of elements :

- land will need to be set aside as close to peoples work places as possible.
- the provision of serviced sites could be the first step in meeting peoples needs for accommodation.
- the government will need to also assist in the provision of transport, electricity and water in these areas.
- the private sector will need to be encouraged to play a role in the provision of low cost housing.

CHEAPER GOODS

- more cheaper goods need to be produced for people with low incomes

JOBS

- new jobs need to be created and so the economy must be strengthened.

THE ECONOMY MUST BECOME MORE DEMOCRATIC

- The new government will need to take steps to combat discrimination in the economy. Discrimination against women and discrimination against blacks.
- Opportunities need to be found for black people to get technical, managerial, and professional skills.
- Racism must be rooted out in the workplace and working conditions improved.
- Trade unions and labour organisation must be strengthened to improve democracy in the workplace.
- Economic power must become more evenly distributed. At the moment whites own about 98 % of the private sector and power is concentrated in four large corporations. This situation must be addressed.

THE ECONOMY MUST BE STRENGTHENED

- There needs to be an attempt to reduce of South Africa's dependence on machinery imported from other countries. At the moment most of the machines we use to produce goods in our factories come from other countries. This makes us very vulnerable to changes in prices in other countries.
- We need to improve productivity. We need to produce more goods at a cheaper price. To do this we need to upgrade the skill of the people, as well as to improve our capacity to produce machines which are appropriate to our conditions.
- the minerals sector needs to be encouraged and developed so that it benefits all the people. We need to explore the possibility of creating new industries that flow out of mining. For example, instead of just mining gold and diamonds and sending them overseas, we should take steps to encourage the local jewellery making industry.
- A democratic government will need to build the confidence of the business community. The ending of sanctions will create many new opportunities for growth.

LAND REFORM

- Apartheid laws have robbed black people of their land and denied them access to land for decades. This will need to be addressed as a priority by a new government. In addition to this the government will have to provide support for farmers to ensure that food output is high. This will be done on the basis of affirmative action. i.e. those who were most discriminated against in the past will get the most assistance.

HOW WILL WE PAY FOR ALL OF THIS ?

We cannot rely on international funding alone. If we borrow large amounts of money we will be very vulnerable to the International Monetary Fund which controls international financing. They impose very strict conditions on the countries that they lend to, which will severely limit our redistribution potential. We will thus need to mobilise local funds. How do we do this ?

Firstly, we need to make sure that capitalists put a certain amount of their profits into new businesses so that more jobs are created.

Secondly, we need to improve the tax system. There needs to be more tax on large corporations and less tax on individuals. At the moment individuals pay too much tax in the form of GST and tax on their income.

(USE CHART or TRANSPARENCY EIGHT to highlight this).

This unfair burden on individuals will continue with the introduction of VAT. The new government should then use this tax revenue to benefit all the people. At the moment there is a lot of wastage of funds on apartheid duplications. For example there are 14 Departments of Education. In a democratic South Africa there would only need to be one such department. The money that is saved in the process, can then be used to increase expenditure on housing, health, and welfare services.

jobs?

GROUP DISCUSSION

What do we expect from a democratic mixed economy ?

Which of these issues and demands should be prioritised ?

What economic policies and measures will contribute to these demands being realised ?

What can we do to ensure that our demands are met ?

SECTION SEVEN

The key point to be made in this section is that a democratic mixed economy means that everybody has a role to play. In the past the mixed economy we had was dominated by a few people. The ANC believes that we need to build a national development plan that attempts to meet the challenge of economic growth and at the same time addressing the problems of inequality and poverty. It is important to build consensus and agreement around this plan or strategy because everyone has a role to play in drawing up and implementing policy.

The main actors in the process are :

THE PRIVATE SECTOR -

Who own and control the major sector of the economy and who have tremendous power to contribute,

THE TRADE UNION MOVEMENT -

Who represent the interests of the workers. Workers are the key producers who need to have a greater democratic role in production decisions and must have access to full union rights and use these to advance their position.

THE MASS ORGANISATIONS, COMMUNITY AND CO-OPERATIVE SECTOR -

Who represent the democratic formations of the masses of the people. Their interests and demands need to be placed high on the economic agenda. Space also needs to be created for community and co-operative projects to participate fully in economic life.

THE STATE -

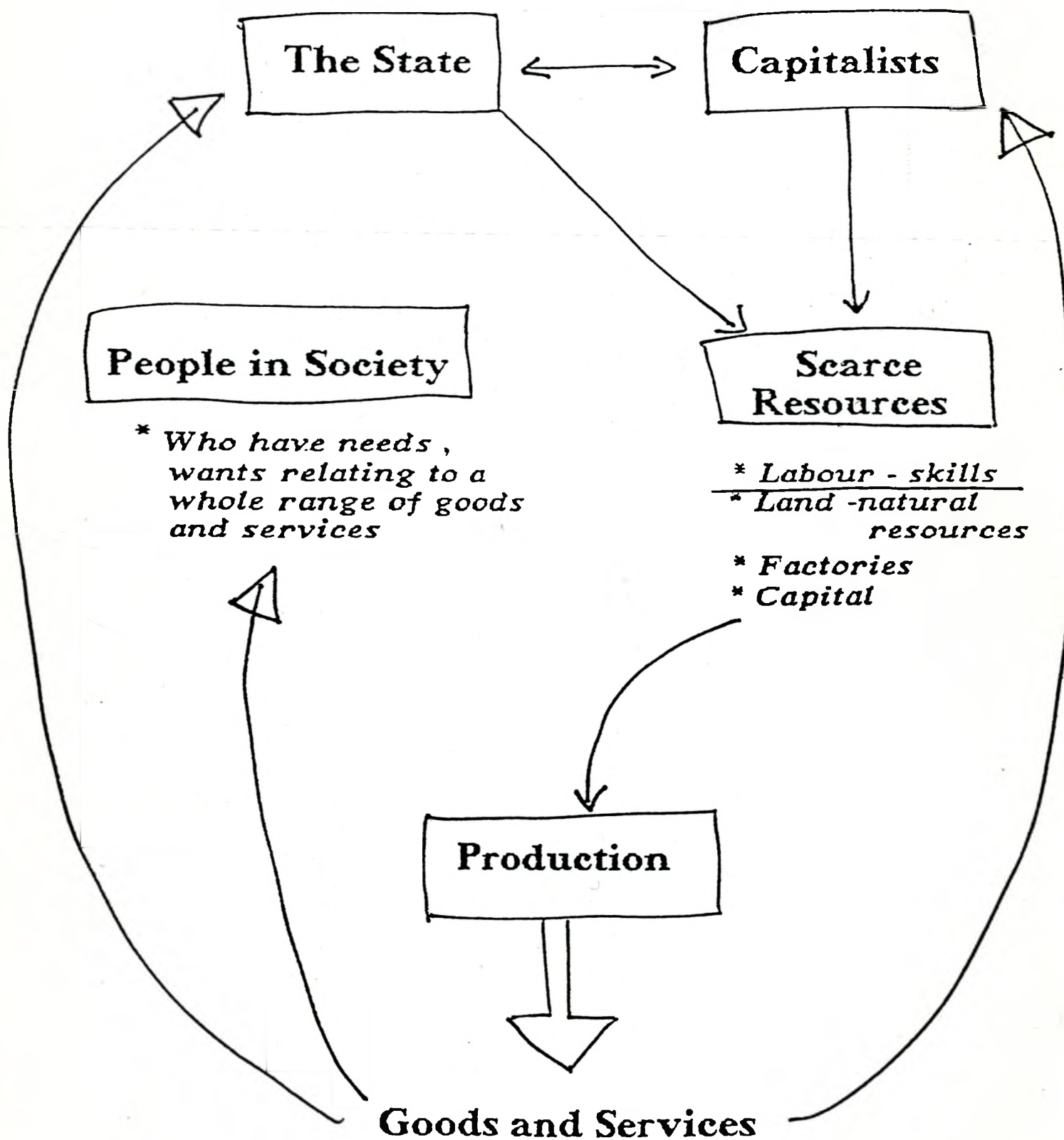
The democratic state will have to lead and co-ordinate efforts to meet the challenge of growth and addressing inequalities and poverty. All have a crucial role to play in making such a national development strategy a reality.

GROUP DISCUSSION

All branches are being asked by the Department of economic policy to send to them our written criticisms and additional contributions to the discussion document on economic policy. Our contributions will be taken into account when this economic policy is redrafted. The redrafted document must reflect the views of ANC membership, so please say what you feel. What points should we as a branch make ?

-----REGION

The Economy



The State

- **Government Spending:**
 - to promote white privileges - eg. education
- **Built Parastatals:**
 - Jobs for whites
 - Services to Industrial and white areas eg Escom
- **Laws:**
Land Act 1913; Job Reservation, Homelands; Bantu education etc.
- **Respression:**
to control resistance

Capitalists

- Benefited from Apartheid laws and made big profits.
- Exploited cheap labour and govt. services.
- Chose to produce - for profit and made luxury goods for whites.

Scarce Resources

Labour - skills

Bantu education; Job Reservation, exclusion from political & economic life - has meant very few Black skilled people.

Land

Land Act - Forced Removals - white domination of land.

Factories and Capital

- owned and controlled by a small group of people.
- dependent on import of machines and export of minerals.
- exploited labour practices.

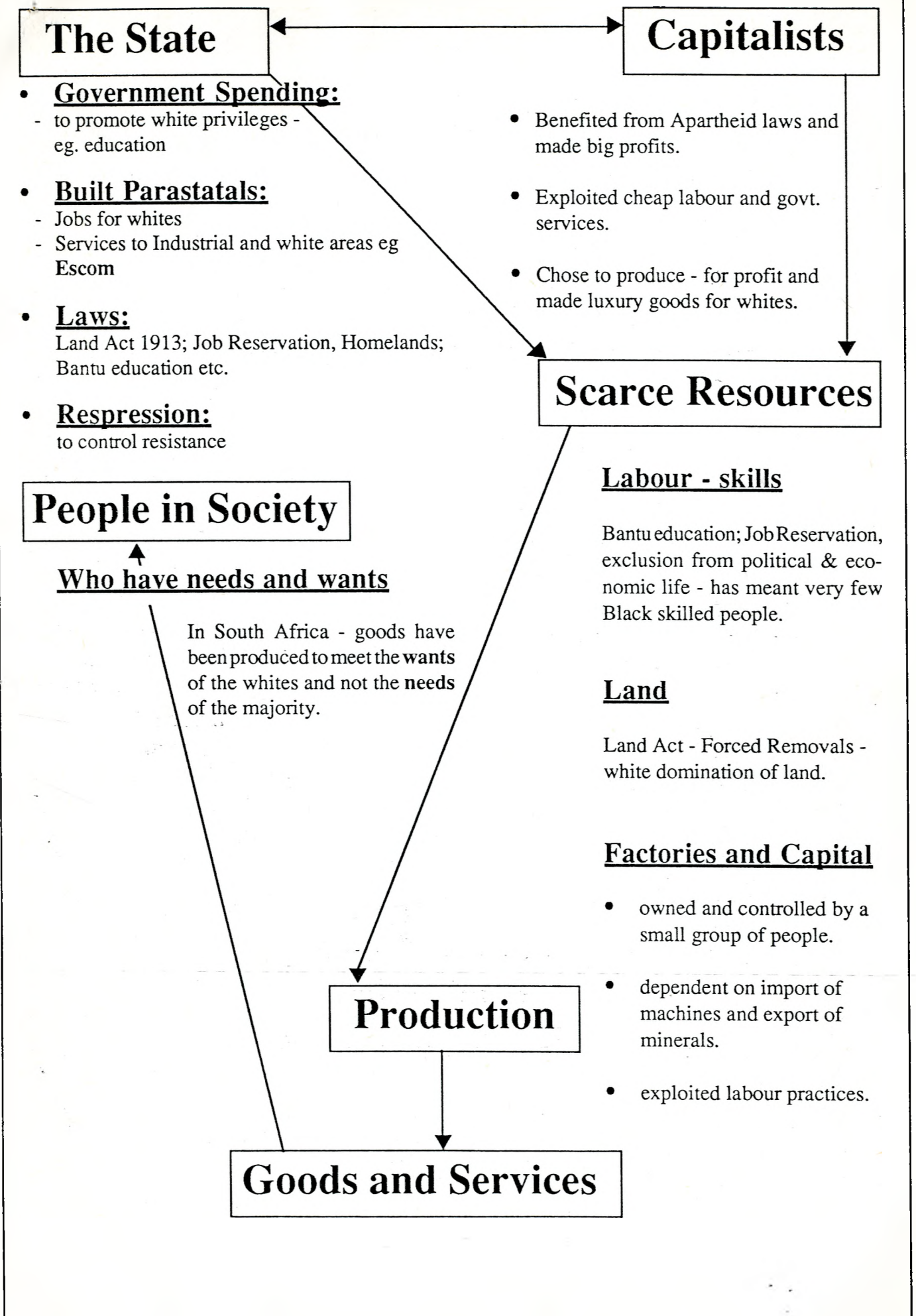
People in Society

Who have needs and wants

In South Africa - goods have been produced to meet the **wants** of the whites and not the **needs** of the majority.

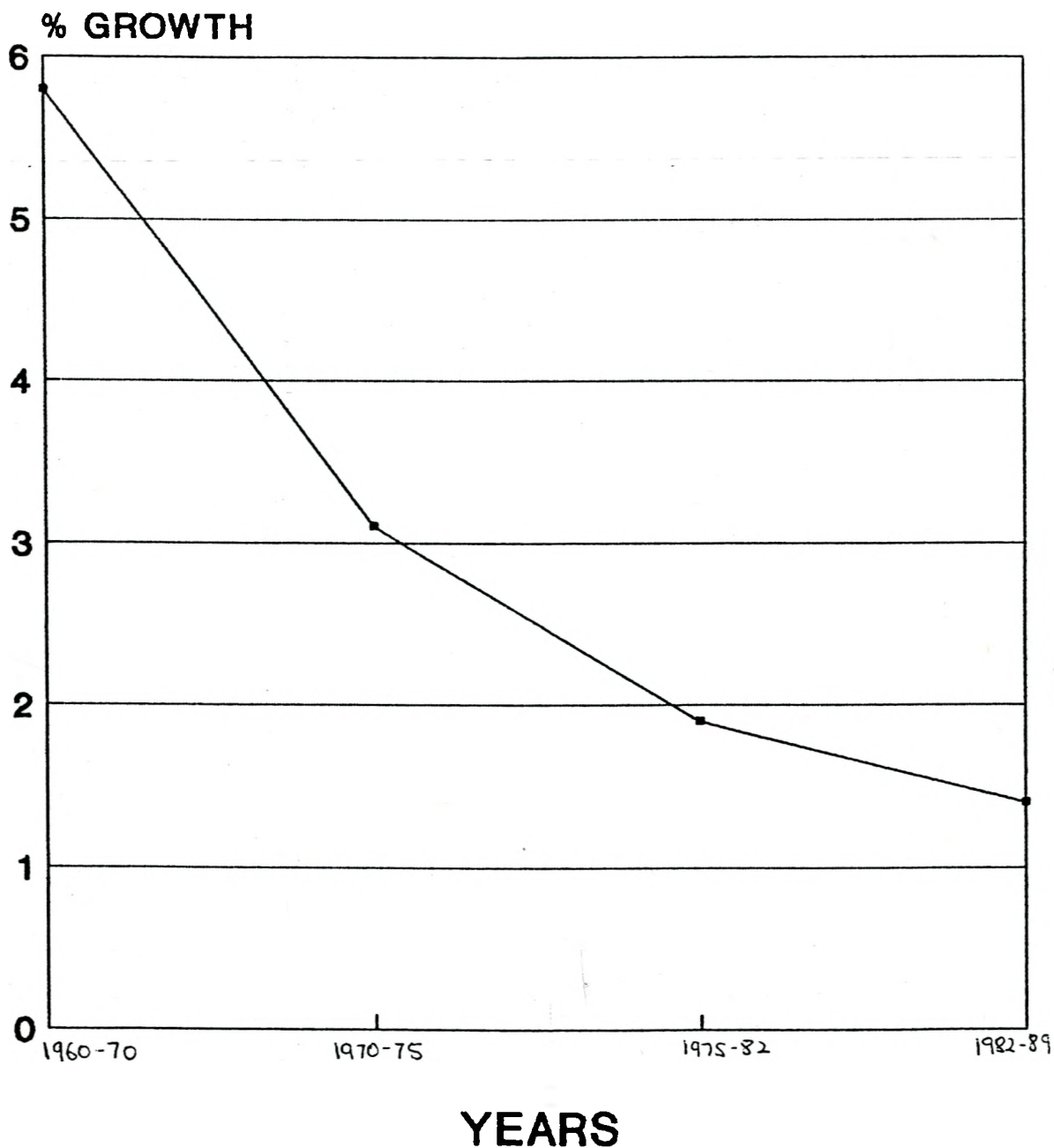
Production

Goods and Services

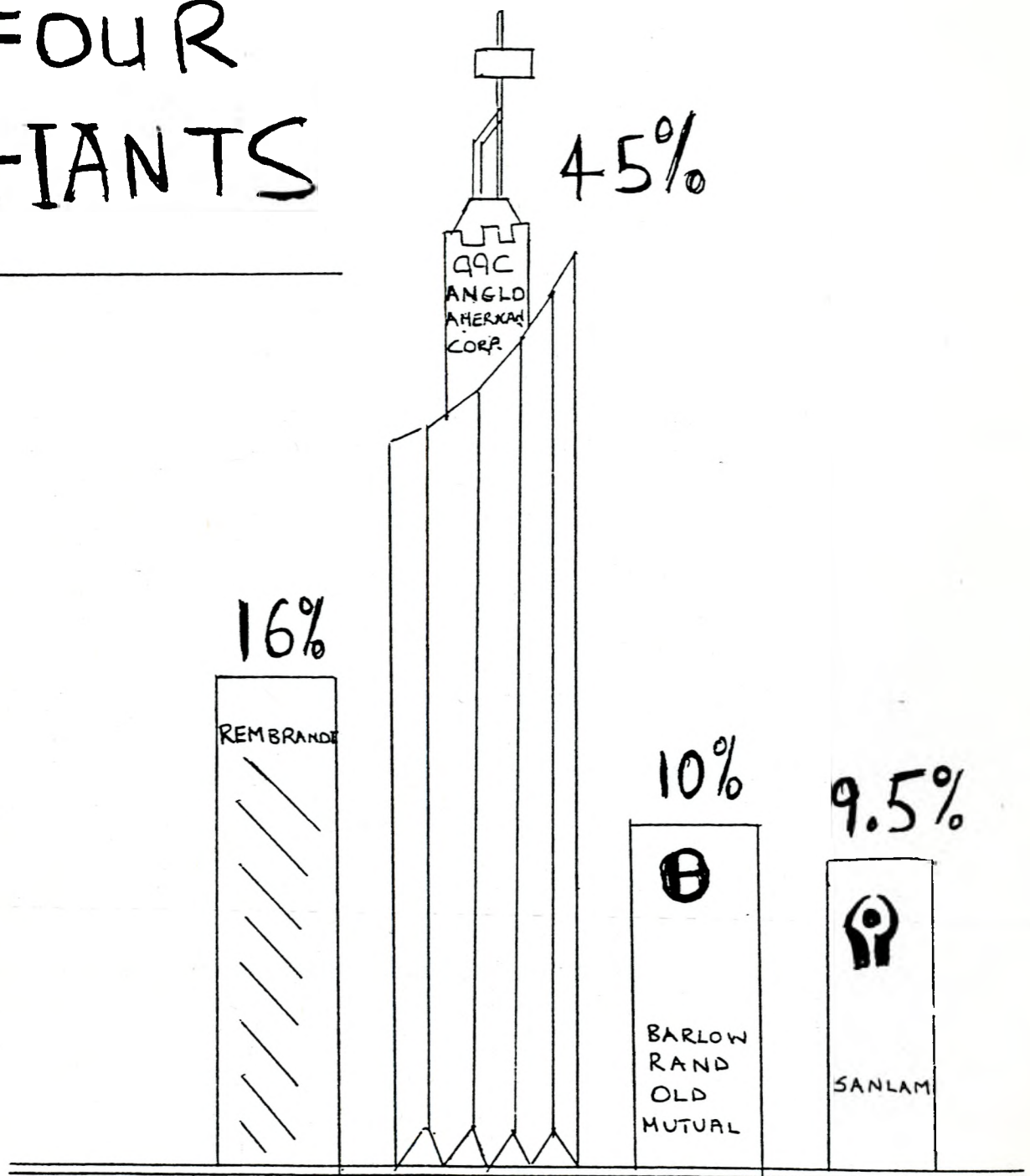


ECONOMIC GROWTH

FROM 1960 - 1990



THE FOUR GIANTS



ANGLO BY SECTOR

Anglo's significant sectoral holdings include (%):

MINING FINANCE AND INVESTMENTS

JCI	39,8
Minorco	39,1
Gencor	5,8
Eastern Investments	40,0
South American Investments	40,0

GOLD

Amgold	48,6
Interests include:	
Vaal Reefs	16,6
Drie Cons	11,5
Harties	15,5
Ofsil	15,0
Southvaal	13,3
Freegold	6,5
WD Levels	13,6
Welkom	30,7
Elandsrand	23,3
Kloof	8,0
Barbrook	8,0
Ergo	19,3
Unisel	6,7
GFSA	10,9
AMSA	11,0
Eastern Investments	9,5

Barbrook	33,7
Buffels	8,7
Ergo	31,0
SA Land	30,0
AF Lease	44,6
Elands	48,1
WD Levels	30,3
Drie Cons	2,5
Harties	7,7
HJ Joel	8,3
Southvaal	9,4
Elsburg	6,1

Zandpan	9,0
Beatrix	3,8
Oryx	2,0

DIAMONDS

Anamint	52,0
De Beers	32,7*

Interests include:

Anglo American	38,0
Minorco	21,0
Amic	27,0
Amsa	23,0
Anamint	10,0

CSO trading companies held by De Beers, De Beers Centenary AG, Anamint, Anglo American and JCI.

COAL

Amcoal	51,0
Mooihoek Colliery	20,0
Swaziland Collieries	48,3

PLATINUM AND OTHER MINING

Rustenburg Platinum	23,9
Samancor†	24,9
Palabora	19,5
Cleveland Potash	50,0
Gamsberg Zinc	33,3
Marico Chrome†	50,0
Lebowa Platinum	14,4

INDUSTRIAL AND COMMERCIAL

Amic	44,9
Interests include:	
Highveld Steel	51,8
Scaw Metals	100
Mondi Paper	63,7
Boart International	100
AECI	39,5
Haggie	35,3

LTA	35,3
McCarthy	24,6
Tongaat-Hulett	22,9
Ventron	21,7
Amquip	50,0
IPSA	31,2
Rennies	25,0
Samcor	19,0
Union Carriage	11,4

CMI	26,4
Darmag**	27,0
LTA	28,4
Sondor#	37,3
Tongaat-Hulett	20,1
Amquip	50,0
Anglo American Farms	50,0
HL&H Timber Holdings	50,0
Mondi Paper	30,0
Shaft Sinkers (Pty)	50,0
Samcor	49,9
St Lucia Sugar Farms (Pty)	50,0
Argus	9,7
Cullinan	17,7
McCarthy	12,9
Altech	2,7
Altron	1,3

FINANCE AND PROPERTY

First National	22,5
SA Eagle	25,7
Southern Life	37,5
Central Reserves (Pty)	50,0
Consolidated Share Registrars	50,0
First Bowring	50,0
Amaprop	66,0
Anmercosa Land	100
Carlton Centre	63,0

† =15,7 after minority; * =20,3 after minority; # =14,2 after minority; ‡ =25,4 after minority; ** =14,2 after minority.