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2018-01
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Terreblanche, S. 2018. A Wealth Tax for South Africa. Johannesburg: SCIS, Wits University. SCIS Working Paper Number 1

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UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

A Wealth Tax for South Africa

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January 2018

SCIS Working Paper | Number 1

The Southern Centre for Inequality Studies
University of the Witwatersrand
South Africa

www.wits.ac.za/scis

SOUTHERN CENTRE FOR INEQUALITY STUDIES

About the author

Sampie Terreblanche (84) is professor emeritus at Stellenbosch University, and also spent time at Harvard and the University of the Free State. His work as political economist and public commentator over sixty years was marked by sharp and controversial shifts to the left of his Afrikaner nationalist roots. Sampie served on several public commissions and as deputy chairman of the SABC. He authored 13 books and hundreds of papers and public lectures, with a focus since the 1990s on inequality and its underlying wealth problem. Among many awards, he has received three honorary doctorates.

Acknowledgements

We would like to thank Christelle Terreblanche, Sampie's daughter, for all her work to bring about this paper, editing and updating the TRC testimony, and translating the contemporary article. We would also like to thank Professor Patrick Bond and Professor Vishnu Padayachee for updating and editing the TRC testimony. The Southern Centre for Inequality Studies is supported by the Ford Foundation.

Recommended Citation

Terreblanche, S. 2018. A Wealth Tax for South Africa. Johannesburg: SCIS, Wits University. SCIS Working Paper Number 1

Foreword

The Southern Centre for Inequality Studies (SCIS) at the University of the Witwatersrand takes great pleasure in presenting this, our first Working Paper, by economic historian Sampie Terreblanche. It was exactly twenty years ago that Professor Terreblanche presented his testimony to the Truth and Reconciliation Commission (TRC). Two decades later, it remains extremely relevant. This Working Paper presents some contemporary reflections on inequality, penned by Professor Terreblanche. These are followed by a reproduction, in full, of his testimony to the TRC in November 1997, which called for the levying of a wealth tax on all affluent South Africans.

In his testimony, Professor Terreblanche argued persuasively and forcefully that a symbiotic relationship existed between white business and the apartheid state. Businesses, he argued, were direct beneficiaries of the centuries-long system of white supremacy. They should confess and acknowledge this by agreeing to a wealth tax on their assets. Needless to say, the African National Congress (ANC), and the business community more generally, dismissed Terreblanche's testimony. We believe it was a missed opportunity to confront the legacy of structural inequality in South Africa. The arguments presented by Terreblanche were not new, although his focus on the complicit role of what he calls the English Establishment in apartheid is often ignored. In fact, there had been a lively debate among social scientists in the 1970s on economic growth and its relationship to social and political change. The debate polarised into two opposing views. One view suggested that economic growth would break down apartheid, and that industrialisation would lead to liberalisation. This, the conventional view as expounded most consistently by what Terreblanche calls "the Oppenheimer view of the English Establishment" was challenged by the "revisionist" thesis put forward by Johnstone, and later by Terreblanche, which suggested that capitalist development was reinforcing "white supremacy" (Schlemmer and Webster, 1978): 9–27).

Although much has changed since these debates took place, we feel that it will be useful to begin our Working Paper series with a reminder of the richness and relevance of these debates to contemporary discussions on "white monopoly capital". In his TRC submission, Terreblanche raises the important role that a wealth tax could play in addressing inequality as both a structural and symbolic mechanism, rather than as a revenue-raising tool. In this way, his proposal is quite different from the current discussions on a wealth tax which relate to raising additional revenue for the fiscus. Many of the structural problems highlighted by Terreblanche persist today, and we believe that there is room for a renewed discussion on the role of a wealth tax in both tackling inequality and effecting structural change in the economy.

These Working Papers form a core part of the dissemination of research and policy that is at the centre of our project on inequality. We are also publishing a series of Policy Briefs on new and exciting approaches to tackling inequality, and a book series through Wits University Press. We hope that through these series we will encourage a public debate on these issues. While technical solutions to addressing inequality are crucial, they will not be politically feasible unless the social and political forces driving high levels of inequality in South Africa are clearly understood and addressed. However, inequality is a global problem, and studying and addressing it in South Africa will also enable us to enter into a dialogue about inequality in other settings, particularly in the rest of the global South. The rise of new, southern powers such as Brazil, China and India, and, as importantly, Africa and other developing countries, has called into question the future of western dominance in world markets and geopolitics. The changing geography of economic and political power in the world-system is in fact closely related to the emergence of a new geography of global inequality in which more than 70 per cent of the world's poor now live in middle-income countries. And crucially, the persistence of poverty is coupled with widening inequalities between and within countries.

We will be publishing the results of our findings as our research programme evolves over the next five years. We hope you find this, our first Working Paper, a stimulus to read our publications and attend the monthly seminars that we will be running throughout the academic year.

Professor Edward Webster
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SOUTHERN CENTRE FOR INEQUALITY STUDIES

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SOUTH AFRICA'S DANGEROUS TRIANGLE OF RACE–CLASS INEQUALITY

November 2017

On 11 November 1997, twenty years ago, I was the first person to give evidence before the Truth and Reconciliation Commission's (TRC) institutional hearings on the role of business and labour under apartheid. I proposed that a wealth tax ought to be levied. The income could be used to set up a restitution fund to help alleviate the worst poverty in South Africa. The proposal elicited robust disapproval. One newspaper caricatured me as an alien apparition from outer space.

The most strident critiques came from representatives of Sanlam, Rembrandt, De Beers and Anglo-American. For instance, Ann Bernstein from the Anglo stable argued: "Corporations are not institutions for moral purposes… They are not institutions designed to promote some or other form of morality in the world. Other institutions exist to fulfil these purposes." But to her credit, Bernstein admitted corporate financial support for what was considered a crime against humanity: "Life is not a morality play. There are very few people who give up everything for their beliefs and ideas. Business in South Africa accommodated itself to the apartheid system" (TRC, Ch.2, 2003 [1998]: 53).

My 1997 proposal for a wealth tax was based on the deplorable and pervasive poverty, inequality and unemployment in which at least half of South Africa's population was and is systemically trapped. The testimony motivated me to write the book *A History of Inequality in South Africa*, in which these structural poverty dynamics were canvassed in full historical perspective. Since then, a further deterioration of the socio-economic problems, especially in the black community, has been a core feature of the economy.

Twenty years later, I want to visualise South Africa's socio-economic injustices from the perspective of an ideal society based on meritocracy, not inherited privilege. It is true that a meritocratic society cannot be created. Nevertheless, we may imagine such an ideal outcome and apply our vision for analytical purposes. In such a society, all factors of production would be rewarded according to productivity. Alternatively, all factors of production could be punished in accordance with lack of productivity. With this precondition in place, we may be able to determine which players in an economy are undeservedly advantaged or undeservedly disadvantaged.

The South African economy is characterised by massive inequalities that have over time became embedded in the division of income. About 20 per cent of the population is being advantaged in undeserved ways. We could subdivide this 20 per cent into two groups of 10 per cent each: 10 per cent white and 10 per cent black. And 40 per cent of the population could be described as undeservedly impoverished. This leaves us with three well-defined groups: a white elite, a black elite and a very poor, mostly black, mass. Keep in mind that the remaining 40 per cent of the population is largely dependent on very low wages.

In one corner of the dangerous triangle, the white elite lives it up with undeserved wealth and extravagance. In the second corner, the black elite also covets luxury and overindulgence. In the third corner, the black majority barely survives in undeserved inhumane poverty and deprivation. If these three dangerous corners of the triangle reflect a true version of the South African reality, what should we do about it? It would be a colossal mistake to ignore or underestimate the dangers locked into this unequal division of income and wealth.

The white elite has benefited from money hoarded since the years of Jan van Riebeeck. Their wealth is mainly "old money" passed down through estates. Most of this old money is concentrated in the pockets of the Ruperts, Oppenheimers and Bekkers, dating to apartheid but growing disproportionately as a result of post-apartheid policies. The white elite manifests its wealth in ostentatious mansions, expensive cars, luxury apparel and extravagant holidays. This white elite leaves no stone unturned to publicly display its wealth. Some of the white elite is rather productive because they are well-educated and the beneficiaries of extensive work experience. We could say their contribution to the economy – in terms of often dated and skewed measures – is impressive. However, the question is whether the white elite "takes" more from society than its members "give" back.

In answering this question, the role of morality and power is central. This is an important question that could only be answered through deep contemplation. We should keep in mind that the white elite eagerly propagates the idea that it gives much more than it takes through income taxation and "charity". I remain at a loss as to what the correct answer to this question could be.

The black elite has also accumulated much money, mostly in the more recent past. Their wealth is thus mostly "new money". Therefore, we could say this elite group is a *nouveau riche* that also behaves like one. Much like the white elite, the black elite likes to publicly flaunt its wealth. The black elite is as eager to create the impression that it gives back more to the community than it takes. But most members of the black elite are not as well-schooled and productive as their white counterparts.

The question here is also whether it is true that the black elite gives back more to the community than it takes. Again, I cannot provide an answer. But this question too should be answered with thorough consideration and deep contemplation.

Our third dangerous corner in the South African economy is the undeserved poverty and deprivation allocated in overwhelming measure to the black majority. The deficit of the masses manifests itself in lack of means and basic needs such as food, clothes, shelter, medicine and access to all levels of education.

It is the eyes of the youth that should touch the hearts of the elites. The eyes of the mass of children are sunk deep into their sockets, with 20 per cent of our children now stunted by malnourishment. These are eyes of poor children that cannot close but must remain open in order to relay a clear message to the wealthy: their numbers have risen to more than 70 per cent of all our children. Indeed, below the Statistics South Africa (Stats SA, 2017) "upper-bound poverty line" of R992 per month (a conservative measure), we find at least 53 per cent of South Africans.

It is true that many adults and children in this third corner receive state subsidies. However, the subsidy system is weakened by numerous deficiencies. The subsidies are not sufficient and many subsidies fall by the wayside in the delivery process. Black children are the main source of concern. Their living conditions are so contemptible that it should ignite the conscience of both elite groups. What exactly are the two elite groups doing to alleviate the circumstances of the masses?

The fate of the two elite groups and that of the poor masses is so closely intertwined that the stability of the entire system is threatened. Which interventions are necessary to ensure stability? How could reconciliation between the opposing groups be approached so that we could ensure the very future of our society?

Twenty years after the TRC contemplated an answer to the poverty and inequalities of South Africa, the proposal for a wealth tax has yet to get sufficient attention. The TRC (2003 [1998]) mooted a wealth tax as one of a set of recommendations in its final report. The ANC government rejected the proposal. This year, the Davis Tax Commission officially invited proposals for a wealth tax. The TRC and government's failure to make a systemic intervention into the structural inequalities of post-colonial and post-apartheid South Africa has resulted in a deepening of poverty and inequity. Unfortunately, this also means that the dangerous tensions between opposing groups is much worse than in 1997. In the final paragraph of my presentation before the TRC, I put forward the following argument:

> Greater knowledge and a better understanding of the systemic injustices – that have been part and parcel of the South African system for at least 100 years – are necessary to succeed with a programme of white adult education about the true nature of 20th century events, something highly needed en route towards a durable reconciliation. Without a clear understanding of the systemic nature of the exploitation that has taken place, it would also not be possible for the beneficiaries (mainly whites) to make the necessary confession, to show the necessary repentance, to experience the necessary conversion and to be prepared to make the needed sacrifices. Confession, repentance, conversion and sacrifices are not only a prerequisite for forgiveness (by the victims), but also a precondition for promoting social stability and systemic justice in the long run. Social stability and systemic justice are, in their turn, preconditions for economic growth and job creation (Terreblanche 1997).

As the year 2017 closes, we are very aware that such a change of heart never took place. The rot among the business elites has burst into the open to show the contagious extent of underserved wealth of both the white and black elites.

The rot again was on display in the November 2017 Credit Suisse Global Wealth Database. There, among the 40 largest developed and emerging economies, the top two scores for the Gini Coefficient which measures inequality – where a perfect 1 means 1 person has everything and 99 have nothing – were 0.87 for South Africa followed by 0.86 for the United States. (At the bottom were Hungary, Japan and Belgium, all below 0.63).

The false distinction being made by some between a corrupt "Zupta" black elite and the wicked "White Monopoly Capital" bloc should cease, and a more explicit commitment made by the entire society to end the rot that pervades big business.

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TESTIMONY BEFORE THE TRC DURING THE SPECIAL HEARING ON THE ROLE OF THE BUSINESS SECTOR

November 1997

Introduction

In the time at my disposal, I will try to give a description of the economic, political and ideological framework in which the South African business sector has conducted its business for the greater part of the twentieth century. I hope the Commission will allow me the opportunity to give a short historical overview of how the systematic framework was institutionalised and maintained.

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

> The white monopoly of political power must be ended and we need a fundamental restructuring of our political and economic systems [plural] to address the inequality of apartheid and to create a genuine democratic South Africa.

In a systematic analysis of South Africa's recent history, it is appropriate to examine when and under which circumstances the political and economic systems – to which President Mandela referred – were created and whose fundamental restructuring was, according to him, already long overdue in 1990.

I want to put forward the argument that both the system of white political dominance and the economic system of racial capitalism – and the legal structure and ideological justification in which they were embedded – were constructed and institutionalised during the last decade of the nineteenth century and during the first quarter of the twentieth century. From 1924 until 1974 the systems of white supremacy and racial capitalism were maintained intact – if anything, strengthened, i.e. they became even more exploitative, discriminating and unjust. Although it is the task of the TRC to investigate gross human rights violations committed since 1 March 1960, all business corporations that operated within the structure of white political supremacy and racial capitalism in the decades before 1960 have at least the moral responsibility to inform the Commission of the manner in which they conducted their business within these racist structures before 1960. It will simply not be possible for the Commission to judge the true nature of their actions if the patterns institutionalised before 1960 are not disclosed to the Commission.

In the twenty years from 1974 to 1994, South Africa's racist political and economic systems experienced a serious survival and legitimation crisis. Although important adaptations were made in these two decades to soften the racist and exploitative character of the political and economic systems, it stands above dispute that both the political and economic systems – and the close symbiotic relationship between them – were to a large extent still in existence in 1994. During the last twenty years a remarkably close collaboration developed between the business sector and the PW Botha government, with the joint purpose to win the Total Strategy against the (alleged) Total Onslaught.

The close symbiosis between white political supremacy and racial capitalism

From say 1890 to 1924 three important things happened in South Africa. First, the political system of white political dominance was institutionalised (mainly) by the Act of Westminster of 1909. Second, a series of legislation was enacted by the Cape and the Union parliaments to create an exploitative and repressive African labour system as the legal foundation of the economic system of racial capitalism. Third, a very close symbiosis has been forged between the white politicians (operating in the political system of white supremacy) and the white business people (operating in the economic system of racial capitalism). Without this symbiotic relationship, both systems could not have lasted for almost a century.

The close co-operative and support relationship between the white politicians and the white business communities was often strained, and bitter clashes took place between the politicians and the business people. But in spite of these clashes, the white politicians and white business people were most of the time – from say 1910 until 1994 – hand in glove with each other to protect their mutual interests in the maintenance of the structures of white power, privilege and wealth on the one hand and the structures of black (and mainly African) deprivation, discrimination, exploitation and poverty on the other hand.

During the first half of the century it was mainly the business sector of the white English Establishment that was in cahoots with the South African Party (SAP) – and the United Party (UP) – government to promote its economic interests through the system of racial capitalism. In the third quarter of the century it was mainly the business sector in the white Afrikaner Establishment which was in very close co-operation – one can even say "conspiracy" – with the National Party (NP) government to strengthen the "racist" character of racial capitalism to enable it to close the gap between itself and the English business sector.

During the crisis years from 1974 until 1994 sharp disagreement developed between government and business about how the crisis should be "solved", but in many aspects the relationship between government and business was much closer – especially from 1978 until 1985.

The institutionalisation of white political dominance

During the period of British imperial conquest (1870–1910) South Africa was consolidated into a unified political entity. During the Anglo–Boer war, imperial politicians gave Africans the assurance that "equal laws, equal liberty" would be granted to all population groups after a Boer defeat, but at Vereeniging, the British Colonial Authority reneged on these promises by making a crucial concession to the defeated Boers. It promised them that the question of granting the vote to Africans in the Transvaal and the Free State would be postponed until after self-government had been restored to the ex-republics. The promise was honoured by the Act of Westminster (1909).

During the mineworkers' strike of 1907, a remarkable working relationship (based on mutual economic interests) was forged between the Transvaal government (representing the interests of the large farmers or "notables") and the gold-mine industry (at that stage very much under the control of British magnates). This so-called "Alliance of Gold and Maize" between Botha and Smuts on the one hand and the British-controlled Chamber of Mines on the other hand furnished not only the political and economic foundation for unification in 1910, but also the cooperation between (a large section of) Afrikaner political power and the British/English capital in the first half of the twentieth century.

The true importance of the symbiotic relationship between the white-controlled state and racial capitalism was that the state was, over a period of more than 60 years, always prepared to promulgate legislation to keep black labour costs low and to suppress all kinds of black labour unrest with undue ferocity. The system of racial capitalism and its multitude of discriminatory and deprivative practices could not be created and perpetuated without the legal and securocratic support of successive governments within the system of white political supremacy. On the other hand, the system of white supremacy could not be maintained until the 1990s if it were not for the explicit and implicit support given to the white supremacists by the white business community.

If you were to ask me whether the multitude of discriminatory and deprivative legislation, which was enacted to create and maintain the oppressive racist system, was motivated by political or economic consideration, it would be a difficult matter to answer. The political, economic, social and ideological considerations behind this legislation were closely intertwined. But if I had to make a choice, I would say that most of the racist legislation was enacted and maintained mainly on behalf of white economic considerations.

During the first half of the century the system of racial capitalism was successfully exploited by mainly the English Establishment for its capital accumulation and enrichment. During this period, it was legitimised by the ideology of (unbridled) liberal capitalism and Social Darwinism. During the second half of the century the system of racial capitalism was successfully strengthened and exploited by mainly the Afrikaner Establishment for its capital accumulation and for the embourgeoisment of the Afrikaners, but during this period it was also still exploited by the English Establishment for its continuous enrichment. The Afrikaners legitimised their actions with the racist ideology of apartheid and by portraying the Afrikaners as the victims of British and foreign capitalism. In the period from 1975 until 1994, the government and white business collaborated closely with each other in a desperate attempt to protect their mutual interests in the racist system.

The institutionalisation of African labour repression as the basis of the system of racial capitalism

At the end of the nineteenth century the gold-mining industry was confronted by an African peasant society, which was reluctant to deliver the required number of workers into wage-labour. The Africans were satisfied to meet their economic needs by traditional farming and by rather profitable small-scale maize farming. It is estimated that the small African maize farmers produced more maize in the decades before the Anglo–Boer War than white maize farmers.

To solve the labour problem of the mines, a tendency developed from 1890 onwards to deliberately create a "labour repressive system" – or, more correctly, to extend the labour repressive system from agriculture to mining. A labour repressive system

was already institutionalised from 1840 in the Cape through Master and Servant legislation. An exploitative African labour repression system remained in place during the first three-quarters of the twentieth century. For almost a century and a half African labour repression was the economic policy on which the system of racial capitalism (and the consequential racial exploitation and economic injustice) was legally built and extended by the political system of white supremacy and white military and securocratic power.

Repressive labour systems played a causal role in the early phases of industrialisation of several countries. In the case of Britain, the enclosure movement (enacted by the Gentry Parliament) destroyed the whole structure of the peasant society and created a "wandering poor" or a reservoir of cheap labour. This reservoir of unskilled labour played a decisive role in the launching of the industrial revolution at a relatively early date in Britain. Similar systems existed in Tsarist Russia, Bismarckian Germany and Meiji Japan.

Important differences exist, however, between the labour repression system that was introduced in South Africa from 1840 onward and the systems of other countries. In the case of the other capitalistic countries, the social dislocation and proletarianisation caused by the labour repressive systems lasted only for 30 or 40 years before a section of the working population was able to command higher wages and was incorporated into the social and political institutions (Trapido, 1971).

The labour repression systems in South Africa had several unique characteristics. Apart from its conspicuous racial character (if not originally, then eventually), the repressive measures were very harsh and were applied relentlessly. These characteristics, as well as the longevity of labour repression in South Africa, can only be explained within the context of the power structures that were in place when the successive mining, agricultural and industrial revolutions took place in South Africa. Successive phases of labour repression were implemented by different white modernising groups – i.e. farmers in the Cape, British mining magnates, maize farmers in the Transvaal (the so-called notables), English industrial entrepreneurs and Afrikaner industrial entrepreneurs – with a vested interest in African labour repression and with enough white political and securocratic power to exert the necessary repression and exploitation on African labour (Trapido, 1971).

An aggressive offence against African squatter–peasants and sharecroppers started in the 1980s in the Cape colony when the Glen Gary Grey Act was enacted. It was not only confined to the question of squatters, but sought more ambitiously to proletarianise large numbers of Africans on "tribal" as well as "white" lands. The Glen Gary Grey Act was therefore a prototype of the Land Act of 1913. Cecil Rhodes made the following statement when the Act was debated in Parliament:

> I feel rather glad that the labour question here is connected with the native question…if the whites maintained their position as the supreme race, the day will come when we shall be thankful that we have the natives in their proper position.

The importance of the Glen Grey Act cannot be overemphasised. It was the prototype for the Land Act of 1913. After the Anglo–Boer War, Milner appointed the South African Native Affairs Commission (SANAC) to seek solutions for the severe shortage of African mineworkers. The SANAC report was one of the most influential reports to give ideological justifications not only to institutionalise a harsh form of African labour repression, but also to entrench the principle of migrant labour with subsistence in rural areas. The migrant labour system that played such a decisive role in the gold mines during the twentieth century can be regarded as a direct result of SANAC's recommendations. SANAC recommended that Africans' access to land and farming should be curtailed drastically to deliberately proletarianise Africans to induce adequate numbers to enter into wage labour at very low wages.

The philosophy of SANAC was accepted when the Land Act was promulgated in 1913.[1] In accordance with the Land Act, the Chamber of Mines was empowered to recruit migrant labour in the African reserves (and in neighbouring countries), while the white farmers were given the power to evict African sharecroppers, squatters and other tenants who would not submit to the full control of their time and labour by the landowner. The Land Act was more successful than any other measure in proletarianising a very large percentage of the African population and in creating the very exploitative and unjust system of labour repression.[2]

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[1] By depriving the African farmers of their land and by ending sharecropping and tenant farming on white land (if not immediately then in due course), an important agricultural tradition, and indigenous knowledge of farming, had been destroyed. It is difficult to determine the value of this tradition and indigenous knowledge of farming. We have, however, reason to believe that it was quite considerable because it was well adapted to the land and labour peculiarities of South Africa. If the African agricultural tradition were not destroyed, but given more or less the same government support to modernise that was given to white farmers, the agricultural and economic history of South Africa would have been very different. A black farming sector could have been more self-sustainable, and it would in all probability have employed more labour and the maize industry would have developed less capital-intensively than was the case with white farming. We have reason to believe that small African farming units would have been better adapted to climatic conditions in South Africa.

[2] It should be emphasised that the migrant labour system would not have been such a successful labour system – looking at it from the point of view of mining – was it not complemented by the labour barracks (or compounds) system. It enabled the mines to impose a quasi-military pattern of conduct upon African workers. By restricting their mobility, it prevented migrant workers from acquiring urban political and organisational skills and undermined the social structure of rural society.

The structural dominance of whites over blacks, created by the Land Act, becomes apparent when we note that the real wages of African workers in two major employment sectors, mining and agriculture, did not increase between 1910 and 1970! The real wages of migrant labourers were lower in 1972 than in 1911! During the same period the real wages of white miners approximately doubled! The Land Act was truly the rock on which the whole system of racial capitalism was built and maintained for six decades.

The bulk of the discriminatory legislation that was enacted before 1948 (i.e. before the legislation enacted by the NP), consolidated the position of white employers and weakened the position of African employees quite considerably. The "colour bar" of 1918, the Industrial Conciliation Act[3] enacted by Smuts in 1924 and the discriminatory legislation of the Pact government (1924–1933) degraded the African workforce to a position of economic powerlessness – they became ultra-exploitable. They remained in this position until the early 1980s!

When industrial development accelerated during the war years, (i.e. the years when Smuts was prime minister), the demand for African labour in manufacturing increased sharply. Due to the fact that manufacturing needed semi-skilled labour on a more permanent basis, industry could not use the compound and the migrant labour system of gold-mining. Consequently, it was necessary for the Smuts government to relax influx control. The large influx of Africans into urban areas, and the coercive mechanisms with which the state controlled them, created shocking living conditions in urban areas.

The Smuts government's continued commitment to segregation and labour repression was convincingly demonstrated by the manner in which the mineworkers' strike of 1946 was suppressed. The harsh action by the Smuts government strengthened the radical element in the ANC quite considerably. Although the application of racist legislation was relaxed by the Smuts government during the 1940s, none of the discriminatory measures were removed from the law books. When the political power shifted from the English-orientated UP to the Afrikaner-orientated NP in 1948, the systems of white supremacy and racial capitalism were still thoroughly entrenched in the legal and constitutional structures of South Africa.[4]

A popular theme in the Liberal tradition of historiography is that African labour repression was an unavoidable precondition for successful exploitation of gold. There is a highly controversial matter, which I cannot analyse properly on this occasion. As I said above, systems of labour repression were common in other countries during their earlier phase of industrialisation and modernisation. Perhaps we should grant the argument that a form – not necessarily a racist form – of labour repression was an unavoidable precondition during the "take-off" phase of the mining and agricultural revolutions until say 1932 when the price of gold increased by 45 per cent. However, the system of African labour repression remained in place until 1972 and with it the payment of exploitative wages to African labour – particularly in mining and agriculture! Even if we grant the argument that labour repression may have been a precondition for gold-mining and agricultural take-off during the first third of the century, we should still remember that the African paid a huge price in terms of human suffering during that take-off period. This suffering can perhaps be explained but it should never be forgotten.

The increase in the price of gold in 1932 and the closer symbiosis between the Hertzog/Smuts governments and the business sector laid, from 1934, the basis for an unprecedented growth period. From 1934 to 1973 the annual growth rate of the economy was 4.5 per cent. If we take the political, economic and ideological power structures into account, the 40 years from 1934 to 1973 represented par excellence a period in which whites were undeservedly enriched, while blacks (and especially Africans) were undeservedly impoverished. After the increase in the price of gold in 1932 (and after further increases), no justification could any longer be given for the perpetuation of African labour repression and the payment of extraordinary low wages to Africans – especially in mining and agriculture.[5] It is also true that large percentages of the migrant workers

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[3] The most important stipulation of the Industrial Conciliation Act was that "pass-carrying" blacks could not become members of the trade unions and were thus excluded from the industrial reconciliation process. The Industrial Conciliation Act must be regarded as one of the most important events in the process of state formation, and specifically in the final consolidation of white political supremacy and racial capitalism. By passing the Act, the Smuts government finally chose in favour of the Afrikaner proletariat and against the African proletariat, and set a structural pattern that lasted until the industrial relations legislation of 1979 and 1981. The economic interests of the mines and the farming community swung the choice in favour of whites and against the (politically powerless) Africans.

[4] Basil Davidson states in a recent book that "systematic discrimination" was already well entrenched when the NP came to power in 1948. "The history of South Africa since the 1880s…is that of the dispossession and eventual destruction of ancient and stable rural communities, and the transformation of their people into the helots and servants of a white minority, whether English-speaking or Afrikaner…When the NP came to power in 1948 on a programme of full-blooded apartheid, its task was in no way to install systematic discrimination, but only to complete what already existed of that kind, while taking additional measures to repress a growing volume of non-white protest" (Davidson, 1994: 114–117).

[5] The price of gold increased from R12.48 in 1932 to R16.90 in 1940 and to R25 in 1956. A remarkable feature of the gold boom after 1932 was that it happened without a meaningful increase in the wages of African workers.

in the mines were foreign workers. By employing these labourers, a wage structure could be maintained in all the sectors of the South African economy at shockingly low wages. It is true that many additional job opportunities were created in this period – especially in the industrial sector – but it happened at extraordinary human cost for the people other than white. The exploitation that took place was so cruel that even the staunchest propagandist of liberal capitalism should try not to justify the deprivation, discrimination and exploitation during these years. It is rather meaningful that a historian of a mining house acknowledged in the 1940s that "they [i.e. the mining house] made [after 1932] profits beyond the dreams of avarice" (see C. Potts, quoted by Yudelman, 1984: 252).

The apartheid policy of the NP government and the intensification of discrimination and exploitation

The power relations within the structures of white supremacy and racial capitalism changed drastically – to the detriment of all the groups other than white – when the NP became the government in 1948.

During the 1940s and 1950s, Dr DF Malan's NP claimed the Afrikaners were a God-chosen people with the task – prescribed by Providence – of promoting Christian civilisation and high moral values in all the other population groups. The NP then regarded the different African ethnic groups as heathen nations. White English speakers were portrayed by the NP as people with doubtful moral standards because they were permeated with the materialistic and egotistic values of capitalism. In a rather clever ideological twist, it was alleged by the NP that, given the Afrikaner's lofty religious and moral tasks, it was unacceptable that they were politically so powerless, economically so deprived and culturally so endangered. (In a discussion between PW Botha and a group of Stellenbosch academics in 1986, Botha reaffirmed the conviction that the Afrikaners were a God-chosen people).

The NP mobilised Afrikaner ethnic power in the 1940s and the 1950s by portraying the Afrikaners as the wrongful victims of a double onslaught: first, by the exploitation by British colonialism and, second, the potential danger that Afrikaner culture could be swamped by the "uncivilised" African majority. To create the necessary opportunities for the Afrikaners to fulfil their (alleged) providential destiny, the NP implemented from 1948 additional legislation policies of racial discrimination and apartheid (to protect the Afrikaner *volk* against the alleged black peril) as well as policies of favouritism (to rectify the alleged economic injustices done to the Afrikaners by Britain and the local English Establishment).

By implementing its so-called apartheid policy to solve the "native problem" and to allay the fears of the Afrikaners for the "black peril", the NP built a mammoth organisational structure in order to control not only the movement of Africans, but also their living and working patterns in a very strict manner. A plethora of additional segregational legislation was put on the law books. The existing arsenal of discriminatory measures was extended quite considerably and made stricter, and also made applicable to the Coloureds and Indians, turning them from second-class to third-class citizens! During the 46 years of the NP government, millions of people other than white were relocated. It caused immeasurable disruption and misery.

A very high rate of economic growth was maintained in the 1950s and 1960s. During the heyday of state and racial capitalism, the racial disparity ratio between white and African incomes became much larger. While the per capita income of whites was 10.6 times higher than African per capita income in 1946–1947, white income was 15 times higher in 1975![6] If ever there was a period of upward redistribution of income (mainly from Africans to Afrikaners), then it was the period of growth in the 1950s and 1960s. Given the power structures of white supremacy and racial capitalism, it was a period of high growth with a "trickle-up" effect!

An important point on the agenda of the NP before the election was to create a new social order in South Africa. The intention was to "restructure" the economic system to free the Afrikaners from the (alleged) exploitative "foreign" system of capitalism and to adapt the system to the needs of the (Afrikaner) *volk* – i.e. to change it into a system of "Afrikaner *volkskapitalisme*".[7] The NP maintained a rather hostile attitude against capitalism before 1948 and was quite sympathetic towards Hitler's ideas of State Capitalism and National Socialism.

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[6] The personal income of Africans, as a percentage of the total, decreased from 22.2 per cent in 1946–1947 to 19.3 per cent in 1970 in spite of the fact that the African's share in the total population increased from 67 per cent to 70 per cent.

[7] The Chairman of the Ekonomiese Volkskongres of 1939 (organised by the Broederbond) said boldly that the aim of the Afrikaners was to "mobilise the *volk* to capture this foreign capitalist system and adapt it to the needs of the [Afrikaner] *volk*" (O'Meara, 1996: 121).

Once in government, the NP failed conspicuously in its intention to create a new economic order to replace the "foreign" system of capitalism. Although the relationship between the NP and the English business sector remained tense, the NP did not "restructure" or "capture" the capitalist system. On the contrary, the symbiosis between the state and capital that had been forged rather closely in the previous two decades was maintained after 1948 with minor adaptions.

How should we explain the NP volte-face? It is perhaps another example of the strength of the structural (or economic) factors underpinning the symbiosis between white supremacy and racial capitalism. Once in government, the racist NP discovered that the "racial" character of the South African system of capitalism was, from an Afrikaner perspective, far more advantageous than the disadvantages of the (alleged) "anti-Afrikaner" character of capitalism. Instead of trying to "capture" and "reform" the capitalist system, the NP went all out to get the state as completely as possible under its control and to exploit as fully as possible the benefits the system of racial capitalism offered them. In this it was successful to such a degree that the NP and the state in due time became almost synonymous.

An important – and not always recognised – part of the NP policy (in mainly the third quarter of the century) was Afrikaner favouritism. The NP used its fiscal powers to tax the wealthier English speakers and to increase social spending on the (alleged) poor white Afrikaners. The public sector and the parastatals were used (or misused) to create lucrative employment opportunities for Afrikaners. Within ten years almost all the state departments were brought under the strict control of the NP and were "Afrikanerised" and politicised at the same time. Due to the fact that the Afrikaner farming community swung the 1948 election towards the NP, the agricultural sector was pampered in an extraordinary manner. The buttering up of agriculture was – with the wisdom of hindsight – not only an economic failure, but also a costly failure from a political point of view. When the NP could not maintain the high level of subsidies in the late 1970s, the "love affair" between the NP and maize farmers turned sour. This led to the split in the NP in February 1982.[8]

The NP policy of Afrikaner favouritism was, however, even more advantageous for the upper section of the Afrikaners – it enriched the wealthier Afrikaners in a spectacular manner! In an awkward twist of destiny, the emphasis of the NP shifted away from the ideological aim of uplifting the poorest Afrikaners towards assisting the richer farmers and the emerging Afrikaner entrepreneurs. By extraordinarily generous types of favouritism, an Afrikaner *haute bourgeoisie* was created. They quickly became the champions of a system of (unbridled) capitalism. Examples of Afrikaner favouritism were the allocation of fishing quotas, mining and liquor concessions, government contracts and all kinds of inside information. Several Afrikaner corporations – like Rembrandt, Sanlam, Volkskas, Trustbank, etc. – grew spectacularly due to lucrative favours and inside information received from the NP government.[9] If I were to identify the Afrikaner corporation that benefited the most from NP favouritism, then it would have to be Naspers. From 1948 onwards a very close political, ideological and personal "partnership" existed between Naspers and the NP government.[10]

Until the middle of the 1970s it was the "official" philosophy of the NP, the Broederbond of Afrikaner cultural organisations, Afrikaner churches and Afrikaner universities, that the economic interests of Afrikaners were promoted by Afrikaners through all kinds of assistance and "networking" in order to close the economic gap between Afrikaans and English speakers. The Broederbond played a key role in organising and propagating a "philosophy" that a "loyal" Afrikaner should only support Afrikaner business and Afrikaner institutions. Almost all the Afrikaner corporations gave – especially in the third quarter of the twentieth century – unqualified and loyal support to the apartheid regime of the NP as a quid pro quo for all the favours it received from the NP government.

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[8] In spite of the large-scale pampering of agriculture, its contribution to the GDP declined from 19 per cent in 1951 to 8 per cent in 1970. A commission reported in 1972 that state assistance provided 20 per cent of an average white farmer's income. This was the state of affairs in spite of the fact that black agricultural wages barely increased from 1846 to 1966.

[9] The Afrikaner Handelsinstituut (AHI) claims in its submission to the TRC that it was not instrumental in favouritism: "In as much as individual businesses benefited from apartheid the AHI's structures were not used for this purpose and neither was the AHI policy to promote individual favouring." Given that the AHI was the organised pressure group that operated on behalf of Afrikaner business, the claim of the AHI that it was never involved in making a plea for favouritism is rather hard to believe.

[10] Naspers published a book in 1992, *Oor Grense Heen op pad na 'n nasionalse pers, 1948-1990* (ed. WD Beukes), in which the relationship between the NP and Naspers is described in considerable detail. A lot is made of all the "good" things Naspers has done for the NP, but not a single word is written about what the NP – who happened to be the government of the country – has done for Naspers during those 32 years! The only hint is given on page 480 where Dr Phil Weber acknowledged in 1977 that Naspers could not "afford" a confrontation with PW Botha!

It was not only Afrikaner business that profited in the 1950s and 1960s. Apartheid proved to be good for every white business – also the English speakers. Dan O'Meara, in his 1996 book, made the important point that although English speakers have had moral and theoretical qualms about the NP racial policy, he knows of no Anglophone liberal businessman who declined to profit from NP "interference" in the "free market" and raise their worker's wages (O'Meara, 1996: 81). A good example in this regard was the gold mines of Anglo American and other gold-mining corporations in the English Establishment. During the 1960s and early 1970s these mines continued with migrant labour, the compound system and extraordinarily low wages. If we take these low wages and the poor health and safety situations in the compounds and mines into account, the question arises whether the human rights of the migrant workers were not grossly violated during the 1960s and early 1970s. Although the Progressive Party raised very important criticisms against apartheid during this period, I am not aware of similar criticisms in Parliament against the way Anglo-American and other gold mines exploited migrant labourers. During a speech made in Stellenbosch in March 1972, Mr Harry Oppenheimer defended the low wages of migrant workers in his mines with the feeble argument that if he would increase African wages, it would put the Afrikaner gold-mining companies out of business!

At the end of the 1950s, Dr Verwoerd was astute enough to realise that the upliftment of the (alleged) poor Afrikaners was no longer an adequate ideological justification for the system of Afrikaner power and privilege. Consequently, he announced that the policy of apartheid was to be replaced with the "non-racist" policy of separate development. According to the Verwoerdian ideology, "national" sovereignty and political freedom would be granted to each of the nine African ethnic groups. The ideology was propagated with evangelical zeal. It is the prime example of ideological travesty and the highest degree of Afrikaner self-delusion.

Separate development (or Grand Apartheid) was also a deliberate attempt to further marginalise the Africans from the core of the modern sector of the economy. A comprehensive policy of social engineering was implemented by Verwoerd (and his successors) to increase the capital intensity of the economy in an attempt to make it less dependent on African labour. Due to these policies, the capital/labour ratio increased dramatically and the South African economy became seriously distorted. (The present tendency towards "jobless" growth can, to a large extent, be blamed on Verwoerdianism.) What should be emphasised, however, is that many businesses – both Afrikaner and English – operated enthusiastically within the separate development framework of Verwoerd and made huge profits – for example in "border industry" operations.

During the 1960s and early 1970s Mr Vorster thought that black unrest could be controlled permanently by a comprehensive security system. The inability of his "police state" to prevent the Soweto unrest exposed the vulnerability of his dream. Looking back, the twelve years of John Vorster can be described as a period of indecision and drift.

Botha's neo-apartheid and collaboration between the securocratic state and private business

The power relations within the structures of white political supremacy and racial capitalism changed once more – as also happened in 1948 – during the middle of the 1970s. This paradigm shift brought about a close and rather abnormal collaboration between the securocratic state and private business in a joint attempt to perpetuate white supremacy.

With the intensification of the liberation struggle after the Soweto unrest, the NP crystallised the ideology of the Total Strategy to counteract the alleged Total Onslaught against South Africa. The ideologies of the Total Strategy cleverly reinterpreted the anti-apartheid movement as a Total Onslaught against the continued existence of white civilisation, against Christianity, against western values and against the capitalist system. The Total Onslaught was presented as part of the Cold War and as a high-profile project of the Soviet Union – organised, financed and orchestrated from Moscow. The supporters of the NP and the business sector were misled to believed that the Total Onslaught was aimed against white civilisation, while in reality is was an almost world-wide (and not purely communist) "onslaught" against the racist NP regime. The ideology of the Total Strategy was used to justify the concentration of abnormal powers in the hands of PW Botha's securocratic state. In one of the darkest periods in South Africa's history, these powers were recklessly used – i.e. to create a Military Industrial Complex in which a large section of white business played a strategic role.

One of the most remarkable characteristics of the PW Botha term of office was the close collaboration that developed between the government and both Afrikaner and English business. This collaboration was remarkably close during the years from 1978 until 1985. After Botha's 1985 Rubicon speech, the partnership started to disintegrate, but some sectors of the business community – especially those with Armscor contracts (like Barlow Rand) – maintained their lucrative contacts with the Botha regime.

The business sector supported the Botha government rather enthusiastically in three of Botha's policy projects: first, in his relentless attempts (until 1986) to make a success of Verwoerdian Separate Development projects;[11] second, in his ambitious Total Strategy project to counteract the (alleged) Total Onslaught and to perpetuate white supremacy and racial capitalism; third, in implementing Botha's neo-apartheid strategy that was in fact launched at the request of the business community in an attempt to break out of the stranglehold of stagflation.

Due to the close collaboration and overlapping interests of the main partners in PW Botha's policy agenda, a rather artificial integration of state and capital took place. In 1979 and 1981 the Carlton and Good Hope Summits took place to enhance agreement on policy issues and to "institutionalise" a role for private-sector capitalists (both English and Afrikaner) in the growing bureaucratic state. A unique trade-off took place between the English-orientated capitalist sector in Johannesburg and the Afrikaner-orientated bureaucratic sector in Pretoria. After Pretoria had accepted the free-market ideology, Johannesburg was quite prepared to agree that payment for the top echelon of public servants could be increased to "market-related" levels, i.e. to more or less the same level as the salaries of senior corporate executives in Johannesburg.

The different kinds of intertwinement between the government, key departments in the bureaucracy, the parastatals and a large part of monopolistic business, raised the question about who was co-opting whom and at what price. This is a rather difficult question to answer. Perhaps the best answer is that each of the main players in the comprehensive Total Strategy "compact of power" was of the opinion that the one was co-opting the other. Through the close collaboration between the securocratic government and private business – with Armscor as the pivot on which everything hinged – a Military Industrial Complex was created. This "complex" was from a financial point of view extraordinarily advantageous to those businesses that were part and parcel of the "structural pairing".

It was not surprising that the overt and covert agreements between private and public-sector institutions and the lucrative transactions between Armscor and its multitude of subcontractors, set the scene within the Military Industrial Complex for all kinds of corrupt wrangling that in due time became institutionalised as a system of structural corruption – especially when Botha's reform degenerated after Rubicon (1985) into a policy of "co-optive dominancy". Something that was indeed remarkable about the first six or seven years of PW Botha's term of office was that he also succeeded in convincing (or co-opting) the majority of English-speaking whites to become supporters of the NP!

Due to the stagflation and the increasing demands on the budget, Botha's government could not maintain the statist policies and Afrikaner favouritism that had underpinned NP rule since 1948. As part of the Total Strategy, PW Botha replaced the policy of Afrikaner favouritism with a policy of patronage towards those businesses co-operating with him in the Military Industrial Complex and in sanctions-busting. While the oppressive system of racial capitalism created profitable opportunities for business during the high-growth period from 1933 to 1973, the patronage received from the Botha government created profitable opportunities for the main corporations during the period of stagflation.

The deteriorating economic conditions from 1974 onwards prompted white capitalists (both Afrikaner and English) to assume a stronger political role than ever before. They demanded from government the abolition of certain apartheid restrictions on the mobility and employment of African labour, hoping that such abolition would restore economic growth Although Vorster was not prepared to meet the demands of business, Botha granted them the so-called neo-apartheid strategy through the Wiehahn and Rieckert reforms. Although these measures went a long way towards meeting business demands for a more flexible labour market, we should not forget that the main purpose of these measures was to entrench and to perpetuate overall white control. These measures also tightened influx control considerably and increased the economic gap between the black "insiders" and the black "outsiders". Consequently, the neo-apartheid measures can be blamed for the accelerated process of impoverishment of rural and "homeland" Africans during the 1980s and 1990s.[12] The end result was a reform process rife with contradictions.

Botha's economic reform meant to enhance accumulation raised expectations in the African community for political reform that was clearly outside Botha's reach. At the time it was also very much outside the reach of the business community. The one-sided nature of Botha's reform created a serious legitimation crisis due to the increase of African protests. Ironically enough, the economically motivated reform also did not succeed in creating conditions conducive to accumulation.

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[11] Until 1986 the Botha government persisted with the idea that "black people" were to exercise their political rights in the "independent" states.

[12] From 1974 until 1990 the income of the bottom 40 per cent of Africans (mainly rural people) declined by 41.5 per cent while the income of the top 20 per cent increased by 38 per cent (Whiteford and McGrath, 1995).

The attempts by Botha and his business partners to deal with the crisis of white hegemonic order by economically motivated (instead of politically motivated) reform only deepened the crisis as the legitimation problems escalated.

It is important to emphasise that during the period of stagflation and creeping poverty – from 1975 until 1994 – the average growth rate declined to 1.7 per cent annually, while the real per capita income declined by 0.7 per cent annually. This decline in per capita income affected all population groups (except the Asians) negatively. The income of the poorer 60 per cent of both Africans and whites dropped by more or less 35 per cent from 1975 to 1992 (Whiteford and McGrath 1994). A large proportion of the poorest 60 per cent of the whites was, of course, Afrikaners. While the income of the Afrikaners rose quite sharply in the third quarter of the century – in what we can call a too-quick embourgeoisement of the Afrikaners – a large percentage of the Afrikaners became much poorer during the period of 1974 to 1994. The combined effect of the too-quick embourgeoisement in one generation and the too-quick relative impoverishment in the next generations caused serious disruptions in Afrikaner society. While Afrikaner agriculture was affected negatively during the period of stagflation, Afrikaner business succeeded in maintaining and even improving their relative position. This can be attributed to their close collaboration with the Botha government. (With the knowledge of hindsight, I want to admit that the 46 years of the NP government was – ironically and tragically enough – a very unfortunate period in the history of the majority of Afrikaners. Being an Afrikaner, I cannot but express my deep sympathy for the manner in which the majority of Afrikaners were deluded by their leaders and their cultural organisations during these years).

The business sector (both English and Afrikaans) that requested the neo-apartheid strategy now claims that it has been instrumental in the abolishment of apartheid. The word "apartheid" in due time became a catchphrase for the entire racist system (comprising white political supremacy, racial capitalism, discriminatory legislation, separate development, the police state, etc.). The business sector's request for "economic reform" was restricted to the abolishment of legislation that prevented them from utilising African labour as they wished. Neither the business organisations nor personalities like Harry Oppenheimer, Gavin Relly and Anton Rupert were during that period in favour of "one person one vote" (or majoritarian) democracy.[13] On the contrary, business during the 1970s and 1980s was very outspoken against the dangers of an ANC government. It is, therefore, rather hypocritical for business to turn around now and to claim that they were instrumental in the abolishment of apartheid, i.e. the total racist system.

It should also be remembered that the neo-apartheid strategy was only a modern version of apartheid, and definitely not an anti-apartheid policy. Although it improved the wages and living conditions of the black "insiders" in urban areas, it caused – directly and indirectly – a considerable deterioration in the conditions of the black "outsiders" in rural areas. We should also remember that the main purpose of these measures – from Botha's point of view – was to entrench and to perpetuate white control. Botha succeeded temporarily in this purpose. We can put forward the argument that the neo-apartheid measures – in conjunction with the rather successful Total Strategy propaganda – attained a pseudo or sham legitimacy for the Botha government in the eyes of the Reagan, Thatcher and Kohl governments.[14] The close collaboration between business and the Botha government (and especially the business partaking in the Military Industrial Complex) was undoubtedly an intrinsic part of the (white) resistance against the struggle of the liberation organisations. It, therefore, did not abolish apartheid, but perpetuated the life of the Botha government and, with it, also apartheid.

On 15 August 1985 PW Botha made his infamous Rubicon speech which gave rise to a large outflow of foreign investment. In the ten years after Rubicon, no less than R50 billion was disinvested. When Chase Manhattan and other banks in the United States refused to renew short-term loans, South Africa was plunged into its most serious financial crisis ever. This crisis had a multitude of ramifications both internally and externally. It enabled the ANC to consolidate the mounting external pressures on South Africa. From now on, it was clear that disinvestment was a far more effective punitive measure than trade sanctions. Internally, the Rubicon crisis aggravated the already dismal economic situation. The Rand lost one-third of its already declining value in the week following the Rubicon. The political effect of Rubicon was devastating for Botha. It spelled the end of his neo-apartheid Total Strategy.

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[13] O'Meara (1996: 187) quoted Anton Rupert as follows: "After many African countries became free, they got dictators like [Idi] Amin. We have to find a solution that won't end up giving us one man one vote."

[14] Mr Harry Oppenheimer and Dr Anton Rupert should not underestimate for one moment the credibility they bestowed on PW Botha by being with him on the same platform during the Carlton and Good Hope Summits. Mr Harry Oppenheimer even declared the Carlton Summit the start of a "new era". Other business leaders spoke of the newfound "rationality" in the NP. The *Financial Mail* even awarded PW Botha its "Man of the Year" accolade in November 1979.

Between 1985 and 1989 Botha's policy approach was one of "co-optive dominance" in close cooperation with the generals of the South African Defence Force (SADF). This strategy was per se a pretext to institutionalise a system of "structural corruption". This system can be regarded as the final episode in a long drama (or tragedy) of white plundering. It was, however, a method of plundering that did not benefit all the whites, but only a small "elite" (of all the population groups) that was prepared to be co-opted. Those prepared to cooperate with Botha's securocratic state – like sections of the bureaucracy, business and co-opted Africans, Coloureds and Asian leaders – were handsomely rewarded, while every form of opposition was mercilessly repressed. While the main purpose of the Total Strategy reform at the beginning of the 1980s was to restore the legitimacy of the system, the co-optive dominance was deprived of all moral considerations. The only purpose was the survival and the perpetuation of the white hegemonic order at whatever price. At the end of the 1980s the NP had lost its purpose and direction and found itself in a "desert of disillusions". This attitude put the old order – without realising it – on the slippery slope of the inevitable – i.e. to its downfall!

From 1985 to 1989 the Botha government made rather important policy announcements, but to no avail. It made these announcements under severe internal and external pressure and therefore from a position of weakness or even panic. These concessions were important, not so much for their value towards the reform process, but as a clear indication of how power had already been shifted from the NP government towards the liberation organisations – towards both its external and internal wings. The overall effect of the concessions was a boost to the morale and the "onslaught" of the liberation organisations.[15]

The need for restitution en route towards justice and reconciliation

The system of white political dominance, the system of racial capitalism and the close symbiotic relationship between them, brought about an empowerment and an enrichment of (mainly) the whites and a disempowerment and an impoverishment of (mainly) the Africans. It was a cruel and unjust system and it remained in place for at least a hundred years.

Business organisations – like the Afrikaans Handelsinstituut and the South African College of Business (SACOB) – now claim that the policy of apartheid has made South Africa poorer than the country and its people might have been. Whether the system of racial oppression – in all its ramifications – was "dysfunctional" for capitalism (during say the hundred years from 1870 until 1970) is a very controversial matter. Any attempt to solve this conundrum must also take into account the support which racist South Africa received from colonial powers – especially Great Britain – during that period. In doing this we can put forward a strong argument that "capitalism" and "apartheid" had been mutually supportive systems during that period. The racist system was, until 1970, in all probability conducive for economic growth, but was nonetheless a morally despicable system. During the crisis years of the racist system (1974–1990) – i.e. during the struggle against it and the NP government's and business's relentless resistance against the struggle – almost irreparable harm was done to the economy and to the people of South Africa. That was the unfortunate price that we had to pay to get rid of the immoral system – given the short-sightedness of the securocratic state and its business partners. It is rather ironic that the struggle and the resistance against it destroyed a large part of the wealth "produced" by racial capitalism!

It is, of course, of little avail to split hairs whether racial capitalism was conducive for economic growth from 1870 to 1970. It is also of little avail to revisit the "Oppenheimer thesis" that claimed in the 1950s and 1960s that the capitalist engine and economic growth would in due time make apartheid redundant.[16] The fact of the matter is that apartheid was not "destroyed" by the pressure of economic growth, but rather by the lack of it!

When racial capitalism is evaluated from today's point of view, the really important questions are whether it was a moral system, and what has been its distributive effect. The racist system's immoral and inhumane character stands above dispute. It is really a pity that the submissions made by business did not emphasise this point. In many of the submissions of business,

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[15] In May 1985 the NP admitted that the Homelands policy had failed and that a different form of political incorporation of the African population had to be found. In 1986 the NP's Federal Congress endorsed the principle that Africans were to be incorporated into "all levels of decision-making at the highest level". The NP also committed itself to "the principle of a united South Africa, one citizenship, and a universal franchise", but without indicating how this principle would be institutionalised. In 1986 the system of influx control was also abolished.

[16] This claim was supported in 1964 by an Anglo executive, Michael O'Dowd, who insisted that South Africa's political and social development was not abnormal for a country just emerging from the first state of industrialisation – like contemporary Mexico or like Britain in the 1850s – when minority governments also ruled harshly. He explained that a "watershed is reached when the supply of unskilled labour ceases to appear inexhaustible and the ruling minority starts to find that it actually needs the rest of the population" (O'Dowd, 1974). He argued further that if a high growth rate could be maintained for a long enough period (driven by large corporations like Anglo-American), the high economic growth rate would in due course erode apartheid and "usher in" a period of declining discrimination and a democratic system (O'Dowd, 1974). I suspect Oppenheimer and O'Dowd would no longer propagate this thesis as a thinly disguised justification for racial capitalism.

I got the impression that they are of the opinion that when a capitalist system produces a high economic growth rate, such a system must be regarded as *ipso facto* a (morally) good system. Consequently, they found it difficult to understand the immorality of capitalism during a time when it produced a high economic growth, as was the case from 1933 to 1973.

In its submissions, business is also rather vague on the distributive effect of the racist system. This is inexcusable. Business should have acknowledged explicitly, and without reservation, that the power structures underpinning white political supremacy and racial capitalism for a hundred years were of such a nature that whites have been undeservedly enriched and people other than whites undeservedly impoverished.

The negative effects of these power structures on Africans can be summarised in the following seven points:

1. First, the Africans were deprived of large parts of land on which they had conducted successful traditional farming for centuries. Profitable small maize farmers were deprived by the Land Act of their access to land (in both white and African areas). This deprivation destroyed an agricultural transition that showed great promise for the future. White farmers, on the other hand, had the privilege of property rights and access to very cheap and largely docile African labour. On top of this the agricultural sector received from 1910 until 1980 more state subsidies than any other sector – especially in the period of 1948 to 1980. White governments also spent billions of rands to improve marketing conditions for white agriculture.[17]

2. Second, for decades millions of Africans were paid exploitative wages in all sectors of the economy, but mainly in gold-mining and agriculture. The relevant power relations were such that a part of the cost of gold-mining was shifted to the "native reserves" and neighbouring countries. If the health and safety conditions in the gold mines and compounds are also taken into account, a strong case can be put forward that the migrant workers' human rights have been grossly violated. Although many mineworkers were foreigners, they were also human beings whose human rights were in all probability violated. During the first hundred years of racial capitalism (1870–1970) – and especially during the high growth period (1933–1973) – whites benefited directly and indirectly from the exploitative wages paid to Africans. The fact that Africans were politically powerless and economically unorganised made them easy prey (or super-exploitable) to their white masters.

3. Third, a great variety of discriminatory legislation not only deprived Africans of the opportunity to acquire skills, but it also compelled and humiliated them to do dreary unskilled work at very low wages. On many occasions – mainly in the 1960s and 1970s – business dodged the discriminatory legislation and (illegally) used Africans for skilled jobs, but continued to pay them the wages of unskilled workers. Although much of the discriminatory legislation prevented an economic utilisation of African labour (especially during the boom of the 1960s), the power relations still enabled (white) employers to exploit African labour to their benefit. While discriminatory measures were often to the disadvantage of business, they were very much to the advantage of white employees.

4. Fourth, perhaps the greatest disadvantage which prevailing power structures have had for Africans is that these structures deprived them of opportunities to accumulate human capital. For the first three-quarters of the century, social spending (on education, pensions, health and housing) on Africans was in per capita terms more or less eight to ten times smaller than whites. Since 1976 spending on Africans increased gradually to become four times smaller by 1990. As recently as 1970 the per capita spending on white education was twenty times higher than on Africans! In sharp contrast, the whites were in the privileged position to accumulate human capital completely as if South Africa was a First World country. There is little doubt that both the quality and the quantity of social spending on whites were as good, or even better, than in many industrialised countries. This was only possible because political power was monopolised by whites and because social spending on Africans was at exceptionally low levels.

5. Fifth, the fact that the legal right to own property and to conduct business was strongly restricted in the case of Africans also deprived them of the opportunity to accumulate property and to develop entrepreneurial and professional capabilities. Consequently, an extraordinarily small percentage of total wealth was owned by Africans in, say 1970, when they constituted 70 per cent of the total population. Without real property, they had no hedge against inflation and they could also not benefit from the appreciation of assets, due to population growth and technological progress. The position of the whites was, again, the complete opposite. They enjoyed property rights, they deprived Africans of their land, they had access to capital and the opportunities to develop business organisations, entrepreneurial

[17] For the record, I want to acknowledge that my father was a successful maize and sheep farmer in the Northern Free State. Part of this success was the result of the above-mentioned privileges.

capabilities, etc. It was estimated in the early 1980s that the top 5 per cent of the population (almost exclusively white) owned 88 per cent of all property and with it all the advantages attached to property. The concentration of economic and political power in the hands of the whites enabled them to control powerful media houses. This created for the whites opportunities to justify their "illegitimate" institutions with relentless ideological propaganda. All the different political parties maintained a close symbiotic relationship with one or two of the power (private sector) media houses.

6. Sixth, while the prevailing power structures impoverished the great majority of Africans during the first three-quarters of the century, the liberation struggle and the resistance against is had a devastating effect on the poorer 60 per cent of the African population. Their income – already low in 1975 – decreased by more or less 35 per cent between 1975 and 1991! During the period of stagflation and "creeping poverty" a large part of the creeping poverty was, so to speak, shifted onto the most unorganised and most vulnerable 50 per cent of the South African population. The stricter influx control of the early 1980s – that was part and parcel of the neo-apartheid strategy – also played its part in shifting greater misery onto the poorer half of the population. One can make a strong case that the poorest 50 per cent of the African population are not only the victims of apartheid in all its ramifications, but also of the liberation struggle and the NP government's resistance against it. For these reasons the upliftment of the poorest 50 per cent of the total population should be the highest priority in government's social policy. The fact that the poorest 40–50 per cent of the total population (more or less 18 million people) cannot satisfy their basic human needs on a regular basis, makes it so much the more urgently necessary to do at least something meaningful to improve the quality of their poverty. Although the average per capita income of whites also declined since 1975, it was in 1991 still 12.3 times higher than the per capita income of Africans.

7. Seventh, it was not only individuals that had been impoverished and "destroyed" by the racist systems, but also African societies, while it also prevented the South African people from becoming a society. We should not forget that the main characteristics of South Africa's history, over a period of more than 300 years, have been the dragged-out group conflicts and group plundering between a multitude of ethnic, colour and language groups. Until the beginning of the century, the group conflict was rather bloody. Since 1910 the process of group plundering continued, but within constitutional frameworks. Although it has become less bloody, it has remained rather violent. During the apartheid period, society was artificially divided and fragmented into hostile groups. We can put forward a strong argument that the deprivation, the repression and the injustices inherent to the racist systems not only impoverished the African population, but also brutalised large numbers of Africans. It is not reasonable to expect that those sections of the population that have been brutalised by the system should suddenly act in a civilised and pro-society manner now that the structures of apartheid have been removed. Violent activity became widespread during the struggle and the resistance of the NP government against it – especially in the period since 1976. Both the struggle and the resistance were accompanied by ideological warfare. This situation gave people on both sides of the great divide ample opportunity to find all kinds of moral, religious and ideological justifications for their violent and criminal activities. Unfortunately, this tendency to act in an anti-social manner and to find ideological justification for such behaviour – some of a rather dubious nature – has become internalised in the value orientation of large sections of the population. After decades of apartheid and the struggle against it, South African society is a very disruptive and divided society, not only along racial and ethnic lines, but also because of seemingly irreconcilable values and attitudes.

From the above it is clear that the one side of the South African structural "coin" impoverished the Africans, while the other side of the same structural "coin" enriched the whites – especially during the first 70 years of the century. In a growing economy the (structural) mirror images of African deprivation, exploitation and discrimination were inevitably the enrichment and the empowerment of whites. A British researcher put it as follows:

> Within the imposed framework of apartheid policies, institutions, and laws, market forces had acted as a 'malevolent Invisible Hand' to produce increasingly racial inequalities of income (Knight, 1988: 490).

In his review of Kadar Asmal et al.'s book (1996), Mahmood Mamdani made an important distinction between "perpetrators and victims" on the one hand and "beneficiaries and victims" on the other hand:

> In the South African context, perpetrators are a small group, as are those victimised by perpetrators. In contrast beneficiaries are a large group, and victims defined in relation to beneficiaries are the vast majority in society… Which is more difficult: to live with: past perpetrators of an evil [i.e. apartheid], or its present beneficiaries? If perpetrators and victims have a past to overcome, do not beneficiaries have a present to come to terms with? If the reconciliation is to be durable, would it not need to be aimed at society (beneficiaries and victims) and not simply at the fractured elite perpetrators and victims)? ... If evil is thought of [not only in individual and legal terms, but mainly] in social

> [and/or structural] terms…does not the demand for justice turn mainly, if not wholly, into a demand for systematic reforms? (Mamdani, 1996).

The questions asked by Mamdani are extremely relevant. I think that all of us have no choice but to answer positively on all the questions asked by Mamdani in the quotation above. I am very much in agreement with Mamdani that social justice demands that those who have been the beneficiaries of the power structures of white political supremacy and racial capitalism have a responsibility to make quite a substantial sacrifice towards those who have been victims of these power structures.

It would, of course, not be easy to identify exactly who the beneficiaries are and who the victims of structured exploitation are. It will also not be possible to determine exactly the magnitude of the benefits accruing to the beneficiaries and the harm done to the victims. But this is not the point. It would have been the point if the purpose had been to compensate the victims in exact terms. This is impossible. But in order to understand the true nature of South Africa's socio-economic problems, it is necessary for whites to acknowledge explicitly the exploitative nature of the system of white political supremacy and racial capitalism.

Although white political supremacy has been ended, a large part of the structures of racial capitalism are still very much in place, and with it, the concentration of huge economic power and privileges in very few white hands – mainly the hands of white business and white corporations. The transformation process will remain incomplete as long as the economic power and wealth that were accumulated through the racial structures remain as undisturbed in (mainly) white hands as has been the case over the past 3.5 years. This is a legacy of apartheid that we cannot afford to condone. To restore the necessary degree of social justice and social stability, the "inequalities of apartheid" – as President Mandela called it in 1990 – must be addressed thoroughly. I am in full agreement with Mr Thabo Mbeki that the stability of the new South Africa could be at stake if we fail to find satisfactory solutions for inequality and poverty.

A first approximation towards identifying those who have been beneficiaries and those who have been victims, is to focus on the very unequal distribution of income in South Africa. The richest 20 per cent of households received almost 70 per cent of total income (in 1993), while the poorest 40 per cent of households received less than 6 per cent of total income (Whiteford, Posel and Keletwang, 1995: Table 10). The richest 20 per cent of households is mainly white and a minority of people other than white. Some blacks – like homeland leaders – also benefited from the apartheid structures. The majority of the poorest 40 per cent is mainly African.

A satisfactory degree of systemic justice can perhaps be attained by imposing a wealth tax (of say 0.5 per cent annually) for ten or twenty years on all persons with net assets of more than R2 million and to use the yield of this levy for the upliftment of, say, the lower 40 per cent.[18] A levy on wealth for redistributive purposes is preferable to any other form of progressive taxation. Such a tax would be levied mainly on wealth accumulated during the long period when the structures of white political supremacy and racial capitalism enriched a relatively small white elite to the detriment of the oppressed majority.

I am fully aware of all the practical problems in imposing a levy on wealth. I am convinced that those problems are not insurmountable. The symbolic value of such a Restitution or Reconstruction levy is, however, so important that other types of taxation, can, if necessary, be lowered. If such a levy is introduced, the ANC government can also decide to implement its policy of "affirmative action" with greater circumspection. This policy – together with the alleged nepotism in government circles – runs the danger of creating equally great inequalities between black and black without addressing the problems of "inequality" of apartheid and the problems of white wealth and African poverty.

After eighteen months of the Growth, Employment and Redistribution (GEAR) policy, the strategy has not delivered the projected economic growth and job creation. It is time to acknowledge that from scratch GEAR has been too narrowly economic in its approach. The strategy was framed in terms of the ideological tradition of liberal capitalism of the British-American countries (and the World Bank), while South Africa's circumstances demanded that it should be framed in terms of the ideological traditions of social democracy of Continental countries. GEAR took as its point of departure that the lack of economic growth and unemployment should be regarded as South Africa's gravest problem. In fact, the most serious problem facing South Africa, after centuries of conflict, strife and exploitation, is the absence of a proper social structure. GEAR, unfortunately, neglected the decisive importance of society-building and social stability. The GEAR strategy should be complemented with a comprehensive poverty relief programme and redistributive strategy financed through a wealth levy.

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[18] The Afrikaner Handelsinstituut acknowledged implicitly in their submission the need for reparation to compensate the victims of apartheid. This attitude is commendable. Unfortunately, its proposal that the R9 billion of the South African Special Risks Insurance Association (SASRIA) fund should be used for this purpose is impractical.

Greater knowledge and better understanding of the systematic injustices – which have been part and parcel of the South African system for at least a hundred years – are necessary to succeed with a programme of white adult education about the true nature of twentieth-century events, something highly needed en route towards a durable reconciliation. Without a clear understanding of the systematic nature of the exploitation that has taken place, it would also not be possible for the beneficiaries (mainly whites) to make the necessary *confession*, to show the necessary *repentance*, to experience the necessary *conversio*n and to be prepared to make the needed *sacrifices*. Confession, repentance, conversion and sacrifices are not only prerequisites for forgiveness (by the victims), but also a precondition for promoting social stability and systematic justice in the long run. Social stability and systemic justice are, in their turn, preconditions for economic growth and job creation.

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