

(Draft)

# Planning for a new South Africa



## COSATU

PROCESSED

# Introduction

## ***The People shall share in the country's wealth"*** **- The Freedom Charter.**

COSATU has adopted the Freedom Charter. But if we look carefully at the Freedom Charter, nowhere does it say how everyone will share in the country's wealth. This is because a Charter is a statement of beliefs and a guide to policy. It is not a detailed programme.

## **COSATU Resolution**

At the last COSATU Congress in 1989 we passed a resolution resolving

**"To intensify discussion within our structures, and with our allies towards:**

- 1. Developing a clear understanding of how the South African economy works**
- 2. Developing a clear plan as to how to restructure the economy to meet the needs of our people in a non-racial democratic South Africa."**

Discussions, therefore, need to take place throughout COSATU structures. In this way workers can participate in the reconstruction of South Africa. They can also help COSATU develop an economic programme.

Only when we understand the present economic structure can we start to draw up a plan to restructure it to meet our needs.

## **Attempts to understand the economy**

The Economic Trends Research Group was set up a few years ago. It is composed of a number of academics. Representatives from COSATU also sit on this group. The first part of their research was to explain why there is an economic crisis in South Africa. The results of their research are summarised in Section 2.

There have been a number of national workshops in COSATU starting in 1988. These dealt with the economy and the research findings of the Economic Trends Group. So far in 1990 two national workshops on the economy have been held. These were in April and July. In March the COSATU Executive met with a delegation representing the SACP Central Committee. Here the concept of a mixed economy with a socialist orientation was discussed.

## Harare Recommendations

Then in April in Harare a COSATU delegation, Economic Trends researchers, an ANC delegation and ANC linked researchers and projects met to discuss socio-economic policy. This workshop produced the Harare Recommendations.

These Harare Recommendations were adopted by the COSATU Living Wage Conference in May. They are meant to guide discussions. This Conference also set up 5 Commissions to assist in policy formation.

## COSATU Commissions

These Commissions are:

- **Living Wage Commission** - this deals with the Living Wage Campaign and the macro-economic programme.
- **Industrial Restructuring** - this research will be done by affiliates and coordinated by the Living Wage Commission
- **Human Resources Commission** - this looks at questions of education, skills, training and the development of the human resources of the working class. It also coordinates projects in affiliates.
- **Basic Goods and Services Commission** - this deals with the basic social infrastructure - housing, education, health, welfare, transportation and so on - and the basic consumer goods demanded by the working class
- **The LRA and Workers Charter Commission** - this deals with the campaign for workers rights. The focus is on the LRA, future constitution and the Workers Charter.

COSATU is clear that we cannot draw up policy in small national Commissions. The task of these Commissions is to discuss these complicated issues fully and then identify the problems and recommend solutions. Both the problems and the recommended solutions will then be discussed and decided on in the Constitutional structures of COSATU.

However, this process must take the form of a campaign to:

- make our members fully aware of all issues so that they can participate fully in decision making
- win support for our policies against the opposition of capital and the state. Both capital and the state want to restructure the economy to the benefit of capital and not the working class

For this reason the work of the 5 Commissions is coordinated by the National Campaigns Committee which reports to the COSATU Executive and Central Committee.

## Aim of the booklet

We hope that this book will help to clarify some of the most important and difficult issues about the South African economy. The ideas put forward are not easy. You must discuss the issues further. We have included questions for discussion which you

can use. But there might be other issues which you want to discuss as well.

Remember that your understanding and discussions will play a part in formulating a plan for a democratic and socialist South Africa.

Section 2 - The Crisis. Here we explain why there is a crisis in South Africa.

Section 3 - We summarise and explain the Harare Recommendations

Section 4 - Shows the different positions on certain issues like nationalisation from the point of view of Capital (bosses) and COSATU.

Statistics - Here we give some major useful statistics

Glossary - difficult terms and concepts are underlined & explained at the end of the book.

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# South Africa - Capitalism in Crisis

## Introduction

Since the 1890's, South Africa has developed a large industrial economy. Now mining, manufacturing and commerce are larger parts of the economy than agriculture. This process of industrialisation was a capitalist process. However, it was a capitalist process that built on systems of racial segregation.

There have been two main periods of industrialisation. The first was based on the rapid growth of the mining industry. White settlers who found diamonds in the 1860's, started this process. However, it was the mining of the Witwatersrand gold fields by white capitalists from the 1880's onwards that led to the growth of one of the world's largest mining industries. Mining has continued to be crucial to the South African economy. Even today new deposits are being mined.

However, from the 1940's a second period of industrialisation started. This was based on the development of a manufacturing sector. At the same time the commercial, financial and service sectors of the economy grew. The State assisted this growth by expanding the Public Sector to provide the basic infrastructure for the development of manufacturing.



Both these periods have been successful in that they have developed a large industrial economy in South Africa. However, they have also left us with very serious structural problems in our society and the economy. The main reason why we are left with such problems are that both periods of industrialisation were built on racial segregation in society and in the economy.

This process of rapid industrialisation had exhausted itself by the beginning of the 1980's. The economy stagnated after this. Profits have not been directed into production in this period. Instead they have gone into company takeovers, property, and financial speculation, for luxury consumption and the export of capital overseas.

This historical background is covered in another COSATU booklet called Political Economy: South Africa in Crisis. Here we will not detail the history. Instead we will look at the long term effects this industrialisation has had on our economy and society. We will also look at how it is linked to the present crisis.

## Mining, migrant labour and the 1913 Land Act

### Gold mining

Gold had been discovered and mined by the indigenous black people of South Africa long before white settlers came across it. However, it soon became clear that the amounts of gold buried deep in the rocks of the Witwatersrand were very, very large.

However, to get the gold out needed large amounts of money, machinery, skilled craftsmen and miners and a very large workforce of semi-skilled and unskilled workers. Since at that time South Africa's major economic activity was agriculture it had none of these resources.

The rich gold fields soon attracted the necessary money and machinery from overseas capitalists. Capitalists did what they very often do even today - they attracted skilled workers from overseas rather than spend time and money on training local people.

Capitalists had an even bigger problem in finding unskilled workers. The only realistic and profitable option was to get workers from the indigenous black population. However, most of them had their own land and grew their own food. Many produced surplus food and could sell it to the cities. Why should they work in the dangerous gold mines?

### Taxes

One of the answers was to force people to pay taxes in money. This would mean that people had to go and work for money wages. But you can only force people to pay tax if you control them. To do this capitalists needed the might of the British armies to finally subdue the major black kingdoms in Southern Africa.

But this did not solve the problem of those black farmers who could sell their food to the cities. Here the mining capitalists found allies in white settler farmers. The capitalists were much happier that white settlers produced food for the mines. They were not a very important source of labour for the mines - there were not many of them and they were not skilled enough.

## 1913 Land Act

From the 1890's a range of laws, taxes and decisions about roads and railways combined to open up markets for white farmers and close them for black farmers. The 1913 Land Act finally entrenched this arrangement. Blacks were driven off the land to provide workers to the white mining industry. White land areas would provide food for the industrial workers in the cities and for agricultural exports.

Vagrancy laws and requirements that blacks carry a "dompas" prevented the families of workers from joining them in the urban areas. The families were restricted to the Reserves.

This was the **migrant labour system** - a system of cheap labour. Capitalists could ignore the families of workers knowing that the Reserves (pre-capitalist system) would continue to sustain them. Labour power was used in the capitalist system but reproduced in the pre-capitalist system.

However, this system could not survive as a stable system and we can see its very high costs now. By the 1950's and 1960's, the lack of development of these Reserves and the rising population meant that agriculture collapsed. Families had to leave these areas to survive. They began moving to the cities.

The black rural areas have become areas of acute poverty. Today they absorb the largest portion of South Africa's small welfare payments and produce a small fraction of South Africa's food.

These areas constitute about 13% of South Africa's total land area. But somewhere around 50% of South Africa's black people live on this land. This is a real crisis and makes it very difficult to get rid of poverty in our country.

## **Manufacturing, townships and apartheid**

After the Great Depression in the early 1930's, the unemployment of whites became a real problem. This and other factors came together to give a push to the development of a manufacturing sector.

### **The second World War**

The Second World War helped to develop the manufacturing sector. Firstly, the Allied armies needed things which could be made by a manufacturing sector in South Africa. Secondly, the war reduced the inflow of cheap imports. This meant that local manufacturers could start producing these goods even if they were more expensive.

### **Unionised black workers**

By the end of the War there was a larger manufacturing sector, a larger and partly unionised black workforce and growing numbers of black families who had moved into the cities. Black people were beginning to establish a political, social and economic base in the cities and as workers in industry.

### **Capitalists and white people threatened**

This was a big threat to the interests of various white groups and to those capitalists who were interested in developing a manufacturing industry.



- Organised black workers threatened to take away the privileges which white workers had in the workplace and in residential areas in the cities.
- White farmers were threatened because labour was moving into the cities.
- Capitalists were threatened by an organised workforce. On top of this more people were living in the cities. This meant more money had to be spent on social infrastructure in the urban areas (housing, schools and so on). In order to get this money, some profits would have to be used for taxes, instead of capitalists reinvesting all their profits.

## The Nationalist Party comes to power in 1948

These pressures came to a head in the 1948 white elections. South Africa's whites faced two choices:

either:

To allow urbanisation and industrialisation to lead to an integrated society. Black people would then start to win political rights.

or:

To try and modify and strengthen the racial segregation of the migrant labour system.

The white electorate chose the latter by voting for the National Party. This Party offered protection to all those white interests that were threatened. Their policies proved to be very beneficial for capital.

For nearly 40 years the National Party used the repressive and evil system of apartheid to hold back integration. But by the 1980's the system began to crumble.

## Building blocks

What were the basic building blocks of this system that was so beneficial to industrialisation?

- the entrenchment of racism in law and the laws of South Africa.
- the division of South Africa into white and black land areas.

- the segregation of urban areas by means of the Group Areas Act into highly developed white and underdeveloped black areas.
- the legal segregation of the workforce to crush non-racial organisation and prevent the unionisation of black workers who made up most of the workforce.
- education, health and welfare systems were segregated. Little money was spent on these facilities for blacks. Bantu Education was used to keep blacks as an unskilled and semi-skilled industrial workforce. The standard of literacy and numeracy was low.
- black political power was broken up into little bits. In the urban areas blacks had no political rights. In the rural areas Bantustans were created around ethnic and tribal differences - KwaZulu for the Zulus, Transkei for the Xhosas and

so on. Residents of Bantustans were expected to vote in these Bantustans. In this way the poverty which was inherited from the migrant labour system now became a problem for the Bantustans and not the central government.

- there was no freedom of movement for black workers and their families. Influx controls were strong, the labour bureau system allocated workers where they were needed. All these controls were designed to weaken worker organisation, control the rate of urbanisation and to channel labour to white agriculture
- the creation of a massive repressive system of laws and powerful security forces. This was necessary to control the oppressed. People could not be fooled by the attempts to tell people that apartheid was justified. Rural dwellers, communities and workers continually resisted their oppression and had to be crushed by force. The ANC's idea of

a non-racial, democratic and unitary vision of South Africa could not be defeated.

- to keep apartheid safe from outside intervention, South Africa's security network tried to use other Southern African countries as a buffer. It destabilised those countries which were anti-apartheid, like Mozambique, and bolstered others which were less critical, like Malawi.

The apartheid system allowed whites to benefit greatly. We explained earlier the reasons why large amounts were not spent on developing social infrastructure for blacks in rural and urban areas. Instead, funds from the developing manufacturing sector were put into building a large industrial infrastructure and into maintaining high standards of white social infrastructure.

But the costs of the apartheid system are now very, very high. Apartheid has made people in the rural areas poorer. In the urban areas the poverty is even more serious. Too many people live in too few houses and on too little land. There is a massive housing shortage. In many areas there are no basic facilities like running water, electricity, sewerage, health, education and welfare.

We need massive changes if we are to get rid of the effects of apartheid and to solve the problems of poverty. To call apartheid an "awful mistake" is to understate the problem. It is not just an "awful mistake" that over the years millions of people have lost their lives.

## The Development of Manufacturing

The second phase of South Africa's industrialisation was based on the growth of manufacturing in the apartheid era. But we need to look at the how manufacturing grew to understand its present problems.

In the section on "Manufacturing, townships and apartheid" we saw that by the 1930's there was an unemployment problem. The manufacturing sector had to be developed to solve this problem. The Second World War began this process. But there was a big problem holding manufacturing back.

The problem was not so much funds. The mining houses had these and there were enough wealthy whites wanting to invest in manufacturing. The problem was that imports were cheaper to buy than locally produced goods. This was a problem that faced all developing countries in the capitalist world.

When the socialist countries broke out of the world capitalist markets they used the Soviet central planning system to develop their industrial economies.

## Import Substitution Industrialisation

Most developing countries in the capitalist world did what South Africa did from the 1950's onwards. They protected their manufacturing sector by placing a tariff on imports. In other

words they taxed imports. This made imports more expensive to buy than the locally produced goods. Local manufacturers could then open up factories and produce products which had been imported before. These products could be sold locally but could not be exported because their costs much more than those produced overseas. This was a process called Import Substitution Industrialisation (ISI).

In South Africa this process of ISI was very successful from the 1950's to the 1970's. The rate of economic growth achieved was about 5% per annum - probably higher than any other capitalist developing country in this period.

We have already explained how apartheid helped set the framework for this growth: it allowed high levels of accumulation in industry and industrial infrastructure and it controlled and cheapened the labour supply. However, South Africa also had the advantages of a large export industry based on mining. This allowed it to import the machinery and technology needed to manufacture consumer goods.

## The rise of the Conglomerates

Unlike many other countries it also had a powerful and well organised industrial capitalist class based on the mining industry. These capitalists saw new profitable investment opportunities in the protected manufacturing sector. The large size and the financial resources of these companies gave them an advantage and they became owners of companies in many different industries. A company that has subsidiaries in many different industries is usually called a conglomerate. Our economy became dominated by a handful of large conglomerates. These conglomerates were based in mining.

The affluent white market could pay the higher prices that resulted from ISI. They used Western Europe and North America to guide their demands for products. The result was a modern, well-developed and thriving manufacturing sector. In the 1970's, the expenditure

on the military provided a further boost to manufacturing.

## Infrastructure

The State played a very important role in assisting the development of manufacturing. It used its parastatals (nationalised companies) to provide an excellent infrastructure - roads, railway lines, electricity, water supplies, modern telecommunications and harbours. It allowed these parastatals to borrow money overseas to finance their development. It covered deficits from the central State budget.

Through the Industrial Development Corporation the State helped to finance many different industries like Sasol, Alusaf and Iscor, and Sentrachem. All these industries produced the key products needed to develop the infrastructure.

## Problems in manufacturing

However, by the early 1980's it became clear that there were problems.

- Inflation remained higher than that of our trading partners.
- The State and parastatals had borrowed massive amounts to finance infrastructure.
- the economic growth rate was dropping very low.

These problems appeared before the political upheavals of 1984 and continued to 1987. They came before the imposition of limited sanctions from about 1986 onwards. These events have made the underlying or structural problems in manufacturing worse but they have not created them.

We must now understand what these structural problems are.

## The Crisis of Accumulation

When the COSATU Economic Trends Group first started its research in 1986 its main focus of attention was the possible affect of sanctions. However, the E T group soon saw that we could not answer that question unless we understood why there already seemed to be a crisis in the economy.

The first phase of the ET research identified the main features of an accumulation crisis in the South African economy. The major reason for this crisis was the manufacturing sector that we have just looked at.

## What is Accumulation?



Accumulation is a term used by political economists to describe the process where surpluses are generated and then reinvested in production to create large and larger surpluses over time. This reinvestment process expands the productive base of the economy which forms the basis for larger surpluses.

Accumulation is a process that takes place in all economies but how it works differs from economy to economy. The political and economic history of a country also affect accumulation. The accumulation process works very differently in capitalist and socialist economies.

In a capitalist economy like South Africa, accumulation is a process of generating profits and reinvesting them. As we have seen in earlier sections the migrant labour and apartheid systems were both racial segregation systems. They allowed accumulation in South Africa to take place quickly and at a high level.

An accumulation crisis is a situation where accumulation comes to a halt or falls to very low levels. This is what has happened in South Africa since the early 1980's.

For accumulation to take place profits must first be made and then be reinvested in production. Now if these things are not happening then there is clearly an accumulation crisis. Most of the poorer developing countries have accumulation crises.

In South Africa, however, it is the second process that is the most obvious one. Profits are still being made in all sectors but they are not being reinvested either into direct production or social infrastructure. As a result the productive base in manufacturing in particular is stagnant. The most serious effect of this is unemployment. However, as we shall see, there are other major consequences of this.

Although reinvestment of profits is the most obvious problem we must also look at how profits are made. Three factors have to be taken into account:

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#### 1. profits in mining.

Firstly, as we saw above, the State has a fiscal problem because its expenditure is very much above its income. The tax base of the State is stagnant because of low economic growth and unemployment but the demands on State expenditure get greater and greater.

Secondly, the State's ability to manipulate interest rates is almost entirely restricted by the balance of payments position and continued inflation. South Africa has to keep interest rates high to ensure that it keeps money in the country. An expansion of the money supply - needed to lower interest rates - would worsen an already bad inflationary situation.

Thirdly, the high cost of manufactured goods - including houses, roads, hospitals, schools etc - is a double problem for the State. It means high expenditure to provide these basic services and it makes it very difficult to recover these costs by a system of user charges. This second problem needs to be explained because it is going to be very important.

It is low income earners and the poor who are in greatest need for these basic products but because their goods cost so much people cannot afford to pay for them. Now the State could choose to provide these products free of charge to users. This sounds a good idea because it solves the social infrastructure problem for the poor. It also increases the demand for manufactured products and could revive accumulation in that sector.

However, serious economic research shows that this option is not going to work in South Africa because of its present problems.

The State does not have the money to solve problems of the size we confront in South Africa. If basic services were provided free, the State would have to tax existing tax payers even more heavily thus reducing demand. Alternatively it would have to undertake large-scale deficit financing - in effect, printing money - which would increase inflation and reduce the real income of wage earners which would further reduce demand.

The alternative, therefore, is to try and recover some or all of the costs of these products by charging their users - that is a system of user charges. But here it is the problem of the high costs of these products. If the user charge is too high then low income earners and the poor will not be able to afford to use these products. If the user charge is low then it takes a long time to recover the costs of the product thus increasing the burden on State expenditure and creating the taxation and inflation problems discussed above.

This discussion about the present apartheid State's inability to either meet the needs of the poor or revive the accumulation process is important. The problems facing a post-apartheid State will be the same if it attempts to solve the problems of poverty by using State expenditure.

At present the apartheid State, faced with these problems, is denying its responsibility and proposes privatisation. But we know that the private sector will not address these problems because that is not profitable.

A post-apartheid State will not be able to deny its responsibilities. The Harare recommendations outline a role for the State that is not based on State expenditure only. It also has other very important roles to play.

The economy faces an accumulation crisis that neither the public nor private sector are likely to resolve. In this situation each company tries to reduce costs to keep profits high. This leads to a very direct confrontation with organised labour. Capital and the State are attempting to undertake a wide range of cost cutting exercises - deregulation, privatisation, extra shifts and so on. In the present accumulation crisis this conflict will probably worsen.

## Technology, Mechanisation and Human Resources

In this stagnant economy the introduction of new technology and mechanisation have serious effects. To fully understand this we need to look back at the ISI process under apartheid and the



approach to both technology and human resources that this process gave rise to.

As we saw manufacturing was based on the production of consumer goods for the domestic market. Although this was a high income market meant for whites it was not a very big market. Production was also protected behind tariffs that reduced international competition. Both size and competition made it less important to use advanced technology. Three other factors contributed to this.

1. White workers were able to monopolise skilled jobs and thus reduced the availability of skilled workers needed by new technology.

2. The level of competition within domestic manufacturing was low as large conglomerates became dominant in most industrial, retail and commercial sectors. This also reduced pressures to lower costs.

3. The repressive policies of the State weakened the power of organised labour and kept wages very low in all sectors. For a few years in the 1980's only workers were able to increase real wages in many sectors of the economy

## **The State limits the number of skilled workers.**

Putting all these factors together led to a certain approach to human resources in the industrial parts of the economy. This approach was based on production methods which required a limited number of skilled workers - mainly white - and a large proportion of semi-skilled and unskilled workers - virtually all black.

This approach also linked in with the poor education system for black workers and the minimal provision of training in industry for blacks. An even more serious problem in the long run was that the black education system was unable to deal adequately with mathematics and science in education.

These things resulted in a workforce which has a relatively small pool of skilled managers, engineers, technicians etc, and a large pool of semi-skilled workers who are poorly equipped to deal with new technology.

This has a number of serious effects. It means that new technology can only be introduced in a few areas of the economy while the overall level of productivity is low. This technology is introduced where skilled workers are available. But the technology does not rely on the availability of too many skilled workers. New production methods link a few skilled workers with a large number of semi-skilled workers. This is usually a racial division and retains the wage inequality that characterises our industry.

In effect the main purpose of such new technology is to lower costs by reducing the amount of labour which is employed. Its purpose is to mechanise at the expense of employment in order to retain profitability in a stagnant economy. This approach has little effect on the overall productivity in industry since its impact is limited to a few number of companies.

In these circumstances technology, and particularly new technology, are a serious threat to workers. This is part of a wider human resource and education problem which will have to be addressed if we want to raise the overall level of productivity and thereby reduce costs. A comprehensive programme to develop our human resources is going to be crucial.

## The International Economy

For South Africa the international economy has been, and will continue to be, very important. It is important both as a market for our mineral exports and as a source of machinery and technology. About 30% of everything South Africa produces is sold on international markets.

Capitalist economies like South Africa which have industrialised by protecting themselves from international competition and the socialist countries, and which have isolated themselves from the world economy, now face major problems. The advanced capitalist economies of Europe, the USA and Japan continue to dominate the world economy. The problem for the developing world and for socialist countries is one of dealing with this dominance.

This experience has caused planners and economists to seriously review their thinking on the advisability of isolating a country's economy from the wider world economy. However, in South Africa's case, we need to give very careful thought to how we re-enter the world market for manufactured goods.

There are some very important changes taking place in the world economy that we will have to take into account.

## Changes in the world economy

Three huge economies and trading blocks are emerging. In North America the USA and Canada are merging their economies.

In Europe, 12 countries are forming the world's largest single economy in 1992. In Asia, the Pacific Rim countries discussed earlier are forming closer links and working to incorporate the Philippines and Australia into a large economic and trading bloc.

These new economic blocs are restructuring their economies into high-tech, high wage economies capable of producing commodities efficiently and cheaply. The strength of these economies was built up through the imperialism of the 19th and 20th centuries. The former colonies in the developing world will have to devise effective ways of strengthening their own economies.

The advances in technology which characterise these economies, allow them to use raw materials more efficiently. Whilst their economies are growing again, after stagnating in the 1970's and 1980's this growth will be less dependent on raw materials. Since South Africa exports minerals the prospects for future export growth in minerals are not promising.

In addition since these blocs have a massive technological advantage over South Africa it will become even more difficult to compete against them on the world market for manufactured-good. If South Africa wished to do this - and remember South Africa is looking to expand its manufacturing sector in order to create employment - South Africa will have to work out and plan very carefully how to do that.

The changes in the socialist countries will have effects that are not yet clear. However, these economies do offer attractive prospects for investment since they are larger, higher income markets than Africa and South Africa. It is therefore unlikely, given the structural problems experienced by the South African economy and the changes occurring in the socialist countries, that South Africa will attract much foreign investment or foreign aid.

## Land

In concluding this section on the crisis in South Africa we have to deal with one of the most obvious results of racism and repression in South Africa - land.

As we saw earlier, both the migrant labour system and apartheid forced black people to live on a restricted land area. A whole structure of laws and institutions was created over the years to enforce this land segregation.

Also the migrant labour system and apartheid systems depended on the denial of social infrastructure to these reserves and resulted in poverty in these areas today. It follows, therefore, that we cannot claim that apartheid has been eliminated unless we change this situation.

The removal of the Group Areas Act alone is insufficient because if market forces are allowed to work, the rich will keep their land and the poor will keep their poverty. In fact the misallocation of land could easily be worsened by market forces.

It is also not possible to solve the problems of social infrastructure in both urban and rural areas unless there is more land available to black people.

For these reasons land reform - that is a means whereby land is transferred from its present white owners to black owners - is an essential starting point to any new social, political and economic order.

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# The Harare Recommendations

## Introduction

The majority of the ANC's members and supporters come from low income earners and the poor in both urban and rural areas. The SACP seeks to represent the interests of the working class in particular. COSATU is a trade union federation that represents organised workers.

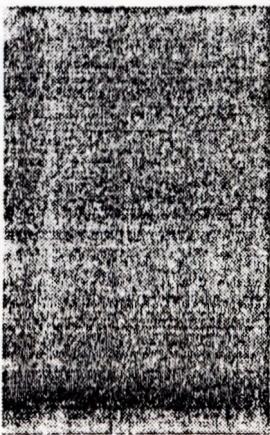
The three organisations of the Alliance, therefore, have to be able to implement an economic, social and political programme that meets the needs and aspirations of their constituencies.

A political settlement must be accompanied by an economic settlement - a point that Cde. Mandela made clear to business when he addressed them in May 1990.

The Harare Workshop in April began to develop the framework for such an economic and social programme. The starting point of the Workshop was the present crisis in the South African economy. We looked at the nature of the crisis in the last section. However, it is worth restating the main features of this crisis, because the Harare Recommendations try to address each aspect of the crisis

## Features of the crisis

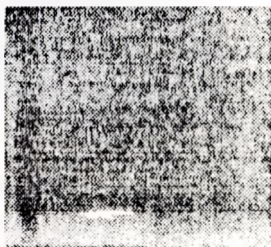
- there is an accumulation crisis in the economy leading to declining employment, high costs and a serious conflict between capital and labour
- There is acute poverty and a lack of social infrastructure in black rural and urban areas
- South Africa's human resources have been underdeveloped and are not well-equipped for the future
- land reform is necessary if South Africa is to eliminate apartheid and begin a reconstruction of the economy and society.
- South Africa is rapidly falling behind events in the changing world economy



The Harare Recommendations are divided into six sections. These are:

## A. The Economy of a new South Africa

This section deals mostly with the accumulation crisis. It outlines the steps and policies proposed to break out of that crisis in a way that will increase output - particularly of social infrastructure and basic consumer products - increase employment and begin the reintegration of South Africa into the world economy. This is referred to as a growth path through redistribution.



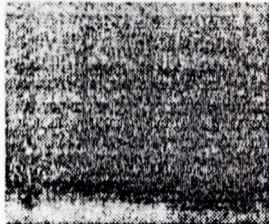
## B. Industrial Restructuring and C. Mining

Both these sections deal with the need to restructure industry in order to meet the objectives of the growth path. The stagnant, high cost, low employment nature of



manufacturing needs to be changed.

In the mining industry the question of ownership, the rate of exploitation, fluctuating prices and the legacy of migrant labour pose serious problems.



## D. Agriculture

This deals with the need for land reform in rural areas. It is also concerned with the question of food production which will have major effects on the growth path.

## E. Labour and Human Resource Development

The rights of organised workers to form unions and to collective bargaining are linked, in this section, to the question of human resource development. This is an important link pointing the way toward the participation of mass organisations in both planning and its implementation.

## F. Basic Goods and Services

This sector deals with the provision of certain basic services, in particular social welfare and housing. The section also stresses the link between mass organisations and the provision of basic products and services. It also points to a decentralised State and forms of local level public ownership of resources.

The section concentrates on the urban areas and does not say enough about rural areas.

In the following section we outline the main points of the recommendations more fully. However, we refer only to points. The Harare Recommendations are more detailed. We deal with the recommendations sector by sector.

# The Harare Recommendations

## A. The economy of a democratic non-racial South Africa

### 1. The Growth Path

A new growth path is needed to meet the needs of all the people in South Africa and to get rid of poverty and deprivation. This growth path should involve the restructuring of production in order to:

- meet the basic needs of all people
- create more jobs
- redistribute incomes more equally
- provide social services
- reintegrate the economy into the world economy

### 2. The Role of the State

The State must take a leading role in the reconstruction of the economy. This will require:-

- the State to develop a comprehensive plan and carry out the overall co-ordination of this reconstruction.
- the State to involve mass based organisations in this planning and reconstruction.

### 3. Financing the Reconstruction

How is reconstruction going to be financed?

#### 3.1. Savings and Taxation.

The emphasis would be on using South African (domestic) savings rather than foreign capital. Rising employment and income will allow more taxes to be collected. The present tax system will have to be reformed to reduce the burden on individuals and to shift it to those who can



afford to pay taxes such as large conglomerates.

### 3.2 State expenditure.

State expenditure will be directed at bringing about the reconstruction of the economy. The State will not try and solve the economic problem by excessive government expenditure. This would only increase inflation.

### The Capital Market.

This is a market where people and companies invest their savings. The problem at present is that investments are not going into production. Instead, savings are being used for financial and property speculation. Changes will have to be made to correct this.

### 3.4. Exchange controls.

The new State would have to make sure that capital did not leave the country in this period of reconstruction. The exchange controls that exist at present would have to be kept, although some changes would have to be made.



## 4. Control of the Conglomerates and Foreign Investment

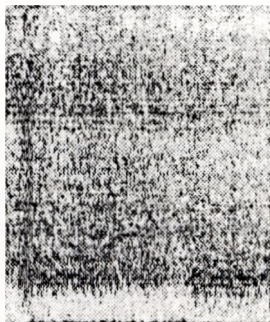
### 4.1. Conglomerates.

The new State would have to address the problem of the concentration of power in the hands of the conglomerates. In order to make the use of resources more efficient the State would have to look at the possibility of breaking up the conglomerates.

### 4.2. Foreign capital

This would have to be carefully directed by the State. This would mean that:-

- investment should assist job creation.
- investment should improve local technology.
- acceptable labour practices would have to be followed by foreign investors.
- foreign capital must be reinvested productively so as to promote growth.



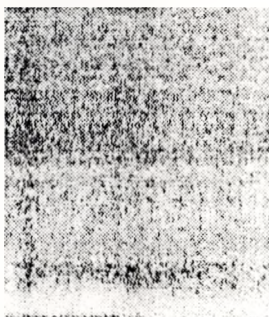
## 5. Ownership and Nationalisation

For the State to play a leading role in the new growth path, there will have to be a strong and efficient public sector. Nationalisation

will therefore be an essential part of the reconstruction of the economy. This would involve:-

- retaining the existing nationalised industries.
- renationalising, if necessary, those State bodies that have been privatised. This will be done after careful evaluations.
- setting up new state corporations.

It would be important that the nationalised industries do not develop into large bureaucracies designed to provide jobs alone. The purpose of nationalised industries is to reconstruct the economy in the most effective way possible.

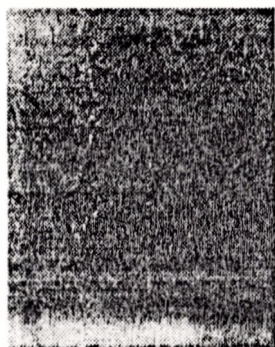


## 6. Gender

Women occupy disadvantaged positions in the South African economy. They earn the lowest wages and are disadvantaged in education and training. The democratic State would attempt to:-

- integrate women fully into the economy
- remove all gender inequality in employment
- provide support for women in areas such as child care

These tasks are essential if we are serious about a reconstruction of the economy.



## 7. The Southern African region

As we saw in the section on the crisis, the costs of apartheid are not confined to South Africa alone. The destabilisation policies of the apartheid regime weakened the economies of Southern Africa and destroyed parts of their infrastructure.

Even when these destabilisation policies are halted the South African economy will still dominate its neighbours.

This raises the question of what relationships our country has with its neighbours. If these relationships become exploitative the economies of neighbouring states will remain weak and underdeveloped. There are two reasons why this would be wrong. Firstly, our liberation struggle owes a moral and material debt to the Frontline States to repay the support they have given through terrible times. Secondly, if our economy grows and those of our neighbours do not, it will

affect us adversely because of an inflow of labour from these countries. This will also reduce the economic capacity of the whole sub-continent.

Future relations between South Africa and the Frontline States must be based on mutual co-operation and non-exploitation.



## B Industrial Re-structuring

We have seen that the manufacturing sector is at the root of the economic crisis. Any restructuring of the economy would have to focus on the manufacturing sector.

The manufacturing sector has the greatest potential for growth. This sector would be restructured to address the following:

- the production of goods to meet the basic needs of the population.
- the inequalities between black and white people and between urban and rural areas and between different regions.
- the reliance of the economy on imports of machinery

The policies would aim to address this reliance on imports and implement policies to develop the export potential of the manufacturing sector.

This restructuring will ensure that:-

- there will be support for small scale enterprises and co-operatives and policies to break-up the conglomerates.
- the mineral and energy resources will be transformed to meet the aims of the growth path.
- production of arms will be restructured to meet the needs of the people.
- effects on the environment will be taken into account.



- restructuring uses appropriate technology and training programmes.

## C. Mining

Mining in South Africa has dictated and shaped the life of our society and has been the strongest supporter of racist practices in South Africa. A new State must alter all that.



# The Economic Debate - Key Issues

In the previous two sections we have looked at the social and economic crisis in South Africa and how the Harare Recommendations propose a framework of policies to deal with the crisis.

In this section we deal with the key issues in the economic debate that is now starting to take place in South Africa. The differences that are emerging largely reflect the class interests of Capital and Labour. It is important that we understand these debates and are able to put over our positions clearly and strongly. As we know all too well debate alone is not enough - we also need mass mobilisation in support of our policies.

The most common arguments between Capital and Labour are about:-

- socialism
- economic restructuring
- the role of the market
- the role of the State
- ownership and nationalisation
- high wage policies
- foreign investment

## Socialism

COSATU and many of its affiliates are committed to the view that socialism is a better system than capitalism in meeting the aspirations of the working class.

This commitment to socialism is met with great hostility and resistance by Capital and the State. The very mention of socialism attracts hysterical condemnation. The recent events in the Soviet Union and Eastern Europe have greatly boosted the confidence of Capital in their arguments.

We are faced with two related challenges. How do we respond to Capital? What do we mean by socialism and how do the Harare Recommendations relate to socialism?

The present attack on socialism by Capital is based on the following main points -

- that socialism has failed in Eastern Europe and for this reason it cannot work anywhere.

- \* that socialism is an undemocratic system.
- \* that South Africa already has a form of socialism and that it must follow the rest of the world's move towards free market capitalism

## Capital - Socialism has failed

No socialist can ignore what has happened in Eastern Europe. The events have been complicated. They have shown that it is difficult to achieve socialism in a one party state and with a large bureaucratic planning system.

But there are also numerous examples of dramatic failures in capitalist economies. The capitalist class has not rejected capitalism because of these failures. Instead it has analysed these failures to try to rebuild more stable and effective capitalist economies. Modern Europe is a good example of this.

In the same way a successful socialist project in South Africa is only possible if we examine the realities of our society

The argument that socialism in Eastern Europe was a complete failure is also clearly wrong. The industrialisation achieved by these countries was massive. But it was at great cost to its people and to large parts of the economy.

The same can be said of the development of South Africa's economy. As we saw in the section on the crisis, industrialisation was achieved through apartheid capitalism. But the industrialisation aimed to please the white minority and capitalist class and not the majority of the people.

## Capital - Socialism is undemocratic

Socialism does not have to mean "No democracy". COSATU has continually called for democratic socialism. The failures in democracy in capitalist countries - South Africa included - have been far more horrifying than what occurred in the socialist countries.

## Capital - South Africa has a form of socialism

Capital says that we have had some form of socialism in South Africa. This is not correct. What is correct, as we saw in the section on the crisis, is that we have had a very large State involvement in the economy through the public sector. But the objectives of this State involvement were to develop the industrial economy to the benefit of a white minority. Such an objective is no longer acceptable.

The Harare Recommendations propose that the State continue to be heavily involved in the economy but so that the needs of the majority will be met.



The State is involved in all the economies in the world. The success of this involvement depends on the aims and the way in which this involvement takes place. There are as many successes as there are failures.

## Our own debate

These arguments against the viewpoint of Capital do not solve all the problems of socialism. We need to conduct an active debate in our own ranks on important questions such as:

- What democratic structures should be created in a socialist society so that the working class dominates but so that we avoid the dangers of a one-party state?

- What systems of planning and ownership of the means of production are needed to ensure the socialisation of the means of production?

Other issues which have been raised are

- Do we have to work out our theoretical position on socialism before we intervene in current policy debates?

- Some people say that socialism does not need to be modified and that it can only be implemented after State power has been seized.

We will have to clarify our positions on these matters. However at the last Living Wage Conference of COSATU a decision was taken that we should involve ourselves actively in policy issues. The Harare Recommendations deal with a Policy Programme to reconstruct and restructure the economy. But will this Programme take us closer to a socialist future? Or will it move us further away from socialism to a rebuilt capitalist economy?

The answer to these questions depends on us. There are two different viewpoints on the issues given below. There are Labour's views and Capital's views. If Labour's view is to succeed, we need to understand the issues involved; we need to defend and debate the issues and to organise so that we have the strength to carry out what we want.

# Economic Restructuring

There is agreement that the South African economy must grow - production must increase and employment must increase. But Capital and Labour have a different understanding of economic growth. Can growth be achieved without an economic restructuring?

Capital focuses on the Growth Rate. It does not believe that the economy needs to be restructured. It is concerned with increasing the money value of production. According to Capital the money value of production must increase by a certain percentage annually. (5% per year is the usual target set by spokespersons of capital.) They believe that such a growth rate would increase employment by about 200 000 jobs a year.

Labour focuses on the Growth Path. The economy must be restructured. The increase in the money value of production is less important than both what is produced and how much employment is created.

A redistribution of income is an important factor which will lead to economic growth. This will be achieved through creating more wage employment, increasing the amount and value of wages, creating viable small businesses and increasing welfare payments to those that need them. These measures would lead to a greater demand for basic consumer goods such as food, clothing, household goods and houses.

Although this approach might not increase the total value of production greatly, it is more meaningful than producing expensive goods which are of no use to the majority.

This growth path would require a number of policies to be followed in industry, agriculture, human resources and basic social services. These policies would lead to a restructuring of the economy.

# The role of the market

A market is a place or places where goods and other services are bought or sold. A competitive market is one where there are many buyers and sellers. In such a market the forces of demand and supply determine the actual price paid. If there are more buyers and fewer goods then the price would be higher than if there were lots of goods and fewer buyers.

Monopolistic markets are those where the buyers and sellers are linked in many ways, such as through joint ownership, special contracts and through the economic power of very large buyers or sellers. In such a market, there is no competition and the price is determined by the seller. The large buyer or seller can manipulate the market.

In South Africa today monopolistic markets are dominant and competitive markets are uncommon.

Both Capital and Labour understand that the future economy will be a mixed economy. This means that market forces will still exist to determine prices. But there is disagreement on the role of such market forces and what place monopolies and competition have in the economy. In addition Capital has avoided defining how much competition or monopoly there should be in the economy.

## Capital - Market Forces Lead

Capitalists are very strong supporters of the free market. This means that they want the state to stay out of the market. It allows them to run their businesses without interference. They argue that in South Africa the state interferes with the market through Apartheid. It does not allow market forces to operate freely. According to Capital, if apartheid and sanctions are removed, market forces will be freed to generate economic growth. Capital's view is also that the State should play a very small role in the economy.

## Labour - A new framework for market forces

As we've said the markets which dominate in SA are monopolistic. We believe that even if apartheid is removed this will not make a free market. This is because the conglomerates and the large buyers and sellers that we spoke of will still be there to manipulate the market.

Even if the market was made more competitive we do not believe that this will solve the crisis. The State must instead play a central role in regulating the market eg. the State can make decisions about what goods should be produced for the market.

By planning the restructuring of the economy towards a new growth path the State will change the framework within which markets will work.

## The Role of the State

Both Capital and Labour agree that there has to be a State and that the policies and activities of such a State will be largely controlled by a government elected in a multiparty democracy. But we do not agree on the role and size of the State and how it must be constituted.

### Capital's view - Market leads, State follows

Capital's view is that market forces should dominate economic activity. It believes that the State should play a very small role in economic activity. This also implies that the public sector of the economy, which is owned or controlled by the State, should have less to do with the economy than the private sector (big business).

For Capital, the State should just pass laws, deal with defence, police, foreign policy and provide some education, health and welfare. Capital is therefore opposed to nationalisation. It favours privatisation to reduce the size of the public sector and increase the private sector.

It also follows that they favour deregulation because it assists and develops market forces by removing regulations and laws which control capital.

### Labour - State leads, Market follows

Labour's view is that the State must play a central role in the economy. The State will have to take the lead in changing the market.

It must intervene in the economy through laws and regulations, tax and tariff policy and through direct State involvement in production. Thus the nationalisation of parts of the economy cannot be avoided.

But the purpose of the intervention must be clear. It must intervene to back up the growth path that is decided on. The purpose of nationalising parts of the economy must be clear. A new growth path will require strategic planning of the State's activities, so as to reshape the framework within which the market and the private sector will operate.