PERESTROIKA A LA P.W.BOTHA

Brian Oswin

[Note: In compiling this report several books and articles were consulted. Some are listed at the end of the article. I have borrowed freely from these sources, but have given my own interpretation. The use of the word *perestroika*, or reconstruction, borrowed from the Russian, is not fortuitous.]

Botha's Economic Package

At the opening of Parliament in Cape Town in 1988, P.W. Botha announced an economic package to 'reconstruct' South Africa's economy, and reverse the depression that was said to have affected the country since 1969. Its net effect, if implemented, will be to dismantle the extensive state holdings in key sectors of the economy. There is an irony in having these measures proposed by a Nationalist president, because it was these government controls of the economy that were used initially to advance 'Afrikaner' financial interests.

The new economic measures won the approval of all sections of big business (English, Afrikaner, Indian and other) and bound finance capital and the government closer together. It is in the interest of capital that the programme is carried out, and this will require the continued rule of the Botha government. For this it is necessary that the black working class be pacified, and that the right wing Conservative Party be contained. Pacification of the blacks and containment of the whites are complementary processes, but unable to influence the latter, capital will engage the ANC and the black trade unions in discussions and negotiations. We have little doubt that capital will find its Judases inside the trade unions — and if it does, the struggle will be set back for years to come.

It is quite obvious why South African capital is so delighted with Botha's package. Their British counterparts were equally pleased with the same policy as carried out by the British government. State assets have been stripped and handed over at a discount to private monopolies (absurdly described as 'privatisation'); state expenditure has been cut by reducing the work force; and salaries and wages in the public services have been frozen. Furthermore, capital expenditure in the government sector has been pruned, purchase taxes increased, and private companies are to take over and control toll roads.

For the finance houses, from the Anglo American Corporation downward, vast new possibilities have opened up. Over and above their acquisition of firms and banks (including Barclays) unloaded to meet the demands of sanctions campaigners, they will end the day with control of electricity (Escom), the railways and harbours, the metal industry (Iscor), the gas supply, the post office, the Industrial Development Corporation and so on. Furthermore, the slashing of public expenditure should limit the rising tax demands, and that too pleases big business.

Although South Africa is not noted for its 'social welfare' or state funded provisions, the wage freeze will inevitably lead to staff shortages and cuts in health services, education, transport systems (both road and rail), and in government services and local amenities. Only the police, the prisons, and armed forces will benefit.

Half a million white workers (one-third of all whites in employment) are in the public sector, and the wage freeze, which takes no account of inflation, will lower their standard of living considerably. The new measures will move them ever further to the right, and they will find their way to the Conservative Party and the neo-fascist Afrikaner Resistance Movement, or AWB.

The black trade unions have until now opposed the new measures, saying that there would be increased unemployment, with more workers walking the streets, if not forced out of the towns. The effect on the living standards of whites pales into insignificance against the impact on blacks. In 1986 there were almost one million black workers employed in the public sector of the economy — twice as many as in the mining industry. Although the upper sector of the civil service (all white) will get their annual increments, this does not apply to blacks, and they face either redundancy or a lowered standard of living, with inflation for the lower income groups running at 17.5% (and food at 25%).

Nor is there any respite for the black middle class. The Botha government needs the political support of the white middle class, and this precludes any significant advance by their black counterparts. There will be no basic change in the political structure of the country. Even the 'concessions' made to black business enterprises (once considered central to the stabilization of the country) are confined to Group Areas, as are the activities of the black petty bourgeoisie.

What Is This 'Reconstruction'?

In seeking the cause of South Africa's economic decline there is little sense in pointing to the extended drought — from 1982 extending to 1986 in some regions — even if this did deepen the crisis. From 1976 (just before the Soweto revolt) the country went into recessions, with a negative growth rate, and there was a 0.1% recorded growth through 1977. Manufacturing output (in volume terms) fell in 1977, and there was a massive capital outflow. There was a balance of payment problem, and inflation was soaring. This can only be ascribed to the spending boom in South Africa that was only met by massive imports. There had always been large scale imports into South Africa, both of consumer and producer goods — but there was nothing to match the spending spree that followed the floating of the gold price between 1971 and 1973, and the concurrent credit boom in the west. The massive expansion of the consumer market in America and Europe was designed to postpone the inevitable depression: in South Africa the same drive only led to increased inflation and a balance of payments crisis.

Faced with an economy that needed immediate stimulation in the early 1980s, the government embarked on a disastrous fiscal policy. First and foremost the government erred in its belief that the price of gold that had risen (since 1971) would continue rising, when in fact it had passed its peak price early in 1980 (in the region of $800 an ounce) and tumbled to below $400. When the gold price was rising to its peak, government spending, luxury imports, and consumption rose dramatically. Money borrowed abroad on the premiss of a continued rise in gold prices left the country saddled with debts it could not afford. Secondly, the lifting of controls on the currency in 1983 allowed market forces to determine the value of the Rand, opening it to external pressures (economic and political) and a massive fall in its exchange rate. This pushed up the cost of imports still further and led to galloping inflation. The favoured remedy by some economists, was to cut government spending — the very cure that is now eating into, if not destroying, the livelihood of so many.

In mid-1984 the value of the Rand had fallen by over 25% to about 60 USA cents, and most businesses with large overseas debts lost heavily, because few had insured against such a contingency. When the government responded by raising taxes and interest rates (in August 1984), business went into even steeper decline and foreign investment dried up.

The economic problem cannot be dissociated from the political struggles that were shaking the country. International investors, ever sensitive to regional 'upsets,' moved their capital whenever and wherever there were signs of local instability. Capital was moved out of South Africa when the Nationalists came to power in 1948, and there were withdrawals of capital after Sharpeville, after Soweto, and after the rent riots of 1984. The 'answer' to the more recent riots was the military's 'total strategy,' aimed at mobilising the (white) population against internal revolt. Not without reason, it was claimed that the strategy would preserve the 'system of free enterprise'.

Foreign investors were not convinced. The Rand continued on its downward spiral and dropped to below 35 USA cents in July 1986. Yet, although it was hoped that this (favourable) exchange rate would boost exports, this did not happen to any great extent. The few who did benefit were the mining houses producing minerals for which there was a continued demand on the world market: gold, platinum, coal and diamonds, and strategic metals like chromium. In 1985 alone the value of exports from the mining industry rose by a massive 36%.

It seems unnecessary here to add that the drop in living standards, rising unemployment, and the increased charge for amenities (from rent through transport) led to a new wave of boycotts, strikes, and political protests. Precisely what factors generated specific complaints is not easily discernible, but the political 'solutions' proposed by Botha's government, in particular the new tricameral constitution, only worsened the situation. Each new outburst of violence — from the black communities or work force, or from the army and police force — increased the difficulties in raising foreign loans, and led to a further drop in foreign investment. In August 1985 the government was forced to suspend that repayment of foreign loans, and announced that only interest would be paid. Only the intervention of Swiss banker Fritz Leutwiler in February 1986 prevented the government being placed under even greater pressure — and the banks abroad agreed to the extension of the moratorium in March 1986.

The epicentre of the crisis was not in South Africa, but in the recession that was affecting the world at large. There had been obvious economic difficulties across the Atlantic, extending back to the sharp inflationary rise of 1971 to 1979; followed by the impact of two sharp rises in oil prices in 1979 and 1987. There was a general world-wide drop in production, and a defaulting on loan repayments by Mexico and other states. To stave off depression the US found 'Reaganomics': that is, debt funded production financed by foreign capital, and state spending on arms and 'star-wars' programmes. Consumerism gripped the money markets, credit cards 'bought the world', and share prices rose out of all proportion to actual production figures. The 'Yuppies' became well recognised figures, and speculation and fraud marched hand in hand in the share market. It could not last. The more obvious 'inside dealers' were exposed, and then, when the 'bubble' burst in October 1987, share prices collapsed.

There was a rash of ready excuses during this period: oil price rises, inflation and indebtedness of 'third world' countries, the collapse of world commodity prices, and so on. But how absurd to ascribe the collapse to such secondary matters. The depression was predicted long before these issues came to the fore, and theorists had shown that the crash arose from within the structure of capital. For capital to survive and thrive, accumulation must be continuous — and when the rate of profit falters or falls such accumulation grinds to a halt. During the post war decades capital found outlets in which the rate of profit even seemed to be rising, mainly because capital was diverted to areas of highly exploited labour.

Industry shifted increasingly to regions outside Europe, and in Britain and elsewhere manufacturing industries were allowed to decline, and their place taken by service industries. The centre of manufacture had shifted, and Japan, Korea, Taiwan, and elsewhere became the new producers of value. Capital from the west eschewed industry, and was preferentially invested in currency markets, in servicing, in real estate, or in finance houses. Manufacturing was a poor last in most cases, and this was the real crisis in the west. Consequently, there were crises in the balances of payments, creditor countries went into debt, and many former colonial countries were unable to repay their debts. There were new crises in the metropolitan countries as local goods were undercut by imports from Asia (and in particular Japan) and this led to threats of protectionism and tariff wars.

Nonetheless, South Africa was cushioned. Because the price of gold has risen far faster than the value of the dollar has fallen, the gold producers made enormous profits, and the royalties and taxes accruing to the state from gold has allowed South Africa to repay some of its debts (following the debacle of 1986). This only affected one section of the population, and while the black communities battled with falling real wages, the speculators and money changers profited. There was a boom on the Johannesburg stock exchange, and consumer spending rose dramatically. The Rand continued its decline, inflation went unchecked, and in desperation there was a new clamp down on imports and on currency exchange in August 1988.

Political Consequences of the Crisis

Like Gorbachev in the USSR, Botha has seen the need, desperate in its urgency, to get the economy functioning. Unlike Gorbachev Botha has not needed to question the use of market forces, because he has always been committed to the defence of capitalism. Also unlike Gorbachev there will be no attempt to appeal to glasnost (or openness of comment): because the South African regime is sealed to those who offer real alternatives.

It is doubtful whether there can be real perestroika (or reconstruction) in the USSR, and glasnost will always be partial under the present regime in that country. However, despite the obvious differences between the two regimes, and the different positions they occupy in world power struggles, there is a need in both countries to revive their respective economies. My aim in this article is to turn the Searchlight on South Africa, but that cannot ignore parallels with other countries — nor view the issues in South Africa as unique.

The problem facing the USSR in trying to mobilise its economy, lies in the ability to secure the co-operation of the work force in particular, and the population in general. But if this involves the reintroduction of market forces, the conditions of the Soviet working class must be bleak — because they then face the prospect of unemployment; the end of subsidised housing, transport, and basic foods; and a reduction, if not elimination, of social services. The position in South Africa is obviously different. Market forces prevail, unemployment is rife, there are few subsidised facilities, and social welfare services are sparse. The so-called move by Botha and his government to political 'reforms' is predicated by the need to win some support from a population that has been thoroughly alienated. The question posed by the new economic package is whether it can win more support than previous policies provided.

The inevitable reduction of social welfare provisions that flows from the Botha package must antagonise ever larger sections of the white petty bourgeoisie and working class. They will turn in larger numbers to the Conservative party, and become the main opposition force in the white parliament. Their strength will be bolstered by the support they win from the police force and army. Without large scale funding from big capital, this force cannot take effective power — but in the event of a deepening crisis, and fears of black political gains, they could secure the backing of sections of capital, and the balance of forces could be changed dramatically.

The black population will suffer even greater hardship from the new proposals. Their fragile standard of living, much of it only won after intensive trade union struggle, will be eroded by inflation and will make new struggles imperative. The workers will need to recognise that this is the real limit to 'workerism', and that capitalist relations of production have to be overthrown. At the same time, there must be increased tension in the townships as higher rents are extracted — and the rent boycott is brought under control, and transport costs increase. Once again, it is not possible to surmise where the flash point will be found: in the factories? in the schools where conditions will deteriorate? over rents? in the attempts to restore the authority of community councils? in the imposition of new political institutions? or even in the eruption of some new riot in the wake of an accident in deteriorating transport services? Whatever the issue over which a struggle (or struggles) erupt, behind it there will be the worsening living conditions of a population that must cry out: 'We have had enough!'

It is not possible to read the thoughts of government ministers — but it must not be thought that they act mindlessly. They are aware of the reaction that must follow the economic measures they have now set out, and it is this that has led to the measures to proscribe the activities of eighteen political organizations, and introduce legislation to curtail the actions of trade unions. The restrictions placed on community and industrial organizations are prophylactic, as well as being a sop to the right wing electorate.

South Africa will continue to act as the predatory force, striking against neighbouring regimes in order to destabilize them — and obviously to protect its system against potential enemies. But its position depends as much on foreign power struggles, as on its own resources. The end-game being played out between the USA and the USSR over flashpoints in Asia and Latin America also affects southern Africa. In the horse dealing now taking place, in which the Russian 'threat' will be seen as receding, South Africa will appear less important as the 'bastion against communism'. Yet, it is a country which still supplies a substantial part of the west's gold supply, and stands firm as a proponent of capitalism.

Economic and political pressures will be exerted on the government to force those minimal concessions that will provide greater stability, and ensure the safety of capital. Whether this can succeed must be the focus of another article in which the absurdity of sanctions is considered. What is clear is that the next phase of the country's development will depend on a mix of local tensions and foreign concerns — and in this, the attempt to get the country out of its economic difficulties must play a central part. Foreign capital is not unaware of the delicacy of the situation in South Africa, and its every move will be directed at maintaining the hegemony of capital. The working class movement must keep this firmly in mind in determining its policies.

Sources consulted include:
Terence Moll, 'Mishap or Crisis? The Apartheid Economy's Record in Historical Perspective', unpublished seminar paper, 1988; Duncan Innes, 'Freezing Wages — and Reform', *Work in Progress*, No 52, March 1988; Michael Mann, 'The Giant Stirs: South African Business in the Age of Reform', in Philip Frankel, et al (eds), *State Resistance and Change in South Africa*, Croom Helm, 1988; Jesmond Blumenfeld, 'Economy Under Siege' in J. Blumenfeld (ed.) *South Africa in Crisis*, Croom Helm, 1987; *Race Relations Survey*, 1986.