

AFRICAN NATIONAL CONGRESS

Department of Economic Policy



Discussion Document:

Nationalisation

Published by the Centre for Development Studies

National Office

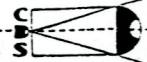
University of the Western Cape

Private Bag X17

Bellville, 7535

Tel: (021) 959-2151

Fax: (021) 959-2317



DISCUSSION DOCUMENT ON THE ISSUE OF NATIONALISATION

This document is designed to assist branches with their discussions about Nationalisation. **It covers the following issues:**

- a) The context within which to look at nationalisation.*
- b) What is nationalisation?*
- c) How can you nationalise a corporation?*
- d) What are the possible advantages of nationalisation?*
- e) What are the possible disadvantages of nationalisation?*
- f) We need to debate and discuss nationalisation.*
- g) Some questions for discussion.*

A. The Context within which to Look at Nationalisation.

This document must be read together with the discussion document on economic policy, where it is suggested that:

- 1. The ANC is committed to a mixed economy, which will have a role for the state, private sector and civil society.*
- 2. A future economic policy will have to respond to the problem of economic stagnation, and get the economy to grow, to the problem of massive inequalities and poverty and address the problem of too few owning too much (**the big four conglomerates**).*
- 3. We need to develop a national development plan around the strategy of 'Growth through Redistribution' which will include a number of different aspects.*

B. What is Nationalisation?

Nationalisation involves putting any section of the economy under the control and ownership of a government. Nationalisation is not new to South Africa. The governments of the past and especially the Nationalist Party have nationalised a number of industries in the South African economy. Today almost 54% of the productive assets in the country are in the hands of the government. Transport, electricity, post office, are a few examples. Nationalisation in the past has been used to benefit only the whites, by providing them with jobs and services.

C. How can you Nationalise a Corporation?

By the government investing in the setting up of a new industry or enterprise. This can be done, for example, through a government decision to spend part of the taxes it collects in setting up a housing corporation, that will build affordable housing. By introducing a law which puts a certain industry in the hands of the government, this could involve compensation or confiscation. Confiscation means taking over a corporation without paying for it, while compensation involves paying an agreed amount to the previous owners by the government simply buying off a certain industry, at an agreed rate of compensation.

D. What are the Possible Advantages of Nationalisation?

- 1. If industries which provide a basic infrastructural service, such as electricity are nationalised then it can be used to ensure that all people have access to such a service, which can not be guaranteed if its left in the hands of a private company.*
- 2. It could mean that workers in a nationalised industry will be better paid and have better working conditions. This could be achieved by a democratic state passing laws that protect workers, prevent racist practices or ensure a policy of affirmative action that favours black people or women in particular.*
- 3. Nationalisation could be used to ensure that the profits from nationalised industries are invested in useful productive activity that will benefit the people. At the moment large banks invest funds only in profit making ventures which do not necessarily benefit the people. This argument could be used to suggest a case for the nationalisation of the banks.*
- 4. Nationalisation could be used to democratise the economy. At the moment the economy is dominated by four large corporations, Anglo American, Rembrandt, Barlow Rand and Sanlam, control 81% of the shares on the JSE. By nationalising the conglomerates or parts of them we would reduce their control over the economy.*
- 5. Nationalisation could be used to set up new industries, to provide important services that the private sector may find unprofitable, eg. sewerage disposal.*

E. What are the Possible Disadvantages of Nationalisation?

1. If we are going to nationalise, we need to borrow the money to pay for nationalisation. We will have to pay back this money with interest. This money will be spent without creating a single new job. If we are unable to pay back because the government does not make enough funds we will be increasing our debt problems. This happened in Zambia with the copper mines. The government in Zambia nationalised the mines and then ran into many difficulties as the price of copper fell and the technical staff left the country. The government was eventually forced to privatise the mines.

Why?

2. Nationalisation could lead to skilled personnel leaving the country. In addition we will have serious problems of finding the skilled people who are loyal to our democratic aims and who can run these nationalised industries.

3. Nationalisation is not very favoured in the world today, this could lead to foreign investors feeling insecure about putting their money into South Africa. This could lead to serious problems of a fall in foreign investment. Foreign investment is needed in South Africa to make the economy grow. We saw the impact on the economy when financial sanctions were introduced in 1985.

4. Nationalisation could end up benefiting only a few, those who run the industry and are employed by it. The rest of the people will benefit very little. This problem of a self serving bureaucracy has been experienced in many countries, as we have seen in the case of Eastern Europe recently.

F. We need to Debate and Discuss Nationalisation.

It is clear from the advantages and disadvantages we have mentioned that nationalisation is not a simple clear cut issue. We need to examine each case very carefully.

For example if we look at the issue of nationalising the gold mines, we will see that it is a complicated case. One could argue that nationalising the mines will mean that workers in the mines will receive better wages and conditions and that we could use the profits from mining to build housing for the poor.