

RECOMMENDATIONS ON POST-APARTHEID ECONOMIC POLICY

**Workshop on Economic Policy
for a post-apartheid South Africa
Harare, 28th April to 1st May 1990**

These recommendations are submitted to the ANC and COSATU for discussion and consideration. They do not represent the policy positions of these organisations at this stage.

Part I represents a summary of working group recommendations. Part II presents the full reports of the working groups, a list of priorities identified for further research, a list of participants, a list of papers prepared for the workshop, and the press statement issued at the conclusion of the workshop. (Only part I is reproduced below - eds.)

PART I

[A] THE ECONOMY OF A DEMOCRATIC NON-RACIAL SOUTH AFRICA

1. The growth path

The South African economy is in fundamental crisis. This arises out of the distortions of the apartheid system, problems in the sphere of domestic production and reproduction and the changing and destabilising international environment. It has not been able to meet the needs of the great mass of the country's people. Neither are current state and capital strategies likely to alleviate poverty and mass deprivation.

To address these goals a non-racial and democratic state would follow an economic strategy that aims to achieve economic growth through a process of increasing equality in the distribution of incomes, wealth and economic power. This strategy calls for the active restructuring of production to meet basic needs, to expand employment, to redistribute incomes and to provide

social services. Furthermore the restructuring of production would take account of the need to transform South Africa's international economic linkages. The aim would be to increase competitiveness and develop dynamic linkages with domestic industries and markets.

2. The role of the state

Within the context of a mixed economy the democratic non-racial state would assume the leading role in the reconstruction of the economy in order to facilitate the realisation of its developmental objectives. This necessitates some form of overall macro-economic planning and co-ordination. The democratic non-racial state would involve the mass-based organisations in planning this reconstruction. The criteria for state involvement would be efficiency and effectiveness.

3. Financing the reconstruction

3.1 Savings and taxation

The main emphasis in financing the reconstruction of the mixed economy would fall on domestic savings, including personal savings. Foreign capital should supplement domestic savings and not be seen as a substitute. The new state would also undertake tax reform to make taxation more equitable and effective in many areas. Over time the expected expansion of income and employment will widen the tax base. At present the tax burden is carried disproportionately by individuals through both personal direct taxation and indirect taxation. The new state would begin the process of shifting the burden of taxation, especially towards the corporations.

3.2 Macro-economic imbalances

Macro-economic imbalances, including inflation and balance of payments deficits, have been an important factor contributing to South Africa's economic crisis, and their effects have been a severe problem for the living standards of our people. We are also aware that such imbalances have presented critical obstacles to redistribution and economic development policies of governments in some other countries. For these reasons, appropriate economic stabilisation policies, including monetary and exchange rate policies, would be used to manage macro-economic imbalances of this nature.

The issue of state expenditure and overall fiscal policy is especially important in this regard. A future non-racial democratic government would not replicate the recent practice of using borrowings to finance current state

expenditure. The overall budget and the budget deficit would be managed according to criteria determined by the democratic state. Those criteria will be in accordance with our objectives of socio-economic reconstruction and the redistribution of income and wealth, and would pay regard to macro-economic balance.

3.3 The capital market

The current capital market does not sufficiently direct investment into productive activity or into critical areas of infrastructure (such as housing) which a new democratic government would want to develop. The new government would seek to rationalise and restructure the financial sector and to develop new institutional arrangements for both the primary and secondary bond markets. This is needed to make them more ordered and directed to meet broader developmental objectives. Current financial deregulation policies and monetary policy exacerbates the problems of the present financial system. To correct this requires direct state intervention, including state regulation. Consideration will be given to the extent of state ownership within the financial sector.

3.4 Exchange controls

The non-racial democratic state would pursue exchange control measures in order to retain domestic savings within the country and to prevent destabilising speculative capital flows. These exchange controls would have to be consistent with other macro-economic policies and development objectives. The present system of exchange controls would continue, but would have to be modified in ways consistent with the development objectives of the new democratic state.

4. Conglomerates and Foreign Investment

4.1 Conglomerates

The existing extreme concentration of economic power has been detrimental to the achievement of balanced economic growth in the interests of all the people of South Africa. The government of a democratic non-racial South Africa would investigate this concentration of economic power with the objective of promoting a more efficient and effective use of resources. In addition consideration would be given to extending collective bargaining into investment planning. Where feasible a policy of dismemberment of conglomerates into units would be pursued to make the operation of conglomerates more compatible with the overall development objectives of the democratic state.

4.2 Foreign investment

The democratic state would encourage foreign investment on terms which are consistent with its developmental goals. Foreign investors would be encouraged to invest in activities which lead to increased employment and the development of local technological capabilities. They will also be required to follow labour practices acceptable to the trade union movement. Such policies are required to ensure that the activities of foreign investors do not have a detrimental effect on the environment or the general development strategies of the state. Finally the state and the trade union movement should be legislatively empowered to ensure that foreign investors reinvest productively to promote continued growth.

5. Ownership and nationalisation

The transformation of the economy will require a viable state sector. Nationalisation would be an essential part of the reconstruction programme of such a state. The non-racial democratic state would retain existing nationalised industries and would be prepared as a matter of fundamental policy to renationalise privatised state assets. Furthermore it would set up new state corporations in areas where necessary.

Nationalised industries would operate within strict budgetary controls and they would not become vehicles for the enrichment of a large bureaucracy. Rather they would be developed in the interests of the people. Nationalisation would be affected through due legal and constitutional processes. In addition to these measures the democratic state would also facilitate forms of collective ownership, including co-operatives.

6. Gender

One of the legacies of apartheid and its economic system is discrimination against women. Women have been marginalised and relegated to being victims of unemployment and low wage employment. The democratic South African state will strive to promote the rapid integration of women into economic activity, and to promote the removal of gender inequalities in employment.

A programme of action will be mounted by the state to address the problems of gender discrimination in and outside the workplace and to provide support for women, especially in areas such as ante- and post-natal child care.

7. The Southern African region

The non-racial democratic state would actively seek to promote regional economic co-operation along new lines, in ways that would not be exploitative and will correct imbalances in current relationships. The state must be prepared to enter into negotiations with its neighbours to promote a dynamic and non-exploitative and mutually beneficial form of regional co-operation and development. This may involve making concessions to our neighbouring states.

8. Current Legislation

The democratic forces do not recognise, and find morally reprehensible, the present government's attempts, through privatisation, deregulation and other legislative means, to weaken the new state's ability to intervene to restructure the economy. The majority of these laws and measures which the apartheid state has used to give effect to these policies will be reviewed and where necessary reversed. Privatised institutions will be open to renationalisation.

[B] INDUSTRIAL RE-STRUCTURING

Despite the poor performance of manufacturing over the past two decades, emphasis should be given to the potential for manufacturing growth. The non-racial democratic state would actively seek to address problems inherent in the present industrial structure and in present industrial policy.

It will give serious consideration to the implementation of policies which are incorporated in the following proposals. These are aimed at addressing current problems, restructuring industry and developing a more dynamic path of industrial expansion. Industrial restructuring would be directed to meeting domestic needs and increasing international competitiveness.

Industrial policy and planning would be based on strategies targeted at specific sectors. This approach would be complemented by strategic planning which would set objectives across the economy as a whole and provide guidelines for sector strategy. Sector strategy and strategic planning can only be undertaken on a selective basis with targeted objectives in each case.

1. Strategic Planning and Policy Issues

A first priority would be to meet basic needs for the population in food, housing, welfare and employment etc. This should be done in a way that is sustainable, for example creating new production capacity through employ-

ment linkages rather than in the form of simple income supplements. To some extent user charges would have to be applied depending on the services being offered.

The non-racial democratic state would develop industrial policies aimed at transforming imbalances that exist between blacks and whites, between urban and rural areas and between regions. The failure of the regime's industrial decentralisation policy should not detract from the need for rural industrialisation with well-developed linkages within the local region.

The alternative industrial strategy would have to meet macro-economic objectives. A key constraint on manufacturing development has been the balance of payments. South Africa manufacturing is import intensive and has failed to develop export growth strategies aimed at raising living standards for the mass of the population. The potential to reduce import intensity would be investigated.

Restructuring industry would require a major set of policies with respect to technology, skills training and labour process reorganisation.

South Africa's manufacturing industry is heavily concentrated and there is some scope for the development of small scale enterprise. The new state would consider the establishment of an agency to support and direct such developments. Other important aspects of firm size are the development of localised industrial districts and the break-up of conglomerates.

Infrastructural development can in part be based upon a radical transformation of existing potential in the mineral-energy complex.

Attention would be given to the institutional structures responsible for devising, implementing and monitoring industrial policy.

The non-racial democratic state would recognise the need for an industrial strategy for the armaments industry. Armaments production will be converted to meet civilian needs.

In formulating industrial strategy the need to protect our environment will be given high priority.

2. Response to Current Government Initiatives

The capacity of the post-apartheid state to intervene to serve basic needs and to promote economic growth is being undermined by current and proposed legislation of the apartheid regime. Immediate steps should be taken to:

- 1) halt privatisation and deregulation;
- 2) oppose the application of the Temporary Removal of Restrictions on Economic Activities Act;
- 3) review the approach embodied in the General Export Incentive Scheme,

in light of the essential need for selective sectoral strategy with respect to exports;

[C] MINING

1. Planning and Policies

The non-racial democratic state acknowledges the demands of the mine workers. It would initiate measures to root out racist labour practices and improve wage levels and living conditions. This would be done without weakening or making less efficient the mining industry. The state recognizes and will seek to enhance the role of the industry as a job creator, foreign exchange earner and raw material supplier.

The democratic state would investigate the feasibility of creating an inspectorate that would police mining health and safety, mining legislation, transfer pricing and high-grading.

The democratic state would investigate the use of fiscal policy to encourage venture capital in new mines. The possibility of the state making strategic investments in mines would also be considered.

In view of the declining and volatile nature of mineral prices, a policy of stabilising mineral prices through the formation of cartels would be seriously considered. The formation of a State Minerals Marketing Authority would be investigated. Such an agency would control all minerals marketing and enter into marketing agreements with other producing countries.

Consideration would be given to using surpluses created by cartelising certain minerals to stabilise the domestic price of non-cartelised minerals. A minerals marketing authority would also be necessary to restrict transfer pricing by the mining companies.

Given the wasting nature of mining, high priority would be given to the creation of resource-based industries to further add value. In this regard research would be undertaken to identify optimal areas for mineral transformation industries, such as mining machinery. Methods of encouraging this such as tax incentives, government funding of R&D, import tariffs and cheap loans, need to be investigated.

The concentration of monopoly mining finance capital is a great impediment to alternative means of controlling mining. In order to control investment strategy and labour practices, the non-racial democratic state would encourage research into the benefits of disaggregating the monopolies, taking the efficiency of the economy as a whole into consideration.

Policy to maximise the benefits of mining to the people as a whole and to optimise the working conditions and life chances of miners could be brought

about by a variety of instruments. These include fiscal instruments, inspectorates, equity, board representation, incentives, direct funding, anti-trust legislation and union empowerment. Within the context of the state's developmental objectives for this industry, the nature and extent of state intervention and ownership will be considered.

2. Response to Current Capital/State Initiatives.

The recent shift of De Beers control to Switzerland is a serious development and potential disinvestment of this type should be an urgent item in negotiations with capital. There is also concern among miners about the implications of the new Mineral Bill currently being proposed. Its privatisation/deregulation outlook represents an abdication of state responsibility in crucial areas. Mineral rights must be retained by the State, not given away as proposed.

It is strongly recommended that a Minerals Policy Research Commission to consider the future of the mining industry and to address the above issues, needs to be created as soon as possible. It should be based in South Africa.

Emergency action should be taken to investigate means of preventing the passing of the new Minerals Bill and curtailing asset transfers out of South Africa.

[D] AGRICULTURE

South African agriculture is facing a major crisis both in the advanced capitalist sector and in the black rural areas. Land distribution is a central national grievance and raising agricultural production is vital to the future economic prosperity of the country.

A future non-racial democratic state commits itself to :

1. the immediate return of land to those removed from black freehold farms and to the repossession of land by certain categories of labour tenants;
2. redistribution of land and relocation of people by a land claims commission with grassroots participation;
3. promoting various forms of production, including smallholder production, co-operatives, and joint ventures;
4. providing a secure food supply at affordable prices and producing industrial raw materials;
5. a reallocation of support services and training provision to achieve redistribution whilst maintaining production;
6. provision of support services which will positively discriminate in favour of women to ensure access to land credit and training;

7. redistribution of land to create employment and provide secure housing;
8. enacting labour legislation to abolish backward labour employment practices;
9. promoting rapid unionisation and encouraging rural community organisation to redress historical injustices and protect jobs and worker rights,
10. state intervention on environmental issues to sustain the long term production capacity of land.

[E] LABOUR AND HUMAN RESOURCE DEVELOPMENT

1. Overall Objectives

The non-racial democratic state commits itself to the development of, a high employment, high wage, high productivity economy, with economically viable, competitive enterprises. It will ensure a central role for organised labour in the formulation and implementation of all economic policy. It will seek to empower organised labour, and to promote greater industrial democracy.

2. Labour Relations Policy Framework

Current labour legislation in South Africa is based on maintaining the industrial balance of power firmly in the hands of capital. A democratic state would be committed to changing this.

The empowering of trade unions and their active involvement in economic policy is based on three propositions:

- 2.1 The need to avoid an over-centralised, commandist approach to economic policy by the state;
- 2.2 The need for a strong civic society, independent of state and political party, with real economic and other power;
- 2.3 The advantage of creating a compact powerful state, without a massive bureaucracy to regulate and implement all policy.

3. Union Rights

There are a number of specific areas where the legislative programme and constitutional rights ought to empower organised workers. These are:

- 3.1 The right to enter and organise in all establishments;
- 3.2 The right to bargain, including legislation requiring centralised bargaining, disclosure of financial information, the right to strike, the

- right to picket and the right to protection against employers replacing strikers with scab labour;
- 3.3 The extension of workplace democratic rights for organised workers in publicly owned corporations, privately owned companies and provident fund management/trustee boards;
 - 3.4 The right to be represented in and participate in industrial courts/tribunals and in state commissions on housing, transport, unemployment and other areas directly affecting workers.

4. Human Resource Policy

4.1 Racial Employment Structure

The democratic state would correct racial inequalities in the workplace. This would be done not only through legislation and prosecution, but by investing and redirecting resources.

A comprehensive programme of education, training and skills for workers in industry and within the state sector is needed. In addition technical, professional and managerial skills among blacks will be promoted.

Policy towards the civil service needs to address not only racial inequality, but also the issues of the political complexion of the civil service, appropriate staffing levels to give effect to the changed emphasis of state policy and the need to avoid an excessive state bureaucracy.

All policy options which address the transformation of the civil service must involve the public sector trade unions.

4.2 Gender Employment Structure

Apartheid economic development has fundamentally shaped gender employment structures. Women - in townships, squatter settlements and rural areas - have been particularly discriminated against and constrained by the labour policies of the state, the limitations of social infrastructure, and by power/gender relations in the family.

The democratic state would seek to correct these gender inequalities by means of legislation to secure women's rights, a vigorous programme to provide training and examine opportunities for women and by means of support in the sphere of ante- and post-natal care.

4.3 Employment Creation

The current state strategy of seeking to create employment through deregulation and privatisation is not a solution and must be opposed. The democratic state would address employment creation through public works

programmes (of which housing projects hold distinct advantages), retraining and the deployment of resources from apartheid-oriented projects into employment-creating economic activities.

The democratic state would encourage the unions to play a role in employment creation through collective bargaining over resources for employment creation and by encouraging the direction of pension and provident fund investment capital towards productive investments in employment creating activities.

5. Training

A democratic state would initiate a comprehensive training programme, to redress racial inequalities and to improve the productivity of labour. In particular, the democratic state would intervene to ensure that the content of all education and training at technikons, universities, schools and other training institutions is appropriate for changing labour market needs and consistent with national industrial strategy.

It would also set up non-exploitative youth training schemes for under-skilled and unskilled youth.

The state would encourage trade unions and employers at industry level, to develop and co-manage training schemes. Linked to this, private corporations would be required to direct resources to training schemes.

[F] BASIC GOODS AND SERVICES

A massive injection of finance is going to be required to meet basic social needs (ie welfare, housing, health, education). Two sources of finance can be considered - public finance, and the mobilisation of private capital.

Determination of priorities in meeting social requirements will have to take account of several conflicting objectives:

- (i) the immediate relief of poverty;
- (ii) the need to reduce existing social conflict over unequal distribution of material resources;
- (iii) the expressed expectations and demands of people and communities;
- (iv) promotion of economic development strategies;
- (v) the need to avoid inflationary spending policies;
- (vi) the promotion of equality to correct existing biases in resource allocation, relating to (a) race and gender; (b) socio-economic divisions within black urban communities; and (c) between urban and rural communities.
- (vii) the promotion of employment and training opportunities.

The non-racial democratic state would foster active community participation in order to determine priorities, and in order to ensure the effective implementation of development strategies. This must also include training in implementation and administration of capital development projects.

1. Social welfare and pensions

The democratic, non-racial state would bear ultimate responsibility for the provision of welfare and pensions. This would be exercised in the context of the negotiated provision of welfare benefits between capital and labour, and of private provision by those groups able to provide for themselves. The role of the state would be to provide a minimum level of social services at a reasonable rate for all people.

The possibility of a national compulsory retirement scheme, underwritten by the state, would be investigated.

A system of compulsory unemployment insurance will be enacted based on contributory obligations by employers and employees. The objective in dealing with structural and other forms of unemployment will be to create an extended network of institutions for training, retraining and placement in jobs of the unemployed.

State policy would seek to counter discrimination, whether legal or informal, in regard to gender unemployment benefits.

Existing benefit funds would be deployed in support of national development objectives. State policy would facilitate such redeployment by providing legislative regulation, and by underwriting such initiatives so as to ensure the worker's monies are not at risk.

2. Housing

The provision of sufficient and affordable housing for millions of South Africans is dependent on several prerequisites:

- 2.1 The release, as a matter of urgency, of affordable urban and rural land for use for housing. A first step towards this would be the imposition of a generalised land tax on unused land. This would increase the land available for sale on the market, and reduce land prices. Some of the land made available through this policy would then be purchased by the state, and removed from the market by means of 'land banking', that is, its release to non-profit community-controlled land trusts.
- 2.2 The non-racial democratic state commits itself to providing the minimum infrastructural services that are needed to ensure decent

living standards. These include water reticulation, waterborne sewerage, electricity, stormwater drains and tarred public transport routes.

However, the provision of these services is very costly. The state would intervene through extensive subsidisation (both central and local) in order to provide these services at an affordable cost and at a reasonably high standard. Construction of serviced stands would be part of a public works programme aimed at job creation.

2.3 Provision of Housing: The provision of housing is currently taking place on a privatised basis. The rapidly growing housing market in low-income black residential areas is having increasing negative effects.

The non-racial democratic state would counter these effects and would take responsibility for ensuring that housing needs are met. However, it is noted that the provision of affordable housing for all will be costly, and can only be possible in the long term.

State policy will as a consequence have a number of different aspects. The immediate priorities would be to defend the existing public housing sector, and to establish the conditions for the construction of low-cost housing in other areas by providing land and infrastructural services. By making these available to community-controlled non-profit housing development projects, together with assistance in the provision of finance, the democratic state would also encourage locally-based housing initiatives.

At the same time, a state housing corporation would be established for the construction of new houses and flats in the longer run. These would then be made available for rental with security of tenure.

The democratic state would also eliminate existing cost and financial obstacles to meeting the housing backlog, through measures such as sponsoring of intensive R & D efforts into innovative building technology; reducing building material costs by breaking up monopolies in this industry; and investigating the introduction of low-cost housing into prescribed asset schedules.

3. Local Government

Local government is central to the provision of goods and services.

3.1 Administration and Finance: State policies would include integration of towns and cities into metropolitan management structures, and an end to separate black local authority structures. The principle of

financial self-sufficiency for poor communities would be replaced by the integration of divided urban areas into a single local tax base, and cross-subsidisation within metropolitan areas.

- 3.2 *Representation*: The future democratic state's priority would be to foster the establishment of democratic, non-racial municipalities, while at the same time maintaining the involvement of mass-based organisations in the provision and control of certain services.