ECONOMY

30 DEC 1979

4 JAN. 1979 — ~~29 JUNE 1979~~

49

Standard hopes for the best

49

ADM 4/1/79

Financial Reporter

THE SOUTH AFRICAN economy ended 1978 on a hopeful rather than a confident note, says the Standard Bank in its December business review.

Economic fortunes in the last quarter of last year appeared to recover from the third quarter's growth lapse, the bank says, but business activity in general does not seem to have regained the momentum it showed in the first half of last year.

But the economy appears to be moving to higher ground and there are encouraging signs on the horizon.

A firm gold market, the accumulation of growing surpluses on the current account, an improvement in South Africa's ability to borrow abroad, internal liquidity and falling interest rates are some of the reasons cited by Standard Bank for its optimism.

"Nevertheless, the outlook for the new year is not entirely without clouds.

"There is the potentially serious impact of the new oil crisis, the real possibility of a brief United States recession later this year, the effect a maize crop failure could have on exports and the unsettled political situation in Rhodesia and South West Africa/Namibia.

"Hopefully, the strong combination of positive factors will be sufficient to outweigh the negative ones looming on the horizon."

Standard Bank says the economy appears to be poised for a satisfactory growth rate this year.

A number of advance indicators of changes in economic activity are pointing upwards and the economy's recovery base seems to be stronger than it was a year ago.

"Evidence supporting the contention that the economy's recovery was resumed towards the year-end comes from the recent behaviour of consumer spending.

"The large post sales tax slump in retail and car sales was gradually overcome in the third quarter and preliminary data available for the closing months of the year indicate that, with the exception of November, seasonally adjusted real retail sales have been increased in every other month between July and December.

"In spite of this recovery, however, and indications of a firming upward trend, retail sales volumes (seasonally adjusted) in the last three months of the year still show them to be the lowest since 1974."

Areas of relative strength in the consumer goods market continue to be those segments where purchases are based on instalment credit — department stores and furniture dealers.

"For much of last year, industry was out of step with domestic final sales, with production costs rising firmly during the first three quarters throughout the sector. The fall-back of consumer demand in the third quarter led to inventories piling up and in the bulk of manufacturing segments there were moderate production cutbacks, resulting in a slowdown in the rate of industrial growth."

But Standard says that by the beginning of the fourth quarter, the situation in most industrial sectors was significantly better than it had been in the last two years of the recession.

"A major factor which will enhance the recovery trends already evident in all but the primary sectors will be the recent behaviour of the supply of money and near money (M2). After declining steadily throughout the recession years to very low rates of increase, the growth of M2 has been freed from some policy shackles and has been allowed to accelerate. The large increase was concentrated mainly in the near money catgory.

"Although monetary growth is unlikely to return to the imprudently high growth rates of 1973 to 1975, it should be able to play a positive role in supporting this year's growth.

"Strengthened by a cut in the Bank Rate and reduction in other officially controlled interest rates, assisted by relaxation of controls on bank lending, demand for credit by commerce and industry as well as consumers would almost certainly lead to a broadening of the recovery through inventory restocking and capital investment."

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F.M 5/1/79 - (49)

Testing times ahead

The old Chinese curse, "May you live in interesting times," certainly looks like applying to SA in 1979. Both at home and abroad, not only do all the old problems remain unsolved, but they have been joined by a new one: the threat that, even when (or if) Iranian oil output returns to full volume, a post-Shah government may as a matter of policy refuse to supply SA (but see *Current Affairs)*.

Since in recent years Iran has been responsible for the bulk of SA oil supplies, this could kill the faltering economic revival stone dead. While SA is much less dependent on oil as a source of energy than most nations, it cannot survive without oil imports; and it is to be doubted that any friendly country will be prepared to help SA out in the same way as we did Rhodesia, when sanctions threatened its oil supplies.

Even though the oil majors have massive investments in SA by our standards, we are a tiny part of the world oil market. It remains to be seen whether the majors will risk good relations with the rest of the world just to retain the SA market.

The spectre of petrol rationing is coming ever closer. In a society where inadequate public transport leads so many commuters to rely on their own cars, this year's threatened Opec price rise would already have been an awkward item for household budgets to absorb; possible cutbacks in supplies will only aggravate the position.

A cutback in oil supplies is only one of the external dangers SA will face. There is the lingering risk that failure to reach an internationally acceptable settlement in SWA/Namibia may trigger off wider economic sanctions; and a more immediate risk that developments in Rhodesia could create a destabilising influence on our northern border.

The two Bothas, Pik and P W, wearing their combined hats as Foreign Minister, PM, and Defence Minister, will have the most taxing year in their careers if they are to steer the ship of state safely past all these reefs.

P W Botha . . . deceptive tranquillity in his NP

At home, the economy remains the main problem. Low growth and attendant unemployment, with inflation remaining obstinately high, seem to be becoming immutable facts of life. The *FM* has argued repeatedly that further stimulatory measures are desperately needed. We can no longer afford a continuation of the paralysis of public policy-making that has followed the Info scandal, delaying for months the publication of the De Kock report on exchange rate policy.

The De Kock report is now scheduled to appear this month some time. Let us hope it makes strong recommendations for a reform of a policy that is increasingly inappropriate to present needs, and that these are swiftly implemented as part of a major fiscal and economic package aimed at getting the economy back on the rails again.

For a satisfactory economic growth rate is not just a pleasant luxury for SA: it is vital if the (black) mass of the population is to be brought into the money sector of the economy and paid wages adequate to ensure a comfortable standard of urban living, eliminating the dualistic economy with its vast pool of labour under-employed in inefficient, archaic agricultural pursuits and acting as a brake on the full development of SA's economic potential.

Unlike some of the more immediate dangers, this is a problem that, it can be argued, should be our major economic preoccupation not just this year, but for the rest of the century.

At least, in domestic politics we could be in for a quieter year, even if the tranquillity is deceptive. PW has made the transition to PM more smoothly than many expected, with only occasional lapses into his old impetuosity. Connie Mulder's career must now have been irrevocably destroyed, and the NP, with its customary discipline, is swinging into step behind its new leader.

But under the surface tensions remain. Can any political party really include indefinitely men whose views differ as widely as (say) Dr Treurnicht (not only Mulder's spiritual heir, but his titular successor as Transvaal leader of the NP) and Pik Botha?

Heavy weather

An early test will come with the Riekert and Wiehahn commissions into labour policy, both of which, we hear, have run into some heavy weather. Wiehahn's recommendations are likely to be, to put it mildly, unpalatable to the Treurnicht camp. Labour Minister Fanie

1974	2 497	2 725	0,92
1975	2 771	2 827	0,98
1976	2 548	2 945	0,87
1977	?	3 190	?

P.T.O

Botha has committed himself to change, as has PW: but will they be able to push through reforms against the combined forces of Dr Treurnicht and Arrie Paulus?

This battle will have to be fought this year; its outcome will be crucial to the future development of government policy in far wider areas than just labour relations, important though that may be.

One thing is for sure: neither side will want to run the risk of splitting the NP, and hence Afrikanderdom, the way it was split in 1939 and menaced with a repeat performance at the time of the HNP breakaway.

The HNP experience must have convinced both verligtes and verkramptes that the way to power is by controlling the NP, not breaking from it; and Pik Botha can have no ambition to become another Japie Basson.

Of course, the last has not yet been heard of the Info scandal. Erasmus remains hard at work, and while it's difficult to believe that future revelations will have the shock effect of what has become known so far, there may still be a few more worms to dig out of the can.

And, on the old Greek principle of beheading the messenger who brings the bad news, NP fury at the role played by the Engelse pers in the exposure could bring renewed attempts at muzzling the freedom of the press.

Erosion may not last

Whether the erosion of NP support that has been shown in opinion polls will all be permanent, seems unlikely. But the Info scandal and the disclosure of the sinister activities of General Van der Bergh could well frighten off some of the English-speaking voters who have been stampeded into the NP corral in recent years, in spite of the normal reaction to a new external threat (of which, as has been pointed out, there could be several this year) being to consolidate support behind the government again.

All in all, it's not going to be an easy year. And in a sense the government is losing control of its own destiny, as so many of the threats it has to face emanate from beyond our boundaries.

Thank heavens, at least, for gold, whose international role shows no signs of diminishing. Back home, this boosts the balance of payments and the state coffers, as well as being a major source of employment and investment capital. Thank heavens, too, for diamonds, platinum, coal, uranium, asbestos, iron and manganese, and chrome, other major contributors to our healthy current account.

If the outlook's not all black, it's largely because of these export commodities. It's better not to think where we would be without them.

● In the pages and articles that follow, the *FM*'s correspondents around the world look at the prospects for 1979 in their areas.

Sizeable surplus likely at time of next budget

Star 9/1/79

49

By Harold Fridjhon

The Treasury is wading knee-deep in cash and in spite of the accelerated rate of Government spending, all signs are presently pointing to Senator Horwood having a sizeable surplus when he presents his Budget in March.

While revenue under most headings is buoyant, the Minister's bonuses will come from income tax and gold mining leases — as a result of the ruling high gold price — and, from the figures up to November 1978, from the general sales tax.

Senator Horwood had budgetted to receive R145m from gold mining leases for the fiscal year. By November 30, 1978 he had already collected R143m with four months to go and with the price of gold still in the higher brackets.

Income tax receipt for the eight months amounted to R2 534m against an estimate of R4 205m with four big collection months in hand.

Taking both the old sales tax and the GST together it was expected that R736m would be collected during the year. Instead of getting R341m from the old sales tax, it looks as if there might be a shortfall of R216m, but offsetting that the next budget figure for GST is R395m; by the end of November receipts amounted to R292,7m, with Christmas trade yet to come into account and the November rate being R83,7m.

The customs surcharge might produce a budget shortfall and with other heads of revenue looking lush, this is one area where the Minister could cut back next year and help to cushion living cost rises.

Other by-products of the higher gold price are increased revenue from non-resident shareholders tax as well as MST, reflecting increased activity on the Johannesburg stock exchange. By the end of November income from this source was R9,6m compared with R8,2m for the comparable period last year and a budget estimate of R12m.

Following the normal pattern, the rate of State spending has been stepped up in recent months — from an average of R800m a month to R859m and if some departments are to achieve their targeted expenditure, monthly expenditure could be at an even higher rate during the last couple of months of the fiscal year.

This should be good for business as the quickened pace of government spending seeps its way through the economy.

During the eight months period official foreign borrowing amounting to R135m was repaid while new borrowing amounted only to R22m.

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Current Problems

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Botswana's rural econom ... certainty of the rains. In the past ... nt work in South Africa as migrants ... ale labour force underwrote the flu ... ied, by work outside the country. T ... me Distribution Survey, that many in fact ... se of rural poverty. The Survey dis ... s, containing 35% of the rural populati ... line (household annual income of P50 ... There appears to be a strong correlation between the n ... ome, similar maldistribution in the ownership of cattle a ... oductivity of arable farming.

The high capital:employme ... ars has held back the general growth of employment oppo ... 1972-75 employment in the Government sector, mostly ... 0%; in mining, manufacturing and construction it grew ... ale farming it grew by only 4%. The completion of much of ... the fixed capital formation of the recent phase of ec ... hat employment growth in the first two categories will ... 20% of those whose education qualified them for employ ... tor had a job. The National Development Plan 1976-81 predicts that by the year 2000, and given high rates of employment growth, the proportion of those qualified in jobs will rise to

Treasury move good for JSE and borrowers

RAM 12/1/79

(49)

By HOWARD PREECE

THE Johannesburg Stock Exchange was given a firm boost for the first half of 1979 by yesterday's announcement that the Treasury will not be coming to the capital market when R326-million of gilts mature at the end of February.

It is also good news for all the public corporations and municipalities, such as Johannesburg, which are scheduled to come to the capital market in the next few months.

They will be able to borrow fairly easily and very much cheaper than the levels of, for example, two to three years ago.

It is possible that some of the smaller municipalities will even defer coming to market in the present easy conditions and wait hopefully for rates to fall further.

Long-term interest rates have already come down about 0,40% since early December.

Market experts believe they are likely to come down around another 0,25% over the next month.

This must have a beneficial effect on the JSE. The Rand Daily Mail 100 industrial index has gone up from just under 270 to nearly 280 in the first trading days of this year.

Various factors have been at work, but the continuing decline in long-term interest rates has been a contributory factor.

Rates are, in fact, back to the levels of the middle of 1974. The difference, however, is that at that time they were on the way up and now they are on the way down.

The JSE industrial share indices were generally on the slide in 1974 while the overall trend for the past 10 months or so has been improving.

The long-term trading rate for Government stocks — gilts — has come down to around 9,55% this week against close to the official rate of 10% shortly before Christmas.

Market sources say it could drop to approximately 9,25% over the next few weeks, perhaps within a few days.

There was virtually no dealing in long-term gilts yesterday with hardly any stock on offer as would-be sellers waited for clarification on rates.

Escom par stock has been trading around 9.75% compared with 10,25% four weeks ago.

This rate, for the most blue-chip of semi-gilts, was as high as 12,60% in October 1976.

(2) GNP includes all intermed...
(3) Net national product figures made by the government and g... figures do not.
(4) Net national product is equal... stock at the end of the year
(5) None of the above.

15. The value of the housekeeping serv... from GNP because:

(1) Of the statistical problem of
(2) It does not represent a curre... production.
(3) It is a transfer item.
(4) No money payment is involved, ... excluded.
(5) These services are not final

16. The relation between Gross Domestic ... GNP is:

(1) GNP is always greater than GDP
(2) GDP is always greater than GNP
(3) GNP = GDP + Exports.
(4) GDP = GNP - Imports.
(5) None of the above.

17. Generally the numerically smallest national income aggregate is:

(1) NNP.
(2) Personal income.
(3) NNP at factor cost.
(4) Gross domestic product.
(5) Disposable income.

18. Which of the following would be included in current GNP?

(1) The purchase of flour by a bakery.
(2) The purchase of 40 shares in S.A. Breweries
(3) Flour purchased by a housewife.
(4) The receipt of R100 interest on government bonds.
(5) All of the above.

19. At the depth of the great depression unemployment was about:

(1) 7% (4) 25%
(2) 15% (5) 5%
(3) 50%

20. By Net Economic Welfare (NEW), we mean:

(1) GNP adjusted for the disamenities of modern life.
(2) Zero population growth.
(3) GNP per capita.
(4) GNP adjusted for inflation.
(5) GNP adjusted for inflation and stated in per capita terms with a stable population size.

21. Included in GNP are:

(1) Gifts and donations.
(2) Transfer payments.
(3) Realised capital gains during a period of inflation.
(4) Sales of shares.
(5) None of the above.

22. The sum of all stages' value-added in the production of some good:

(1) is less than final selling price of that good.
(2) is greater than final selling price of that good.
(3) is equal to final selling price of that good.
(4) bears no relationship to final selling price of that good.
(5) is not a meaningful concept at all.

SCHOOL OF ECONOMICS   1978

ECONOMICS 1A

CLASS EXAMINATION : 6TH SEPTEMBER, 1978 : MULTIPLE CHOICE TEST

This test counts 10% towards the final examination mark. One mark will be awarded for every correct answer, and 1/4 mark will be deducted for each wrong answer. Write your answers clearly and legibly in space provided on computer answer sheet.

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1. Which of the following statements is not true of the GNP?

(1) GNP measures only total output available to nation.
(2) GNP excludes leisure which is a major part of human welfare.
(3) GNP is measured in market prices (actual and imputed)
(4) GNP does not include non-market output.
(5) None of the above.

2. Which of the following are not included in GNP?

(1) Net interest.
(2) Social security payments to the aged.
(3) Depreciation.
(4) Taxes.
(5) Profits.

3. Which of the following come closest to being a better measure of the change in the real standard of living?

(1) Change in GNP at current prices.
(2) Change in GNP at constant prices.
(3) Change in NNP at constant prices.
(4) Change in NNP at current prices.
(5) Change in investment expenditure.

4. Which of the following is not an indirect business tax?

(1) A sales tax.
(2) A company profit tax
(3) An import duty.
(4) A property tax.
(5) None of the above.

5. Which income measure is derived by adding all factor costs in current period?

(1) National Income
(2) Gross National product
(3) Disposable Income
(4) Net National Product
(5) Personal Income

6. The sum of all expenditures for final goods and services is the equivalent of:

(1) All income paid out as wages and salaries.
(2) The amount of money in circulation.
(3) Disposable income.
(4) The total of all "values added".
(5) All the above.

7. Which one of the following best approximates the Department of Statistics reported "national income"?

(1) Total income received by individuals.
(2) Total cost of producing goods and services.
(3) Total payments (including profits) to the factors of production.
(4) Total income received by individuals after all taxes have been paid.
(5) Market value of goods and services produced.

8. In the national income and product accounts, a negative gross investment figure:

(1) could never occur.
(2) would automatically occur if there were no current investment.

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if capital used up by depreciation exceeded
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e between gross investment and net investment.
businessfirms from other business firms.

illion in 1965, measured in current prices,
l rose by 20% from 1960 to 1965, then the
prices, would be:

(4) R360 million
(5) R520 million

lower than that by the end of this month.

The last time Escom traded in the 9,50% range was in July 1974

With the Treasury out of the market, the first major test will be the Iscor R50-million issue scheduled for the second half of next month.

Cape Town, however, is expected to come just before that for R15-million and should give a solid pointer.

Escom is due in April for R75-million and Johannesburg will also come to market that month for R25-million.

Capital market experts say that with funds plentiful and demand solid for good semi-gilt stocks — in spite of the fact that all institutions have stocks on hand surplus to their prescribed needs — interest rates are in a definite continuing downward phase.

A restraining factor, however, is fear that the oil crisis could compel sharp upward pressures on the inflation rate and put it completely out of line with existing interest rate patterns.

(149) FM 19/1/79

STOCK MARKET

What is it saying?

On Tuesday, the *RDM* industrial index closed at 294,8, just ahead of the 292,1 it recorded on July 10 1973 and the highest since September 15 1969, when it was 296,7. On Wednesday it advanced further to 297,4. This is still some way short of the May 1969 high of 371,4, and if the figures were adjusted for inflation the performance of the market over the past decade would be less impressive.

But leaving that aside, the market's behaviour since mid-1977 has been decidedly healthy. How is this to be reconciled with the classical view that, in anything approaching the long run, industrial share prices must reflect the underlying trend of an economy — or, at any rate, changes in that trend?

For much of the past two years, the economy has been bumping along the trough of the longest and deepest recession in the SA economy for at least 45 years. If anything, the hesitant pace of recovery slackened in the second half of 1978, and gives no indication of resumption; yet share prices show no signs of falling back.

To some extent, of course, this simply confirms that the 1974-77 market trough took too pessimistic a view of our long-term future, just as the 1968-69 high was hopelessly over-optimistic. But this is not the whole answer; in fact, we are being shown that classical market theories only work in an open market. And, largely thanks to exchange controls, the SA economy generally — not just the stock exchange — is not an open market.

Highest at the tail-end

Generally, liquidity is at its highest at the tail-end of a recession; but this money does not go into the share market, because corporate profit prospects seem unfavourable. Share prices only recover significantly with corporate profit prospects as real activity picks up.

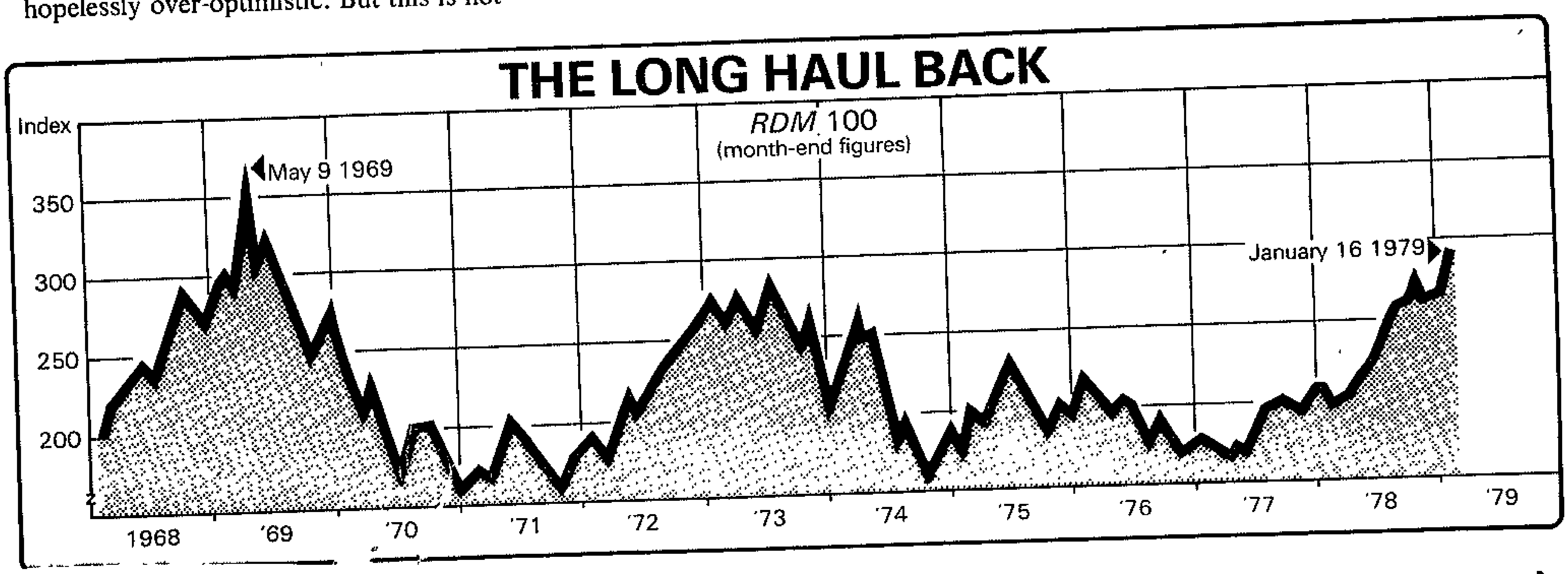
Why, then, have we had such a strong industrial market at a time when manifestations of overall economic recovery have been so few and economists are predicting a real growth rate of only 2%-3% in 1979? The answer is that the mechanism described above can no longer operate.

We have indeed experienced a massive build-up in liquidity in the financial sector. This has been reinforced by foreign buying of SA gold shares, from previous local holders. The trouble is the shortage of other channels to absorb the reinvestment of all these funds, as evidenced by the huge fresh investments in gilt-edged securities since the middle of last year.

After four years of slack demand, much industry is still suffering spare capacity as a result of over-estimates of growth in the late Sixties and early Seventies. Although every now and again we hear of the imminence of a restocking boom, it obstinately refuses to happen. So there is little stimulus to private sector fixed investment.

Institutions, many of whom took a view on interest rates last year, are stocked to the gills with fixed-interest stocks, both private and public sector. They are prevented by exchange controls from seeking more rewarding investments abroad. They have no great desire to invest in property — the memories of Hofman, Summit, Glen Anil *et al* are still too painful. Apart from the market, where else is there for them to invest their large contractual cash flows?

While classical theory would see in the recent strength of the market a sign that a strong economic revival is at hand, in this case the reverse is true: it is the lack of economic growth which has restricted opportunities for profitable investment and driven funds into the stock market — aided by the fact that, when this movement started in 1977, the average yield of 12%-13% on the *FM* industrial index was historically attractive.



We are thus faced with the paradox that the best thing for the market in 1979 could be a continuation of slack economic conditions and hence high liquidity. And if falling interest rates lead to a damaging switch in trade financing forcing us to devalue, this too can only be good for share prices.

A major economic revival on the other hand, could draw cash out of the financial markets into financing real economic activity. In that event, even if profit prospects improve, present yields on industrials, now on average down below 8%, could on strict fundamentals turn out to be looking quite some way into the future.

So, in spite of continuing high inflation and low growth, and the uncertainty stemming from the delays encountered by the De Kock, Riekert and Wiehahn commissions, it is not surprising that investment managers and analysts are looking forward to a good 1979 for Diagonal Street (see *Markets*). Further encouragement comes from the stubborn refusal of the gold price to be hit by US (and other) efforts to minimise its importance, corrections there will no doubt be from time to time, but the $220 1979 average on which the Anglo Free State mines were relying to maintain their results (*Fox*, last week) looks more and more as if it will easily be surpassed.

In short, the strength of industrials on Diagonal Street is no tribute to the current state of the economy, or its immediate prospects.

The policy implication is that efforts [illegible] measures aimed simply at putting [illegible] liquidity into the economy are at best a waste of time [illegible] ful. What [illegible] individuals and companies [illegible] again. A [illegible] would help, but [illegible] really need [illegible] a recovery of confidence that can only come if prospects for political [illegible] improve.

Then we will [illegible] time [illegible] to restock [illegible] in new productive capacity [illegible] opportunities [illegible] towards the growth rate that our natural resources would support.

Alas, this battle is as much political [illegible] economic.

South African economy accelerating towards a crossroads . . .

Cape Times 19/1/79

By Gordon Kling

THE SOUTH AFRICAN economy yesterday continued to accelerate towards a crossroads which will largely determine the economic direction of the country for years to come.

Key indicators are providing the strongest grounds for financial optimism since the boom years of the 60s while some of the government's fiscal and monetary intentions will shortly be evident in the form of action on the De Kock commission on exchange control policy, expected within weeks after a lengthly and preturbing delay. And the Minister of Finance, Senator Owen Horwood, must now be in the process of formulating critical measures to build on the recent developments with the national budget just over two months away.

The new economic wave moved ahead on a broad front yesterday:

- The gold price continued to move ahead after soaring more than \$6,00 an ounce the previous day in an ironic rise on the heels of the latest US Treasury giant gold auction which was heavily overbid. It was the announcement of the auctions which caused the metal to fall back from the record heights to, which it again appears to be heading.
- Department of Statistics figures indicated consumers were embarking on a new year spending spree rivaling the rush to the tills before the introduction of the general sales tax last July. The January figure looks set to exceed R1 000 million for the first time and Christmas spending@@also a new record at R1 425 million.
- The buoyancy on the Johannesburg Stock Exchange continued with sectors firming in moderate trading as the RDM 100 industrial index, now at its highest level in 10 years, pushed for the 300 mark.

Stock market sources attributed the JSE "boomlet" to major investors unloading poor quality shares in favour of blue chips while the chairman of Sanlam, Dr A D Wassenaar, cautioned: "I don't think there is such a terrific boom and there are no indications that what there is will persist for any length of time".

"Look at companies that have done well during the recession years and be carefull," was the advice from brokers.

- Money market men pointed to extremely high liquidity, particularly in long term funds, and predicted a further decline in interest rates which should provide a non-inflationary boost by lowering the whole cost structure of the economy.

The state steel undertaking, Iscor, is expected to provide a good example of the softening in rates, already down some 1,5 percent over the year to under 10 percent, when it comes to the market with the first major issue of 1979, for R50 million, in February. The rate drop is equivalent to an annualized capital increase of some 25 percent — a big boost for the larger and smarter financial institutions which would have anticipated it. Company debenture rates are down two percent from this time last year to 11 percent.

All this means there is a real possibility that private individuals will benefit from a new round of interest rate cuts in money that matters to them - mortgage bonds, HP, and overdraft rates.

Speculation rife

On the corporate front, reliable banking sources note that speculation is again rife that the De Kock commission will produce a two tier exchange rate system. This, however, could be little more than a tidying up of existing arrangements with a market orientated financial rand, along the lines of the securities rand, for investments and other transactions, and a new commercial rand pegged to a basket of currencies rather than the US dollar.

Speculation on other measures, such as a relaxation of restrictions on the import and export of capital by South Africans and non-residents, ranges from cautious expectations of virtually no change, because of a war scenario in Southern Africa, to the sentiment that controls will have to be eased to stimulate investment. What is guiling the financial community is the delay in announcing measures which deeply affect it since it is known Senator Horwood has had the commission's report for about two months.

Then there's the national budget at the end of March. All the signs and almost all the authorities, barring the Department of Finance which is remaining mum of course, harbinger an easing of personal income tax.

It all comes down to a strong base for a new economic expansion and all the implications this entails, with political factors, including the availability of oil supplies, dictating the extent of what must be the best opportunity to get things moving for a decade.

On the other hand, if the new wave of optimistic indicators cannot soon be transformed into a better standard of living for most of the population, it would not be unreasonable to expect serious consequences.

TRADE & INDUSTRY

49

FM 19/11/79

Trading up

It would be surprising if T&I shares stay below 200c for much longer after this week's better-than-expected interim results. Although the report does not give reasons for the strong growth, the broader base given by the completed integration of Federated Shippers, and unutilised financing capacity at the end of last year, clearly had a strong influence. Chairman Ivor Jacobson tells the *FM* that the utilisation of this spare capacity manifested itself in higher group receivables, adding that "by far the biggest contributor to profit was financing and international trade."

The 24,6% pre-tax profit increase improves substantially on Jacobson's low-key forecast of "a successful year of operation." This points to greater expectations for the second half. Due to a 34,5% (30,0%) tax rate, earnings increased only 15,9% to 27c (23,3c), out of which a 3,8 (4,2) times covered 7c (5,5c) dividend is to be paid.

Not included in the earnings is R143 000 capital profit on the sale of T&I's investment in Capcar. These shares were probably sold to facilitate the R824 000 purchase of 50,1% of Prescat's equity, which the group obviously considers to be a better investment. The 65c paid to the controlling Chweidan family is being extended to the Prescat minorities.

Looking ahead, it is likely that the first half's growth will be maintained in the second half. Assuming a maintained tax rate, a 13c final dividend could be on the cards, covered just less than 3 times.

At 185c, yielding a prospective 10,8% against a 7,1% sector average, the tightly-held shares could go higher.

Peter Pittendrigh

Report on SA monetary policy today

Cape Times 24.1.79.

49

By GORDON KLING

THE REPORT of the De Kock commission into monetary policy, which holds far-reaching implications for the South African economy, is to be released today.

The Minister of Finance, Senator Owen Horwood, will hold a Cape Town press conference on the report shortly after its release. He is certain to deal with the international value of the rand and may announce changes in regulations pertaining to exchange control.

The Johannesburg Stock Exchange and the banks' foreign exchange windows would be closed today to prevent undue fluctuations of shares while the repport was being evaluated, the Stock Exchange's public relations officer, Mr Clive Algar, told Sapa last night.

The decision to close the Stock Exchange was taken earlier in the evening, following a request from the minister of finance, Mr Algar said.

A source at the ministry said the report would be released to the national media at noon today. The minister would address a press conference in Cape Town at 3 pm, but both the contents of the report and the contents of the press conference would be embargoed until 7 pm, the source said.

Major banks have recently been deluged with demand for forward cover (effectively insurance against a devaluation of the rand) from South African importers, but indicative of the insecurity of businessmen in the face of measures over which they have little control, there have also been moves to protect against a revaluation. Whatever changes take place in the rand's 1,15 United States dollar parity are likely to be small, with bankers guessing that a managed, fixed percentage variation will be allowed.

RAND DAILY MAIL, Thursday, 25, 1979.

(49)

Commercial and financial rands proposed

THIS IS the De Kock Commission of Inquiry's full summary of its "Interim report into the monetary system and monetary policy in South Africa."

The report is entitled "Exchange rates in South Africa."

It reads, with headings:

THE COMMISSION'S APPROACH

1. In short-term economic stabilisation policy in South Africa the main emphasis should be placed upon conservative monetary and fiscal policies and general financial discipline. Exchange rate policy can never be a substitute for such policies and discipline. In the long term, conservative fiscal and monetary policies designed to make the rand a strong currency, will also have themost beneficial effects on the rate of real economic growth and on internal and external economic stability in South Africa.

2. Exchange rate policy should form an important part of official econonmic strategy designed to achieve the best reconciliation between economic growth and internal and external economic stability.

3. In this interim report the commission is making recommendations with regard to the appropriate exchange rate system and policy framework for South Africa and not with regard to any specific revaluation (or appreciation) of the rand. The task of deciding upon the appropriate direction in which the exchange rate should at any time be left to the monetary authorities to perform in the light of the prevailing circumstances.

The commission does recommend, however, that such decisions be taken as part and parcel of broad monetary policy and that they should be related to decisions regarding money supply, interest rates and other important economic variables.

CHAPTER 3

THE RELATIONSHIPS BETWEEN EXCHANGE RATES AND THE ECONO-

exchange control over non-residents and only limited control over residents.

This implies that the rand will no longer be pegged to the US dollar. It also implies that in the eventual system there will be no "securities rand", "financial rand" or "dual" exchange rate system of any kind.

Such a system could also be described as one of "managed floating" for a single or unitary rand with limited exchange control applicable only to residents.

7. Although recognising its theoretical advantages, the commission does not recommend a system of completely free floating for South Africa. Instead, it recommends a managed float for an independent South African rand.

The commission considers it both inevitable and desirable that the Reserve Bank should continue to be a major participant in the foreign exchange market and to exert an important influence on it.

8. In recommending a system of managed floating, the commission attaches considerable weight to the importance for South Africa of a market-related exchange rate which would be partly an endogenous variable registering the effects of other economic developments and policies, and partly, through Reserve Bank intervention, a policy instrument.

To the extent that such a rate was an endogenous variable determined by free market forces, it would help to clear the market and thus to avoid large changes in the total official gold and other foreign reserves.

And to the extent that the rate was used as a policy instrument, through being deliberately influenced in a specific way by Reserve Bank purchases or sales of dollars in the foreign exchange market, it could, as recommended earlier by the commission, form part and parcel of broad monetary policy designed to achieve in any given situation the best reconciliation between economic growth and internal and external economic stability.

9. The sytem of unitary

public. In other words, price control in the foreign exchange market should be abolished.

The exchange rates quoted by authorised dealers for US dollars, as well as for other currencies, would then largely be determined by supply and demand in the market, subject only to Reserve Bank intervention in the form of purchases and sales of foreign exchange, mainly dollars.

13. The Reserve Bank itself should, except possible during the initial transition stage, cease to quote any predetermined buying or selling rates for dollars and would therefore also no longer have a fixed "middle rate" for dollars. However, the bank should continue to be an active participant and "intervener" in the market and should stand ready to buy dollars from and sell dollars to the authorised dealers, but not at a predetermined price.

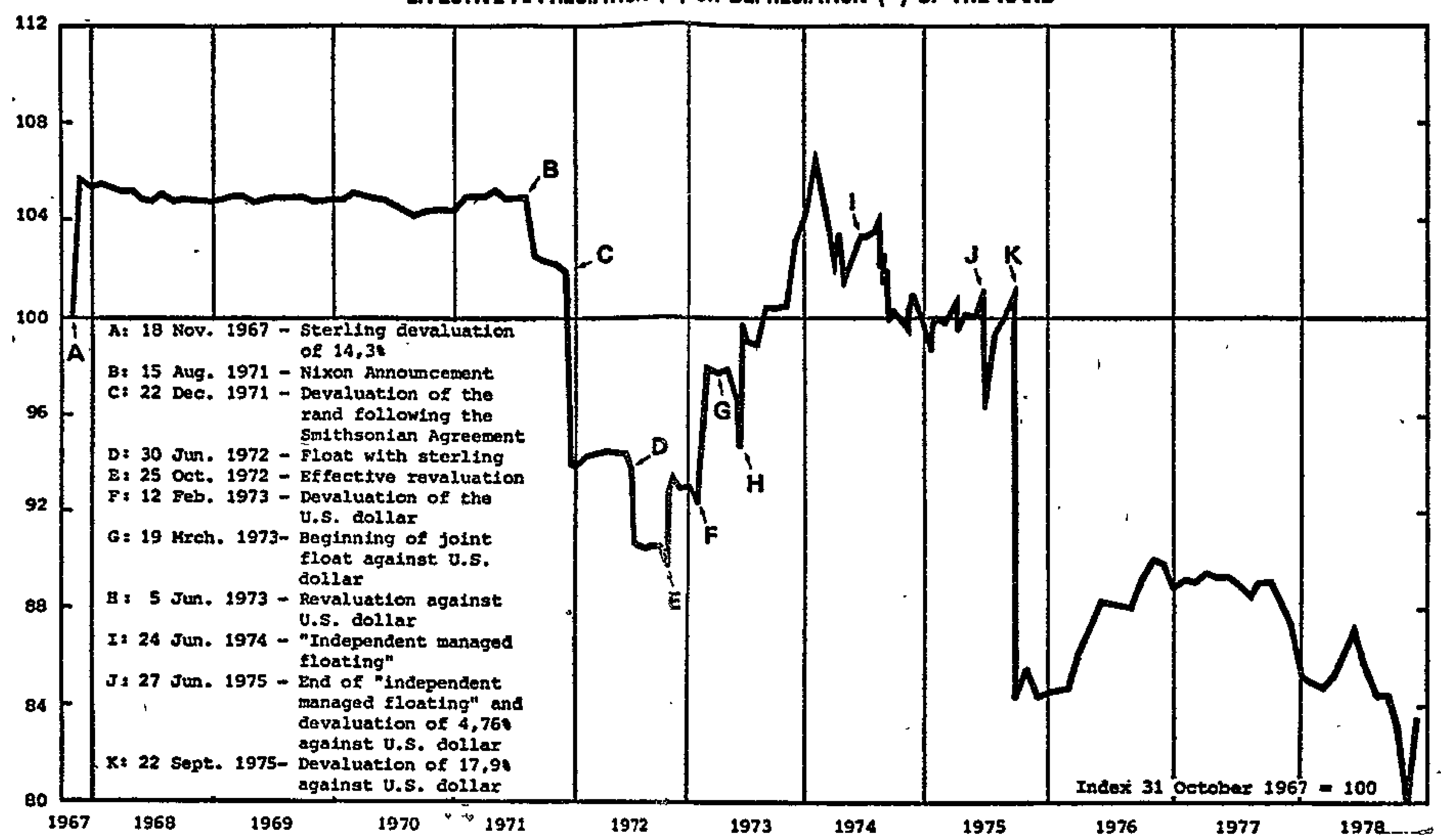
14. Authorised foreign exchange dealers should be allowed to hold reasonable amounts of foreign exchange, to maintain "open positions" and to deal for their own account in foreign exchange within limits prescribed by the Reserve Bank. To this end, the exchange control regulations should be amended where necessary.

15. To enable authorised dealers to benefit from currency fluctuations there should be no restriction upon the size of a position taken during the course of the day.

However, to control exposures of individual authorised dealers and the banking community as a whole, as well as to protect the official reserves, the Reserve Bank should set an "open position limit" for each daler for all foreign currencies together, both spot and forward, against rand, which that dealer must observe at the close of trading every day. This limit applies to the difference between the authorised dealer's assets and liabilities in foreign currencies, including forward assets and liabilities.

16. To limit the amount of

EFFECTIVE APPRECIATION (+) OR DEPRECIATION (–) OF THE RAND



channelled through authorised dealers.

18. Preferential exchange rates and set-off dispensations granted by the Reserve Bank to certain semi-state and private organisations should be reviewed and withdrawn in cases where they could no longer be justified under the new exchange rate arrangements.

19. The commission sees the development of an active and competitive spot foreign exchange market as a process.

In the initial stages, until the market settles down, there is bound to be a considerable degree of uncertainty and hesitation, which could cause disorderly conditions and erratic fluctuations in the market. For this reason it is essential that the Reserve Bank should provide the necessary guidance and encouragement to authorised dealers from the very beginning.

Indeed, in the opinion of the commission it is vital to the success of the new system that in its implementation there should be close consultation and coopera-

eign exchange market, the Reserve Bank might initially find it necessary to quote indicative buying and selling rates for the dollar.

As the market "finds its feet" and evolves its own trading conventions, the bank would gradually be able to alter its stance from price setter to intervener in a market where the rand-dollar rate is determined in response to supply and demand.

24. Since the present report is only an interim one confined to exchange rate matters, the commission is reluctant to make firm recommendations at this stage with regard to the principles of intervention in the South African foreign exchange market.

It would prefer to do this in its final report after it has integrated its findings on exchange rates with the results of its investigations into other aspects of the monetary system and monetary policy in South Africa. It is not very meaningful to discuss exchange rate policy in an open economy like that of South Africa separately from questions relating to the monetary aggre-

developed foreign exchange market, should become a firm objective of official exchange rate policy.

However, such a forward market would have to evolve gradually. This does not mean that, for the present, the commission recommends the retention of the status quo in respect of forward cover arrangements. On the contrary, as part of the process of developing a proper forward exchange market in South Africa, the commission proposes certain measures for immediate implementation.

27. Steps should be taken to develop a forward market which will, in the initial phase, largely be administered by the Reserve Bank but in which forward margins will be determined on a variable and progressively more market-related rather than a fixed basis. Such varying administered forward margins would appear to constitute an intermediate step between fixed margins, as at present, and comnpetitively determined margins as envisaged in the fully developed market.

28. As far as circumstances permit, the Reserve

a developed competitive spot market will contribute to this end.

30. In the meantime, authorities dealers should be encouraged to marry forward sales and purchases as far as possible and, within the limits to be imposed by the Reserve Bank for each dealer, to cover net forward foreign liabilities by holding spot foreign assets. These limits should be increased over time in order to encourage the development of a proper forward exchange market in South Africa.

31. In order to stimulate foreign borrowing by the private sector in the interests of more rapid economic growth, the Reserve Bank should be prepared to extend forward cover facilities to any such loans approved by Exchange Control. It is recommended that such cover be provided only in respect of the rand-/dollar exchange risk and preferably for a period of one year at a time.

32. The Reserve Bank should in future extende forward cover on foreign loans by public corporations and other privileged semi-gov-

objectives to which high priority must be accorded. They can be more effectively pursued if sufficient incentive, namely by entry at an especially favourable rate of exchange, is given to foreign investment.

35. The proposed financial rand market should furthermore be opened to residents in an evolutionary manner, with a further proviso that transfers by residents at the financial rate of amounts exceeding, say, R3 000 or R5 000 per year will, for the time being, still require exchange control approval.

36. In the early stages and before appreciable investment through the financial rand market got under way, the Reserve Bank might wish to delay the introduction of the free transfer facility for residents or approve residents' transfers above the free limit initially on a more restrictive basis.

37. In respect of borrowed capital of all descriptions, the commercial rate of exchange should apply.

38. The following transactions should qualify for settlement at the financial rate of exchange:

(a) Non-resident owned equity investment and disinvestment in all real and financial assets: transfers from deceased estates accruing to non-residents, and immigrants' funds.

(b) Residents' capital transfers, excluding loans but including emigrants' funds, on approval by Exchange Control. It is proposed that residents' remittances, including the purchase of foreign bank notes and travellers cheques over and above the approved travel allowance, but not exceeding, say R3 000 or R5 000 per annum per adult, be exempted from individual approval.

39. All payments and receipts of a current nature (excluding the additional travel allowances referred to above), as well as loan funds, should cross the exchanges at the commercial rate. Under "loan funds" are included bank loans, syndicated loans, bond issues by the public and private sectors, debenture issues, mortgages, parent company current accounts and shareholder loans.

40. The existing non-resident securities rand accounts and transferable rand accounts would become non-resident financial and commercial rand accounts, respectively.

41. The administration and control of financial rand transactions would devolve mainly on the authorised dealers, who would have to ensure, in particular, that inflows converted at the financial rate represented equity investment in the broad sense and not the proceeds of loans and exports. Probably most financial rand bank accounts would be concentrated at a limited number of branches of each of the authorised dealers, as is the case now with securities rand accounts.

42. Regulation 3 (1) (f), which restricts domestic borrowing by foreign controlled companies in accordance with a prescribed formula and which is considered by many to be a serious deterrent to both domestic economic expansion and the inflow of new foreign capital, should be applied more flexibly in cases where expanded business activity and employment are, in present circumstances, best financed by local borrowing.

43. If the demand for financial rand should at times prove insufficient to prevent a sharp decline of the financial rate, the Reserve Bank could, if desired, feed carefully measured doses of foreign exchange into that market as part of a co-ordinated policy of intervention in the commercial and financial rand markets, respectively.

Other conditions are conceivable where it might be desirable to resist any narrowing of the discount through Reserve Bank purchases of foreign exchange at the financial rand rate. The commission envisages that, as a general rule, the Reserve Bank would only rarely intervene in the financial rand market, in contrast to its constant operation in, and close surveillance of, the commercial rand market.

44. The particular dual-rate system proposed by the commission as a transitional arrangement is intended to evolve as circumstances warrant, first, towards a dual exchange market in which all capital transactions excluding loans, by residents and non-residents alike, take place freely at the financial rate for the rand, and where the remaining function of exchange control is to ensure, through the authorised dealers, that the commercial rate of exchange is applied to all current-account items and loans; and then, second, to a unitary foreign exchange market, subject to official intervention and limited exchange control.

This evolutionary development should proceed under the guidance of the monetary authorities and amid continuing and extensive consultation between all the institutions concerned.

Serious defects in a world

4. In analysing the interrelationships between exchange rates and South Africa's balance of payments and domestic economic situation, a different approach is required under a floating rate system than under a system of fixed but adjustable exchange rates.

Under a floating rate system the exchange rate becomes more of an endogenous variable which registers the effects of other economic policies and natural economic developments, and less of an exogenous policy instrument designed to exert certain effects on the balance of payments and the domestic economy.

Under a system of managed floating, the exchange rate is probably best viewed as partly an endogenous variable and partly an exogenous policy instrument.

CHAPTER 5

THE BASIC OR LONGER-TERM RECOMMENDATION: A MARKET-DETERMINED FLEXIBLE EXCHANGE RATE FOR AN INDEPENDENT RAND SUBJECT TO RESERVE BANK MANAGEMENT BUT WITH ONLY LIMITED EXCHANGE CONTROL

5. The commission recommends, as a matter of some urgency, a major reform of South Africa's foreign exchange practices and policies. In making this recommendation, the commission wishes to draw a distinction between what it considers to be the most appropriate eventual exchange rate system for South Africa in the world of floating exchange rates, and the evolutionary process of reform which it proposes as the best way of attaining that system.

With this distinction in mind, the commission therefore wishes to make both a longer-term and a short-term recommendation with regard to the South African exchange rate system.

6. As the most appropriate eventual system for South Africa, assuming some abatement of the recent abnormal conditons on the capital account of the balance of payments, the commission recommends a unitary exchange rate system under which an independent and flexible rand finds its own level in well-developed and competitive spot and forward foreign exchange markets in South Africa, subject to Reserve Bank "intervention" or "management" by means of purchase and sales of foreign exchange (mainly US dollars), but with no dependent rand with only limited exchange control, as recommended by the commission for the longer term, cannot be fully implemented at this stage, but can best be attained through an evolutionary process of reform.

Given the prevailing circumstances in Southern Africa and the fact that tight exchange control has been maintained over non-residents as well as residents over a period of many years, it is essential to retain fairly comprehensive exchange control, at least in the short term.

The recommended relaxation of exchange control must therefore be viewed as a longer-term evolutionary process. A start should, however, be made immediately with the gradual relaxation and simplification of exchange control and its replacement by more appropriate exchange rate practices and policies.

CHAPTER 6

THE SHORT-TERM RECOMMENDATION. A DUAL EXCHANGE RATE SYSTEM WITH A MANAGED MARKET-DETERMINED RATE FOR A COMMERCIAL RAND AND A FREE FINANCIAL RAND

10. To set the proposed process of exchange rate reform in motion, the commission recommends, as a transitional measure, the expansion of the existing dual exchange rate system in South Africa into a more developed and formal system with a managed, market-determined rate for an independent and flexible "commercial rand", and a more freely floating rate for a "financial rand". This constitutes the commission's short-term recommendation.

CHAPTER 7

THE DEVELOPMENT OF A MORE COMPETITIVE SPOT EXCHANGE MARKET IN SOUTH AFRICA

11. As an essential part of both the short- and long-term recommendations of the commission, a broader and more active and competitive spot foreign exchange market should be developed in South Africa as speedily as possible. (The remaining recommendations in this chapter cover the various steps recommended by the commission to develop such a market).

12. The Reserve Bank should cease to prescribe the buying and selling rates for dollars which must, under the present system, be quoted by authorised foreign exchange dealers in their transactions with the side the official reserves, it would also be necessary to impose a second limit on each authorised dealer, namely a "spot against forward" limit.

This would be a limit on a dealer's net current assets held in cover of net forward sales. It is recommended that the Reserve Bank should base both these proposed limits not only on the size of the institution, i.e. its capital base, but also on its turnover in foreign exchange.

17. To enable authorised dealers to cope with the narrower margins expected under a system of managed floating with less sacrifice of profitability, steps should be taken to increase the volume of foreign exchange transactions outside the Reserve Bank.

To this end, some of the foreign exchange receipts which currently flow directly to the Reserve Bank, causing a structural skewness and imbalance in the South African foreign exchange market and making the bank a net seller of dollars to the authorised dealers, should in future be channelled into the market via sales to the authorised dealers.

The Reserve Bank should continue to market South Africa's gold bullion and to sell the dollar proceeds into the market as and when necessary. The Bank should also continue to handle the proceeds of central government foreign loans.

However, the commission does recommend that the proceeds from sales of Krugerrands and diamonds, as well as the proceeds from foreign loans raised by public corporations and municipalities, which now accrue directly to the Reserve Bank, should in future be

Bank and the authorised dealers at various levels of management and administration.

20. For the successful implementation of the exchange rate system recommended by the commission, there is another basic requirement: the proposed foreign exchange market must be impersonal, truly competitive and free from monopolistic exploitation either by large final sellers or buyers of foreign exchange or by large authorised exchange dealers.

The commission recommends that the authorities should, from the outset, keep the situation under close surveillance and take whatever steps might be necessary to ensure that the required kind of impersonal and competitive foreign exchange market is, in fact, attained in South Africa.

21. To the extent that a need arises for compensation for declining profits on foreign exchange transactions under the proposed new system, the authorised dealers should themselves, in the normal competitive manner, levy charges on those clients on whose behalf they incur costs in administering exchange control.

CHAPTER 8

MANAGED FLOATING FOR AN INDEPENDENT RAND

22. The commission considers it both inevitable and desirable that the Reserve Bank should be a major participant and intervener in the foreign exchange market, able at all times to exert an important influence on the exchange rate by buying or selling foreign exchange, mainly U.S. dollars.

23. In controlling and guiding the emerging for-

policy and so on. [illegible]less, certain preliminary comments on intervention policy appear to be called for.

25. Whatever other objectives it might also have from time to time, intervention should ordinarily be a smoothing operation. A more basic reason for intervening is that the short-term market-cleaning rate is strongly influenced by considerations of asset management, inducing shifts of funds in anticipation of rate movements between the several foreign currencies, and may deviate from a level considered to conform to longer-run balance of payments equilibrium. Such a movement, once begun, may feed upon itself.

It should be countered by early intervention, guided by the authorities' view of the trend in the country's basic balance of payments. Official operations in the exchange market aimed at preventing cumulative rate movements should not, however, attempt to resist such medium-term trends as may in all the circumstances either be desirable or unavoidable without heavy cost to the foreign reserves or the state of the economy.

Certainly the authorities should not normally pursue a constant exchange value or effective exchange rate for the rand, by which is meant a defined average of the rates for the major foreign currencies.

CHAPTER 9

DEVELOPMENT OF A FORWARD EXCHANGE MARKET

26. The development of an active and competitive forward exchange market in South Africa, to function as an integral part of a well

competitive forward market. As a first step, it should cease its present practice of quoting a fixed charge or commission to be paid by both importers and exporters for forward cover, as this implies a premium on forward dollars sold to importers and a discount on forward dollars bought from exporters.

This results in "one-way covering" and therefore a serious imbalance between the Reserve Bank's forward purchases and sales of foreign exchange, leading, in turn, to substantial losses for the account of the Government.

Instead, the Reserve Bank should, in normal circumstances, quote the same premium or discount, as the case might be, on forward dollars bought from exporters as on forward dollars sold to importers. This would establish one (middle) price for forward dollars of any specific maturity, instead of two as under the present fixed "commission" system.

29. The commission accepts that in the initial stages of developing a competitive forward market the Reserve Bank, in determining the premiums and discounts on forward exchange, might often have to accord priority to the objective of protecting the reserves rather than to that of attaining a better balance between forward sales and purchases with a view to reducing the Bank's forward exchange losses.

In due course, however, as circumstances permit, it should be possible to give greater weight to the objective of an improved balance in the forward exchange market. It is expected that the proposed policy of managed floating for the rand in

transactions, leaving it to these bodies themselves to cover (in overseas forward markets) the exchange risk between the dollar and any other currency in which their loans might be denominated.

CHAPTER 10

FROM SECURITIES RAND TO FINANCIAL RAND

33. As a transitional measure and a further step towards the long-term objective of a market-determined unitary exchange rate for the rand, the commission recommends the creation of a more developed and formal dual exchange rate system than the one existing at present. Under this new system, the present official rate of exchange would become the commercial rate, responsive to market forces though subject to Reserve Bank intervention, and the securities rand rate would become the financial rate, pursuing its own course as at present, but applicable to a wider range of transactions.

34. In order to remove the severe disincentive to foreign investment inherent in the present rules governing securities rand, non-residents should be allowed to use securities rand (renamed "financial rand") for making investments in all types of assets and not only in listed securities.

The commission wishes to confine this concession to the purchase of a proprietor's interest, i.e. equity investment in the broad sense, as distinct from the provision of loan funds. Capital inflow through this avenue, while not directly benefitting the reserves, should create new economic activity, employment and technical advance.

These are urgent national

THE PRESENT South African exchange rate system has serious deficiencies, says the commission.

The report said the commission reached the conclusion that in the present world of floating currencies the South African system had serious deficiencies.

"The essence of the problem is that the present system, based as it is on relatively fixed dollar pegging in a relatively undeveloped foreign exchange market, is not conducive to the attainment of the optimum combination of economic growth, balance of payments equilibrium and internal economic stability."

The commission found a basic characteristic of the present system to be the absence of an active and competitive spot foreign exchange market in South Africa. The present so-called market was essentially an administered one, said the report.

The commission says that in pegging the rand to the US dollar, the Reserve Bank not only determines the rand-dollar middle rate but prescribes the buying and selling rate of the dollar.

"In effect therefore, the foreign exchange market in South Africa is subject to a form of price control.

"The Reserve Bank does more than maintain fixed margins within which authorised dealers may determine their own rates in competition with one another — under the exchange control rulings it actually lays down mandatory public buying and selling rates."

The report says the first and most important deficiency of the spot foreign exchange arrangements arises from the policy of dollar pegging.

"This policy, in turn, is directly related to the absence of an active and competitive spot foreign exchange market.

"Until such a market comes into being, no system of free or managed floating is possible and the Reserve Bank has no option but to peg the rand either to another single currency or to fix the rand-dollar exchange rate in some other way."

Part of the problem arises from the fact that under the present system the rand-dollar peg is changed only infrequently.

Far from providing exchange rate stability for South Africa, this means that for long periods at a time the rand is forced to float with the US dollar in terms of other currencies in directions determined by the fortunes or misfortunes of the dollar.

"Although this might suit South Africa at times, as was the case in 1977/78, it might not do so at other times."

Situations might arise in which the dollar depreciates considerably against other currencies and drags down the rand with inflationary consequences at a time when South Africa's balance of payments might be strong and its domestic economic activity at a satisfactory level.

On the other hand, there could be situations in which the dollar appreciates and pulls up the rand when South Africa is running a substantial balance of payments deficit and perhaps also experiencing recessionary domestic economic conditions.

"In both these kinds of situations, it would almost certainly not be to South Africa's advantage to follow the dollar. Furthermore, even if the dollar were to move in a direction acceptable to the South African monetary authorities, the problem of the appropriate extent to which the rand should follow it would still remain."

The report says a major defect of this or any other kind of relatively fixed pegged exchange rate system for the rand is the fact that changes in South Africa's balance of payments position tend to be reflected immediately in the level of the foreign reserves held by the Reserve Bank and it in changes in the exchange rate quoted by it.

Under the present system a persistent decline in the reserves often gives rise to serious speculative capital outflows, including so-called leads and lags.

"When the authorities attempt to defend an exchange rate which in the opinion of the market is clearly overvalued, speculators not only anticipate a devaluation but know from experience when it comes, it is likely to be a fairly large adjustment.

"With such a one-way risk and great potential rewards, they have every reason to 'speculate.' ".

The commission found that what was of great importance was the consideration that under the present system domestic economic policy objectives, such as the attainment of an adequate rate of economic growth and reasonably high levels of employment, often had to be accorded a lower policy priority than the defence of the existing fixed rand-dollar exchange rate.

— Sapa.

Urgent reform of foreign exchange practices for flexibility

THE COMMISSION recommends a major reform of South Africa's foreign exchange practices and policies as a "matter of some urgency".

The basic or long-term recommendation is for a market-determined flexible exchange rate for an independent rand subject to Reserve Bank management, but with only limited exchange control.

The commission says that in making this recommendation it wishes to draw a distinction between what it considers to be the most appropriate eventual exchange rate system for South Africa in a world of floating exchange rates, and the evolutionary process of reform which it proposes as the best way of attaining that system.

"With this distinction in mind, the commission therefore wishes to make both a longer-term and a short-term recommendation with regard to the South African exchange rate system.

"As the most appropriate eventual system for South Africa, assuming some abatement of the recent abnormal conditions on the capital account of the balance of payments, the commission recommends a unitary exchange rate system under which an independent and flexible rand finds its own level in well-developed and competitive spot and forward foreign exchange markets in South Africa, subject to Reserve Bank 'intervention' or 'management' by means of purchases and sales of foreign exchange (mainly US dollars) but with no exchange control over non-residents and only limited control over residents.

"This implies that the rand will no longer be pegged to the US dollar.

"It also implies that in the eventual system there will be no 'securities rand', 'Financial rand' or 'dual exchange rate system' of any kind.

"Such a system could also be described as one of 'managed floating' for a single or unitary rand with limited exchange control application only to residents."

The report says although the commission recognises its theoretical advantages, it does not recommend a system of completely free floating for South Africa. Instead it recommends a managed float for an independent South African rand.

"The commission considers it both inevitable and desirable that the Reserve Bank should continue to be a major participant in the foreign exchange market and to exert an important influence on it."

Recommending a system of managed floating, the commission says it attaches considerable weight to the importance for South Africa of a market-related exchange rate which would be partly an endogenous variable registering the effects of other economic developments and policies and partly through Reserve Bank intervention, a policy instrument.

"To the extent that such a rate was an endogenous variable determined by free-market forces, it would help to clear the market and thus avoid large changes in the total official gold and other foreign reserves."

To the extent that the rate was used as a policy instrument, through being deliberately influenced in a specific way by Reserve Bank purchases or sales of dollars in the foreign exchange market, it could, as recommended by the commission, form part and parcel of broad monetary policy designed to achieve in any given situation the best reconciliation between economic growth and internal and external economic stability.

"The system of unitary managed floating for an independent rand with only limited exchange control, as recommended by the commission for the longer term, cannot be fully implemented at this stage, but can best be attained through an evolutionary process of reform.

"Given the prevailing circumstances in Southern Africa and the fact that tight exchange control has been maintained over non-residents as well as residents over a period of many years, it is essential to retain fairly comprehensive exchange control, at least in the short term."

The commission recommends that exchange control should be relaxed, and says such relaxation must be viewed as a longer-term evolutionary process.

"A start should, however, be made immediately with the gradual relaxation and its replacement by more appropriate exchange rate practices and policies."

— Sapa.

De Kock Commission

Horwood decides to ditch dollar

Mercury Correspondent

CAPE TOWN — The Government has accepted the recommendations of the De Kock Commission of Inquiry, the Minister of Finance, Senator Owen Horwood, announced yesterday.

A gradual and systematic process of changing South Africa's exchange rate policy would be initiated immediately, he said.

Speaking at a Press conference, Senator Horwood also announced that repayments of loan levies on companies for the 1973 and 1974 income tax years would be advanced. This would involve an amount of R160 million, including interest and repayment would be made as soon as possible after February 15.

Describing the commission's report as "one of the most authoritative on the subject," Senator Horwood outlined the Government's plan for a "gradual process" of adjustment to the proposed exchange rate system of a floating rand subject to control by the Reserve Bank.

The exchange rate system eventually envisaged would mean the rand would no longer be pegged to the U.S. dollar. The rand would be an independent currency with an exchange rate largely determined by the state of South Africa's own balance of payments and the domestic economy "and not by the fortunes of another country's currency or by another country's economic or political developments."

Senator Horwood emphasised the Government was not planning a devaluation or revaluation of the rand. When the Johannesburg Stock Exchange re-opened tomorrow, rates would continue as before, he said.

Steps would also be taken to attract foreign investment by introducing financial rand to replace securities rand, he said.

Under the new system, foreign investors did not have to confine their capital to investment in equity securities, but in "other securities or equity capital" and dividends would come out at the financial rate as usual. Senator Horwood declined to give further details.

Senator Horwood outlined the following steps that would pave the way for the transition: The time scale involved would be determined by the Reserve Bank in consultation with the Minister and the Department of Finance.

A recommendation that South African residents be allowed to deal in financial rands appeared to be one of the proposals placed on a very long-term basis.

- The Reserve Bank would continue to quote predetermined buying and selling rates for the U.S. dollar. These rates would not be kept unchanged for long periods at a time as in the past, but would be adjusted more frequently according to circumstances.

Senator Horwood declined to elaborate on this point;

- The bank would move towards a system of "managed floating" for an independent rand. As a starting point the bank's selling rate would remain at R1 — $1,1486 and its buying rate at R1 — $1,1515 with a middle rate of R1 — $1,1500;
- The Reserve Bank would cease to prescribe mandatory buying and selling rates for transactions in U.S. dollars between dealers and the public. Subject to other rulings which would be laid down, authorised dealers will be able to compete freely in the foreign exchange market;
- To compensate dealers for declining profits on foreign exchange transactions under the proposed new system it would "not be unreasonable" for them to levy moderate charges on clients for cost incurred in administering exchange control;
- Foreign exchange dealers would be allowed to deal for their own account in foreign exchange within limits prescribed by the Reserve Bank. The dealers would be requested to submit returns to the Reserve Bank at shorter intervals than in the past, so that their "positions" in foreign exchange could be monitored;
- To this end there would be two limits: The Reserve Bank would set an "open position limit" for each dealer for all foreign currencies, which would have to be observed at the close of trading every day. This limit applied to the difference between the authorised dealer's assets and liabilities in foreign currencies, including forward assets and liabilities;
- There would also be a second "spot against forward" limit on a dealer's net current assets held in cover of net forward sales; and
- These limits would be based on the exchange dealer's capital base and on the turnover in foreign exchange. Initially these limits would be relatively narrow, but it would be the intention of the Reserve Bank to expand them as soon as practicable in order to promote the aims of the new policy.

Defects in rates of exchange

THE EXISTING South African exchange rate system has serious deficiencies, says the De Kock Commission report.

"The essence of the problem is that the present system, based as it is on relatively fixed dollar pegging in a relatively undeveloped foreign exchange market, is not conducive to the attainment of the optimum combination of economic growth, balance of payments equilibrium and internal economic stability."

The commission had found a basic characteristic of the present system to be the absence of an active and competitive spot foreign exchange market in South Africa. The present so-called market was essentially an administered one.

Mandatory

In pegging the rand to the U.S. dollar the South African Reserve Bank not only determines the rand-dollar "middle rate" but also prescribes the buying and selling rate of the dollar.

"In effect, therefore, the foreign exchange market in South Africa is subject to a form of price control.

"The Reserve Bank does more than maintain fixed margins within which authorised dealers may determine their own rates in competition with one another — under the exchange control rulings it actually lays down mandatory public buying and selling rates of the dollar. With a substantial balance of payments deficit and perhaps also experiencing recessionary domestic economic conditions.

"In both these kinds of situations it would almost certainly not be to South Africa's advantage to follow the dollar.

"Furthermore, even if the dollar were to move in a direction acceptable to the South African monetary authorities, the problem of the appropriate extent to which the rand should follow it would still remain."

Reserves

The report says a major defect of this or any other kind of relatively fixed pegged exchange rate system for the rand is the fact that changes in South Africa's balance of payments position tend to be reflected immediately in the level of the foreign reserves held by the Reserve Bank, and not in changes in the exchange rate quoted by it.

Under the present system a persistent decline in the reserves often gives rise to serious speculative capital outflows, including so-called leads and lags in foreign payment and receipts.

Objectives

"When the authorities attempt to defend an exchange rate which in the [illegible] of the market [illegible]

Forward exchange market is proposed

CAPE TOWN — The development of an active and competitive forward exchange market to function as an integral part of a well-developed foreign exchange market must become a firm objective of official foreign exchange policy, the De Kock Commission recommended in its report.

Such a forward exchange market would have to develop gradually but the Commission proposed certain measures for immediate implementation.

The Commission emphasised it did not advocate the retention of the status quo in respect of forward cover arrangements.

In the initial stage the forward market would largely be administered by the Reserve Bank. The bank would determine forward margins on a variable and progressively more market-related basis rather than a fixed one.

"Such varying administered forward margins would appear to constitute an intermediate step between fixed margins, as at present, and competitively determined margins as envisaged in the fully-developed market.

"As far as circumstances permit, the Reserve Bank should start stimulating conditions in a proper competitive forward market."

As a first step the Commission recommended that the Reserve Bank cease its present practice of quoting a fixed "charge or commission to be paid" by importers and exporters for forward cover.

This implied a premium on forward dollars sold to importers and a discount on forward dollars bought from exporters.

"This results in one-way covering and therefore a serious imbalance between the Reserve Bank's forward purchases and sales of foreign exchange."

The practice could lead to substantial losses for the account of the Government.

The Commission felt that the Reserve Bank should normally quote the same premium or discount respectively on forward dollars bought from exporters and those sold to importers.

"This would establish [illegible] price for forward dollars of any specific maturity instead of two as under the present fixed commission system."

In the initial determination of premiums and discounts on foreign exchange the Commission recommends the Reserve Bank may have to give priority to protecting the reserves rather than trying to attain a better balance between forward sales and purchases in order to reduce the bank's foreign exchange losses.

Should circumstances permit, the Commission feels the bank may in due course find it possible to give greater weight to the objective of an improved balance in the forward exchange market.

The proposed policy of managed floating of an independent rand in a developed competitive spot market would contribute to this end.

"Meanwhile the Commission recommends that authorised dealers be encouraged to marry forward sales and purchases as far as possible and, within the limits to be imposed by the Reserve Bank for each dealer, to cover net forward foreign liabilities by holding spot foreign assets."

The Commission recommended that the limits be increased over time to encourage the development of a proper forward exchange market in South Africa. — (Sapa.)

Floating 'inevitable' for S.A. currency

CAPE TOWN — Even if South Africa wanted to, it could not adopt a policy of "exchange rate stability" for the rand, the De Kock Commission has found.

According to its interim report, the Commission's view is that the greatest measure of stability South Africa could maintain for the rand was stability between the rand and a single currency as it had with the US dollar at present, or between the rand and a "basket" of other currencies.

It meant that the rand would still be floating in terms of either the dollar or in terms of virtually every other currency, though it would be stable in terms of the "basket."

"But floating of one kind or another, for the time being at least, is inevitable for the rand.

"It must be recognised that, whether it is desirable or not, the present 'de jure' and 'de facto' international exchange rate system is one of fairly generalised floating. Even if it wanted to, South Africa could therefore not adopt a policy of exchange rate stability for the rand.

"Under the present international system the rand is already floating with the U.S. dollar in terms of most other major currencies and any other exchange rate system recommended by the Commission must inevitably also be one of floating of one kind or another." — (Sapa)

DR. GERHARD de Kock and the Minister of Finance, Senator Owen Horwood, at yesterday's Press conference.

No devaluation, no revaluation

CAPE TOWN — The De Kock Commission into Monetary Policy, in its interim report released yesterday, recommends neither a specific devaluation nor a specific revaluation of the rand.

The Commission, under the chairmanship of the Deputy Governor of the Reserve Bank, Dr. Gerhard de Kock, says in short-term economic stabilisation policy in South Africa the main emphasis should be on conservative monetary and fiscal policies and general financial discipline.

"Exchange rate policy can never be a substitute for such policies and discipline.

"In the long term, conservative fiscal and monetary policies designed to make the rand a strong currency, will also have the most beneficial effects on the rate of real economic growth and on internal and external economic stability in South AFrica.

"Exchange rate policy should form an important part of official economic strategy designed to achieve the best reconciliation between economic growth and internal and external economic stability.

"In this interim report the commission is making recommendations with regard to the appropriate exchange rate system and policy framework for South Africa and not with regard to any specific rate for the future.

"It is recommending neither a specific devaluation (or depreciation) nor a specific revaluation (or appreciation) of the rand.

"The task of deciding on the appropriate direction in which the exchange rate should at any time be permitted or encouraged to move in the market must be left to the monetary authorities to perform in the light of the prevailing circumstances.

"The commission does recommend, however, that such decisions be taken as part and parcel of broad monetary policy and that they should be related to decisions regarding money supply, interest rates and other important economic variables," the report says. — (Sapa.)

The report says the first and most important deficiency of the spot foreign exchange arrangements arises from the policy of dollar pegging.

Effects

"This policy, in turn, is directly related to the absence of an active and competitive spot foreign exchange market.

"Until such a market comes into being no system of free or managed floating is possible and the Reserve Bank has no option but to peg the rand either to another single currency or to fix the rand-dollar exchange rate administratively in some other way."

Part of the problem arises from the fact that under the present system the rand-dollar peg is changed only infrequently.

Far from providing "exchange rate stability" for South Africa, the rand is forced to float for long periods at a time with the U.S. dollar in terms of other currencies in directions determined by the fortunes or misfortunes of the dollar.

"Although this might suit South Africa at times, as was the case in 1977/78, it might not do so at other times.

Payments

"Situations might arise in which the dollar depreciates considerably against other currencies and drags down the rand with inflationary consequences, at a time when South Africa's balance of payments might be strong and its domestic economic activity at a satisfactory level."

On the other hand, there could be situations in which the dollar appreciates and pulls up the rand at a time when South Africa is running a sub-

clearly overvalued, the speculators not only anticipate a devaluation but also know from experience that when it comes it is likely to be a fairly large adjustment."

The commission found that what was of great importance was the consideration that, under the present system, domestic economic policy objectives such as the attainment of an adequate rate of economic growth and reasonably high levels of employment often have to be accorded a lower policy priority than the defence of the existing fixed rand-dollar exchange rate.

In other words, the present system sometimes makes it necessary for the authorities to apply a harmful pro-cyclical rather than a desirable anti-cyclical domestic economic policy.

"In present circumstances the commission considers this to be a particularly serious deficiency of the present system.

Ineffective

"This finding in no way detracts from the commission's firm belief that in economic stabilisation policies in South Africa the main emphasis should be placed on financial discipline and conservative fiscal and monetary policies, and not on exchange rate movements."

From the evidence submitted to the commission the report had concluded that existing exchange controls were not effective in protecting official reserves against substantial erosion, but were being circumvented both legally and illegally in a number of ways.

The kind of control currently practised constituted a serious deterrent to the inflow of capital into the country from abroad. — (Sapa.)

'Supply and demand' exchange rate

CAPE TOWN — The De Kock Commission has recommended that price control in the foreign exchange market be abolished and the Reserve Bank no longer quote fixed prices for U.S. dollars, thus effectivley unlinking the dollar and the rand, and opening the way for a much freer foreign currency exchange.

"The Reserve Bank should cease to prescribe the buying and selling rates for dollars which must, under the present system, be quoted by authorised foreign exchange dealers.

"In other words, price control in the foreign market should be abolished," the report recommended.

In terms of these recommendations the exchange rates for U.S. dollars would largely be determined by supply and demand in the market.

Under the proposed new system Reserve Bank intervention in the currency market would take only the form of buying and selling foreign exchange, mainly dollars.

The Reserve Bank would, however, continue to be an active participant, buying and selling dollars, but not at a fixed price.

The Reserve Bank should cease to quote any predetermined buying or selling rates for the dollar and would therefore also no longer have a fixed "middle rate" for dollars.

In order to protect dealers in a measure from the reduced margins expected under the new system, steps should be taken to increase the volume of foreign exchange transactions outside the Reserve Bank.

"To enable authorised dealers to benefit from currency fluctuations there should be no restriction upon the size of a position taken during the course of the day," the report said.

Referring to the stimulation of foreign exchange transactions outside the Reserve Bank the Commission recommended that "some of the foreign exchange receipts should in future be channelled into the market via sales to authorised dealers."

In the past foreign exchange receipts flowed directly into the Reserve Bank creating a structural skewness and imbalance in the South African foreign exchange market."

A further recommendation to stimulate foreign exchange transactions outside the Reserve Bank was that proceeds from sales of Krugerrands and diamonds should be channelled through authorised dealers instead of the Reserve Bank. — (Sapa.)

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De Kock Commission

Lift investment disincentive call

FAR-REACHING changes in the present foreign investment system of security rands were recommended by the Commission "in order to remove the severe disincentive to foreign investment inherent in the present rules."

In addition the Commission recommends that residents should be able to transfer amounts of up to R3 000 or R5 000 without Exchange Control approval.

The Commission recommends the accomplishment of these objectives by creating a "more developed and formal exchange rate system."

Under the new system the present official exchange rate would become the commercial rate and the securities rand rate would become the financial rate, applicable to a wider range of transactions than the present securities rand.

Non-residents should be allowed to use securities rands (renamed "financial rand") for making investments in all types of assets and not only in listed securities, the Commission said.

This concession would, however, be confined to the purchase of a proprietor interest — equity investment as opposed to the provision funds.

"Capital inflow through this avenue, while not directly benefiting the reserves, should create new economic activity, employment and technical advance."

The Commission recommends two kinds of transactions which should qualify for the financial rate of exchange —

(1) Non-resident owned equity investments and disinvestment in all real and financial assets, transfers from deceased estates accruing to non-residents and immigrant's funds; and

(2) Residents' capital transfers, excluding loans, but including emigrant's funds, on approval by Exchange Control.

In terms of this proposal residents would now be allowed to purchase foreign banknotes and travellers cheques over and above the approved travel allowance, but not exceeding a figure of between R3 000 and R5 000 per annum per adult without special approval by Exchange Control.

Further recommendations aimed at stimulating foreign investment were:-

A relaxation of the regulations restricting domestic borrowing from foreign-controlled companies.

Reserve Bank intervention in circumstances where it might be desirable to resist any narrowing of the discount through Reserve Bank purchases of foreign exchange at the financial rand rate.

The proposed dual rate system would act as a transitional arrangement intended to evolve, as circumstances should warrant, towards a dual exchange market in which all capital transactions excluding loans, by residents and non-residents alike, took place freely at the financial rate for the rand, the report said. — (Sapa.)

Bank 'should guide exchange market'

CAPE TOWN — The Reserve Bank should intervene to influence the exchange rate of a floating rand by buying and selling foreign exchange, particularly U.S. dollars, the De Kock Commission recommended.

Initially the bank's role would be to guide the emerging foreign exchange market by quoting indicative buying and selling rates for the dollar.

As the market found its feet and evolved its own trading conventions, the Reserve Bank could alter its role from price setter to intervener in a market where the rand-dollar rate was determined in response to supply and demand.

Spelling out its recommendations for the management of a floating rand the commission emphasised that its report was only an interim one and that the commission was reluctant to make firm recommendations on the principles of intervention in the exchange market.

"It is not very meaningful to discuss exchange rate policy in an open economy such as ours separately from questions relating to monetary aggregates, interest rates, fiscal policy and so on."

Whatever other objectives intervention might have from time to time, the commission saw its role ordinarily as a smoothing operation.

"A more basic reason for intervening is that the short-term market clearing rates is strongly influenced by considerations of asset management, including shifts of funds in anticipation of rate movements between several foreign currencies." — (Sapa.)

The road to a more developed dual exchange system

IN ITS CHAPTER 10 the commission says under the heading, "From securities rand to financial rand":

224. As indicated in Chapter 6, the commission recommends the creation of a more developed and formal dual exchange rate system than the one existing at present, as a further step towards the longer-term objective of a market-determined unitary exchange rate for the rand. In the interim, under a regime of dual rates, the present official rate of exchange would become the commercial rate, responsive to market forces, though subject to Reserve Bank intervention, and the securities rand rate would become the financial rate, pursuing its own course as at present, but applicable to a wide range of transactions. In this chapter, the commission presents its proposal in greater detail, together with reasons and evidence in support of it.

The present securities rand system

225. When in June 1961, a continuing deterioration of the capital account of the balance of payments induced the South African authorities to block the repatriation of non-resident assets, a second exchange rate for the rand, being the price in foreign currency at which blocked balances were arbitraged between non-residents, was in effect brought about.

Direct transferability of such balances was announced by the Minister of Finance in August 1975 and given effect in February 1976 A market in these of loan funds.

228. Capital inflow through this avenue, while not directly benefiting the reserves, whould create new economic activity, employment and technical advance. It can also activate existing assets which, in the hands of new owners, can be turned to better account. These are urgent national objectives to which high priority must be accorded.

They can be more effectively pursued, the commission believes, if sufficient incentive, namely by entry at an especially favourable rate of exchange, is given to foreign investment. It would be imprudent to assume that, in present circumstances, the private sector will attract an adequate net inflow of foreign enterprise capital at the official rate of exchange, by which route it would also contribute to the financing of the balance of payments. The commission's further proposals as set out in this chapter, do however, take account of that financing need.

229. The existence of a market for securities rand proves that there is interest abroad in investing in South Africa, provided that the return is enhanced by the discount on the acquisition of the underlying assets.

Presumably the discount would narrow somewhat when, as recommended, investments in productive assets other than listed securities can be made on the same preferential terms, but some discount would no doubt continue to be required until the foreign investors' assessment of the business risk in this part of the world improved.

230. It has been put to the tives to lighten the burden on Exchange Control and not to add to it.

Limited access to financial rand market by residents

233. Outward capital transfers by residents, like those of non-residents are, as a general rule, prohibited and exceptions are only sparingly allowed by exchange control.' The pressure to remit 'capital abroad, however, is very great, particularly on the part of residents, who are denied access to the securities rand market.

The number of applications received at times exceeds the capacity of exchange control to handle them with reasonable speed, while illegal transfers, to judge by balance-of-payments statistics, are a serious drain on the reserves. This loss of reserves can be reduced, though not wholly avoided, if resident capital transfers are allowed to move through the financial rand market.

The commission recommends that the proposed financial rand market be opened to residents in an evolutionary manner, with the further proviso that transfers by residents at the financial rate of amounts exceeding, say R3 000 or R5 000 per year will, for the time being, still require exchange control approval.

It is envisaged that such approval will be given more readily than it is at present for transfers at the official rate. Applications relating to small amounts make disproportionate claims on the time of exchange control officials. The commission expects that the freeing of transfers below the modest amount mentioned will al- vestment incentive that the scheme is intended to provide. But this disadvantage, such as it may be, appears to the commission unavoidable.

Summary of aims of proposed financial rand system

237. The commission believes that the recommended transformation of the securities rand market into a financial rand market open to transfers of equity capital by non-residents and, on approval, residents, will strongly encourage fresh foreign investment in the development of this country.

It should also ease the task of exchange control and reduce the loss of foreign reserves due to legal and illegal transfers at the official rate of exchange. The proposed system should serve to damp down fluctuations of the official or commercial rate of exchange, arising from capital inflows and outflows, and to that extent assist the authorities in "managing" the floating commercial rate.

This latter aspect of the dual exchange rate system has particular relevance to South Africa, where the current account of the balance of payments has during the past two years shown substantial surpluses, while the capital account has, partly for reasons not directly related to the country's economic performance and potential, yielded deficits.

238. The commission regards the proposed financial rand market as a superior incentive for renewed foreign investment to officially guaranteed permission to repatriate newly committed equity capital. The need to tem, such screening of commercial rand transactions would, in principle, have sufficed and all other transactions would have been freely allowed at the financial rate. However, the commission recommends control (much of it delegated to dealers) over the latter transactions as well. This is because, as stated earlier, it proposes the retention, for the time being, of control over the financial rand deals of residents and, further, the channelling of loan funds through the commercial rand market.

241. The commission is fully aware of the danger that, under the proposed dual rate system, there might be some substitution of share capital (entering at the financial rate of exchange) for debt capital and distributable profits (transferable at the commercial rate), since, depending on the size of the discrepancy between the two rates, such substitution could be profitable to the overseas parties concerned.

242. The reduction in financial gearing brought about by the introduction of fresh equity capital and the repayment of loans, has, however, obvious limits and also runs counter to the tendency to finance local subsidiaries mainly with loan funds.

A major part of these funds is provided by the parent companies in the form of open account credit for imports and other payments due, and is needed by the subsidiary for operating purposes. A going concern cannot simply liquidate such debt completely, even if new equity funds were injected.

234. The o'ceo-y capital

Dr De Kock

markets at the time.

Switching would, therefore, by itself tend to narrow the discrepancy between the two rates, which would limit the amount of capital substitution per period. In particular circumstances, some Reserve Bank support of the financial rand, to hasten its appreciation, might well be appropriate. It must be accepted that the financial rand discount cannot indefinitely exceed a certain range, which would probably be narrower than the securities rand discount in the recent past.

The commission views this not so much as a disadvantage, but as a natural limitation of the financial rand sytem.

247. In accordance with the commission's proposals, the existing non-resident securities rand accounts and transferable rand accounts would become non-resident financial and commercial rand accounts, respectively. There would also be included in the above categories the rand holdings, financial and commercial, of foreign banks, whose rand dealings the commission expects to contribute to broad and active markets for the rand.

The possibility of allowing residents to open foreign exchange accounts with local banks is examined in the appendix to this chapter.

248 Posted to non-resident financial rand accounts would be equity capital transactions with residents, trading of financial rand between non-residents, emigrants' funds (on approval)

recommend a moe flexible application of regulation 3 (1) (f) in cases where expanded business activity and employment are, in present circumstances, best financed by local borrowing.

252. It would be practical for the banks to hold in a separate account the dollars (or other foreign currencies) acquired when selling financial rand to non-residents, against which account dollars are in turn supplied when financial rand are offered for conversion. Such is indeed the practice now when local banks occasionally deal in securities rand on a "back-to-back" basis; the counterpart foreign currencies pass through an "arbitrage dollar account", separate from the working balances for all other foreign exchange transactions.

The reason is that different rates of exchange against rand apply to these dollar accounts. The balance on the arbitrage dollar account is kept as close to nil as possible, to mitigate the exchange risk. The same rule would no doubt continue to be observed under the proposed financial rand scheme, but, with turnover expected to be much greater, the need will probably be felt for interbank trading, both spot and forward, in arbitrage dollars, ie dollars convertible into rand at the financial rate.

Leakages between the two markets

253. It has been put to the commission that banks would have an incentive to ignore the financial rand trading rules and to sell at the financial rate dollars

protection of the foreign reserves than the present control regulations and the fixed official dollar-rand rate have been able to provide.

Reserve Bank intervention in financial and market

255. Under the proposed dual rate system, the market in financial rand would consist, at the centre, of authorised dealers in foreign exchange who effect transfers on the instruction of (1) non-residents, including foreign banks, in connection with equity investments and dealings in financial rand as such, (2) residents, in the cases specified in paragraph 239, and (3) stockbrokers trading in listed securities on behalf on non-residents.

256. If the demand for financial rand would at times prove insufficient to prevent a sharp decline of the financial rate, the Reserve Bank could, if desired, feed carefully measured doses of foreign exchange into that market as part of a coordinated policy of intervention in the commercial and financial rand markets, respectively.

Depending on the circumstances at the time, the alternative method of narrowing the discount, namely, allowing the commercial rand to decline, might be preferable. Other conditions are conceivable where it might be desirable to resist any narrowing of the discount through Reserve Bank purchases of foreign exchange at the financial rand rate. If the bank were to sell foreign exchange at the financial rate, it would make a book profit, and if it were to buy at that rate, a

Some ways to revive foreign investment

FAR-REACHING changes in the present foreign investment system of security rands are recommended by the commission "in order to remove the severe disincentive to foreign investment inherent in the present rules".

In addition, the commission recommends that residents be able to transfer amounts of up to R3 000 or R5 000 without exchange control approval.

The commission recommends the accomplishment of these objectives through the creation of a "more developed and formal exchange rate system".

Under the new system, the present official exchange rate would become the commercial rate, and the securities rand rate would become the financial rate, applicable to a wider range of transactions than the present securities rand.

Non-residents should be allowed to use securities rands (renamed financial rands) for making investments in all types of assets and not only in listed securities.

This concession would, however, be confined to the purchase of a proprietor's interest — equity investment as opposed to the provision of loan funds.

"Capital inflow through this avenue, while not directly benefiting the reserves, should create new economic activity, employment and technical advance."

The commission recommends two kinds of transaction which should qualify for the financial rate of exchange:

(1) Non-resident owned equity investments and disinvestment in all real and financial assets, transfers from deceased estates accruing to non-residents and immigrant's funds;

(2) Residents' capital transfers, excluding loans, but including emmigrant's funds, on approval by exchange control.

In terms of this proposal residents would be allowed to buy foreign banknotes and traveller's cheques over and above the approved travel allowance, but not exceeding a figure of between R3 000 and R5 000 a year an adult without special approval by exchange control.

Further recommendations aimed at stimulating foreign investment are:

- A relaxation of the regulations restricting domestic borrowing from foreign-controlled companies.
- Reserve Bank intervention in circumstances where it might be desirable to resist any narrowing of the discount through Reserve Bank purchases of foreign exchange at the financial rand rate.

The proposed dual rate system would act as a transitional arrangement intended to evolve, as circumstances warrant, towards a dual exchange market in which all capital transactions excluding loans, by residents and non-residents alike, took place freely at the financial rate for the rand.

— Sapa.

Competitive market a must

THE DEVELOPMENT of an active and competitive forward exchange market to function as an integral part of a well-developed foreign exchange market must become a firm objective of official foreign exchange policy, says the report.

Such a forward exchange market would have to develop gradually, but the commission proposed certain ... foreign exchange."

The practice could lead to substantial losses for the account of the government.

The commission believed that the Reserve Bank should normally qote the same premium or discount respectively on forward dollars bought from exporters and those sold to importers.

"This would establish one middle price for forward dollars of any specific ma-forth known as securities rand, developed, in which the price or rate for the securities rand generally stood at a substantial discount on the official rate.

The amount of this discount, after allowing for the investment currency premium in the United Kingdom, corresponds to the difference between the Johannesburg and London prices for the securities listed on both stock exchanges. It reflects, therefore, the incentive demanded by foreign, as distinct from local, investors to purchase South African listed securities and the loss which foreign holders of South African assets are prepared to take in order to disinvest.

The asymmetry applied to the purchase of listed securities only, and the demand is thereby largely confined to stock exchange investors, the supply of securities rand comprises the proceeds of the sale of any non-resident owned asset. This is no doubt one reason for the wide discount, which has at times exceeded 40%.

226. Thus the securities rand market provides an "exit" for non-resident capital, but no entry other than for purchases of listed securities. Investment in unlisted securities and other assets, such as land and buildings, must enter at the official rate of exchange, whereafter repatriation at that rate is blocked, save by official permission of individual transfers.

Financial rand for non-residents

227. The commission share the deep concern expressed by many witnesses at the severe disincentive to foreign investment inherent in the present rules governing securities rand.

It needs no argument that the participation of foreign capital and skills is necessary if this country is to regain the economic gowth it enjoyed in former decades and if we are not to risk continuing high unemployment. The logical way to remove this particular disincentive to foreign investment, short of a devaluation of the official rand to the extent of the securities rand discount, is to remove the cause of the imbalance, that is, to allow non-residents to use securities rand balances for making investments in all types of assets and not only in listed securities.

For reasons elaborated in paragraph 235 below, the commission wishes to confine this concession to the purchase of a proprietor's interest, ie ecuity invest-

chase of local asssets by foreign investors through a financial rand market would afford them an unfair advantage over South African bidders for the same assets and might even enable them to take over important sectors of South African business. The enhanced return on the assets so acquired would be correspondingly higher than the returns obtainable by local investors. The commission is conscious of this aspect of its proposal, but believes other considerations to be of overriding importance.

231. Among these considerations are the following:

(a) The country's pressing need for renewed foreign equity investment, with all its attendant advantages, requires some price to be paid to secure it.

(b) The same unequal terms already apply to investments made through the Stock Exchange and appear to be widely accepted as inevitable.

(c) Investment capital entering through financial rand will not only be for the acquisition of existing business assets, but will also, it is hoped, contribute to the creation of new ones.

(d) Failing the resumption of significant foreign investment, the stimulation of the economy by internal means might well lead to a devaluation of the official rand, whereupon local assets would also become cheaper to foreign purchasers only, but at the further cost of all the disadvantages of devaluation.

In assessing the importance of these considerations, the commission also attached appreciable weight to the fact that the representatives of organised industry, commerce, mining and the Johannesburg Stock Exchange, in formal evidence, expressed views in accord with the commission's recommendations in regard to the use of financial rand.

232. A suggestion that foreign equity investment through the medium of financial rand should only be selectively admitted, depending on the nature of the investment to be made, did not find favour with the commission. Even assuming that a criterion for ranking the many possible types of investment by their ultimate national benefit could be derived, it could not in practice be consistently and expeditiously applied through official channels to every individual project.

Market criteria would appear to offer better uid-

devotec to the mportant and complex cases requiring adjudication. Depending on the performance of the financial rand, consideration could in time be given to a further gradual liberalisation of residents' capital transfers at the financial rate.

234 In the early stages and before appreciable investment through the financial rand market got under way, the Reserve Bank might wish to delay the introduction of the free transfer facility for residents or approve residents' transfers above the free limit initially on a more restrictive basis. It would also be possible for the Bank to intervene in support of the financial rand, that is, expend some of its foreign reserves on the launching of this new market. It should be remembered, of course, that a wide discount would itself by a disincentive to remit funds abroad at the financial rate.

Loan funds to be transferred through commercial rand market

235. In respect of borrowed capital of all descriptions, the commission recommends that the commercial rate of exchange should apply. In making this recommendation the commission was influenced by three considerations:

(a) On the assumption that the financial rate would stand at a discount on the commercial rate, at least during the foreseeable future, it would be unfair to require borrowers to repay at the new financial rate loans taken up earlier at the official rate. The alternative procedure of distinguishing for control purposes between old and new loans would not be feasible in practice, and if it were, there would be a danger of a loss of reserves from the premature repayment of old loans financed by new borrowings at the financial rate.

(b) It would be equally impracticable to distinguish between trade credit, which, being a delayed payment for goods, is settled at the commercial rate, and loans as such.

(c) Once rapid economic expansion gets under way, the commercial rate of exchange, at which current-account items are settled, will need the support of the net inflow of loan funds, public and private, that may then be expected.

236. It is recognised that subsidiaries of foreign companies tend to be heavily financed by shareholder loans and that the ... for

inc v cua pro ects s tse l a deterrent. The guarantee could not in pratice cover the capital growth presumably expected by the investor.

The barring of repatriation at the official rate of exchange by earlier investors and the probable fear of the new that a like fate may befall them if a crisis situation renders the guarantee inoperative, are, perhaps, the most negative features of the scheme.

More detailed specifications

239. Turning now to he more detailed specifications of the proposed dual exchange rate system, the commission recommends that the following transactions should qualify for settlement at the financial rate of exchange:

(a) Non-resident owned equity investment and disinvestment in all real and financial assets; transfers from deceased estates accruing to non-residents, and immigrants' funds. Supervision is to be exercised by the authorised dealers who handle the transfers, as set out below.

(b) Residents' capital transfers, excluding loans but including emigrants' funds, on approval by exchange control. In order to limit the very large number of small applications to be processed by the control, it is proposed that residents' remitances, including the purchase of foreign banknotes and travellers cheques over and above the approved travel allowance, but not exceeding, say, R3 000 or R5 000 per annum per adult, be exempted from individual approval. The authorised dealer is to enter the amount so remitted in the purchaser's passport.

240. The commission recommends that all payments and receipts of a current nature (excluding the additional travel allowances referred to above), together with loan funds, should cross the exchanges at he commercial rate. Under "loan funds" are included bank loans, syndicated loans, bond issues by the public and private sectors, debenture issues, mortgages, parent company current accounts and shareholder loans. Loan repayments (at the commercial rate) should require evidence that the funds were originally converted into rand at the the prevailing commercial rate.

Current payments and receipts, at the commercial rate of exchange, would still have to be supported by ...

rom substitut ng equity for loan funds would have to be set off against the subsidiary's after-tax reduced earnings that would result from this change in capital structure, owing to the incidence of both company tax and non-resident shareholders' tax and the inherently higher "cost" of equity capital.

The break-even level of the financial rand discount at which refinancing with equity funds would be advantageous would depend on the firm's return on assets, the interest or other implicit cost of the borrowed capital, the existing degree of gearing and the applicable rate of company tax in each case. Calculations suggest that there would, in general, be little benefit in such refinancing at discount levels of less than about 40%.

244. Should the substitution of equity for foreign loan capital nevertheless assume undesirable proportions, then the exchange control has the power, at least in respect of contractual loan commitments, to withhold approval of premature repayments where these appear likely to be financed by equity funds newly provided through the financial rand market. A tendency for this to happen would be revealed by the authorised dealers' scrutiny of company balance sheets in connection with investments made with financial rand, as indicated in paragraphs 250 and 251 below.

245. The other substitution process mentioned in paragraph 241, namely the conversion through the dual exchange market of distributable reserves and current profits into new share capital, incurs for the parent company the non-resident shareholders' tax plus the normal company tax which is, in most countries, payable also on dividends received by companies from abroad, though usually with allowance for the withholding tax already paid on such dividends. (Double taxation agreements with some countries reduce, but do not eliminate, the incidence of the NRST).

246. Switching processes of the kinds described would have to be kept under surveillance since they could have an adverse effect on the rate of exchange for the commercial rand Whevever the financial rand discount is wider than such percentage as may in particular cases render switching worthwhile, the financial rand will tend to appreciate and the commercial

amounts be ng convertible into foreign exchange at the financial rate.

249. Non-resident commercial rand accounts would reflect the rand proceeds of imports into South Africa (when the importer pays in rand), rand payments for exports from South Africa, and dividends, interest etc, payable in rand — balances being convertible into foreign exchange at the commercial rate.

250. The administration and control of financial rand transactions would devolve mainly on the authorised dealers, who would have to ensure, in particular, that inflows converted at the financial rate represented equity investment in the broad sense and not the proceeds of loans and exports. Probably most financial rand bank accounts would be concentrated at a limited number of branches of each of the authorised dealers, as is the case now with securities rand accounts.

Given clear guidelines by the Reserve Bank, the staffs of these branches should have the necessary expertise to process and control financial rand transactions.

Any departure from the guidelines would incur the penalites provided in the exchange control regulations. Customers should be asked to produce documentary proof, such as balance sheets and transfer deeds, to support the nature of the funds inflow at the financial rate. The commission has heard evidence from banks to the effect that the proper use of financial rand balances could be effectively monitored, provided the volume of transactions was not too great.

251. For purposes of the control here intended, the company files maintained in pursuance of exchange control regulation 3 (1) (f) are important, for in them are recorded the overseas as well as local borrowings by foreign-controlled companies.

This is one reason why the commission cannot recommend, as it has been asked by many witnesses to do, that regulation 3 (1) (f) be repealed immediately. Another reason is that the net effect on the foreign reserves of the proposals relating to financial rand cannot, in the nature of the case, be accurately predicted, and the commission does not wish to add the uncertainty that must attach to a sudden withdrawal of the restriction on local

equal to the financial rand discount.

Any such leakage between the two circuits would harm the foreign reserves and/or the commercial rand. In order to limit the possibility of such abuse the bank's internal audit will have to verify that the amount per period of dollars sold at the financial rate equals the amount bought, plus or minus the change in the arbitrage dollar balance.

Spot checks by inspectors from the office of the Registrar of Banks can be made if deemed advisable. A requirement for authorised dealers to submit certified returns of their financial rand transactions would enable the Reserve Bank to monitor the evolution of this market.

254. An appreciable financial rand discount, while affording a desirable incentive to foreign investment in South Africa, would also be an incentive to businessmen to evade the regulations. Exporters and borrowers in overseas markets might then attempt to disguise their receipts as funds entitled to conversion at the financial rate of exchange, while funds representing a reduction in equity capital might be offered for conversion at the commercial rate, such as by the over-invoicing of imports from the parent company. For this reason there are bound to be leakages between the two markets.

On balance, however, the commission considers that its proposed narrow definition of transfers to be effected at the financial rate, namely, in the main, equity investment and disinvestment, coupled with the inspection of the transferer's balance sheets and legal documents by expert bank staff, would limit the scope for malpractices of this nature.

It should also be remembered that the commission's recommendations relating to flexibility of exchange rates and approved transfers at the financial rate by residents aim to reduce the pressure on exchange control and, therefore, the pressure to evade the control. Other fund movements that escape control, such as by means of "transfer pricing" within international companies, are not likely to assume worse proportions under the proposed system than under the present one.

On the contrary, more realistic, market-determined exchange rates and new transfer facilities through ...

foreign reserves were uniformly valued at the commercial rate for the rand.

The commission envisages that, as a general rule, the Reserve Bank would only rarely intervene in the financial rand market, in contrast to its constant operation in, and close surveillance of, the commercial rand market.

Envisaged further developments

257. The particular dual-rate system here proposed is viewed by the commission as a transitional arrangement. It is intended to evolve as circumstances warrant, first, towards a dual exchange market in which all capital transactions excluding loans, by residents and non-residents alike, take place freely at the financial rate for the rand, and where the remaining function of exchange control is to ensure, through the authorised dealers, that the commercial rate of exchange is applied to all current-account items and loans; and then, second, to a unitary foreign exchange market, subject to official intervention and limited exchange control.

This evolutionary development the commission envisages to proceed under the guidance of the monetary authorities and amid continuing and extensive consultation between all the institutions concerned.

"The commission stressed that it did not advocate the retention of the status quo for forward cover arrangements.

In the initial stage the forward market would largely be administered by the Reserve Bank. The bank would determine forward margins on a variable and progressively more market-related basis instead of a fixed one.

"Such varying administered forward margins would appear to constitute an intermediate step between fixed margins, as at present, and competitively determined margins as envisaged in the fully developed market.

"As far as circumstances permit, the Reserve Bank should start stimulating conditions in a proper competitive forward market."

As a first step the commission recommended that the Reserve Bank cease its present practice of quoting a fixed "charge or commission to be paid" by importers and exporters for forward cover.

This implied a premium on forward dollars sold to importers and a discount on forward dollars bought from exporters, said the commission.

"This results in one-way covering and therefore a serious imbalance between the Reserve Bank's forward purchases and sales of for-

der the present fixed commission system."

In the initial determination of premiums and discounts on foreign exchange, the commission says the Reserve Bank may have to give priority to protecting the reserves rather than trying to attain a better balance between forward sales and purchases to reduce the bank's foreign exchange losses.

Should circumstances permit, the commission believes the bank may in due course find it possible to give greater weight to the objective of an improved balance in the forward exchange market.

The proposed policy of managed floating of an independent rand in a developed competitive spot market would contribute to this end.

"Meanwhile, the commission recommends that authorised dealers be encouraged to marry forward sales and purchases as far as possible and within the limits to be imposed by the Reserve Bank for each dealer, to cover net forward foreign liabilities by holding spot foreign assets."

The commission recommends that the limits be increased over time to encourage the development of a proper forward exchange market in South Africa.

— Sapa.

No place for fixed dollar quotes

PRICE CONTROL in the foreign exchange market should be abolished and the Reserve Bank should no longer quote fixed prices for US dollars, thus effectively unlinking the dollar and the rand and opening the way for a much freer foreign currency exchange, says the commission.

"The Reserve Bank should cease to prescribe the buying and selling rates for dollars which must, under the present system, be quoted by authorised foreign exchange dealers.

"In other words, price control in the foreign market should be abolished."

In terms of these recommendations the exchange rates for US dollars would largely be determined by supply and demand.

"Under the proposed new market would take only the form of buying and selling foreign exchange, mainly dollars.

The Reserve Bank would, however, continue to be an active participant, buying and selling dollars to authorised dealers, but not at a fixed price.

The Reserve Bank should cease to quote any predetermined buying or selling rates for the dollar, and would therefore also no longer have a fixed middle rate for dollars.

To protect dealers in a measure from the reduced margins expected under the new system, steps should be taken to increase the volume of foreign exchange transactions outside the Reserve Bank.

"To enable authorised dealers to benefit from ... upon the size of a position taken during the course of the day."

Referring to the stimulation of foreign exchange transactions outside the Reserve Bank, the commission recommended that "some of the foreign exchange receipts should in future be channelled into the market via sales to authorised dealers".

"In the past, foreign exchange receipts flowed directly into the Reserve Bank, creating a "structural skewness and imbalance in the South African foreign exchange market".

A further recommendation to stimulate foreign exchange transactions outside the Reserve Bank is that proceeds from sales of Krugerrands and diamonds should be channelled through authorised dealers.

Economy given

25/1/79 (49)

Economy gets double boost

By Michael Chester, Financial Editor

Page 26:
- Commercial and financial rands — and the man in the street.
- Spot foreign exchange market — impersonal and truly impartial.

Page 27:
- Clear signal that growth is top priority.
- UK brokers delighted, heavy buying of SA shares.
- Capital inflow will depend on political change.
- Safto welcomes report as boost to economy.
- Cautious short-term attitude causes some disappointment.

Business leaders today forecast a double boost to the economic tempo from Government plans to streamline the rand and pump R160-million back to companies in early repayments of loan levies.

The first results from the approval by Senator Horwood, Minister of Finance, of recommendations to first loosen and eventually sever the rand link with the US dollar and give the rand more freedom to go it alone.

The second boost follows an announcement to advance the repayment of 1973 and 1974 loan levies on companies. Around R160-million will be repaid as soon as possible after February 15.

Senator Horwood told a news conference in Cape Town that South Africa had now reached the stage where greater emphasis must be placed on more rapid economic growth.

The recommendations on how to reshape the rand and finally make it totally independent came from the commission of inquiry into monetary affairs headed by Dr Gerhard de Kock, Senior Deputy Governor of the Reserve Bank.

GRADUATE

However, business leaders cautioned that no one should expect too much too soon. As hinted by the commission itself, the gradual evolution of a fully independent rand may take months and even years.

For instance, when foreign exchange operations are resumed tomorrow — after a two-day closure to digest the commission report — the rand will still be quoted at 1,15 dollars as it has been since the big 1975 devaluation.

The major initial difference will be that the Reserve Bank will be at the stand-by to make far more frequent changes in the exchange rates.

The De Kock Commission gave a thumbs-down on retaining the rigidity of the rand/dollar link that has caused the rand to slide into heavy depreciations as the dollar has tumbled.

But it also rejected the notion of re-pegging the rand to a wider basket of currencies — such as a

To Page 5 Col I

Foreign exchange to stay closed

The foreign exchange departments of all the big banks will stay closed for the third day running tomorrow — except to deal with the emergency problems of bona fide travellers.

The surprise move was announced today by Dr Jop de Loor, Secretary for Finance, who said the extension of the halt to operations was at the request of the banks themselves.

Foreign exchange departments had been requested to close yesterday and today while the banks digested the details of the De Kock Commission recommendations on the future of the rand — but had been fully geared to reopen tomorrow.

It is understood that the decision to stay closed a third day was taken following a meeting in Pretoria today between Reserve Bank officials and bankers.

However the Johannesburg Stock Exchange is sticking to its plans to reopen tomorrow, according to a spokesman.

ECONOMIC PROSPECTS

The stars foretell

FM 26/1/79

49

Changes in exchange rate policy following the De Kock report are one reason why it is now particularly difficult to predict SA's economic fortunes in 1979. The course of the world economy, gold price fluctuations, political events in SWA/Namibia and Rhodesia, and even the weather are some of the other uncertainties which could swing the economy towards further recovery — or a new recession.

Nonetheless, the *FM* has asked eight of the country's leading economists to stick their necks out. And their forecasts for the movements of five key indicators in 1979 (see table) show a surprising degree of similarity.

Despite varying figures, the fundis seem to agree that we are headed for a year of moderate growth, slightly lower inflation and interest rates, and a much smaller current account surplus.

THE BLOCK

Inflation (monthly average) (%)	Prime overdraft (at year end) (%)	Current account surplus (Rm)	Gold price at year end ($ per oz)
9,5	10,5	750	225
10	10,5	350	190
9	10,5	700	190
9,5	10,25	525	245
10	11,5	750	180
9,1	11	490	SwFr 391
11	10	400	No estimate
8,5	10,5	700	200

Most of the respondents stress that their predictions are based on "kitchen sink" estimates, rather than elaborate models. Arthur Hammond-Tooke, for instance, says he would have to revise his growth estimates upwards if stimulatory measures are implemented soon. Merton Dagut points out that his growth figure could be revised depending on damage caused by the drought. And Geert de Wet stressed that his guesstimates have nothing to do with his model, which will produce its forecasts in two or three months' time.

Foreign exchange in search of an ideal

Sun.Tr.
28/1/79

49

Special Finance Correspondent

THE De Kock commission report recommends an ideal market for foreign exchange in South Africa. However, mindful of the high level of expertise which will be required in Government, the banks and in business if such a market is to be successfully managed, the commission also recommends a number of transitional steps which need to be taken to transform the present system to the new ideal.

The first step in this transition unfortunately involves a half-baked compromise between a fixed and floating rand. The foreign exchange market that will operate tomorrow is dangerously arbitrary and will also be difficult to administer. Hopefully, the authorities will display the courage of their convictions and will move rapidly to institute a true float of the rand.

The two systems are radically different. The old system was based on a fixed relationship between the rand and the US dollar. This was an arbitrary arrangement which led the rand to have an arbitrary value. Rather like the arbitrarily determined prices for butter and cheese, the rand was subject to price control. and like the markets for butter and cheese, because the price of the rand did not take account of economic reality, the rand market was subject to oversupply and shortages.

The value of the rand, in terms of currencies other than the US dollar, changed in unison with the fortunes of the US currency and not in line with the strengths and weaknesses of the South African economy.

Under the old system, the cost of covering foreign exchange risks was also determined arbitrarily. The Reserve Bank priced its purchase and sales of forward dollars independently. This meant the bank made a small profit on both transactions but did not equalise its purchase and sales of dollars on any particular date in the future. It held an open risk in dollars — a factor whch has, in the past, proved very costly to the Treasury.

Under the new ideal system, the De Kock commission envisages a single exchange rate determined entirely by market forces. There will be no exchange controls on non-residents and only minimal controls on residents.

Unfortunately, in the view of the commission, this ideal is not immediately attainable. From tomorrow therefore, South Africa will be faced with a duel exchange rate system.

For the man in the street very little will change. The Reserve Bank has declared that the rand will, for the time being, continue to be traded at the present middle rate of 1,15 dollars to the rand. In time, however, and as frequently as once a day, this rate may, however, be adjusted in terms of an undisclosed formula. This process is termed a "managed float".

The market for forward exchange is however due for more immediate and more dramatic changes. In accordance with the recommendations of the commission the buying and selling prices of forward purchases of dollars are to be equated.

At this stage, however, the price will still be arbitrarily determined. It will now be possible for importers to cover their forward commitments of dollars at a discount of two percent on the current spot rate.

Considering that the rand is generally expected to depreciate in the future this represents the foreign exchange bargain of the decade. Exporters will not be so well favoured. They will be offered forward contracts at the same price as importers. Since exporters receive foreign currency their need will be to sell dollars forward. Unlike the importers who stand to gain two percent on an overvalued rand spot rate of exchange, exporters stand to lose two percent covering a risk which is generally regarded as non-existent.

S.A. economy to get shot in arm soon

(49)

29/1/79

Mercury Correspondent

CAPE TOWN — New measures to boost South Africa's economic growth and provide more jobs are likely to be announced by the Government in the near future.

This is clear after a major speech by Finance Minister Senator Owen Horwood at the weekend in which he disclosed that the Government is examining further ways of increasing prosperity without sacrificing financial stability.

While South Africa had made substantial progress in putting the economy back on the growth track Senator Horwood said the growth in the past three years had been disappointing and the outflow of capital had continued.

Upswing

"Certainly the South African economy has been in a new economic upswing since the last quarter of 1977 and this upward movement shows every sign of continuing.

"But it has not yet gained adequate momentum and South Africa is at present still not realising its full economic growth potential.

"In order to assist us in solving our political, social and economic problems in the period ahead, I believe it is of vital importance that we should attain a higher rate of economic growth in 1979," he said.

Adequate employment opportunities must be created and sufficient savings and taxes created to finance essential and productive expenditure.

Senator Horwood was the guest speaker at the Institute of Bankers' diamond jubilee dinner in Cape Town on Saturday night.

He emphasised that there would be no dragging of feet in implementing the new exchange rate policy announced last week.

Growth

The new exchange rate system where the rand was no longer linked to the dollar but would float was a key part of the Government's strategy to quicken the country's growth rate.

When the rand was linked to a fixed dollar exchange rate any change in the country's balance of payments was rapidly reflected in the foreign currency reserves held by the Reserve Bank as the bank was committed to defend the rate.

Thus the fixed exchange rate was unable to absorb any pressure.

Another disadvantage was that a decline in the reserves could lead to speculative capital outflows.

The managed float of the rand gave the Reserve Bank vital flexibility.

Star

BUSINESS

Consumers the key to economy in 1979—BER

Star 1/2/79 (49)

CAPE TOWN — The University of Stellenbosch Bureau for Economic Research says the country's economic fortunes this year will be largely determined by consumers, whose real income is likely to increase.

In its latest opinion survey, on the fourth quarter of last year and prospects for the first quarter, the Bureau said it did believe there would be a significant increase in exports this year and imports would probably rise sharply.

This, combined with poor performance from the agricultural sector was cause for concern, but balance of payments was still more favourably poised for economic growth than was the case at the same time last year.

Private consumption expenditure, with its large influence on gross domestic product, would be the major growth factor and the Bureau's index of consumer confidence was at a relatively favourable level.

"Real wages and salaries will probably increase, whether by way of direct upwards adjustments, or by means of changes in personal income tax," the report said.

With the economic recovery developing momentum, employment would increase and this would also increase total wages.

Mr Peter Thompson has been appointed assistant general manager, Barclays Western Bank. Stationed at head office in Johannesburg, he will be responsible for new business development. He was previously regional manager of Wesbank in Pretoria.

It accordingly appeared that factors conducive to higher private consumption expenditure were better than at the beginning of last year.

The bureau looked forward with "considerable confidence" to a further recovery of the economy this year.

ASSOCOM

Commenting on the report, Mr Raymond Parsons, executive director of Assocom said, the survey provides "further welcome evidence that the performance of the South African economy is expected to be better in 1979 than it was in 1978."

"Responses from Assocom members confirm that the business mood at the beginning of 1979 is more optimistic than it has been for some time. This is mainly due to the positive impact which the growth policy has achieved so far, as well as the expectation that further stimulation of the economy may be anticipated in the Budget next month."

"Organised commerce agrees with the Stellenbosch survey that South Africa can expect little help from the world economy in 1979 and that private fixed investment in South Africa is still at a very low level.

"In addition, the recovery in the economy is not yet sufficiently widely based. The key to overcoming this situation lies partly in strengthening consumer demand further, especially through meaningful tax cuts.

Other fiscal steps should include:

- The early repayments of another loan levy to individuals as opposed to companies and
- The removal of the import surcharge, especially in the light of the new flexible exchange rate policy.

"The other area of policy which is of importance to business confidence this year will be whether findings of the awaited Weihahn and Riekert reports into labour reform will have the necessary positive results." — Sapa.

Table 25 (cont)

A. NATIONAL DIPLOMA FOR TECHNICIANS	Number of Africans required			
	1 9 7 6		1 9 8 0	
	Techni-cians	Firms	Techni-cians	Firms
Sugar Technology	6	1	21	2
Meat Technology	1	1	2	1
Water Purification Techno-logy	1	1	3	2
Health Inspectors	1	1	3	1
Medical Laboratory Techno-logy	1	1	1	1
T O T A L	74		217	
B. NATIONAL CERTIFICATE FOR TECHNICIANS				
Electrical Engineering (Heavy Current)	-	-	4	3
Electrical Engineering (Light Current)	6	3	19	6
Mechanical Draughtsmanship	1	1	1	1
Mechanical Engineering	12	2	15	4
Building	-	-	6	1
Building Foreman	3	2	8	5
Works Inspection	1	1	2	1

BER

FM 2/2/79 (49)

Ready to go

"The prospects for an accelerated production of goods are favourable", says the Bureau for Economic Research in its latest *Opinion Survey*.

In the fourth quarter of last year there was a net increase of 10% in manufacturing sector respondents who reported an increase in orders, compared with a net drop of 14% in July-September.

Manufacturers' stocks of finished goods are now considered too high by one-fifth of those quizzed. Three months ago this figure stood at only 12%. One-fifth of respondents reckon their raw material stocks are too high, against one third in the previous survey. The proportion of manufacturers who think stocks are too low has increased from 6% to over 10%.

Only 15% of manufacturers expect business to be worse in January-March 1979 than in the first three months of last year.

Wholesalers and retailers are also fairly optimistic. Over two-thirds of wholesalers and over 90% of retailers expect the volume of sales to be maintained or increased in the first three months of this year. However, a third of wholesalers and no fewer than 83% of retailers reckon stocks are still too high.

Assocom members also note that the business mood is improving. This, according to executive director Raymond Parsons, is "mainly due to the positive impact which the growth policy has achieved so far, as well as the expectation that further stimulation may be anticipated in the budget."

Parsons adds, however, that the recovery is not yet sufficiently widely based. The key to improving the situation lies partly in strengthening consumer demand further, "especially through meaningful tax cuts."

The answ

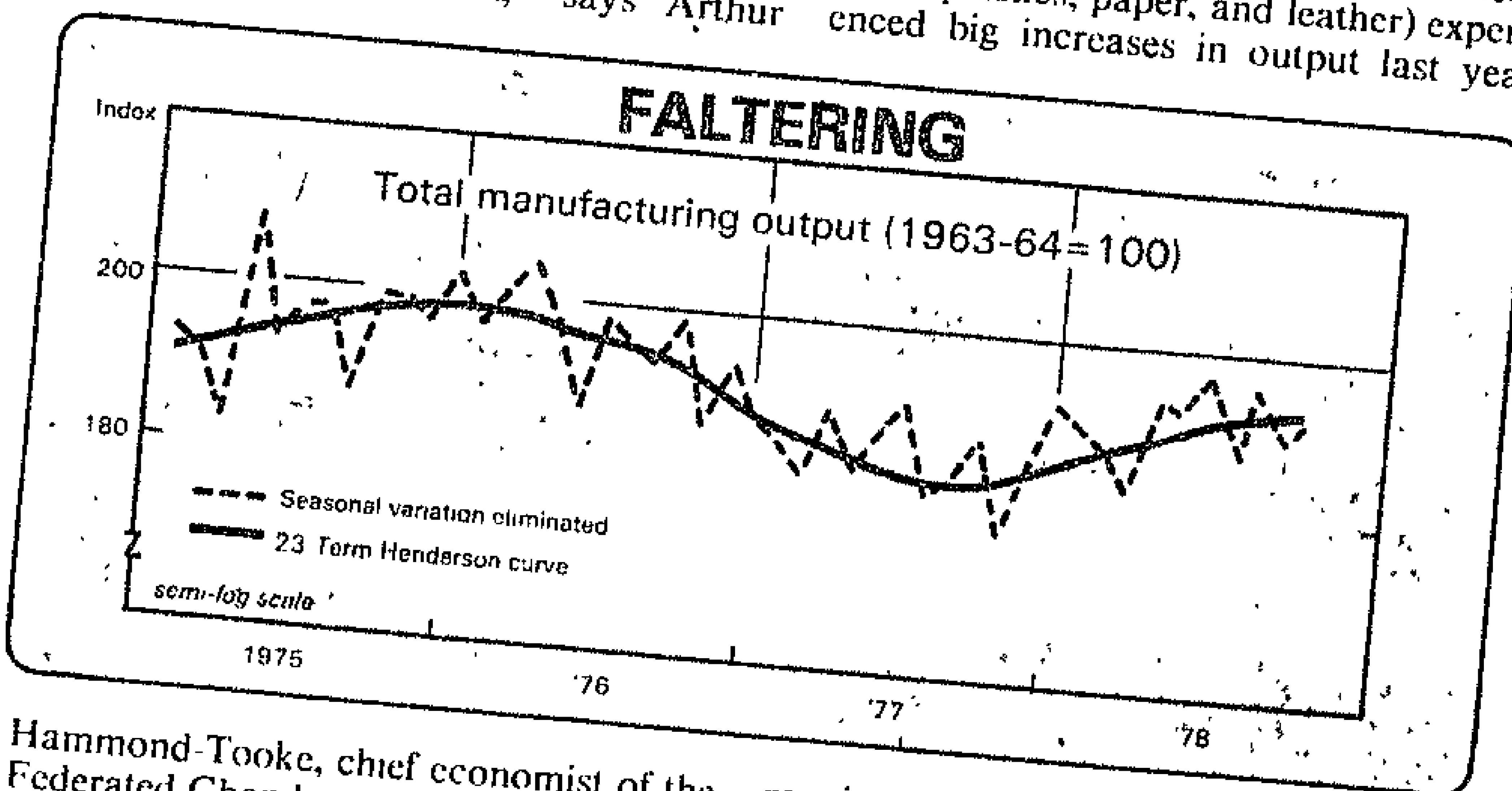
would em

INDUSTRIAL OUTLOOK

Still lots of "buts"

Despite its encouraging comeback from the depths of the 1977 depression, manufacturing industry is still in second gear — and it will take more than the De Kock Commission to shift it into top.

"The De Kock report is like a key stone without an arch," says Arthur Hammond-Tooke, chief economist of the Federated Chamber of Industries.



"But we want to see it fully implemented, and we need the rest of the package. The Commission is only the first part of a very much broader and more sophisticated growth strategy required to take into account not only monetary and fiscal policy but also supply management."

Insufficient demand is still being reported as the main constraint.

Supply constraints are shortages of raw materials (in textiles, clothing, wood, furniture and chemicals), of white labour (in iron and steel, non-metallic mineral products, machinery) and of black labour (electrical machinery).

Badly needed is the long-awaited industrial strategy, which it is hoped will remove the worst supply bottlenecks. Not until these are removed is the shortage of capital likely to become a problem.

Other problems loom. Inflation is again climbing, not least because of a round of increases in administered prices. The rapid growth in the money supply can only aggravate the situation. And while Britain's labour chaos will not last forever, it is likely to do a fair amount of damage to SA's exports and imports.

Industry is not yet moving firmly forward across a broad front. One group of largely unrelated sub-sectors (motor, metal products, basic iron and steel, glass, plastics, paper, and leather) experienced big increases in output last year ranging between 12% and 20%, while another (food, tobacco, rubber products, non metallic mineral products, machinery and transport equipment) actually saw further decline, averaging about 6%.

A surprise is food, the biggest industrial sub-sector, accounting for almost 13% of industrial output. Usually considered virtually immune to cyclical fluctuations (after all, you've got to eat), it suffered a 5,8% decline in real output.

Why? "Unemployment has taken its bite," says Premier Milling's deputy chairman, Tony Bloom. "While people have to go on eating, they eat differently, they eat less, and they waste less."

The heavy end of industry did not perform well last year — except where it could build up export markets, as did steel and ferro alloys.

The Steel & Engineering Industries Federation notes that the growth in real domestic product (about 2,5%) in 1978 was narrowly based on demand for consumer durables and did not filter through to a majority of Seifsa sectors. Seifsa director Errol Drummond says, indeed, that where there was a marginal recovery in order intake and production last year, it levelled off in the second half.

The moderate revival in domestic demand (stemming largely from private consumption expenditure) would have to be more broadly based, and accompanied by increasing real government expenditure, if it is to work through to the basic metal sectors and foundry industry.

Capital expenditure in Seifsa industries crashed nearly 40% to R300m last year, and Drummond foresees a low rate of production expansion in 1979.

Transport worst hit

The worst-hit industry has been transport equipment, which dropped nearly 15% of its business last year in the general cutback of infrastructure spending. The bulk of the sector is accounted for by railway equipment, but shipbuilding has also been in the doldrums.

The best performance was by the motor industry, which enjoyed an overall increase in real output (combining cars, commercials and components) of more than 20%. Again, it was from a low base.

But a further rise is expected this year. While many motormen forecast a sales increase of around 5%, Sigma chairman Chris Griffith is more bullish. "I would be looking for an increase this year of 7%-11%," he says. "I am fairly optimistic about the whole economy. Conditions are reasonably favourable for an upturn. But clearly there are two caveats. One is the oil situation — and frankly it's not an insoluble problem. And the second is that the Minister of Finance must not go back on his implied promise to give some kind of relief to the individual taxpayer."

Other sectors which, like the motor industry, are close to the market, also did well last year. These included beverages (stimulated by the liquor war), some kinds of textiles and plastics.

Furniture showed some improvement, but sales of television sets slumped horribly. Exports to Iran were good for the glass industry (up 14%) and cement, which was able to offset depressed domestic demand in this way. But the Iran crisis may put a stop to this.

Growth in the whole textile industry was 2,4%, but the average was dragged down by weak demand for blankets and carpeting.

If those were excluded, the growth rate was approaching 4%, according to Stanley Shlagman, director of the Textile Federation.

Output reached its peak before the middle of the year as substantial restocking took place, and then production tailed off in response to the low level of consumer demand.

He expects output of textiles this year to match last year's figures, but emphasises the importance of stimulatory measures and continued protection for the industry.

The need for stimulation is the common thread running through all shades of industrial opinion at present. The De Kock Commission goes some of the way, but it is only a part of the necessary package.

Financial Mail

(49) FM 9/2/79

THE ECONOMY

Gold to the rescue again

For months government has been castigated for not taking further steps to stimulate the faltering economic recovery. At the August meeting of the Prime Minister's Economic Advisory Council, there was concern that the revival was losing momentum. And again in November, the PM said after the EAC meeting that there was still "a real danger that the present revival in the economy might lose momentum even before a definite improvement" occurred in various economic indicators.

"The Council," he said, "felt it was desirable that any possible action (to stimulate consumer spending) should take place as soon as possible."

That meeting of the EAC was on November 20-21; since then, with the exception of early repayment of more corporate loan levies — which, as this week's further cuts in interest rates show, simply put more money into an already highly liquid sector of the economy and did nothing for consumer spending — there has been no further official effort to get consumer spending moving again.

It would be ironic if the Iran oil crisis ultimately turned out to be the latest in the series of windfalls that over the years have repeatedly come to the aid of the SA economy at dark hours. For (see *Markets*) there can be little doubt that the Iranian crisis, and its possible impact on the dollar, are the main reasons behind this week's strength of bullion markets.

Major cost

And while the higher price we will have to pay for our oil in future (see next article) will be a major cost to the economy, the better gold price is an even greater plus factor.

It is significant that it is no longer only in terms of the weak currencies that the gold price is now advancing. As the graph (which is based on monthly average prices) shows, even last month the Swiss franc price of gold was only back at mid-1977 levels, and both that and the Deutschemark price were still well below end-1974 levels. But as the Iranian position has weakened over the past week, gold has firmed not only in sterling and dollar terms, but also in Swiss franc and Deutschemark.

As long ago as October 20, the *FM* argued that, with the gold price then only running about $200, exchequer receipts from gold mining tax and lease payments could be almost double the 1978 Budget estimate of R580m. In the December quarter, the average London afternoon fixing was $214; so far this year, $231. So the estimates we made then could turn out conservative.

No wonder the government was able to withdraw totally its first scheduled 1979 loan; and no wonder, too, that this week brought further cuts in interest rates (see *Economy and finance*).

Ultimately, higher gold prices must filter down (after the State has taken its cut) into higher dividends and hence higher disposable income in the hands of shareholders. Indeed, recent mining company dividend declarations have already reflected this, to some extent. But the process is too drawn-out and diffuse to have any rapid impact on consumer spending.

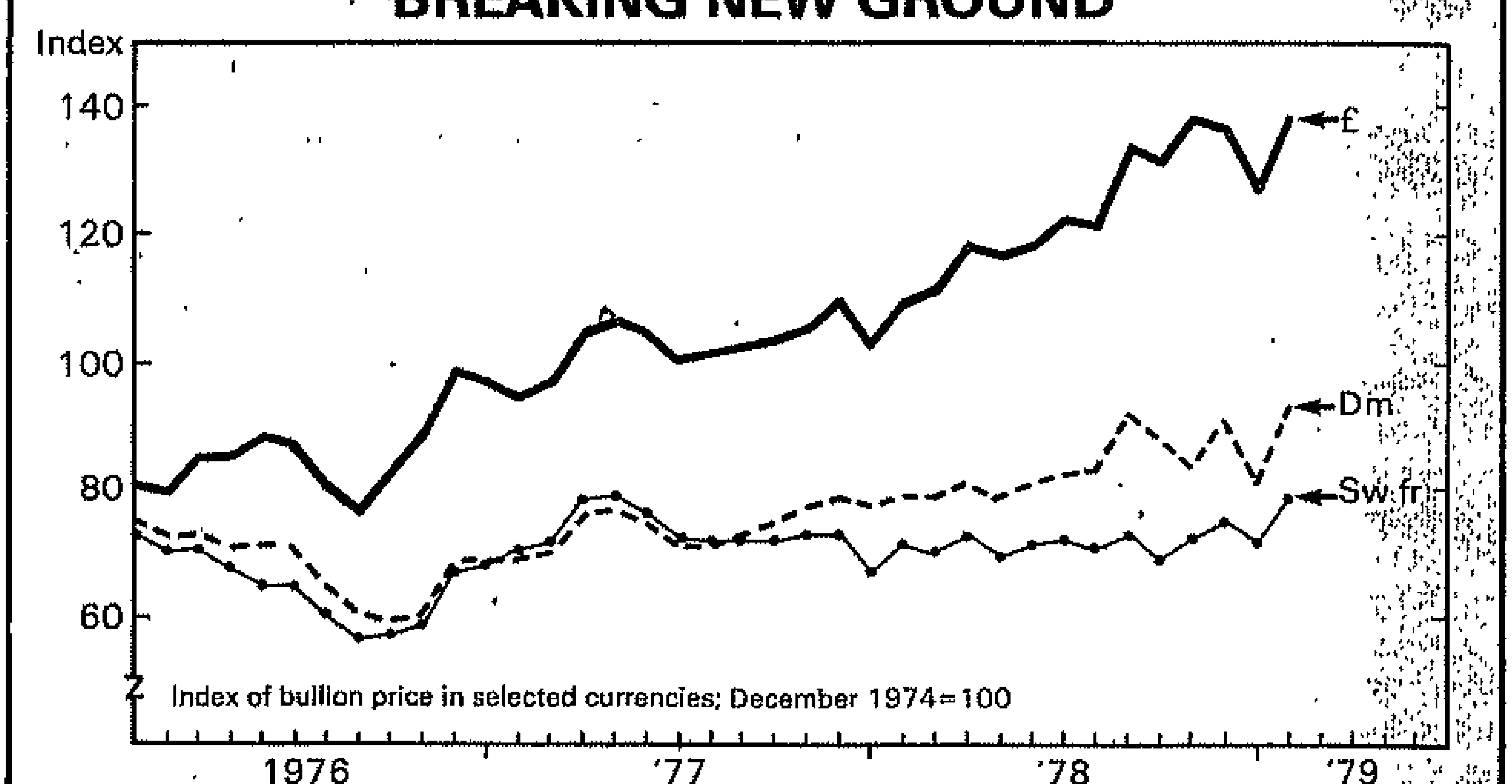
Lower interest rates are likely to have even less immediate effect. The SA experience has shown vividly just how true it is that, when confidence is lacking, even steep falls in interest rates do not make a reluctant economy perform.

Like those famous recommendations of the De Kock report, our economic outlook now is sharply split between the long term and the short term. Long-term, the gold price will come to the rescue yet again, and cheaper money will make investment more profitable. But short-term neither of these factors may have much effect in boosting consumer spending, the prerequisite of the next stage in recovery.

Here, political fears and general lack of confidence still prevail. There has still been no action on import surcharges and the elements of personal tax that can be cut by ministerial fiat; and with the Budget due next month, the chances of anything happening before then are diminishing daily.

Certainly the events of the past week have improved the medium- to long-term outlook. But the fundamental immediate problem remains: will they help sluggish consumer spending?

BREAKING NEW GROUND



Source: Standard Bank

Business cycle signs good, says Bureau

NIM 14/2/79 (49)

CAPE TOWN — South Africa's economy must surely rank among the foremost on the score of fundamental vitality, the Bureau for Economic Research at the University of Stellenbosch says in the current issue of its statistical publication, Trends.

The bureau says this statement takes into account "the now-confirmed compensatory effect of gold in relation to the international imbalances — particularly arising from monetary excesses."

It notes that a measure of uncertainty in overseas investment sentiment had preceded the publication date of the De Kock report.

In the light of the apparent fundamental strength in the economy, "the securities rand in dropping to historically low levels must be one of the top-class investments available internationally nowadays."

Mining output

The overall impression of the business cycle indicators were definitely favourable.

Manufacturing volumes were improving apace, agricultural production had been decidedly up last year and mining production volumes had stabilised at a fairly high level.

The inherent resilience of the economy was shown particularly in terms of the stabilising effect of mining and agriculture, the bureau says. — (Sapa.)

STEPHEN HALLETT
July, 1978

increased in efficiency. Productivity soared to 180 lit
delivery per day per worker, milk sales increased by 20%
the workforce was reduced to 15 workers.

Push cart delivery remained restrictive, however, and in
it was decided to experiment by acquiring two electricall
propelled prams at a price of R750 each. These pedestri
controlled prams proved lucrative, for not only could del
take place up and down the avenues of Fish Hoek, but thes
were also insulated thus increasing the life-span of the
could now deliver up to 450 litres per day with
pram. A further major effect of such a techniq
hat with electrically propelled prams the worke
essity need to be physically strong. Thus the
r to maintain good relations with his customers
ant factor in the type of labour employed. It
to note that labour turnover dropped with the
this technique, indicating an increase in job

ctric prams were being extensively used but the
of distribution were not being effectively se
f the 10 hour working day were being wasted me
to the point of the first delivery. This pro
led with the fact that at this time there was
om the labour force for increased wages. At t
e earning R45 per month, and those delivering
eas were only doing 200 litres delivery per da
decided to increase capitalization by the pur
y driven vehicles for the outlying areas. Th
in 1968 and had a range of 48 km at a speed o
The price of the equivalent vehicle today is
ue allowed for a reclassification of job ski
of the vehicles earning R85 per month and the
ontrolled pram operators R65. Productivity
s was now up to 250 litres delivery per day
workforce of Crons Dairy was 16

Ocean View.

Patrons here do not have refrigeration facilities for sto
milk over the weekends and thus Sunday deliveries are con
in this area only. The two workers who delivery there a
double wages on Sunday.

In 1972 a 14 ton refrigerated trailer was purchased to transport the Crons Dairy daily milk quota from Van Riebeck Dairy in Parow, where it is processed and bottled, to Fish Hoek. The daily milk supply excluding by-products at this stage numbered 5 050 litres and the driver of the new heavy duty vehicle formed the upper level of the skills structure of the dairy labourforce.

Increased turnover and specialization of delivery vehicles has resulted in a structure of skills evolving at Crons Dairy ranging from the driver of the heavy duty truck to three drivers of mediu duty (up to 8 tons) vehicles, to five light delivery drivers. The remainder of the workforce involved in deliveries use electrically propelled prams which travel at 6 km per hour. The corresponding wage structure in 1978 for the workforce of 14 range from R125 per month to R196 per month basic salary excluding any forms of bonus.

Increased capitalization in the milk distribution industry has resulted in significant increases in labour productivity with a relative decline in the labour intensity of the industry. At present the most productive worker delivers 560 litres per day in Fish Hoek. Crons Dairy who were the first to institute the system of a worker delivering his own round alone have the most productive labour force of all the dairies in metropolitan Cape Town. Figures released by the Cape Dairyman's Association bear this out.

DAIRY	A	:	469 litres delivery per day per man
	B	:	352 " " " " " "
CRONS	C	:	527 " " " " " "
	D	:	398 " " " " " "
	E	:	353 " " " " " "
	F	:	300 " " " " " "
WEIGHTED AVERAGE			408

note that if one compares the relative costs horse and cart and in using todays vehicles former is relatively more expensive due to

CONCLUSION

ng of the tightening up of the statutary
or obtaining labour and at this stage the
persian government saw the introduction of
hich confirmed the Western Cape as a coloured
labour supplied at this stage had to be authorised by the City Council and Crons Dairy still experienced no problems in obtaining labour. The establishment of the Bantu Affairs Administration Boards in 1972 brought about stricter control with a one year contract labour system rigidly enforced. The remova of Blacks in the Western Cape was speeded up at this stage. The restrictiveness of the present labour recruitment set-up is

7

(M) 16/2/79

Employment statistics

THE ASSEMBLY — Just under 30 per cent of economically active whites work for the civil service and public sector in South Africa.

A total of 542 710 whites work for the government, provincial administrations, local authorities, railways and harbours, the post office, statutory bodies, public corporations and control boards.

Altogether there were 1 874 062 economically active whites at September 30 1974.

This was disclosed yesterday when the Minister of Statistics, Mr Hennie Smit, replied to a question tabled by Mr Theo Aronson (SAP, Walmer).

The Minister said there were 842 000 economically active Coloureds, 247 000 economically active Indians and 6 477 000 economically active blacks.

A total of 667 177 blacks, including 87 000 in the black states, work for the civil service and public corporations. — PC

FM 16/2/79

ECONOMIC PROSPECTS

Dawn is breaking

Business confidence has improved noticeably in recent weeks. Is the optimism justified?

On January 26, the *FM* published eight leading economists' predictions for 1979. Most thought the economy would grow by 3,5%-4% this year.

Since then, the gold price has briefly breached $250/oz. Government has released the De Kock report and announced a loan levy repayment. Hints have been dropped that next month's budget will contain further measures to boost business activity. Indeed, the *FM* learns that government is considering revising the gold price on which it bases its budget estimates to well above $200/oz. What's more, politicians have made some encouraging noises, the stock market has blossomed, and January's car sales were the best in four years.

On the other hand, the energy crisis has deepened and the political outlook in Rhodesia and SWA/Namibia is as cloudy as ever.

With the exception of Volkskas's At Engelbrecht (who has revised his growth rate prediction from 2,5% to 3%), the eight men are not changing their growth estimates for the time being. Barclays' Johan Cloete reckons the current account surplus will be nearer R500m than his original estimate of R350m.

However, RAU's Professor Geert de Wet observes that "the general business feeling has become more optimistic" over the past three weeks. And the Natal Chamber of Industries argues that "the base for further economic recovery is firming."

More stimulation likely

Assocom executive director Raymond Parsons says that business confidence is strengthening on the assumption that the De Kock recommendations will be implemented quickly, and that more stimulation can be expected in the budget. Cloete agrees that prospects for an expansionary budget are becoming increasingly favourable.

The sharp growth in government's tax revenues in the first nine months of the fiscal year has greatly increased Finance Minister Owen Horwood's room for manoeuvre. The fiscus took in R4,38 billion in this period, compared with R3,63 billion during April-December 1977.

The increase is mostly due to higher receipts from the mines. Mining lease receipts, for instance, more than doubled from R67m to R142m. In addition, gst has raked in over R377m since July.

A question mark still hangs over the balance of payments. SA paid R1,4 billion for oil imports last year, and Opec countries are predicting a hardening of the oil price in the next few months. However, with the gold price continuing to act, in the words of one economist, as "an index of chaos," SA's current account may not suffer.

Cloete warns of the effect of recession overseas on SA exports. He adds that the increase in imports which would accompany an economic upswing will limit real growth this year to 4%.

Experts agree that if a 4% growth rate is to be achieved, more stimulation is needed soon. Parsons suggests "economic policy should be strengthened by further tax cuts in the budget, the removal of the import surcharge, publication of the Wiehahn and Riekert reports and a 'permissive' monetary policy."

Gross nationa. product

Hansard 2 184 16/2/79 ~~82~~

(49)

218. Mr. H. H SCHWARZ asked the Minister of Statistics:

What was the gross national product of the Republic for each of the past three years.

The MINISTER OF STATISTICS:

Gross national product at market prices

	R million
1975	25 868
1976	29 181
1977	32 994

Figure for 1978 not available yet.

SUNDAY TIMES, Business Times, February 18, 1979 (49)

Budget dilemma

SOME options open to Government in the important March Budget are reviewed here by deputy editor NIGEL BRUCE.

AS THEY run up to next month's important national Budget, the nation's financial policy-makers are wrestling with the problems of how best to share out the modest concessions that will dictate the extent of next year's gingering up of business growth.

Should they, for instance, reduce personal taxes to stimulate consumer demand in the hope that this will lead to a reduction in spare manufacturing capacity, thus improving the prospects of an investment revival?

In doing so they run a risk, after years of declining private sector investment, of stimulating demand ahead of industry's ability to supply, which would fan inflationary pressures.

Or they could concentrate on reducing company tax (and other fiscal burdens on business men) in the hope that the prospect of higher profits will stimulate investment which in turn should lead to higher personal incomes.

If they do that, there is a possibility that a faster pace of economic activity might take longer to materialise and that, in consequence, cruel black unemployment will remain longer with us.

Whatever is finally decided, what is certain is that we are not about to see inflationary flames rekindled as a result of a big increase in Government spending.

For one thing, although the Treasury has had both in tax and loan receipts, such a bumper financial year that its task in the year ahead will be easier, it has primarily to assess future revenue and borrowing prospects, which will not necessarily remain as rosy as they appear to be now, in relation to rising costs.

Although no doubt a higher average gold price will be taken into account in the estimates, it would be a brave Finance Minister who anticipated again this year a doubling of mining tax receipts, which provided the bulk of the revenue bonanza this year.

For that would presuppose another massive increase in the gold price, the forecasting of which is for revenue calculating purposes a major item of uncertainty. While non-gold mineral earnings could cushion a reduction in the trade balance, they are unlikely to take up all the slack and agriculture is having a bad year.

For another thing, oil is becoming an even more critical factor in estimating expenditure because of the premium that suppliers are able to command at present, although this could be reduced in the course of the year.

Inevitably, too, after three years of hardly any growth and sometimes a reduction in Government spending, the pressures must be building up for some loosening of the purse strings, however modest.

This too must provide policy-makers with a dilemma; should they within the modest limits available raise the wages of civil servants and thus boost consumer spending power almost immediately or should they choose the longer term method of increasing spending on capital works?

There is probably also some apprehension in Treasury circles that the bumper year it has just had in the domestic loan market might not be repeated should the declining trend in long-term interest rates be arrested, especially in view of the already heavy institutional investment in official securities.

On balance, therefore, Government will have limited scope to use increased spending as the mainspring for stimulating business activity if its policy of growth with discipline is to be maintained, and that even fiscal stimulants could be circumscribed both because of revenue and borrowing constraints in relation to an inevitable rise in costs.

Moreover, whoever will benefit sooner (either business or consumers) from whatever tax reductions Finance Minister Owen Horwood feels we can afford, remains for the time being a matter of conjecture, until the views of Cape Town policy-makers have crystallised.

Securities: Treasury likely to be cautious

THERE is unlikely to be a meaningful cut in the Budget in the large amounts that insurance companies and pension funds are required by law to invest in official securities to assist Government funding, despite the vast sums that Government was able to borrow this fiscal year.

There are two reasons why the Treasury is likely to be wary of reducing these requirements next month:

First, mainly as a result of declining long-term interest rates, the institutions have recently found investments in fixed-interest securities particularly profitable and are consequently holding far more official securities than the law requires.

There is a danger, therefore, that if the decline in interest rates were to be arrested, they might be reluctant to increase these investments.

Second, if investment in these securities is to be encouraged under these circumstances, Government would have to pay a more market-related interest rate, which, in volatile market conditions, is difficult to determine under official borrowing procedures that require the rate to be announced some time before the issue opens.

It is possible, however, that the procedure may be revised this year, enabling a coupon rate to be announced in advance, while the actual issue price, which could be at a discount or premium, becomes known only when the issue opens.

This would enable the effective yield to be adapted to market conditions closer to the time of issue.

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[redacted]

18/2/79 (49)

Wes-Kaap lê la

Ons sê . . .

DIT is goed en reg, boonop hoogtyd, dat indringend na die ontwikkeling van (of dan die gebrek daaraan) van Wes-Kaapland gekyk word. Daar is klaar mensé wat ligsinnig na Kaapstad en sy omgewing as 'n museum verwys.

Die Buro vir Ekonomiese Ondersoek op Stellenbosch is in opdrag van die Minister van Ekonomiese Sake besig met 'n omvattende ondersoek na die hele aangeleentheid.

'n Mens weet nie wat die here van die Buro alles daarin sal sê nie. Maar as 'n mens moet kyk na die leegloop op sakegebied van Kaapstad in die laaste klompie jare (hoofkantore van o.a. FVB en Trust-Bank na Johannesburg) en, ook ander verwikkelinge, is dit duidelik dat groot klem klaarblyklik sal val op ontwikkelinge wat groeikrag (én werk) aan veral die bruinmense sal verskaf.

In dié verband is die ontwikkeling van Atlantis van hoogste belang.

Dit is duidelik dat die kommer oor Wes-Kaapland, en Kaapstad by name, nie net beperk is tot sakelui nie. Dit wek ook hoër op kommer.

Daarom kan 'n mens verwag dat 'n inspuiting vir die Wes-Kaap hoë voorrang sal geniet. Die keuse van Atlantis vir die dieselenjinfabriek is die eerste bewys daarvan.

Kommer diep by nywerheid

Deur DAVID MEADES

DIE huidige ekonomiese oplewing gaan Wes-Kaapland verby. Hierdie streek se ekonomie vertoon die slegste in die hele land. Sy probleme is van diepliggende aard en behalwe spoedige korrektiewe optrede, is 'n omvattende program om die ekonomie weer aan die gang te kry, dringend noodsaaklik.

Die Buro vir Ekonomiese Ondersoek van die Universiteit van Stellenbosch is besig om die finale afronding te doen aan 'n ondersoek oor Wes-Kaapland op versoek van die Minister van Ekonomiese Sake, mnr. Chris Heunis.

Hierdie verslag sal waarskynlik eersdaags by die Minister wees. Terselfdertyd is die Departement van Beplanning ook met 'n strategieplan vir Wes-Kaapland besig.

Die verslag van die Buro vir Ekonomiese Ondersoek gaan waarskynlik dringende en omvattende optrede aanbeveel. Hierdie afleiding kan gemaak word uit die jongste uitgawe van die Buro se publikasie, Trends.

Hier word gesê dat terwyl Port Elizabeth die streek is wat die beste in die land herstel het, Kaapstad steeds die twyfelagtige prestasie handhaaf as die een wat ekonomies die swakste presteer.

Die Buro sê dat Wes-Kaapland se probleem klaarblyklik nie een van sikliese oorsprong is nie. Daar is trouens 'n manifestasie van toenemende aanduidinge dat dié probleem van 'n strukturele en fundamentele aard is wat nie net spoedige ad hoc-regstellings nodig het nie, maar beslis 'n omvattende program om nuwe ekonomiese lewenskrag in die streek te pomp.

Vertraging

Die Buro gaan voort deur te sê dat Kaapstad blykbaar die grootste rede is waarom daar 'n vertraging in afname in die land se werkloosheidsyfer is.

In die georganiseerde handel en nywerheid in Kaapstad is daar ernstige kommer oor die agteruitgang in dié streek hoewel

MIN. CHRIS HEUNIS....twee ondersoeke na ontwikkeling in die Wes-Kaap sal binnekort meer lig bring.

P.T.O.

KAAP SOEK HULP

Vervolg van bl. 1

onder meer ook die Kaapstadse Afrikaanse Sakekamer om diè potensiaal van die Kaap te ontgin, werp nou vrugte af.

Mnr. Jack Roos, direkteur van die Gefedereerde Kamer van Nywerhede in Kaapstad, sê dat hulle in die jongste tyd ietwat meer optimisties oor die ekonomiese toekoms van die Kaap is. Dit is veral so weens die ondersoek wat mnr. Heunis gelas het en die aankondiging oor die dieselaanleg.

Syfers van die Buro dui daarop dat die bydrae van Wes-Kaapland tot die Bruto Binnelandse Produk oor die afgelope vyftien jaar van 13,8 tot 12,6 persent gedaal het, terwyl ramings daarop dui dat die bevolking van hierdie streek van 1,7 miljoen in 1975 tot 3,4 miljoen teen die jaar 2000 sal styg.

Gering

En dit is duidelik dat Kaapse nyweraars meen dat die Spoorweë se tariewe hulle baie erg knou. Volgens mnr. Roos is daar 74 maatskappye wat 26 verskillende nywerhede verteenwoordig — van wie meer as die helfte altesame 41 persent van hul produkte in die Noorde verkoop.

Daar kan nou wel gesê word dat hierdie nywerhede meer op die uitvoermark moet konsentreer. Maar dit is nie altyd so maklik nie, omdat hul voordeel teenoor vervaardigers in die Noorde maar baie gering is.

Kaapse nyweraars meen dat daar baie meer kanse vir hulle in die snelgroeiende mark van die Noorde is en mnr. Roos is hoopvol dat die nodige stappe gedoen sal word om hierdie posisie reg te stel.

daar nou meer tekens van hoop is op die uitwerking wat 'n projek soos die dieselenjinbedryf by Atlantis, sowat 50 km van Kaapstad, op die gebied kan hê.

Maar hierdie projek sal eers oor drie jaar werklik aan die gang kom. Intussen is daar oor die heel korttermyn weinig rede tot optimisme.

En Atlantis gaan oor die lang termyn alleen ook nie veel help nie. Die bestaande vervaardigingsektor sien die Noorde as sy belangrikste mark en hoë spoortariewe is besig om sy keel toe te druk.

Rembrandt

Vervaardigingsbedrywe wat tradisioneel in die Kaap gesetel was, is in toenemende mate besig om in die Noorde uit te brei. Hier is Rembrandt se baie groot sigaretfabriek op Heidelberg (Tvl.) 'n goeie voorbeeld.

Mnr. Willem Dreyer, voorsitter van die Kaapstadse Afrikaanse Sakekamer, sê aan Sake-Rapport dat sy organisasie reeds geruime tyd voel dat iets ingrypends gedoen moet word om nuwe ekonomiese lewe aan die Kaap te gee.

Hieroor is verskeie seminare reeds gehou en talle beskrywingspunte is daaroor ingedien. Die Kamer het ook 'n permanente aksiekomitee, wat nou saamwerk met die ondersoek van die Buro op Stellenbosch. Kaapstad en omgewing self het min oop nywerheidsgrond. Daarom vestig almal hul hoop op Atlantis.

Hulle is daarom geweldig dankbaar dat daar uiteindelik nou 'n belangrike bedryf (die dieselenjinprojek) daar gevestig sal word wat as kern kan dien om meer nywerhede te trek.

In 1977 het 43 private nyweraars reeds meer as R24 miljoen daar in geboue en toerusting belê. En sedert die aankondiging het meer as vyftig groot nyweraars reeds navraag oor Atlantis gedoen.

Mnr. Dreyer sê dat Wes-Kaapland oor 'n geweldige arbeidspotensiaal in sy bruinmense beskik, veral as 'n mens aan die gehalte van hierdie potensiaal dink. Omvattende opleidingsprogramme is aan die gang en die groei moet geskep word om die werkgeleenthede vir hierdie mense daar te stel.

Intussen is daar darem die sprankie hoop dat die Kaap se toeristepotensiaal nou nuwe lewe gekry het.

Hotels was jare laas so vol as nou en pogings deur

Vervolg op bl. 3, kol 1

FINANCE

4? - 49

SA IS RICHEST AFRICAN COUNTRY — WORLD BANK

Argus 20/2/79

Financial Editor

SOUTH AFRICA is the wealthiest country in Africa with a gross national product of 33 680-million dollars, while Nigeria, helped by its oil riches, is the second wealthiest with a GNP of 30 900-million dollars, figures published by the World Bank in Washington show.

The next two wealthiest states are also oil producers — Algeria with a GNP of 16 [illegible]0-million dollars and Libya with a GNP of 15 9[illegible]0-million dollars.

Reflecting its lack of mineral resources, Egypt comes a poor fifth in the wealth stakes with a GNP of 10 680-million dollars.

On the basis of individual incomes, South Africans are not the wealthiest people in Africa. This mantle falls on the Libyans, who have an annual average income of 5 970 dollars.

Next in line comes the Gabonese, whose average annual income, again thanks to oil, is 3 780 dollars.

Third, a little surprisingly, are the inhabitants of Reunion, the French sugar island off the coast of Madagascar, who have an annual average income of 2 680 dollars.

South Africans rank fourth in this table with an average annual income of 1 290 dollars a year.

The comparable figures for some of the more important African countries and neighbouring states are: Nigeria 400 dollars, Egypt 280 dollars, Zaire 130 dollars, Algeria 1 010 dollars, Tanzania 180 dollars, Uganda 350 dollars, Mozambique 150 dollars, Rhodesia 530 dollars, Angola 310 dollars, Malawi 130 dollars, Zambia 450 dollars, Lesotho 210 dollars, Mauritius 680 dollars, Botswana 390 dollars and Swaziland 540 dollars.

SWISS SECOND

The World Bank figures show that the world's wealthiest people live in Kuwait, where the annual average income is 13 960 dollars a year.

The Swiss are second with 9 160 dollars, followed by Sweden's 9 030 dollars, Canada's 7 930 dollars and the United States with 7 880 dollars.

cs 28/2/79

Choice: Apartheid or prosperity — De Beer

(49)

HOUSE OF ASSEMBLY. — South Africa could have either apartheid or prosperity, but not both, Dr Zac de Beer said yesterday.

Mini Budget

Dr Zac de Beer

Opening the second day of debate on the second reading of the Part Appropriation Bill, Dr De Beer (PFP Parktown) said serious weaknesses in an otherwise strong economy were directly attributable to the government's apartheid policy.

The economy was showing a shaky trend towards somewhat stronger growth but it was necessary, to provide enough job opportunities, that the growth rate should be higher still.

While a growth rate of 5 or 6 percent a year was needed, the most optimistic forecast was that South Africa might achieve 4 percent this year.

Increasing unemployment threatened a drop in the real living standards of all South Africans, Dr De Beer said. And South Africa had a great many people unemployed at the same time as having a shortage of skilled labour.

The potential shortage of skilled labour threatened to check any revival there might be in the economy. The economy needed stimulation in the short term, but account also had to be taken of the medium and long term.

A charter was needed which contained a commitment to meaningful movement away from apartheid, the scrapping of all colour bars in the economy and a crash programme for education and training of blacks to take skilled positions.

"The charter must include the dismantling of small apartheid and the opening up of our society."

It should also contain a plan for political reforms leading to equitable power sharing for all South Africans.

Only in this way would South Africa gain the confidence of foreign investors, which was lacking only because of political considerations.

The economy required real stimulation to get moving, Dr De Beer said, and suggested tax cuts in next month's budget.

The construction and agricultural industries needed government assistance.

Increased production and productivity had to be one of the major economic aims at present. Account would have to be taken of the fact that any worthwhile economic stimulation could increase imports and the inflation rate. — Sapa

"Jongerenprojek II" en in 1977 het 16 Nederlandse studente (JeugprojekI) 'n studiebesoek aan Suid-Afrika gebring. Weens omstandighede kon geen projek in 1978 verwesenlik word nie.

2. Omdat die algemene versoek ten gunste van voortsetting van die "Jongerenprojek" was, het die NZAV besluit om in 1979 weer 24 studente na Nederland te nooi - minstens een van elke universiteit vir die duur van ons wintervakansie 30 Junie - 23 Julie 1979.

3. Algemene inligting en voorwaardes:

3.1 Belangstellende studente moet minstens twee geslaagde studiejare agter die rug hê;

3.2 slegs studente met 'n belangstelling vir Nederland, sy kultuur, taal en mense, sal in aanmerking kom;

3.3 die koste van die toer sal ongeveer R 600 bedra - die laagste beskikbare tarief. Dit sluit in: koste verbonde aan 'n paspoort; assuransie soos: bagasie (R 600); persoonlike ongevalle R15 000); kansellasie en herroeping (R 1 000); 'n WA-versekering (wettelijke aansprakelijkheid) word in Nederland vir die studente uitgeneem.

3.4 voornemende studente sal vooraf georiënteer word vir die besoek;

3.5 die NZAV (Amsterdam) het die Reëlingskomitee: JP III (adres hierbo) hier te lande aangewys as die oorkoepelende organiseerders van die toer;

3.6 vanselfsprekend moet studente hulle eie sakgeld voorsien - ongeveer R 150 - R 200 word aanbeveel.

2/...

> My experience of District Councils in the Northern Province is that the Chiefs were so tired of trying to get their grievances redressed that they turned to the Native Associations in the hope that the latter, being more educated, would bring greater pressure to bear upon the Government.[97]

The Mombera Native Association took up the case of the deposed and banished Chintunga and succeeded in persuading the colonial authorities to allow him to return home, although he was allowed no political function. After Chintunga's death in 1924, the Association intensified its pressures for an ethnic revival by championing the claim of Chintunga's putative son, Lazaro Jere, a mission-educated clerk in the Northern Rhodesian administration, to return and become, not Principal Headman, but 'Paramount' of the Ngoni, despite the fact that under law there was no office of Paramount permitted in Nyasaland.[98] Lazaro Jere returned to the district in 1924, and at once a popular campaign was launched to resuscitate the Paramountcy, and this would cover not only Mzimba District, but also areas to the north, south and west. This displeased the government immensely, and the District Commissioner contemplated calling in troops to put an end to the movement.[99] Nonetheless, in 1928 these pressures paid off when Lazaro Jere was made Principal Headman.[100] The naming of Lazaro to this position set off another wave in the campaign to revive the Paramountcy. In June, 1930, for example, the Mombera Native Association asserted that the Ngoni

> desire to have a paramount chief in Mombera still rings in the hearts of the people, for the present policy of equalizing all the Principal Headmen is contrary to the law of the country —— the law being that there must be one Paramount chief and that all other chiefs must act as his assistants. This old Ngoni law aims at having unity, lacking which it is difficult to form a nation. As the cry for a paramount chief grows greater and greater, the Association earnestly asks Government to take this question into deeper consideration.[101]

Again, as with the pressures for a stronger Chikulamayembeship, these demands came at an opportune moment, as Indirect Rule was about to be introduced in the Protectorate.

While the pressure for naming Lazaro Jere as Paramount was growing, there was also a parallel in Ngoni country of the Tumbuka history writing exercise. Just as T. Cullen Young had systematized Tumbuka history for the Tumbuka, so too did the Livingstonia Mission's Reverend Yesaya Chibambo do the same for the Ngoni. Chibambo's task was far easier than Young's, as Ngoni

history was far more vivid in the minds of the people than was the largely mythical history of Young. The Ngoni past was relatively recent, and, when compared with the dreary realities of labour migration and ecological degradation, of litigation and emasculated chiefly authority, it was a glorious thing to contemplate. The migrations from South Africa, the exploits of Zongendaba, the victories of the Ngoni impi, their success in state-building —— all were naturally easy topics for Chi stories of past glories were also used in used in the local schools.

When the colonial government institu popular demands of the area and made Param Ngoni, with the name of Mbelwa II, creati pride similar to that current among the T Ngoni response to the new-found pride was When in 1929 the Native Reserve (North Nya suggested that the northern zone of the Chikulamayembe of the Tumbuka, the Ngon would damage the unity of the Ngoni and ment.[104] Later just as the Chikulamaye so did Mbelwa II. In 1934 he successfu chiefdom of the Chewa Chief Kaluluma, a this time in vain —— to extend his inf Ngoni chiefdoms of Magodi and Mkumbaz Bledisloe Commission that the area of R River and the Nyasaland border be ceded

Black redistribution view differs, claim

ck 26/2/79

HOUSE OF ASSEMBLY. — Progressive Federal Party members would get the surprise of their lives if they knew the interpretation blacks put on the term "the redistribution of wealth," Mr Barend du Plessis (NP, Florida) said yesterday.

Speaking in the second reading debate on the Part Appropriation Bill, Mr Du Plessis said blacks understood the term to mean "a drastic redistribution of wealth."

Referring to a speech by Mr Harry Schwarz (PFP, Yeoville), who had raised the matter yesterday, Mr Du Plessis said the political implications of such a move were of too serious a nature to discuss further.

"He (Mr Schwarz) has caught a tiger by the tail. He must take care that that tiger does not devour him in time." — Sapa

Thus, by the early 1930s, two strong chieftainship systems, fully allied with the areas' young intellectuals, had emerged in northern Nyasaland. One was the Ngoni hierarchy of Mbelwa II, firmly based on the glories of the Ngoni past. The other, that of Chikulamayembe and the other descendants of the Balowoka, was based on the Tumbuka past as then accepted. Both were intent on creating tribal awareness, and in this they were assisted by the schools and texts of the Livingstonia Mission. It is in this context that the whole question of language policy arose, and decisions were made about language policy which are still felt today.

APPENDIX I

Statistical Practices and Explanations

Averages and Standard Deviations

"Average" is used to indicate the arithmetic mean. The standard deviation of the mean, when provided, is given in rounded brackets after each average: thus 41 (± 13) years mean the arithmetic mean is 41 and the standard deviation is 13 years. The standard deviation indicates the dispersion of values about the mean: 68% of the sample values lie within one standard deviation on either side of the mean when the distribution is normal. When the distribution is not normal at least 75% of the sample values lie within 2 standard deviations on either side of the mean.
(Reference, Roscoe, J.T., Fundamental Research Statistics (Holt, Rinehart & Winston, N.Y., 1969), p.51).

Contingency Tables

A Chi square (X^2) test was used throughout to test the significance of the influence of the variables on each other in the two-way tables. A confidence level of 0,01 implies that there is a 99% probability that the influence is significant. The percentage is calculated as follows:

$$(1{,}0 - 0{,}01) \times 100 = 0{,}99 \times 100 = 99\%$$

Thus a confidence level of 0,05 gives a 95% probability that the influence is significant.

Backward Stepwise Regression

Backward stepwise regression is a technique employed in multiple regression to end up with a final equation containing only significant variables. It works as follows; significance levels are determined for the inclusion and the exclusion of variables. Computations then commence with all the variables included in the multiple regression. Thereupon a step by step [illegible] to be

Apartheid 'expensive mistake'

28/2/79

HOUSE OF ASSEMBLY. — Apartheid had been the most expensive mistake in the history of any country in any part of the world, Mr Brian Page (NRP Umhlanga) said yesterday.

Speaking in the second reading debate on the Part Appropriation Bill, Mr Page said the National Party could not deny this.

"They cannot deny it was a mistake because if it was not a mistake, why are they moving away from it?"

The National Party had become a party of professional organizers — party hacks that were completely divorced from the needs of the ordinary people who were paying the price for the failure of the government.

"The man in the street is facing economic ruin and hundreds of people are fighting a losing battle with the cost of living and yet the state coffers are awash with funds. How does this come about? There is only one answer — incompetence, bungling, bad budgeting; in short, rotten government."

The government alone was responsible for the impossible situation in which the South African peoples found themselves today.

South Africa was waiting for, and expecting, the generous tax benefits that the Minister of Finance had hinted at.

"The people are expecting and deserve big tax concessions because without concessions, there is no way that they can carry on meeting their commitments.

"South Africans are being taxed out of existence and are being expected to constantly tighten their belts and face an ever-increasing cost of living spiral."

Mr Page said the situation of pensioners, both social and otherwise, was impossible and untenable and the stories were legion of those who were at their wits end and did not know how they could possibly hope to survive. — Sapa

FCI director says . . .

Prospects for 1979 promising

NM Bus. 2/3/79

(49)

Financial Editor

THE South African economy could grow at the rate of between 3,5 percent and 4 percent during the current year.

This optimistic forecast was given to members of the Natal Chamber of Industries in Durban yesterday by Dr. H. J. J. Reynders, the executive director of the South African Federated Chamber of Industries.

Dr. Reynders said that prospects for 1979 looked much more promising than they did a year ago.

"The economy has definitely lifted out of the four-year recession. Nevertheless, the upturn is still somewhat fragile and the strength of the new growth phase uncertain."

Uncertainties

Dr. Reynders said that political uncertainties cloud the forward view but it was not unrealistic to assume that no trade or other boycotts would be operative other than those in force at the moment.

The higher growth rate predicted for 1979 (1978: 2,5 - 3 percent) would be largely based on an increase in consumption expenditure. Exports were also at a higher real level. Investment demand would pick up towards the second half of the year.

Turning to the rate of inflation, Dr. Reynders said he did not expect it to drop from 10,9 percent last year to single figures because of the oil crisis.

"The inflation rate depends on whether there are further oil price hikes. It could go to 11 percent or 12 percent.

"There is no doubt that we will get oil but we will have to pay for it."

Negative growth

Dr. Reynders added that he expected agriculture to show negative growth this year compared with 1978. Mining would be up by 2,5 percent. Gold was likely to be more or less stable but other mining output should rise by more than 2 percent.

"A positive growth rate is foreseen for the construction sector compared with a decline of about 5 percent last year.

"In the manufacturing sector the expectations are for a growth of 4 percent in its real contribution to the GDP of the country (1978: 5 percent, and 1977 a negative growth of 6,5 percent).

"I do not foresee any major supply bottlenecks this year. However, skilled labour may become a problem if the upturn is more vigorous than expected."

THE ECONOMY (49) 2/3/79

Horwood's tightrope

Finance Minister Horwood has to perform a delicate balancing act if the economy is to show a decent growth rate this year.

Introducing the Part Appropriation Bill in Parliament this week he failed to project confidence. This is understandable. Just when everyone thought it was safe to pump more life into the economy, policy makers are confronted with two highly deflationary priorities: a 30% rise in the oil price in two months and a R3 276m commitment to build a strategic survival project, Sasol 3. Their net effect is that close to R2 billion of potential spending power will be sterilised this year.

Real GDP increased about 2,5% last year and it will probably rise again this year, said Horwood, despite sharply reduced farm production, and "notwithstanding the retarding effect bound to be exerted by recently increased fuel prices." Growth will not be as high as it should be, he added.

To stimulate consumption and investment, full use will be made of the new exchange rate regime, helped along by the "remarkable performance" of the current account of the balance of payments in 1978, when the surplus will have been between R1 000m and R1 500m.

Horwood expects an improvement on capital account due to a lower level of foreign loan repayments and the inflow of trade credit from abroad as a result of new forward cover charges. That should largely offset the expected decline of the current account surplus, when imports begin to rise to fuel growth. "The overall balance of payments should remain sound," asserted the minister.

Harry Schwarz, the PFP's shadow finance minister, was less sanguine and more prescriptive about policies for 1979/80. "We believe that a major stimulatory package should be presented in the budget," he said. It should include:

- Tax relief and a review of the tax systems: "The oil price rise is hitting all, therefore the benefits of higher gold earnings should be shared by all;"
- Tax relief to pensioners and relief to lower paid people from the impact of gst, particularly on essential foodstuffs, by means of subsidies;
- Abolition of residual sales duties and scrapping of the import surcharge;
- A review of banks' liquid asset ratios and the raising of lending limits.

Hansard 5 (335)
8/3/79

49

Port Elizabeth: growth rate

419. Mr. T ARONSON asked the Minister of Statistics:

(1) What was the real growth rate of the Port Elizabeth magisterial area for the latest period for which figures are available;

(2) what was the (a) total number of manufacturing establishments, (b) total employment and (c) gross output of the area for the latest year for which figures are available.

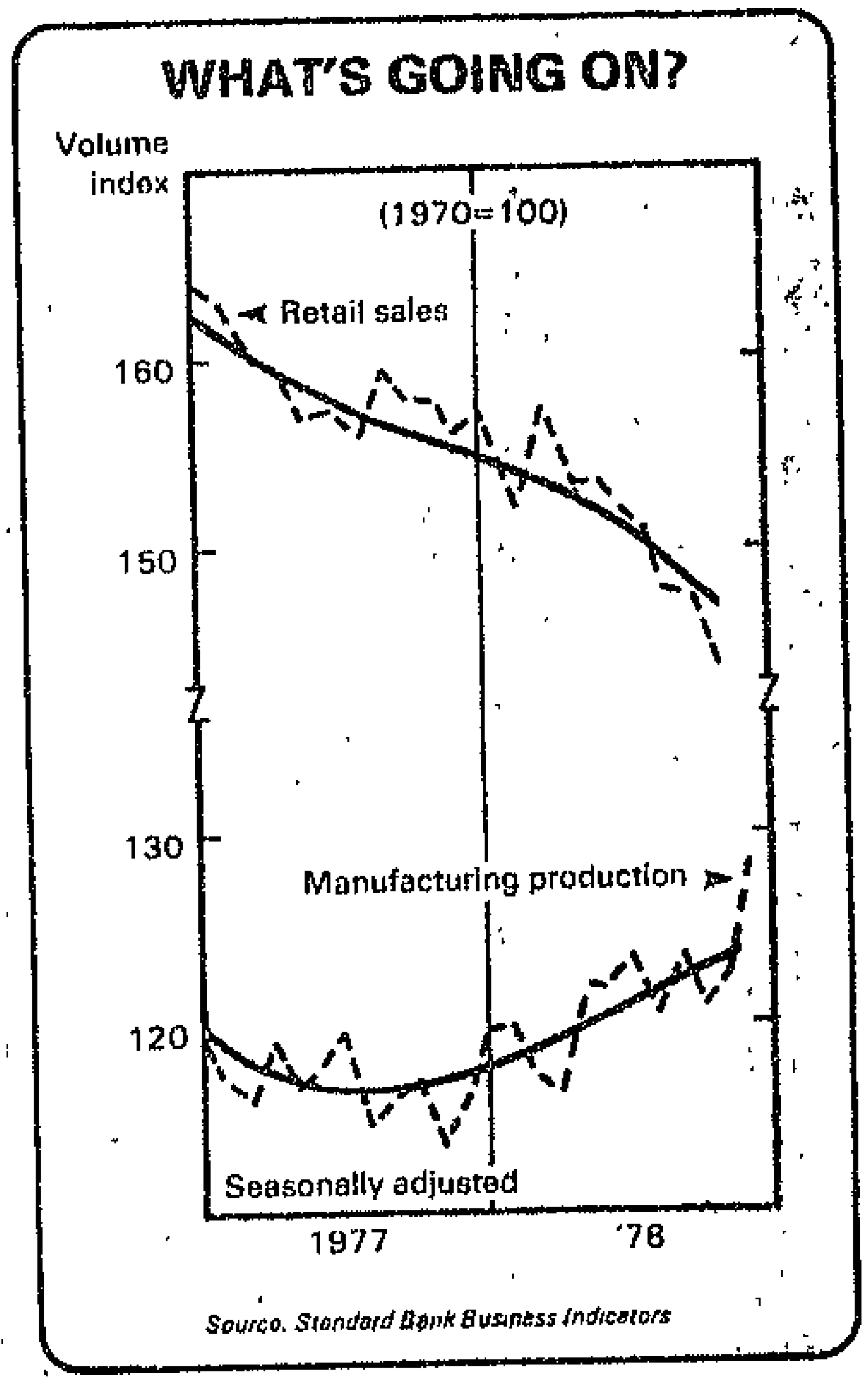
The MINISTER OF STATISTICS:

(1) 1.4 per cent per annum for the period 1970 to 1972.

		1976
(2)	(a)	467
	(b)	58 546
	(c)	R986m

(49)

9/3/79



CONSUMER SPENDING

Will the budget help?

Many businessmen are literally putting their money on Finance Minister Owen Horwood. Hopes of budget tax cuts and other moves to ginger up the economy have prompted merchants to push up orders to suppliers, despite the continuing weakness of consumer demand.

Our graph shows that factory output is rising much faster than final sales, with textiles, clothes, wood products, furniture and paper showing the biggest increases. Industry's unfilled orders are sharply up too. Though they rose by 4,4% in the first 11 months of last year, October and November saw jumps of over 15%.

Standard Bank says in its latest monthly review that "industrial production continues to increase over a fairly broad front in anticipation of future increases in consumer spending." The marketing manager of a Cape based clothing chain points out that "the recession in the clothing trade is continuing, but manufacturers are very busy." Adds Colin Woodroffe, director of Durban's Redgwood Toys: "In many cases we have doubled our orders for this year."

Retailers are generally faring far worse, however, and seem to be pinning their hopes on an expansionary budget. "There's an awful lot of future being discounted," says FCI economist Arthur Hammond Tooke. Doug Parker, of Retail Information & Management Services, confirms that "most retailers seem to have assumed there will be tax relief in the budget."

Parker warns, however, that official retail sales estimates are usually on the low side, and that "business may not be as bad as it looks from the figures." He reckons that sales of appliances, food, and furniture, particularly by the large chains, have moved up steadily in recent months.

Parker estimates that sales volumes rose about 1% in January, but fell back by the same amount last month.

Business is still far from buoyant and many stores report a very quiet February. "January was a record non-Christmas month," observes Roger Corfield, MD of Etkind's photographic suppliers, "but last month was a disappointment." The secretary of a Cape Town furniture group echoes his sentiments: "In January we thought we were taking off, but we just seemed to slip back in February." Adds Demosthenes Michos, chairman of the Tearoom, Restaurant & Caterers Association: "There is a very marked weakening in business."

Standard Bank confirms that "consumer spending is still one of the major soft spots in the economy."

(49) (210) FM 9/3/79

DE BEERS

Rock solid profit growth

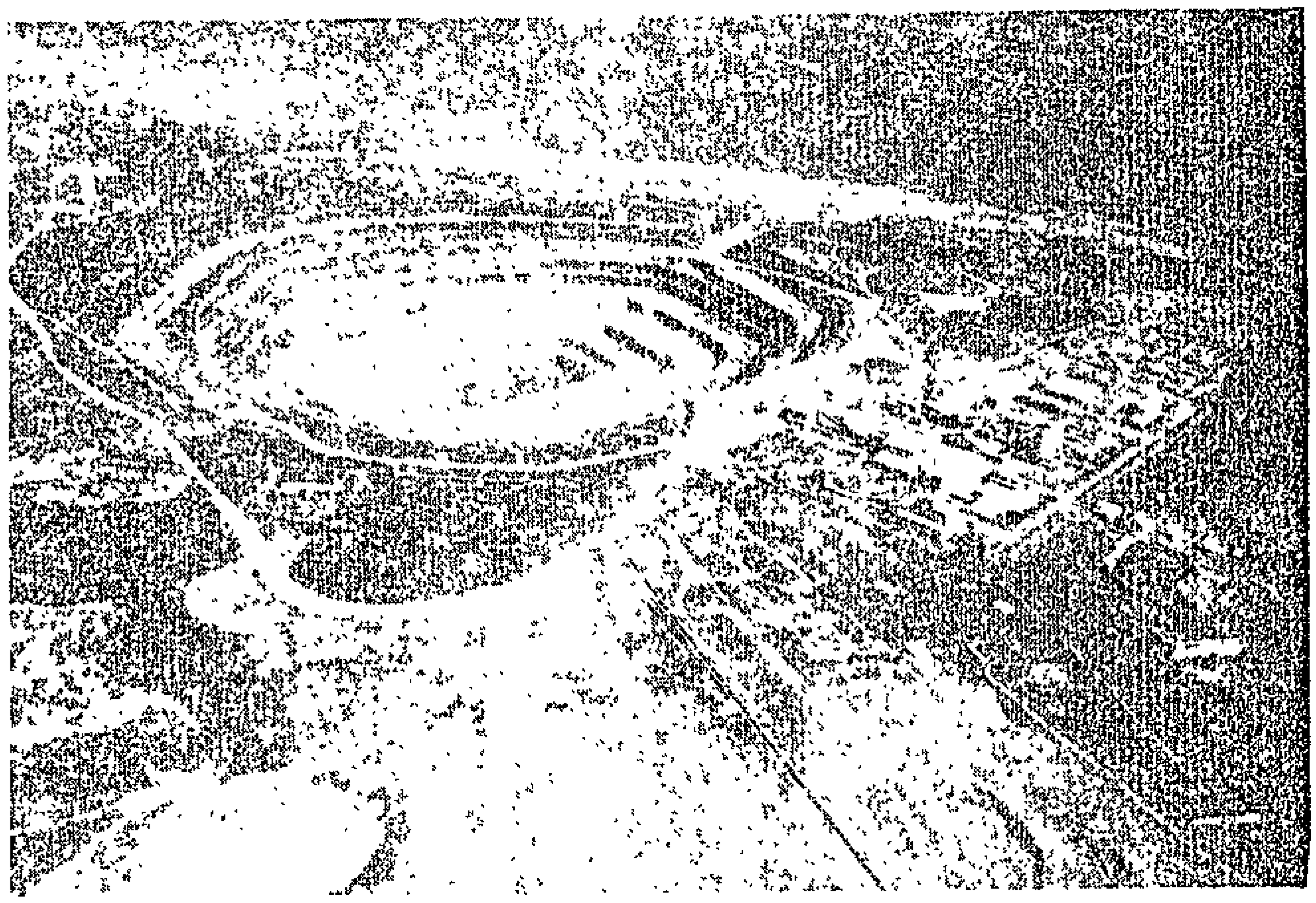
London and New York analysts who had been punting for a 55c final from De Beers to make 75c for the year might be more circumspect in future. The 45c final announced by the group is right in line with most Johannesburg forecasts after the 20c interim.

With the results, at least one London broker who was previously a rampant bull has started to question likely dividend growth this year.

After accounting changes whereby maintenance capex is now charged against diamond account, and export duty, previously charged against diamond account, is now treated as part of the tax charge, diamond account income has soared to R956,4m (1977: R734,8m). And though this takes into account first-half sight surcharges, it only benefited for part of the year from August's 30% gem price hike. Helped by an interest and dividend income increase to R234,1m (R169,1m), though the figures are not comparable with the previous year following de consolidation of Purtra, pre-tax earnings broke the R1 billion barrier to reach R1 156,5m (R871,7m). Earnings were 31,7% higher at 205,5c (156c) a share.

Though a growing view is that this year will see a slowing of diamond sales growth despite the impact for the full year of last August's price increase, the slowdown may not be as marked as some are expecting.

At year-end, diamond stocks had risen to R255,6m (R220,7m), a change that is being used to justify theories that sales are slowing down. But De Beer's own production is now far higher than it was a few years back, so if anything, stocks are perhaps still on the low side. In any event, stock levels to an extent reflect the rate at which stones are sold into CSO stocks. At the time of sale, that means a profit to De Beers. So management could, if it was so inclined, hold back the corporation's own profit growth.



De Beers' Finsch mine . . . how quickly will its stones be sold?

More to the point is what is planned for the year-end cash balances of R1 295m. Year-end net current assets stood at R889m (R502m), so no matter what the group's diamond stock policy, there will be little appreciable strain.

Alternatives that spring to mind for the funds are participation in oil from coal projects or deployment as part of Anglo group plans to develop Minorco as the major overseas operating arm (*Fox* February 16).

But perhaps this is idle speculation. A factor is that in the past De Beers has regularly confounded the bears. Its fundamentals look simply too good for any major upsets. This year, there is a possibility that CSO volume sales will decline. Even so, at worst they should be maintained in value terms. De Beers is back in the driving seat as far as the market is concerned, with most of last year's speculative rough gem holders flushed out. And the onus on providing gems is falling increasingly on De Beers, especially as new capacity in Botswana kicks in.

It is unlikely that earnings will slip below last year's 205,5c, but even if the level is simply maintained, there are few analysts not prepared to bank on a 75c total payout this year.

Meantime, the correction which has cut the share from its 960c peak to 877c probably has a little further to run, especially as the financial rand looks set to move well beyond US75c. But investors will have to be sharp to catch the share as it bottoms.

Jim Jones

An embarrassing surplus

One thing is sure: the least of Senator Horwood's worries will be to balance the books in his 1978-79 Budget. Although neither revenue nor expenditure accrue on a smooth seasonal basis, figures for the first 10 months of the fiscal year show that revenue is ahead of budget and expenditure below.

Also, government stock and defence and bonus bonds have raised R620m more than had been budgeted for the transfer to this account.

Apart from the loan programme, the main contributor to the exchequer's improved outlook is gold mining tax and lease payments, currently (according to Chamber of Mines figures) running at just over R250m a quarter, or R768m for April-December. On this basis, the total for the year could be just over R1 000m, against only R580m budgeted.

However, although the monthly

As Budget Day — March 28 — approaches, the FM *will be looking at various aspects of the Budget and the economic background against which it must be set. This week, we study the state of government finances. Next week, a panel of economists will give their views on what the Budget should contain, and on March 23 the* FM *will offer its own prescription to Senator Horwood.*

whole year. So cash is pouring out of the exchequer's ears. The opening cash balance of R87m, budgeted to drop to R45m, actually soared to R433m at the end of January. It will, however, have since run down sharply by the redemption of R376m government stock, following the withdrawal of the first 1979 government loan.

It seems clear that the planned R355m drawing on the stabilisation account will not be needed, and it is not inconceivable that, at the end of the day, there might even be scope for a small additional exchequer statements do not break down the sources of inland revenue, Senbank's Louis Geldenhuys says he suspects that, because of either lags or over-provisions, the exchequer accounts might not reflect gold tax and lease payments as large as the Chamber of Mines' quarterly tabulations. He is thus only forecasting a total around R900m for the year.

Other revenue figures are closely in line with budget. GST is worth a second look. In October-December it averaged R80m a month, rising in January (which reflects December — ie, Christmas — retail sales) to R105m. February (reflecting January retail sales) could be a poor month, but with March back to normal the total could be only marginally below the R650m budgeted — commendable accuracy for a new tax.

Geldenbuys estimates that, thanks to gold, inland revenue could exceed budget estimates by more than R300m and indirect taxes by about R50m, making a total revenue (excluding loans) of R8 050m, or between R350m and R400m more than the R7 668m budgeted. Those who take a more optimistic view of gold tax and

THE TAKE TO DATE

	Budget for 1978/79	April 1978 to January 1979
	Rm	
Receipts (excluding loans):		
Inland revenue	5 621	[illegible]
Gst	650	483
Other indirect taxation	1 397	1 219
	7 668	6 29[illegible]
Expenditure	9 811	7 83[illegible]
Shortfall	2 143	1 636
Major financing (net)		
Foreign loans*	—157	—171
Government stock	1 250	[illegible]
Defence bonds	100	[illegible]
Defence bonus bonds	40	51
Securities rand bonds	94	[illegible]
Treasury bills*	—	—152
Loan levy	338	285
Cash balance†	42	—3[illegible]
Stabilisation account	355	

*A minus sign indicates a net redemption
†A minus sign indicates a build-up of the cash balance
Source: Senbank

lease receipts could add anything up to another R100m to this.

Expenditure, on the other hand, is running marginally below budget. But this is almost entirely owing to a shortfall in defence spending. It is likely that, as happened last year, the total amount voted for this department will be drawn in March. In that event, total spending could come close to the R9 811m budgeted. Last year's spending was just under R9 billion, so with an inflation rate likely to be close to 10% for the fiscal year, it's apparent that in real terms there was no increase in state spending, and possibly a marginal decline.

Since spending, even including this week's R149m Additional Estimate, will not be above budget, but revenue will be, it could be argued that the 1978 budget will turn out less stimulatory than intended. However, as this is almost entirely the result of the unforeseen strength of the gold price, this has been to some extent an involuntary phenomenon.

Ample domestic liquidity and declining interest rates (even if these might now be close to bottoming — see *Economy & Finance*) make it clear that lack of cash has been no restraint on economic revival; the causes for slow growth must be sought elsewhere — for instance, in excessively high rates of tax.

The immediate point is that the combination of above-target income and pegged expenditure will impose a different policy requirement in this year's Budget. Either state spending will have to increase, in real terms, or substantial tax concessions will have to be made (or, of course, there could be a combination of these two options).

The need to finance Sasol 3 is a constraint, but not a serious one. This week's preliminary balance sheet from De Beers shows that that institution on its own would be capable of financing any conceivable private-sector participation.

Which avenue Senator Horwood will take depends primarily on which he thinks more likely to stimulate the growth rate: greater purchasing power in the hands of the private sector, or direct public-sector spending. We will explore this question in the next two weeks.

Owen Horwood . . . may not be so easy to preach the virtues of keeping government spending down this year

WHERE IT'S GOING

The main items in the Additional Estimates are:

- R25,2m assistance to self-governing bantustans;
- R8,5m bridging finance for Wrab;
- R26,6m for Transport, especially subsidies for blacks commuting to the bantustans at weekends; and
- R26,4m for provincial subsidies.

R400m boost for economy — credit ceilings eased

49

13/3/1979

By PAUL DOLD
Financial Editor

THE Government has relaxed the banks' credit ceilings and liquid asset requirements, allowing lending to firms and the man-in-the-street to be increased and effectively giving the economy a R300m — R400m boost. The package pressages what must be a growth Budget.

The additional lending room is much needed as some of the banks are already close to their ceilings and the situation would have been intolerable given a stimualtion of consumer spending, widely expected in Senator Horwood's Budget.

Downward pressure on interest rates will accelerate following the relaxation of the ceilings and another cut in the bank rate possibly just ahead of the Budget is probable. The cost of corporate funding is falling and this is a vital ingredient needed to aid the economic recovery.

The timing of last night's measures is opportune as the banks have the necessary leeway in which to prepare for the month-end rather than the customary pre-Budget announcement.

Increased lending is bullish for the banking sector's profits and the easing of the liquid asset requirments will mean that the banks are no longer so heavily penalized when taking deposits by having to invest in low yielding short-term Government stocks.

These measures were introduced several years ago to cut the money supply and restrict lending.

The authorities are also helping the smaller banks through easing their liquid asset requirements.

The full text of the Reserve Bank announcment is:

After the usual consultations with Treasury the Reserve Bank has decided to effect the following adjustments to the credit control measures.

As from March 31, the credit ceiling of banking institutions are increased by an additional 5 percent of their base figures as at Dec 31, 1975.

This increase applies to the ceiling figures relating to banking institutions' discounts, loans and advances to the private sector and their investment in securities of the private sector.

The existing arrangements whereby the ceiling figures of banking institutions are increased every month by one half percent of their base figures continues to apply.

At the same time the total amount of credit extension to the private sector as defined for the purposes of the credit ceiling which a banking institution may not exceed before it becomes subject to the ceiling requirements is increased from R15m to R20m.

When the total credit extended to the private sector by such a banking institution reaches the new limit of R20m its respective ceilings will thereafter be increased monthly by one half percent of the relevant base figure at Dec 31, 1975.

Liquid asset requirements as from the date of certification of their monthly returns for Feb 28, 1979, the supplementary liquid assets which the large banks (i.e. total assets exceeding R800m) have to maintain in respect of the increase in their short and medium-term liabilities since Sept 30, 1975, are reduced from 20 to 10 percent and from 8 to 4 percent respectively.

For the smaller banking institutions the supplementary liquid asset requirements of 20 percent in respect of the increase in their short-term liabilities since Sept 30, 1975, is abolished from the date of certification of their monthly returns for Feb 28, 1979.

The supplementary liquid asset requirements in respect of the increase since Sept 30, 1975, in the medium-term liabilities of the smaller banking institutions was already abolished in Aug 1978.

The required notices to give effect to these changes in credit control measures will be published in the Government Gazette shortly.

Unit trusts

Buyers, sellers, yield.

Old Mutual: 189,75 (202,17), 204,11 (187,94), 4,81 (4,85).
NGF: 124,06 (123,51), 115,25 (114,74), 5,80 (5,83).
Sage: 218,08 (216,31), 201,50 (199,86), 5,37 (5,41).
UAL: 213,41 (211,79), 200,48 (198,95), 5,33 (5,37).
Sats: 91,30 (90,91), 84,78 (84,42), 5,81 (5,83).
Sanlamtrust: 206,35 (205,28), 191,63 (190,62), 5,67 (5,70).
Trust: 61,31 (60,76), 57,00 (56,49), 6,20 (6,25).
Santam: 91,06 (90,65), 84,87 (84,48), 6,27 (6,30).
Syfrets: 62,97 (62,58), 59,09 (58,72), 6,80 (6,84).
Guardbank: 186,17 (184,69), 174,37 (172,98), 5,80 (5,84).
Standard 134,78 (1340;00), 127,31 (126,56), 6,04 (6,07).
Standard (Income): 105,41 (105,39), 102,57 (102,58), 9,82 (9,82). — Sapa

Call for bold action by Horwood on Budget day

STAR 21/3/79 (49)

With the Budget only a week away, the call for economic stimulation grows sharper, and the urgent need for tax relief in particular was yesterday stressed once again by the Johannesburg Chamber of Commerce.

At the organisation's annual meeting, chairman Mr H C Ballingall called for bold action from the Minister of Finance.

"A year ago my predecessor appealed for reductions in the marginal tax rate. In addition I would advocate the abolition of the personal loan levy and some adjustments to company tax. Furthermore . . . the surcharge on imports is no longer necessary and that . . . should be abolished in toto," he said.

Mr Ballingall stressed that the country's performance over the past few years has been "pathetic" and that if SA cannot generate higher profits in the private sector "we shall be up against a very dangerous socio-political situation."

He also expressed the JCC's concern over the delays in implementing the latest legislation giving black traders more freedom and the tardiness of the authorities in making known the findings of the "old faithfuls," the Wiehahn and Rieckert Commissions.

He mentioned too that the Maintenance and Promotion of Competititon Bill is not "entirely satisfactory."

A word of praise however was handed to Government for its prompt decision to go ahead with Sasol 3, and to the Minister of Transport for taking a calculated risk on the recovery of the economy.

"His colleague, the Minister of Finance, will hopefully be equally courageous in putting together a sufficiently stimulatory package and seeing to its speedy implementation."

Economic growth rate must be increased — De Kock

49
22/3/79

ALTHOUGH South Africa's economic recovery is making impressive progress, the country cannot afford to rest on its laurels, Dr Gerhard de Kock, senior vice-president of the SA Reserve Bank, said last night.

Speaking at Sanlam's annual meeting last night he said the "growth rate is still too low, the cyclical upswing is still too drawn out, and unemployment remains a serious problem. We simply must press on now and get the economy moving. And in this regard the private sector must come to the fore and make their contribution. If they show courage now, they won't regret it — they will be rewarded generously."

His speech, coming only a week before Senator Horwood's crucial Budget will be seen by the private sector as an indication that steps to improve the growth can be anticipated.

Dr de Kock said that the South African economy, thanks especially to the success achieved by the authorities during the past three years with their monetary and fiscal policy, was prepared and ready for accelerated economic growth.

"We have learnt valuable economic lessons in South Africa over the past few years. The very nature of our economy means that big fluctuations will of necessity occur in both our balance of payments and our domestic economic conditions. This is nether our fault nor does it create insurmountable difficulties. However, we must make sure that our short-term policy helps the economy to adjust itself to the ever-changing circumstances and does not impede this progress.

"Our short-term policy must therefore be flexible and must be adjusted in good time. Sometimes control will be called for and sometimes stimulation .Good timing is of the utmost importance. It is common knowledge that from 1974 to 1976 we were adversely affected by international events such as the serious world recession, the drop in the gold price, and the political development in southern Africa. At the time we were caught up in a situation where total spending in the public as well as the private sectors was too high, and where bank credit and the money supply had increased far too rapidly. In other words, things were going wrong.

"The result was a big balance of payments deficit and excessive inflation. Many observers, here and overseas, had doubts about whether we should be able to solve the situation. It was certainly a great challenge. Today we know what followed: Largely by means of restrictive fiscal and monetary policy, supple-rand in September, 1975, we brought about the necessary adjustments.

Government spending was taken in hand, taxation was increased, increases in bank credit and the money supply were drastically curtailed, and interest rates were allowed to rise .

"This wasn't easy and called for courage. Sacrifices had to be made and the growth rate of the gross domestic product decreased considerably. But the Government persevered and the public swallowed the medicine even though it didn't taste good. The results were dramatic and unique in post-war history. The policy had been more effective that even the greatest optimists had hoped for. The large current deficit in the balance of payments had been transformed into a huge surplus equal to more than four per cent of the gross domestic product, large amounts in foreign debts had been repaid and the net gold and other foreign reserves started rising sharply .

"The Government's finances had improved and the capital market expanded considerably, so that interest rates dropped. Already last year the Government was therefore able to proceed to a policy of "growth with financial discipline", which helped the new upward phase of the South African economic cycle, that had begun towards the end of 1977, to gain momentum. And as a result of all these developments the economy is now particularly well equipped for further and speedier progress .

"This surely is an economic success story if ever there was one. The cabinet had taken the right decisions and the SA public had reacted positively and in the right spirit."

JCC suggestions for 'pathetic' economy

SOUTH AFRICA'S economic performance in recent years has been "pathetic", according to Mr H C Ballingall, president of the Johannesburg Chamber of Commerce.

He told the JCC half-yearly general meeting yesterday, however, that the economy had admittedly been suffering real balance of payments problems.

But Mr Ballingall said: "If we cannot generate substantially increased profits in the private sector from now on and thereby finance new investment, we shall be up against a very dangerous socio-political situation arising from the magnitude and, indeed, the quality of the black unemployment problem."

He urged:

- Reduction in marginal tax rates.
- Abolition or reduction of the personal loan levy and some adjustment to company tax.
- Scrapping the import surcharge.
- Possibly making some increase in Government spending "where it will be labour intensive and the effect will be quick".

Mr Ballingall said: "All these measures would be consistent with the Government's stated policy of growth with financial discipline when one has regard to the present state of the economy, the likely resources of the exchequer and the long-term need for growth.

"This need cannot be over-emphasized.

"The country's performance in recent years has been pathetic in spite of the valid balance of payments reasons which we accept."

Mr Ballingall said there was growing concern at the delays in implementing black leasehold rights in urban areas and the removal of restrictions on the operations of black traders in those areas.

He said: "There is also growing impatience at the tardiness on the part of the authorities in making known the findings and recommendations of those 'old faithfuls' — the Wiehahn and Riekert commissions of inquiry.

"This concern has been expressed from many public platforms over the past several months and the importance of a new dispensation of the country's labour laws and practices is widely recognized not only by South Africans but also by the countries with whom we trade.

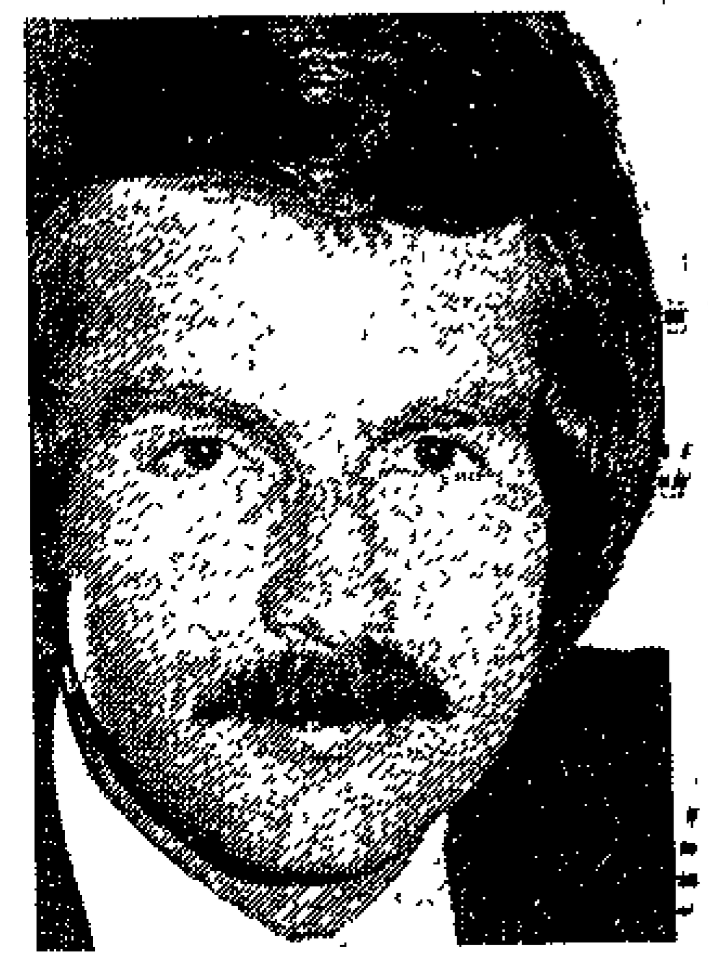
"We look forward to some progress in this matter in the near future."

Reviewing JCC activities in the past year, Mr Ballingall said the chamber had made a major contribution to the "smooth introduction" of the general sales tax.

The Government's anti-monopolies plan, the Maintenance and Promotion of Competition Bill, was still not entirely satisfactory, although it had been amended at the insistence of organized commerce and other bodies.

Mr Ballingall said: "We sincerely hope that the provisions finally incorporated in the bill to be submitted to Parliament will be such as not to paralyse the entrepreneurial and innovative spirit which characterizes and motivates the free enterprise economy."

He warned: "I believe that the Iranian debacle will have serious long-term implications for the world in general and SA in particular and I think our Government is to be congratulated on its timeous decision to go ahead with extensions to Sasol III."



Mr Doug Lincoln, who has joined the Cape Town offices of TWS Public Relations as a senior executive. He was previously executive director of Review Publications (Pty) Ltd.

Economic medicine 'tasted awful but made country well'

SAPA 22/3/77

14

/2

CAPE TOWN — The South African economy had dramatically recovered from the serious world recession three years ago and was now prepared and ready for accelerated growth.

Speaking at Sanlam's annual general meeting here yesterday, Dr Gerhard de Kock, senior deputy governor of the South African Reserve Bank said fiscal and monetary policy since 1976 had turned a large balance of payments deficit into a huge surplus.

Over the past three years the Government had curtailed its spending, taxation was increased, bank credit increases and the money supply were drastically curtailed and interest rates were allowed to rise.

"This was not easy and called for courage. Sacrifices had to be made and the growth rate of the gross domestic product decreased considerably. But the Government persevered and the public swallowed the medicine even though it did not taste good," Dr de Kock said.

The results were dramatic and unique in post-war history. The policy had been more effective than even the greatest optimists had hoped for, he added. Large foreign debts had been repaid and the net gold and other foreign reserves rose sharply.

"The economy is now particularly well-equipped for further and speedier progress. This surely is an economic success story if ever there was one. The Cabinet had taken the right decisions and the public had reacted positively and in the right spirit." — Sapa.

FR. 78.55

FRANÇAIS I

Cours de Langue

Faites accorder les participes passés placés entre parenthèses.

1. La petite fille que j'ai (vu) pleurer, (perdu) dans la foule, cherchait ses parents. Je ne sais si elle les a (retrouvè).
2. Si vos amis avaient (voulu) venir, nous les aurions (reçu) avec plaisir et nous aurions (pu) facilement les loger.
3. Les matelots, (rassemblé) sur le quai, ont (embarqué) et nous les avons (vu) partir.
4. Les reproches (mérité) que lui a (valu) sa conduite l'ont tout de même profondément (touché).
5. Des compliments, il en a (reçu) de nombreux, certainement plus qu'il en a (mérité).
6. Il avait déjà (abandonné) la barque quand elle a (commencé) à s'enfoncer.
7. J'aime les spectacles sans prétention; ces danses de village m'ont beaucoup (plu).
8. Des versions, je lui en ai (fait) faire pendant six mois.
9. Trente mille francs, voilà ce qu'a (coûté) cette maison, il y a quarante-cinq ans; depuis, sa valeur a bien (augmenté).
10. Les arguments que vous lui avez (présenté) ont lourdement (pesé) sur sa décision.

Même exercice.

1. Je voulais de
2. La tempête fa ... e canot de sauvetage et ... paraît-il, (sauvé) quat
3. Les croisade ... (prévu) ni même (soupço
4. Je leur ai (... ait (livré), ce soir, l'a
5. Soyez indulg ... , il en a (eu).
6. Vos tantes, ... vu) prendre l'autobus et ... t pas encore (arrivé).
7. Je n'oublier ... vons (vécu) pendant l'Oc ... subi), les dangers que ... nous avons heureusement
8. Comment, vo ... connu) et vous ne leur ave

Reserve Bank's vice-chief says . . .

S. Africa ready for faster growth

23/3/79

CAPE TOWN — The South African economy had dramatically recovered from the serious world recession three years ago and was now prepared for accelerated growth.

Speaking at Sanlam's annual meeting here, Mr. Gerhard de Kock, senior vice-president of the South African Reserve Bank, said the Government's fiscal and monetary policy since 1976 had turned a large balance of payments deficit into a huge surplus.

Over the past three years the Government had curtailed its spending, taxation was increased, bank credit increases and the money supply were drastically curtailed and interest rates were allowed to rise.

"This was not easy and called for courage. Sacrifices had to be made and the growth rate of the gross domestic product decreased considerably. But the Government persevered and the public swallowed the medicine, even though it did not taste good," Mr. de Kock said.

The results were dramatic and unique in post-war history. The policy had been more effective than even the greatest optimists had hoped for, Mr. de Kock said.

Transforming the balance of payments deficit into a huge surplus was equal to more than four percent of the GDP. Large foreign debts had been repaid and the net gold and other foreign reserves rose sharply.

Mr. de Kock said that last year the Government was able to proceed with a policy of "growth with financial discipline" and the upward phase of the economic cycle had gained momentum since 1977.

"The economy is now particularly well-equipped for further and speedier progress. This surely is an economic success story if ever there was one. The Cabinet had taken the right decisions and the public had reacted positively and in the right spirit.

"It is an undeniable fact that the South African economy, thanks especially to the success achieved by the authorities during the past three years with their monetary and fiscal policy, is prepared and ready for accelerated economic growth," Mr. de Kock said. — (Sapa.)

DOMESTIC APPLIANCES

A whiter shade of pale

FM 23/3/79

The R150m a year white goods industry (refrigerators, cookers, washing machines and other big ticket appliances) is battling to keep its head above water.

Local manufacture fell 25% between 1976 and 1978 to 304 000 units (see chart), while imports rose 22% to 84 000 units, accounting for an estimated R35m of the industry's R160m total retail value. This period saw liquidations of companies like Alrode, Icelandic and Coldflo; the closures of GEC and Lewis Appliances; the purchase of Fuchs by Barlows and the merger of SA General Electric and Defy to form Defy Industries. Though this rationalisation potentially improved prospects, return on the industry's R110m investment nevertheless remained at an estimated 4%.

Sales of electric stoves dropped 32% between 1976 and 1978 to 79 000 units; fridges 28% to 101 000; freezers 41% to 55 000; and washing machines 18,5% to 79 000 units. This is directly attributable to the recession, while the white market (over 60% of domestic appliance sales) for items like fridges (97% of households have one) and electric stoves (93%) has long been saturated. Normal replacement demand has waned as lifespans have been stretched, adding to the problems of the industry.

The only real potential for expansion is the black market, but this depends on the large scale electrification of urban townships. This won't happen overnight and, anyway, the industry reckons that when it does main demand will be for small items like kettles and irons, with only secondary importance being attached to major purchases like fridges and stoves.

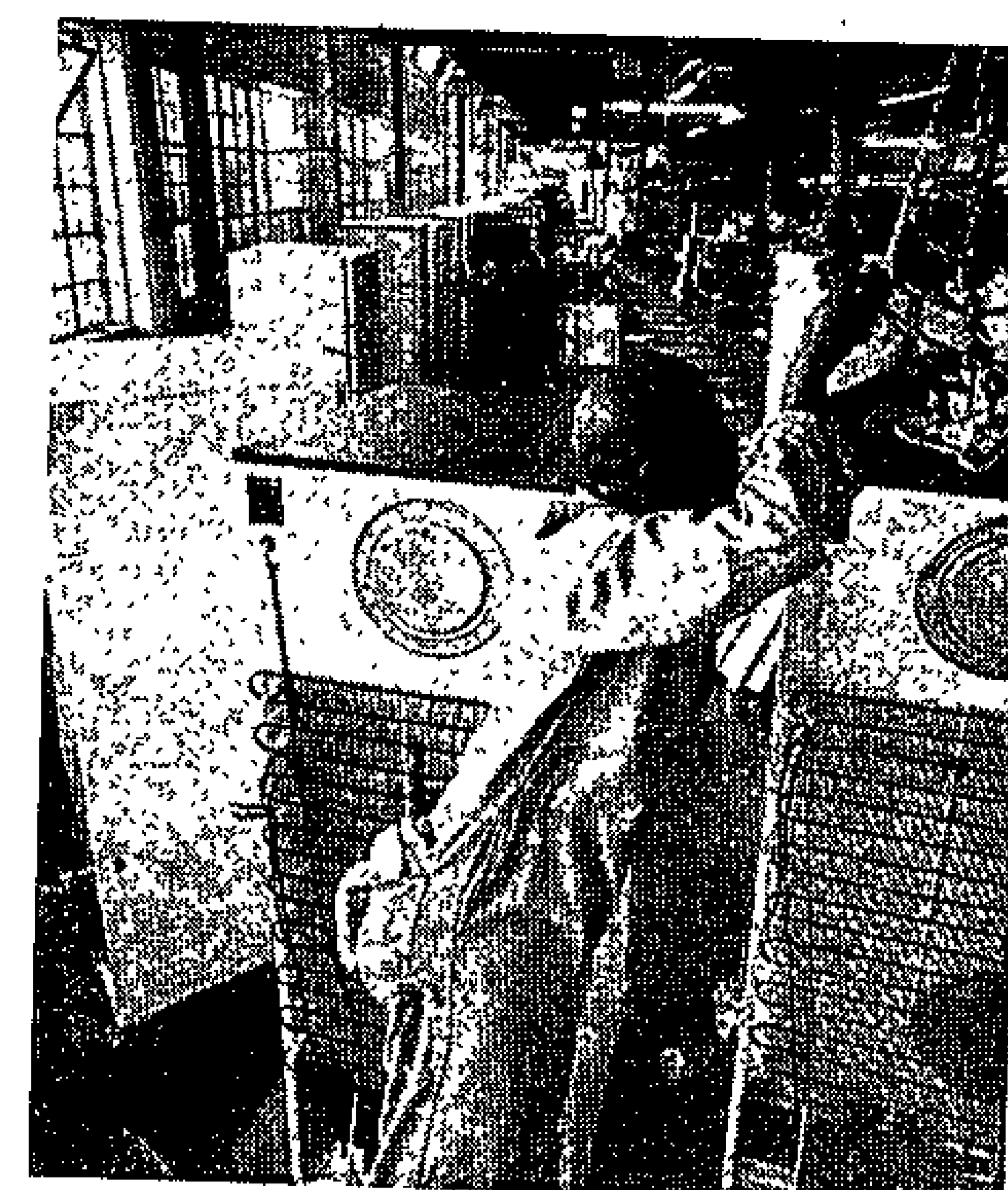
Immediate prospects for growth are therefore lacking, although the long-term trend towards a servantless society holds out promise for increased sales of washing machines, tumble driers and dish washers. (Tumble drier sales have doubled to 14 000 since 1976.)

Beset by these woes, the Domestic Appliance Manufacturers Association (Damsa) has applied to the Board of Trade and Industries (BTI) for increased import duties to "ensure the industry's long-term survival", in the words of chairman John Turner (MD of Barlows Appliances). Turner insists the application is in the national interest, though consumers are likely to be sceptical. The duty increase means the price of an imported bestseller 300l fridge will rise from R380 to R435.

Damsa maintains imports cost SA 2 600 jobs (out of 9 600 in direct employment and component manufacture), while increased imports in 1978 alone cost 650 jobs. Closures in 1978 resulted in the retrenchment of another 1 300 workers — 18% of the industry's workforce.

Greater tariff protection will protect employment within the industry and stimulate growth, says Turner, who avers that dumping from mass producers like Italy and Japan is occurring. Duty increases applied for entail formulae that make it more expensive to bring in cheaper goods (in this case fridges, freezers and domestic air conditioners), the stock BTI answer to dumping. While Turner alleges "apparent" dumping, he is hard pressed to substantiate the claim. Anyway, he reckons, the increases will take inflation into account since these duties were last raised in 1972, and will discourage future dumping.

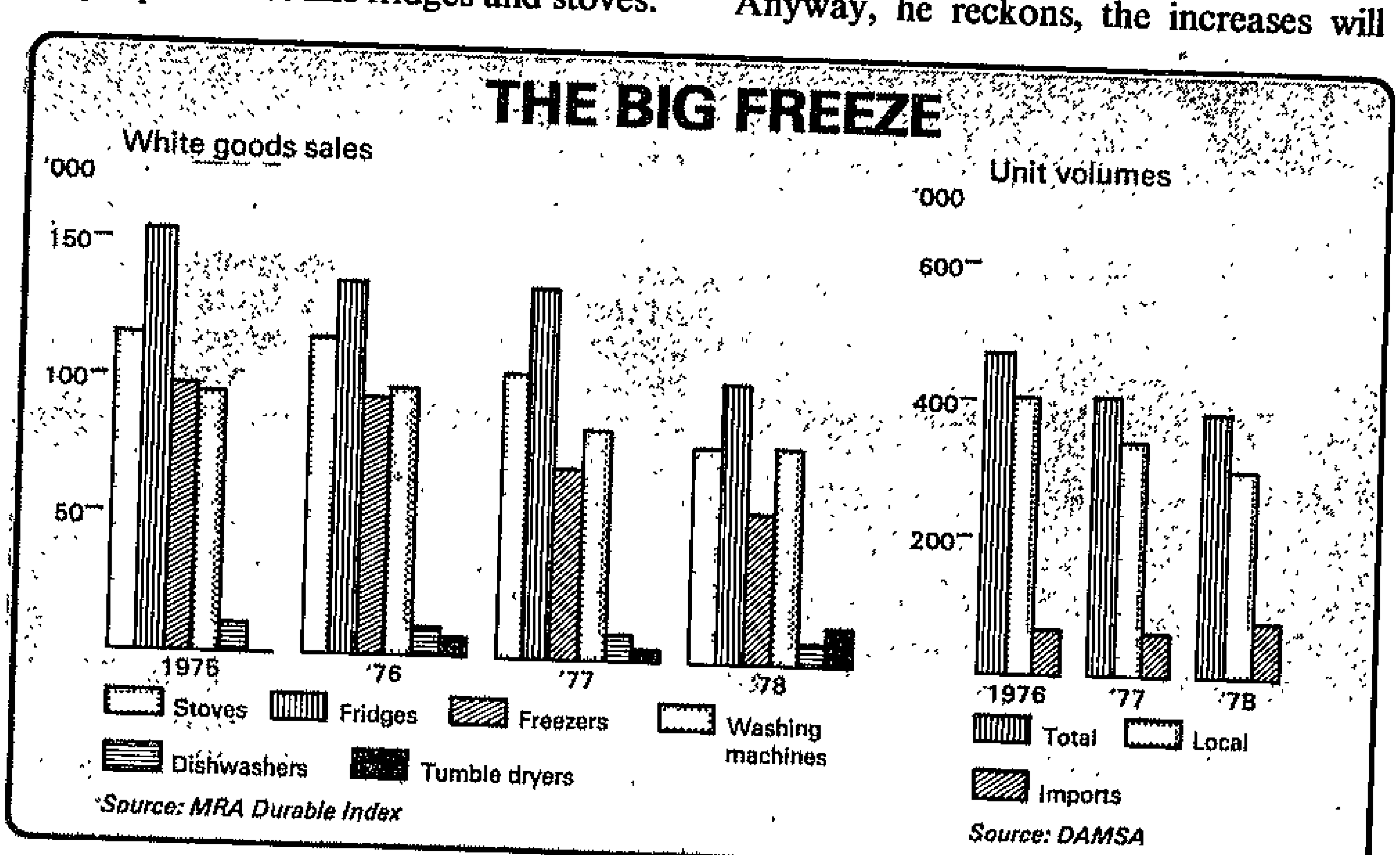
The other application is to raise the duty on tumble driers from 3% to a straight 25%. No dumping alleged here, it would seem, just protection of local manufacture, with Barlows and Hoover the only producers on the R2,8m annual market.



Assembling fridges . . . 28% sales decline

Reaction from importers and chain stores is predictably harsh. Pick n Pay's Ig Ferreira sees it as a blatant attempt to protect an inefficient industry and a stifling of free enterprise. OK's appliance merchandise executive, Arthur Solomon, agrees: "Keeping imports out means keeping the latest technology out and leads to complacency among manufacturers." Other importers go along with this and add that the effect is inflationary. "When duties on washing machines were increased, manufacturers raised prices. Hardly a coincidence," says Katz International (importers of Hitachi and Indesit appliances).

Turner admits the industry is generally unsophisticated and ill-informed. "Why else would it be where it is?" he asks, adding that latest measures are a positive step to put matters right. Further investment of R9m for local production of components like compressors and evaporators would create 850 jobs and make the industry self-reliant (about R12m is spent annually on imported componentry), he calculates. Without guaranteed protection there is however little likelihood of this investment for a relatively small market.



If there is dumping, BTI will have to act quickly or not at all. The big question, though, is whether the consumer is being asked, once again, to subsidise local manufacturers' inefficiency.

THE BUDGET

Be bold, Owen!

(49) 23/3/79

When Senator Horwood succeeded Dr Diederichs as Minister of Finance, the immediate need was to restore discipline in public finance. That has now been done. What we need next Wednesday is should bear in mind that the latest oil price hikes will hit the lowest income groups hardest; and the persistent refusal of private consumption spending to act as the generator of economic growth.

In the past two weeks, the FM has looked at the financial constraints around next Wednesday's budget, and economists' views on the best budget strategy. This week, it's the FM's turn to give Senator Horwood its own prescription

a shift of strategy.

Hesitant economic recovery has been dealt a blow by the latest oil crisis. Go for growth, must be the slogan this year.

By the *FM*'s estimates, at current tax rates and with unchanged government spending (in real terms) and a 3,5% 4% growth rate, Horwood should be able to devote about R750m to economic stimulation in 1979 80. In allocating it, he

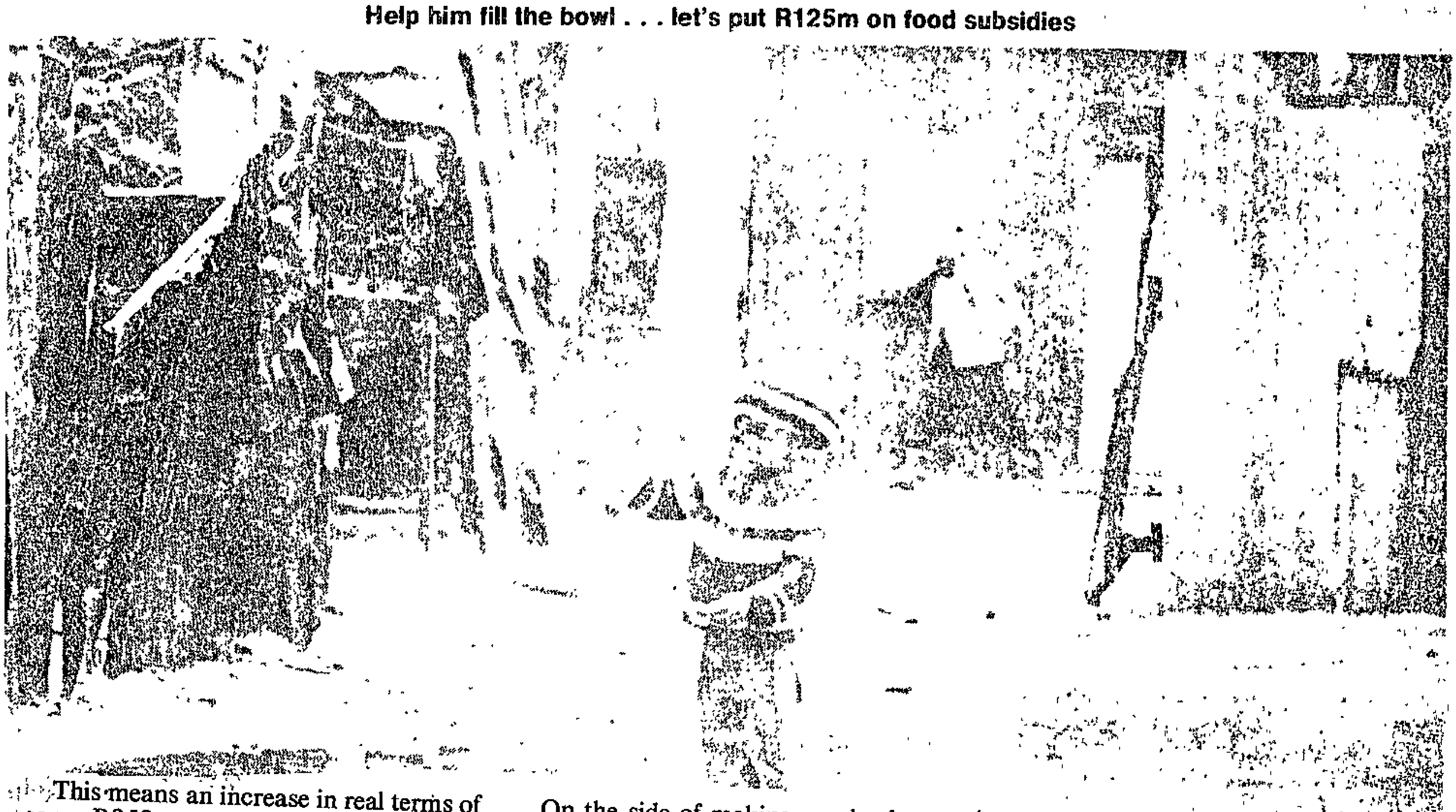
To meet the required objectives, therefore, the budget should:

- Loosen the tight controls on state spending;
- Cushion the lower income groups against oil-induced increases in the general price structure; and
- Encourage consumer spending both by putting more money into consumers' pockets and by cutting indirect taxes where this will have an impact on the general cost structure. Let's look at these in turn.

State spending. As Barclays National Bank's Johan Cloete has pointed out, in a growing economy an increase in the absolute *level* of state spending does not necessarily increase the *share* of the state in total spending.

The experience of the past 18 months has shown that, important as a pick-up in private consumption spending may be, we can no longer rely on it as a leader in general economic revival. We must no longer be put off by the fear that higher state spending will divert a larger share of productive resources into what is inherently the less efficient part of the economy; we must accept that, if we want the economy to reach that 3,5%-4% growth rate over the next 12 months, we need the stimulus of an increase in state spending of 2%-3% above the inflation rate.

Help him fill the bowl . . . let's put R125m on food subsidies



This means an increase in real terms of some R250m or so, which must go into avenues that will not simply be dissipated. Higher public sector salaries, for instance, could well just trigger off salary increases in the private sector, in the long run leaving nobody any better off. The money must be used productively: housing and education, with the emphasis on improving the lot of the lower income groups, are obvious possibilities.

Aid for the poor. As Merton Dagut pointed out in the *FM* last week, the pegging of railway tariffs in the SAR budget in effect amounts to subsidising the lower income groups. But this is not enough: we need higher direct subsidies on foodstuffs as well. Horwood could devote another R125m to this.

Spurs to consumption. To put more money into the hands of consumers, the minister could chop R100m off his revenue by concessions to taxpayers, lifting the level of abatements, tax-free contributions to retirement annuity funds, and the levels at which top marginal rates apply on earned and dividend income.

On the side of making goods cheaper, while gst is no longer a particularly visible tax, cutting the rate from 4% to 3,5% could free R125m of consumption spending; and cutting the import surcharge from (say) 12,5% to 7,5%, at the cost of another R150m should not only be reflected in retail prices, but would also cheapen manufacturers' input costs.

This would add up to a R750m package, split equally between tax cuts and state spending/subsidies, with something for all sections of the population. It could also be possible to make a few minor cosmetic concessions. But if this is the optimum, it may not be what we get.

In the first place, the minister (as in the past) is likely to take a conservative view of the gold price (which, because of the importance of gold mining taxes as a source of revenue, is a major factor in the equation); in the second place, he is unlikely to be able to shake off completely the cautious approach that has rightly characterised his previous budgets; and in the third place, experience over the past couple of years suggests that the government is still wedded to the concept of increasing distributable incomes and domestic liquidity as the key to more satisfactory economic growth.

In the upshot, therefore, the emphasis may be much more on cuts in direct tax, with little relaxation of (real) government spending, and a total stimulatory package of little more than R500m.

The 1979-80 personal loan levy seems certain to go, at a cost of maybe R200m. After their recent accelerated loan levy repayment, companies cannot expect quite so large an additional windfall; but halving the company surcharge would cost another R75m. A 2,5% cut in the import surcharge would cost another R75m or so; with perhaps R50m in food subsidies; and R100m for relief in abatements and other areas of personal tax.

The *FM* does not believe that this in itself would be a downright bad budget; but we do believe that it would be too timid in both extent and distribution. The years when a holding operation was appropriate are past; 1979 is the year for boldness.

LIQUIDATIONS

A sad story

(4A) FM 23/3/79

Believe it or not, the number of company liquidations is rising, despite the gentle upturn in business. According to the Department of Statistics, last November's peak of 211 bankrupt companies was close to the four-year high of 218 recorded in November 1974. Though the figure dropped to just over 100 in January, this is still higher than the monthly average during the recession in 1975 and 1976.

Liquidators reckon many companies are still short of cash, and institutions are hesitant about placing investment capital where balance sheets are shaky. It's a vicious circle, and many companies which battled through the recession now find themselves unable to finance increased production to satisfy improved demand.

Rennies group legal adviser, John Saner, says he is dealing with a number of companies in this predicament, and he points to the demise of Consolidated African Mines late last year as a typical example. Assets may exceed liabilities, but if credit lines are shortened or called in the company goes under.

Some liquidators, however, don't go along with the figures. Security Executor and Trust MD Michael Cato says "the trend is definitely down." But Syfrets Trustees MD Clive Landsdowne points out that although the Johannesburg courts have quietened down of late, other regions are still experiencing fairly high levels of liquidations.

Nortrustees' MD Peter Alexander notes that the rand value of liquidated companies has dropped "phenomenally" over the past few months; companies going broke are stripping assets as far as possible before succumbing, leaving the liquidators without much to deal with. "Professional rubbish," as Alexander calls it.

Engineering and large electrical component manufacturers seem to be the hardest hit, with tenders for the depressed construction industry still scarce and margins tight. The drought has also made its mark, with a number of farmers, especially in the north-east Transvaal, failing to keep their heads above water.

The transport industry is also feeling the pinch, Saner reckons, and several smaller companies facing cash flow problems are selling out to bigger competitors.

Argus 49 26/3/79

Budget: More money in the pocket expected

Argus Correspondent

PRETORIA. — Senator O P F Horwood will deliver an 'all systems grow' Budget speech on Wednesday. This is the good news for taxpayers from leading economists.

They say the Government is 'awash with funds' and that tax cuts are certain to be made as the Minister of Finance attempts to give the man in the street more money muscle.

And businessmen are also in line for concessions.

Economists say Senator Horwood will adjust company tax in an attempt to create greater profits and encourage investment, creating more jobs in the process.

GROWTH

They say that the need for consumer-led growth has become the country's major economic priority and that constraint is no longer the prime watchword.

Senator Horwood, however, is likely to keep Government spending withinin moderate limits and defence spending is not likely to increase by more than 12 percent, keeping it ahead of inflation.

Specific measures expected include the following:

- A reduction in direct personal income tax, the payment of the 1976/77 loan levy and a possible readjustment of tax brackets.
- Cuts in import surcharges.
- Cuts in import surincrease profits and encourage capital investment, both by local companies and from overseas.
- Adjustments to taxes paid by blacks, bringing them closer to white taxation levels.

Senbank's economic services team says that consumer spending to this point in the recovery has been limited to durable goods — often on credit.

They expect there will be an attempt to put more cash in the man in the street's pocket.

Schwarz predicts good-news Budget for man in street

Political Staff

MR HARRY SCHWARZ, the chief Opposition spokesman on finance has predicted good news for the man in the street in tomorrow's Budget

The Minister of Finance, Senator Owen Horwood, who will start delivering the Budget at about 2.30 tomorrow afternoon had a "golden opportunity" to bring relief to a taxpayers and to boost the economy

Mr Schwarz predicted certain tax concession improved pensions, improved rebates and said he did not expect a "substantial" increase in defence spending

"His top priority is to create jobs and boost spending power because when the two go together they constitute self-generating prosperity," said Mr Schwarz

But he warned that if Senator Horwood ignored the "mood" of the country and did not provide concessions and stimulus for business, it would have a "grave effect on the economy"

Mr Harry Schwarz

"The mood is that we need jobs, confidence, growth, expansion and increased demand for goods," said Mr Schwarz

"There are tremendous expectations and it will be serious if he fails to meet them and does not create a climate of confidence and conditions in which people can spend more to give the economy momentum."

Three things were essential for pensioners, said Mr Schwarz

Senator Horwood would have to increase pensions, means test levels would have to be changed in order to encourage older people to earn more and he would have to devise some system of investment for the elderly, who did not qualify for pensions, so that they could deal with falling interest rates and inflation

"There will also have to be concessions for the individual taxpayer and he can do this in several ways," he said

He could provide relief through cutting the loan levy reducing tax levels, and by improving rebates on such things as health and insurance and doing something for the working woman

"But, the most urgent priority is the creation of jobs," said Mr Schwarz

Spending power

"I certainly hope that he will come with some incentive to business, to create jobs, in the same way that he gives allowances to industry on the purchase of machinery

"By helping to create jobs he will be helping to increase spending power "

South Africa was fortunate in that it was sitting on a "golden cushion" The more uncertainty there was about the oil price the better it was for the gold price

Mr Schwarz did not foresee a great increase in government spending but he believed that if there was some imaginative scheme for places such as Soweto — to turn them into model towns — it would create jobs but it would also solve a social problem at the same time

He believed that Senator Horwood would be able to show a big surplus

C.T. 28/3/79

(49)

Hopes of a bonanza Budget

By GORDON KLING

YEARS OF harsh financial discipline and subdued financial hopes are likely to give way to a bonanza national Budget today.

Everyone from economists to pensioners expects wide-ranging concessions to be announced by the Minister of Finance, Senator Owen Horwood, in a go-for-growth Budget intended to boost morale and the hesitant economic recovery.

The minister, who will begin delivering his fifth Budget in the Assembly about 2.30 this afternoon, has done nothing to dampen the mood.

This means South Africans can look forward to a Budget of about R11 000 million making provision for:

- Increased pensions and other social benefits.
- Easing of the 10-percent loan levy.
- Lower personal income tax.
- New job-creating public expenditure.
- Incentives to boost savings.

The innovative flair exhibited in Senator Horwood's recent acceptance of the wide-ranging De Kock Commission proposals, which heralded a new monetary era for the country, is generally regarded as indicative of the tone to be set by the Budget. Fostering of a more buoyant economic outlook is considered essential to nudge consumer spending, which in turn is essential for a sustained upturn in the economy.

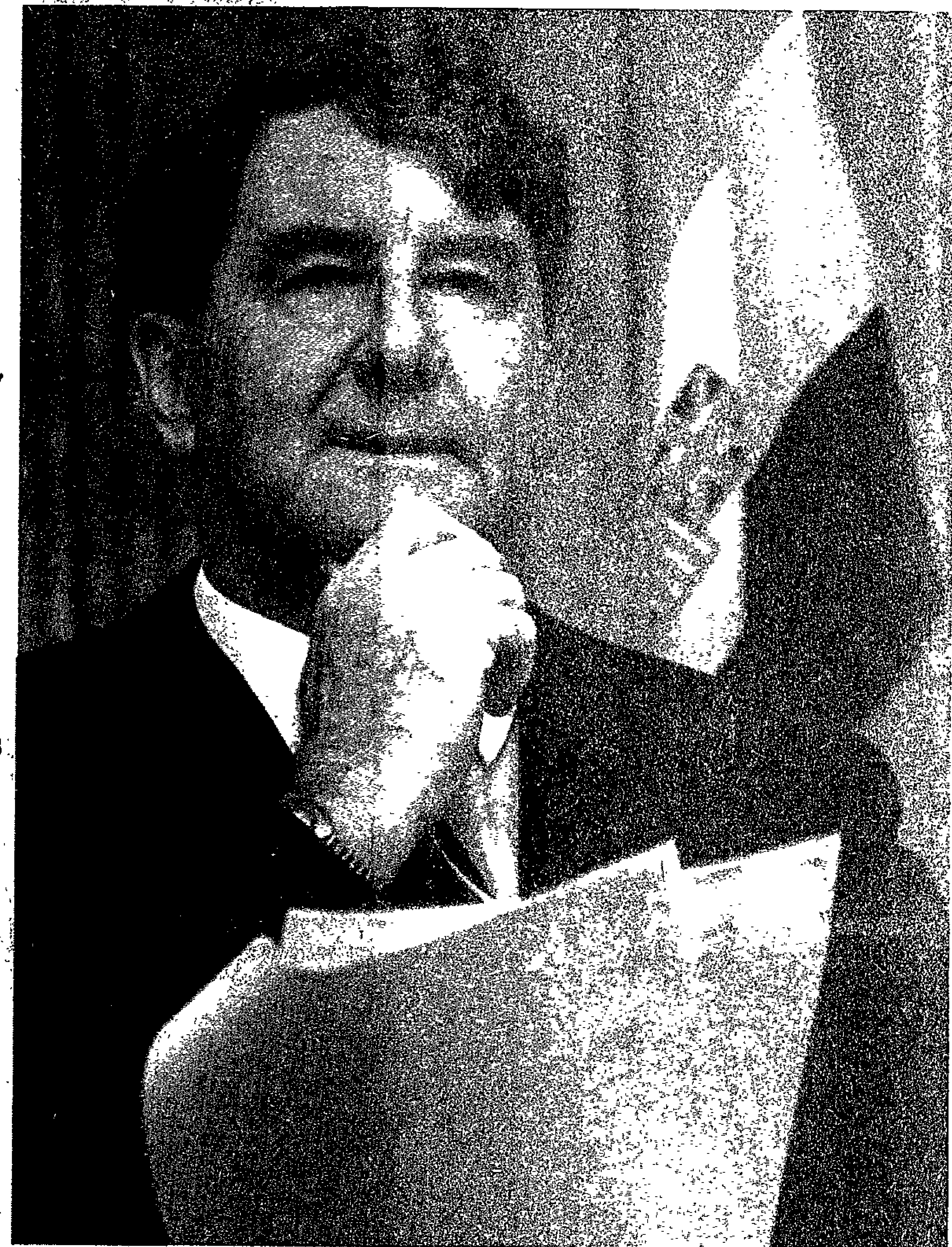
Major constraints centre on the balance of payments and inflation, both of which were exacerbated yesterday by a 5 percent increase in the price of oil from April 1 announced by the Organization of Petroleum Exporting Countries.

Neither Senator Horwood nor the Minister of Economic Affairs, Mr Chris Heunis, were last night prepared to comment on the implications of the increase, which does not directly affect the Republic since the termination of its contract with Iran has left it dependent on the even more expensive spot market.

But reliable sources in the oil industry maintain that the energy position here, as elsewhere, is a major damper on real Gross Domestic Product growth which the authorities would like to see reach an employment-pushing 4 percent. The sources said the Opec move could be expected to bring more order to the spot market where South Africa had been paying premiums of more than 80 percent.

One cause for concern mentioned yesterday was the possible blacklisting of tankers making deliveries to South Africa now that it had virtually no contracted suppliers.

While substantial inflation is implicit in the package of economic stimulants making up the Budget, Senator Horwood has the option of concessions including an increase in the subsidy on basic foodstuffs to assist those worst hit by the continuing price spiral, an action widely considered to be necessary and likely.



The document in his hands is the Budget — and all expectations are that the Minister of Fin[illegible] Senator Owen Horwood, will announce today that it's good news. [illegible] 1979 Budget in the Cape Times tomorrow

Cape Times Newscolour Doug Pithey

Problem areas in economic structure ●

Parliamentary Staff

IN the preview to his 1979/80 budget, the Minister of Finance pinpointed three critical areas within the South African economic structure.

● While the seasonally adjusted number of registered unemployed white and coloured people declined slightly during the year, recent studies by the office of the economic adviser to the Prime Minister suggested that actual unemployment among these groups — and among blacks — was considerably higher.

● The economic upswing had not yet gained adequate momentum and the rate of real economic growth was still not satisfactory — 'One of the main problem areas is clearly the continuing decline in real inventories and in private fixed investment in plant, equipment and construction. This, in turn is related to the weakness of consumer expenditure and the continued existence of continued substantial surplus capacity in secondary industry.'

● The continuing high rate of inflation. Between January 1978 and January 1979, consumer prices increased by 11,2 percent and wholesale prices by 10,5 percent.

INFLATION

Referring to inflation, the Minister said it was clear the prices did not go up primarily because of excessive Government expenditure or undue money creation.

Earlier in his speech, Senator Horwood said it was well known that one of the causes of South Africa's economic problems was the excessive rate of increase in the country's broadly defined money supply — 23 percent in 1973, 22 percent in 1972 and 17 percent in 1975.

REDUCED

However, South Africa succeeded in reducing these rates to as low as nine percent in 1976 and seven percent in 1977.

In 1978, this increased to 12 percent which was 'fully in accordance with our policy of avoiding overkill and promoting growth'.

Senator Horwood said aggregate demand was clearly too low rather than too high during the year under review and that it did not exert undue pressure on available labour and other resources.

'The real causes of the inflation must, therefore, be sought in such developments as further increases in administered prices, the introduction of the general sales tax in July, 1978, wage and salary increases in excess of productivity and the substantial further increases in fuel prices.

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MAN of the moment. The Minister of Finance, Senator Owen Horwood, prepares to leave his office for Parliament to present the 1979 Budget today.

State spending likely to rise 13 pc

GOVERNMENT spending in the fiscal year ending March 1980 is expected to rise 13 percent to R11 698,8-million from an estimated R10 348,8-million in the fiscal year which ends today.

These figures are contained in the economic review issued in connection with today's Budget.

However, these figures can be regarded as only preliminary at this stage as they could be changed in the Budget later today.

Defence spending in the coming fiscal year is estimated at R1 975,7-million — an increase of R404,1-million or 25,7 percent on the 1978/79 figure.

Education is expected to cost R399-million during 1979/80, an increase of 26,5 percent on the R315,3-million spent in 1978/79.

Spending on health is up R36-million or 23,2 percent, to R191,2-million, while welfare is up R43,5-million, or 11,3 percent, to R425,6-million.

NEW HOMES

An amount of R1 905,5-million is allocated to the provincial administrations, an increase of 7,8 percent on this year's R1 766,9-million.

Capital expenditure on new residential building is estimated at R53,1-million, up 83,7 percent from this year's R28,9-million.

Capital expenditure on non-residential buildings is put at R26,7 million (last year, R31,7-million) and on other constructions, R135,0-million (R122,6-million).

on the country's resources.

● South Africa's credit rating abroad had improved further.

The Minister said he expected private consumption, that is spending on consumer goods, to rise by more than three percent in 1979 compared with an increase of two percent last year.

If expectations were ful- ... rowth of

Report paves way for growth policy

THE Government's acceptance of the De Kock Commission's report had helped pave the way for the planning policy of growth from strength, the Minister of Finance, Senator O P F Horwood, said in Parliament today.

Although the new exchange rate system recommended by the commission had been in operation only for two months and had not yet been fully implemented, it had already yielded favourable results, he said.

It had afforded the authorities more independence in domestic monetary and fiscal policy.

And by facilitating reserve management and countering speculative capital movements, it was expected to assist greatly in reconciling rapid economic growth with a strong balance of payments.

The new forward exchange rate arrangements had enabled the authorities to counter effectively the unfavourable effect on South Africa's balance of payments of interest rate disparities here and overseas, and had already shown impressive results in the form of a sharp increase in the official reserves, he said.

The new financial rand arrangements had substantially raised the profitability of certain kinds of foreign investment in South Africa and were already promoting increased foreign participation in the economy.

IN PIPELINE

Several transactions involving financial rand investments had already been concluded and many more were in the pipeline.

'This has resulted in a marked narrowing of the margin between the commercial rand and the financial rand — a development which reflects well on the South African economy, particularly a the commerical rand has also appreciated moderately under the new system.'

IMPORTANCE

Senator Horwood said it was of particular importance that these favourable developments on the exchange rate front had opened the door for a more expansionary monetary policy in closer co-ordination with fiscal policy.

Among recent expansionary measures have been the reduction in bank rate, the increase in the banks' credit ceilings and the early repayment of loans by the Treasury which added up to a significant shift in monetary policy, Senator Horwood said.

P.T.O

A GOOD YEAR AHEAD-HORWOOD

Unemployment and inflation are 'two problem areas'

Argus 28/3/79

49

Parliamentary Staff

THE Minister of Finance, Senator O P F Horwood, today set about putting the South African economy into top gear — aiming for growth and prosperity.

Presenting his 1979/80 Budget, the Minister told the House of Assembly: 'I believe a good year lies ahead for the South African economy.'

However he pinpointed two problem areas — unemployment and inflation.

Senator Horwood said the economy was poised to move ahead more rapidly. The scope for expansion was there in the strong balance of payments, in the financial system itself, in the enlarged infrastructure and in surplus production capacity.

'The South African economy has reaped the rewards for financial discipline and is now well placed to add momentum to its current upswing and to move into a phase of accelerated economic growth.'

Underlining the need for growth, he said this meant that more employment opportunities and a higher standard of living had to be generated for all sections of South Africa's rapidly growing population.

Production

Production had to rise at a higher rate than before and more profits had to be generated in business to put more money in the pockets of the people through increased real wages and salaries.

As part of the package there had to be an appropriate increase in total consumer and investment spending.

'Only in this way will the South African economy provide adequate Government revenue and enough savings to finance essential projects in the years ahead,' he said.

The Minister described his policy in the coming year as one of 'growth from strength.'

Phase 1

In phase one of his broad economic strategy he had applied restrictive measures to improve the financial situation. In phase two, announced last year, he had moved to a more expansionary stance with a policy of 'growth with financial discipline.'

These phases had been essential prerequisites for phase three in which a higher priority was being placed on growth.

'Now it is imperative that we use the available scope to attain a growth rate more in keeping with our long-term potential. Financial discipline will remain a vital part of our policy, but in present circumstances there is no reason why such discipline could not be combined with a more vigorous growth policy.'

Facts

The facts spoke for themselves:

● The current account of the balance of payments had gone from strength to strength and continued to

(Continued on Page 3, col 7)

More unemployed?

Parliamentary Staff

UNEMPLOYMENT among all race groups could be 'considerably higher' than originally estimated, the Minister of Finance, Senator Owen Horwood, said today.

He said this has been suggested by recent studies by the Office of the Economic Adviser to the Prime Minister which included the position regarding black unemployment.

Introducing his Budget in the Assembly, Senator Horwood said the seasonally adjusted number of registered unemployed whites, coloured people and Asians declined somewhat during the past year to about 28 400 in February.

This figure represented only about 1,5 percent of the comparable labour force.

28/3/79 Argus

... for four years. It is possible

out new plans and reforms ...

in the Union, it never returned to Cape Town in any significant form.

This may have helped speed the waning of the sense of urgency which

had characterized the calls for reform in 1918. Finally, people

who had experienced the horrors of death on such a scale during the

epidemic were probably anxious to put the event which had caused these

ork spreading beyond the

years later, in 1978, the

Gold gets the credit for financial boost

ROM 29/3/79. 49

THE ASSEMBLY. — On balance, economic conditions in South Africa had shown a considerable further improvement during the past year and prospects for the year ahead were promising, Senator Horwood said.

Sen Horwood said the outstanding economic development in South Africa during the past year had been the impressive performance of the balance of payments on current account.

"Instead of declining as might have been expected in view of the domestic economic upswing, the surplus on current account increased from R465-million in 1977 to R1 412-million, or about 3,5% of gross domestic product, in 1978.

"The reasons for this favourable development include the increase in the price of gold, a substantial and sustained rise in other exports and the discipline which has characterised the handling of our financial affairs."

Although there was a small net outflow of long-term capital of R37-million during 1978, the "basic balance of payments, namely the current account plus long-term capital movements, also showed a marked further improvement from a surplus of R761-million in 1977 to one of R1 375-million in 1978".

This basic surplus was partially offset by a net outflow of so-called short-term capital not related to reserves of R896-million, which, among other things, reflected "switching" by importers from foreign to domestic sources of finance in response to widening interest rate differentials.

"Nevertheless, the final outcome was still an increase in the net gold and other foreign reserves of R479-million.

"This demonstration of underlying balance of payments strength contributed to the further improvement in South Africa's credit rating overseas during the year."

SEN HORWOOD
. . . outstanding year.

A clear indication of this was the success the Government had towards the end of last year in raising new foreign loans amounting to $250-million from a number of leading foreign banks.

"Our balance of payments policies and performance have also drawn favourable comment in a report on the South African economy presented to me a few weeks ago by a team of experts from the International Monetary Fund."

The behaviour of South Africa's balance of payments in recent years had been closely linked with domestic monetary and financial Developments, Sen Horwood said.

"It was well known that one of the causes of our earlier balance of payments difficulties was the excessive rates of increase of the broadly defined money supply of 23% in 1973, 22% in 1974 and 17% in 1975.

"Subsequently, however, we succeeded in reducing these rates to as low as 9% in 1976 and 7% in 1977."

During 1978 this rate increased moderately, which was fully in accordance with the Government's policy of avoiding "overkill" and promoting growth.

The increase in the money supply during 1978 was largely the counterpart of increases in the net gold and other foreign reserves and in bank credit to the private sector.

"Net bank credit to the Government, which in some previous years had shown excessive increases, actually declined by R260-million or 7,5% in 1978.

"Total domestic credit expansion, that is to both the Government and the private sectors, increased by only 8% during 1978, which in the circumstances, was clearly not excessive."

Sen Horwood said that apart from the usual marked seasonal fluctuations, money and capital market conditions tended to ease during the year and both short and long-term interest rates declined noticeably.

Except for minor temporary relapses at certain stages, share prices and Stock Exchange turnover generally maintained a rising trend. — Sapa.

RAND
Daily Mail

JOHANNESBURG, THURSDAY, MARCH 29, 1979.

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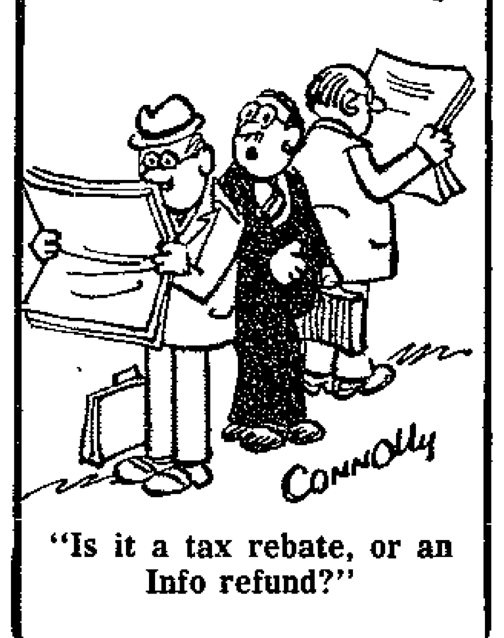


"Is it a tax rebate, or an Info refund?"

Budget: Tax concessions for married women and divorcees

Staff Reporters

THE MINISTER of Finance, Senator Owen Horwood, yesterday announced tax concessions for married women and divorced people.

Introducing the Budget yesterday, Sen Horwood announced the permissible deductions from married women's salaries for tax purposes were to be increased from R750 to R900.

The estimated loss of revenue, including the loan levy, would be R18-million for a full year, he said.

"I wish to propose that for tax purposes the deduction of R750 from the earnings of married women be increased to R900 with effect from the tax years ending February 29 or June 30, 1980," Sen Horwood said.

Senator Horwood also announced that divorced people who wholly or mainly supported children from a dissolved marriage would be taxed as married persons.

He said he had received representations that all divorced or separated people should be treated as married persons. He did not agree with this.

But the parent who wholly or mainly supported children from the marriage was a different case.

Until now, thos people had been entitled to an additional abatement of R500, but were taxed as unmarried. From now they would be treted as married for tax purposes.

Women's assocations yesterday welcomed the new ta concessions for married women, but fet they were not enough to lure highly quaified women back into professional fields. They said the new tax laws for divorced people were "a relief".

Mrs Joy Hurwitz, president of the Housewives' League, said yesterday the Minister had "missed his golden opportunity to introduce something really worthwhile.

"The figures mentioned, which work out at about R19 a month, are definitely not going to lure the professional and highly qualified woman back to work. And these are the women who are going to be needed more than ever now, with the brain drain in progress," she said.

Mrs Hurwitz said the League was at present conducting a survey among its married members to find out whether they felt it was worth working.

"I am sure there are going to be some pretty surprising answers. There is no chance that this paltry sum is going to make it worth a woman's while to go back to work," she said.

Commenting on the concessions for divorced people, Mrs Hurwitz said it was "high time something like this was introduced."

Mrs Daphne Lloyd, Transvaal branch president of the South African Council of Women, was disappointed at the concessions.

"Of course we are delighted with any tax concession for married women. But what we have been pushing for and what we shall continue to aim for is for separate taxation," she said.

Mrs Lloyd said the divorce tax announcement was "a bit vague".

"It is hazy as to who exactly will benefit from this concession. There seems to be a very thin dividing line, and alimony is not mentioned at all.

"My question is: what if a divorced mother receives alimony? Does this make her exempt from this concession, or what?" she asked.

RDM. 29/3/79.

49

More money for you

By HOWARD PREECE
Financial Editor

A R1 000-million giveaway Budget was announced yesterday by Senator Owen Horwood, the Minister of Finance, aimed at boosting real economic growth this year to 4%.

Big personal tax cuts, worth more than R100 a month to the wealthy, were the main feature.

Pay rises costing R257-million were awarded to public servants with effect from Monday.

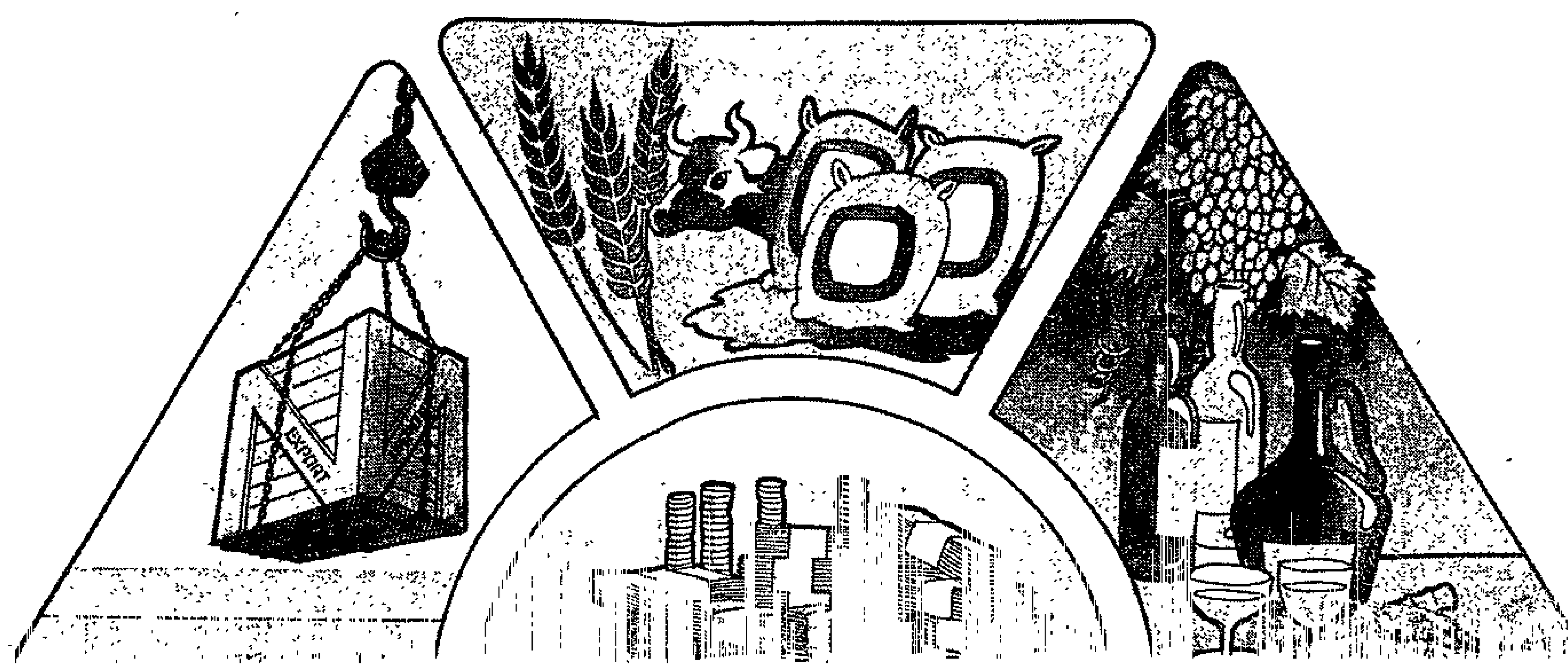
Senator Horwood's package includes:

Your Budget at a glance

GIVING concessions totalling R762-million.

CUTTING company tax from 48% to 46% as part of the bid to get private businessmen to build more factories and create more jobs.

REDUCING the top per-



Budget could lead to property boom

By DEREK SMITH
City Editor

BUILDING SOCIETIES will reduce their rates on home loans next week — thanks to the giveaway Budget.

The Association of Building Societies will announce the decrease on Tuesday as the property industry as a whole gears up for one of its best years since the recession.

The president of the asso-

expect an increase in consumer spending, but more important, an increase in personal savings," he said.

"This effect, coupled with existing downward pressure on interest rates, dictates that the mortgage bond rate should be reduced. The council of the Association will meet on Tuesday to consider this issue.

"It is hoped that the measures proposed to stimulate the economy will

last few years, is also "encouraged".

The Building Industries Federation (Bifsa) says it has already approached the Government for further public spending on low-cost housing to ensure the present R250-million housing programme does not dwindle. A figure of R300-million has been mentioned.

The president of the federation, Mr David Mitchell, said the prevailing positive

w[illegible] two ch[illegible]dren earn[illegible]ng, for example, R1 000 a month will pay about R50 a month less in tax. Single man earning R700 a month will pay about R32 a month less.
- Pensions up from October 1 by R9 a month for whites, R6,25 for Indians and coloureds and R3,75 for blacks.
- Import surcharge reduced from 12,5% to 7,5%. This could mean price reductions.
- Separate system of black taxation to be phased out over three years. Cost for 1979-80 will be R33-million.
- Company tax cut from 48% to 46%. Cost will be R111-million next year.
- Excise duty on wines cut by 1c a litre.
- Tax surcharge on gold and diamond mines abolished. Cost R22-million in 1979-80.
- R10-million boost for Johannesburg Stock Exchange through cut from 1,5% to 1% in marketable securities tax on share deals.
- Krugerrands to be officially traded on the JSE.
- An additional R20-million to be spent on oil exploration.
- Special income tax concessions for married women and divorced persons.
- R20-million bread subsidy to stop the price rising.
- Total defence spending, including money from other departments, up to nearly R2 000-million.
- Big pay rises for civil servants from Monday costing R257-million.
- Tougher excise duties on diesel vehicles.
- Retirement annuity concessions for self-employed.
- A new issue of National Defence Bonds will be offered from May 1.
- Stiffer taxation of "fringe benefits" such as company cars being considered.
- A capital gains tax may be introduced.
- Easing of the method of taxing farm incomes.
- An extra R50-million state contribution to the cost of extending Sasol 11.

More Budget news — Pages 7, 8, 9, 10 and 16

[illegible] all down the tax line, plus higher child abatements and a little extra help for married working women. Cost R358-million.

INCREASING white pensions by R9 a month with rises of R6,25 for coloureds and Indians and R3,75 for blacks. Cost R60-million.

RELAXING the surcharge on imported goods — such as refrigerators and washing machines — from 12,5% to 7,5% to try and combat the ever-rising cost of living. Cost R160-million.

WARNING that the Government is considering plans to tax "fringe benefits", such as company cars, more heavily and also to introduce a capital gains tax on, for example, share deals.

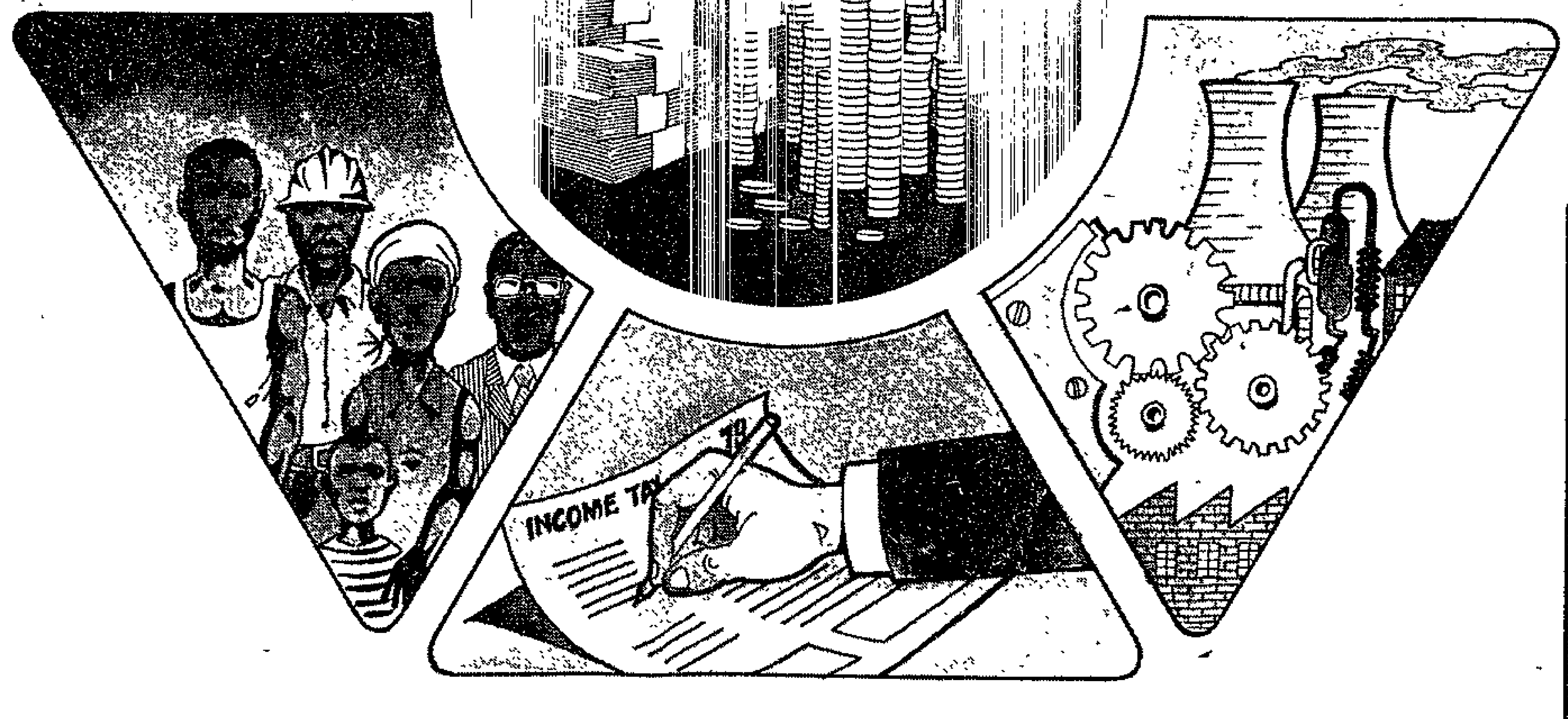
PHASING out the separate system of black taxation over the next three years. Black taxpayers will get a R33-million handback in 1979-80.

BOOSTING defence spending next year, including contributions from other Government departments, to nearly R2 000-million.

LIMITING the total increase in State spending for 1979-80 to just over R11 000-million — a rise of 11,9% over 1978-79.

The Budget was widely welcomed last night by leaders of commerce and

☐ To Page 2



The Budget has produced large piles of money for you. First (clockwise from the top of the graphic) there is good news for agriculture, with concessions to farmers; a one cent a litre reduction on the excise duty on wines; good news for industry in a company tax cut from 48% to 46%; income tax concessions; for blacks, the discriminatory tax system to be abolished over the next three years; and the import surcharge to drop from 12,5% to 7,5%.

This looks like Amin's plan to rally the troops

NAIROBI. — Amid reports that Tanzanian tanks had been sighted in Kampala, Radio Uganda said President Idi Amin was driving to and from the front line in a unescorted car to practise for a motor rally.

United Nations' officials in Kampala yesterday said they could see tanks with Tanzanian markings near the city centre.

Diplomats said there were tank movements in Kampala but they doubted the tanks the UN officials saw were Tanzanian.

They said their latest report was that Tanzanian armour, backing Ugandan exile invaders, was still at Mpigi, 40 km southwest of Kampala.

Radio Uganda reported that President Amin said he had returned from the front line after enjoying an hour-long battle with the enemy. He had heard the sound of shelling from their long-range guns as they were withdrawing.

The radio said he drove unescorted to the Information Ministry headquarters in a car which he was also driving to and from the front line to practise for a motor rally.

Here's what YOU'LL save . . .

N.B.: (1) The tax has been calculated on the basis that—
(a) The tax payer is not over the age of 60 years.
(b) The tax payer has no medical expenses or life insurance premiums, and
(c) The wife of the taxpayer has no income.
(2) The loan levy content of the amount payable is shown in brackets.

Taxable income	unmarried		No children		One child		Two children		Three children		Four children	
	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979	1980	1979
R	R	R	R	R	R	R	R	R	R	R	R	R
700	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
800	— (—)	12 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
900	— (—)	24 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
1 000	— (—)	36 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
1 200	20 (—)	60 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
1 400	40 (—)	84 (—)	— (—)	18 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
1 500	50 (—)	96 (—)	— (—)	27 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
1 600	60 (—)	108 (—)	7 (—)	36 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
1 750	75 (—)	126 (—)	18 (—)	49 (—)	— (—)	4 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
2 000	100 (—)	171 (—)	35 (—)	72 (—)	— (—)	27 (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
2 250	128 (—)	204 (18)	53 (—)	95 (—)	11 (—)	49 (—)	— (—)	4 (—)	— (—)	— (—)	— (—)	— (—)
2 500	170 (15)	237 (21)	70 (—)	120 (—)	28 (—)	72 (—)	— (—)	27 (—)	— (—)	— (—)	— (—)	— (—)
2 750	201 (18)	270 (24)	90 (—)	145 (—)	46 (—)	95 (—)	4 (—)	49 (—)	— (—)	— (—)	— (—)	— (—)
3 000	231 (21)	306 (27)	110 (—)	187 (17)	63 (—)	120 (—)	21 (—)	72 (—)	— (—)	18 (—)	— (—)	— (—)
4 000	363 (33)	453 (41)	214 (19)	297 (27)	142 (—)	242 (22)	94 (—)	187 (17)	42 (—)	110 (—)	— (—)	54 (—)
5 000	506 (46)	617 (56)	319 (29)	415 (37)	254 (23)	355 (32)	194 (17)	297 (27)	118 (—)	231 (—)	63 (—)	165 (15)
6 000	677 (61)	858 (78)	446 (40)	572 (52)	374 (34)	506 (46)	308 (28)	440 (40)	234 (21)	367 (33)	165 (15)	297 (27)
8 000	1 100 (100)	1 478 (134)	750 (68)	981 (89)	657 (59)	884 (80)	574 (52)	796 (72)	482 (43)	695 (63)	398 (36)	602 (54)
10 000	1 628 (148)	2 145 (195)	1 155 (105)	1 513 (137)	1 036 (94)	1 392 (126)	921 (83)	1 276 (116)	798 (72)	1 144 (104)	688 (62)	1 020 (92)
11 000	1 938 (176)	2 497 (227)	1 399 (127)	1 826 (166)	1 265 (115)	1 694 (154)	1 135 (103)	1 562 (142)	996 (90)	1 416 (128)	869 (79)	1 276 (116)
12 000	2 288 (208)	2 871 (261)	1 669 (151)	2 112 (192)	1 520 (138)	2 026 (184)	1 375 (125)	1 883 (171)	1 221 (111)	1 720 (156)	1 075 (97)	1 562 (142)
15 000	3 575 (325)	4 125 (375)	2 640 (240)	3 102 (282)	2 444 (222)	3 102 (282)	2 259 (205)	3 031 (275)	2 052 (186)	2 820 (256)	1 854 (168)	2 618 (238)
20 000	6 083 (553)	6 655 (605)	4 818 (438)	5 192 (472)	4 560 (414)	5 192 (472)	4 303 (391)	5 192 (472)	4 002 (363)	5 192 (472)	3 722 (338)	5 007 (455)
25 000	9 042 (822)	9 735 (885)	7 260 (660)	7 832 (712)	7 207 (655)	7 832 (712)	6 890 (626)	7 832 (712)	6 534 (594)	7 832 (712)	6 187 (562)	7 832 (712)
30 000	12 067 (1 097)	13 035 (1 185)	10 098 (918)	11 000 (1 000)	10 098 (918)	11 000 (1 000)	9 979 (907)	11 000 (1 000)	9 563 (869)	11 000 (1 000)	9 147 (831)	11 000 (1 000)
40 000	18 117 (1 647)	19 635 (1 785)	16 148 (1 468)	17 600 (1 600)	16 148 (1 468)	17 600 (1 600)	16 148 (1 468)	17 600 (1 600)	16 148 (1 468)	17 600 (1 600)	15 785 (1 435)	17 600 (1 600)
50 000	24 167 (2 197)	26 235 (2 385)	22 198 (2 018)	24 200 (2 200)	22 198 (2 01[illegible])	24 200 (2 200)	22 198 (2 018)	24 200 (2 200)	22 198 (2 018)	24 200 (2 200)	22 198 (2 018)	24 200 ([illegible]200)

said yesterday that the movement welcomed the underlying principles of disciplined growth in the Budget which would help to contain inflation.

"Because of the decrease in personal income tax we [illegible]ilding and [illegible]at development and the movement [illegible] particularly well-positioned to meet the demand for loans at present."

The building industry, which has had many insolvency casulaties over the [illegible] would have a beneficial effect on the industry.

The Budget would create the right climate for developers to start expansion programmes to meet increased demand for buildings in all sectors

Financial Mail

149

FM 30/3/79

THE BUDGET

Growth at last

Nietzsche, Samson, Machiavelli, Dean Inge ... in his selection of the classics, Senator Horwood left out the most appropriate allusion: Ceres, the goddess of plenty, scattering goodies from her cornucopia. For, while it is possible to argue the merits of *how* Horwood distributed his largesse, in absolute terms the extent of his stimulatory package is up to the most optimistic expectations.

It is just a pity that (as the *FM* warned a year ago) the 1978-79 budget turned out much less stimulatory than intended. To Horwood, this merely means that we have created an even sounder basis for the more rapid growth policy of Phase III ("growth from strength," as against Phase II's "growth with financial discipline"). Those who — like the *FM* at the time — saw much evidence of financial discipline in the 1978 budget, but not enough to stimulate growth, can only regret that they have, with hindsight, been proved right.

It is all very well talking about 4% growth this year, up from 2,5%. A more stimulatory budget in 1978 could have seen last year's growth at 3,5%, and then we could be looking for 4,5%-5% this year: usefully closer to the 7% that we need before we even start to get to grips with burgeoning unemployment, which now seems likely to creep above 2m in the next few years.

Out of strength cometh forth sweetness

As it is, 4% is the most we can hope for this year without running into unacceptable inflationary pressures.

Just how much Horwood is injecting into the economy is not immediately apparent from a mere study of the Budget figures, but even that is impressive enough; direct tax concessions of R455m; customs and excise concessions of R157m; increased state spending of R156m. A total, then, of R768m, in addition to the loan levy repayments, previously announced, of R150m. The total deficit (excluding borrowing) is up 46,5% to R2 807m. The increase in this deficit amounts to about 2% of GDP, which should indeed — as Keynes taught — have a substantial expansionary impact on private consumer and investment spending, and hence on the growth rate.

But this is not all. Horwood expects a continued rise in net gold and other foreign exchange holdings. This was not quantified, and its actual amount will depend heavily on the gold price (where, as in many of the Budget calculations, Horwood still appears to be operating on conservative assumptions). Still, there could be a net increase of at least R500m, on top of last year's rise of R479m.

WHAT YOU WILL PAY

SINGLE

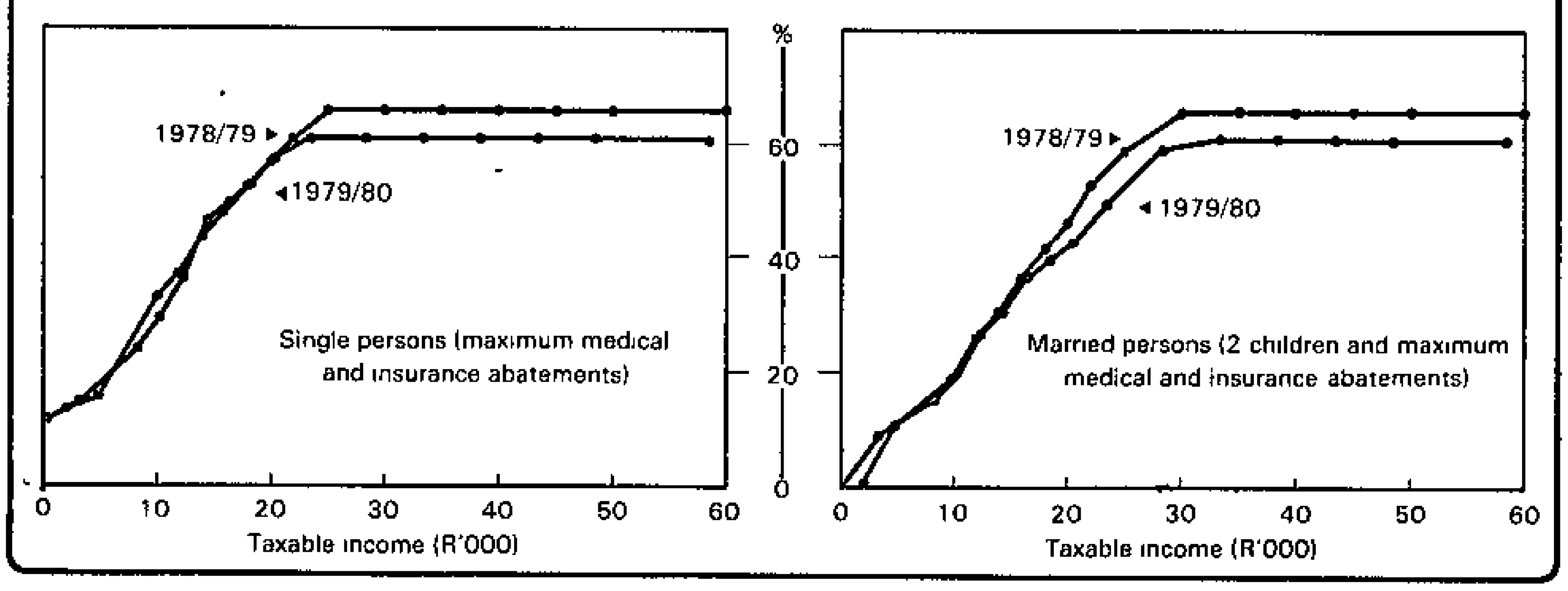
	1978-79			1979-80		
Taxable income	Tax payable	Marginal rate	Effective rate	Tax payable	Marginal rate	Effective rate
2 000	73	13,2	3,7	6	11,0	0,3
5 000	492	15,4	9,8	370	14,3	7,4
10 000	1 997	33,0	20,0	1 387	24,2	13,9
12 000	2 852	37,4	23,8	1 983	29,7	16,5
14 000	3 685	44,0	26,3	2 732	36,3	19,5
16 000	4 587	48,4	28,7	3 644	46,2	22,8
18 000	5 577	52,8	31,0	4 705	49,5	26,1
20 000	6 655	57,2	33,3	5 845	52,8	29,2
22 000	7 821	61,6	35,6	7 084	57,2	32,2
25 000	9 735	66,0	38,9	9 042	60,5	36,2
30 000	13 035	66,0	43,5	12 067	60,5	40,2
35 000	16 335	66,0	46,7	15 092	60,5	43,1
40 000	19 635	66,0	49,1	18 117	60,5	45,3
45 000	22 935	66,0	51,0	21 142	60,5	47,0
50 000	26 235	66,0	52,5	24 167	60,5	48,3
60 000	32 835	66,0	54,7	30 217	60,5	50,4

MARRIED*

	1978-79			1979-80		
Taxable income	Tax payable	Marginal rate	Effective rate	Tax payable	Marginal rate	Effective rate
2 000	nil	nil	nil	nil	nil	nil
5 000	187	11,0	3,7	86	8,8	1,7
10 000	1060	19,8	10,6	719	15,4	7,2
12 000	1 615	26,4	13,5	1 115	19,8	9,3
14 000	2 297	30,8	16,4	1 617	26,4	11,6
16 000	3 102	37,4	19,4	2 229	30,8	13,9
18 000	4 039	41,8	22,4	2 950	36,3	16,4
20 000	5 100	46,2	25,5	3 802	39,6	19,0
22 000	6 182	52,8	28,1	4 732	42,9	21,5
25 000	7 832	59,4	31,3	6 287	49,5	25,2
30 000	11 000	66,0	36,7	9 266	59,4	30,9
35 000	14 300	66,0	40,9	12 579	60,5	35,9
40 000	17 600	66,0	44,0	15 906	60,5	39,8
45 000	20 900	66,0	46,4	19 173	60,5	42,6
50 000	24 200	66,0	48,4	22 198	60,5	44,4
60 000	30 800	66,0	51,3	28 248	60,5	47,1

Note: The tax payable is arrived at by applying the tax tables to the taxable amount, which is obtained by deducting net abatements from taxable income Maximum allowances have been made for medical and insurance abatements, but none for pensions or RAs. *With two children

MARGINAL TAX RATES



Budgeted foreign loans of R200m (also conservative?), the previous year's R36m surplus, and R221m from the stabilisation account add up to another R457m. These items will go straight into the money supply, and if allowance is made for the recent relaxations in bank credit, we could easily be looking at a prospective increase in money supply of the order of 15%. If this is so, interest rates could still have further to fall.

The implications of a higher than budgeted gold price, of course, go far beyond the balance of payments. We believe that Horwood has worked on an average gold price of \$205-\$210 an oz. Considering that many mines are well into their current fiscal years and that the price has been of the order of \$240 for some months, this means that it could fall to under \$200 for much of the rest of the year without affecting the budgetary arithmetic.

On the other hand, if the gold price remains at or near present levels, not only will tax revenue be above budget; gold mining profits and dividends will also be higher than implied in the budget, making the attainment of that 4% growth rate much easier. If tax revenues do run well ahead of budget, well, there's always the remaining loan levy, some R406m, that could be used to give the economy a mid-year boost.

Indeed, the desire to have this possible additional stimulatory measure up his sleeve is the only feasible reason for not having abolished the loan levy now.

This reduces the substantial risk Horwood is taking by putting the emphasis so heavily on direct tax cuts. Even after his R156m of extra expenditure above the tabled estimates, total growth in state spending is only 11,9%. With (say) 10% inflation and 4% growth in GDP, this implies a continued fall in the proportion of GDP spent by central government (to be sure, as Horwood's references to the impact of Sasol 3 on the overall public sector share of domestic fixed investment make clear, this is only part of the story).

But many would feel that we could have borne a stronger growth in state spending. With only a 1,9% real growth rate from this sector, and probably a negative contribution from agriculture, some other sectors will have to grow at a rate well above the overall 4%.

Export growth could be one factor; but with real household spending slated to grow only 3% (1978: 2%), a lot will hinge on whether inventories at last reverse their declining trend of recent years. A pick-up in inventories is thus crucial to the Budget strategy. This, in a nutshell, seems to be: stage one, put more money into the hands of consumers; stage two, hope that this leads to an increase in consumption spending, not just an improvement in liquidity; stage three, get this translated into inventory rebuilding; and stage four, heave a sigh of relief as the growth rate accelerates.

If it comes off, Horwood will be a hero — and whether you think a general election is imminent or not, the success of this Budget would certainly be a useful election run-up.

Given this strategy, Horwood has spread the concessions pretty widely, although in the *FM*'s view not widely enough. While there may well be administrative difficulties in putting blacks and whites on the same tax scale, it is difficult to see that this need take as long as three years. The R33m relief to blacks this year seems niggardly beside the R358m concessions to other taxpayers.

The *FM*, too, would have preferred more cuts in indirect taxes, whose stimulatory effects are faster than cuts in personal tax, which will only be felt in

BUDGET IN A NUTSHELL

Benefits should be handed out drop by drop that they may be relished the more — Machiavelli, quoted by Owen Horwood.

The drops that fell on Wednesday included the following:

Personal income tax: Primary abatement for marrieds up from R1 200 to R1 500; for singles, from R700 to R1 000. The additional abatement for over-60s rises from R700 to R1 000 and there is an extra R100 allowance for each child or dependant. Medical and insurance abatements up by R200 per person.

At present, abatements are reduced by R2 for every R10 by which taxable income exceeds R5 000. The rate of diminution will in future be R1 per R10.

Initial tax rates down from 9% to 7% for marrieds and from 12% to 10% for singles. Top marginal rates cut from 60% to 55%, applicable to taxable amounts over R30 000 (R22 000 for unmarrieds).

Divorcees: Those using their own resources to support children to be taxed as marrieds.

Provisional tax: Threshold to be raised from R500 to R1 000. Taxpayers with incomes less than R1 000 from sources other than salaries and wages will thus no longer have to complete provisional tax forms.

Estate duty: Primary rebate and rebates for children and surviving spouse up by R5 000 each. Maximum allowable deductions for insurance policies, loan stock and Land Bank debentures increased from R70 000 to R80 000, of which no more than R40 000 can be in the form of insurance policy proceeds.

Black tax: "Citizens" of independent homelands included in these measures, and Pretoria to reimburse the black states.

Company loan levy: Lowered from 15% to 10%. This means a cut in the effective company tax rate from 48% to 46%.

Pensions: Whites' social pensions up by 10,2%, coloured peoples' and Asians' by 13,1%, blacks' by 15,8%. Civil pensions also up, as well as family, maintenance and settlers' allowances.

Farmers: Cost of production credit from co-ops in drought-stricken areas to be subsidised by 3,5%, but interest rate subsidies on farm mortgages to be phased out. Comprehensive crop insurance to be subsidised at the rate of one quarter of total premiums for five years.

Certain co-op activities to be financed at market-related interest rates by the Land Bank, and not at preferential rates. Government's views on other aspects of competition between co-ops and private firms to be announced soon.

Farmers who have chosen to be taxed on five-year equalisation basis will pay equalised rate or actual rate applicable to taxable income, whichever is lower.

PAYE deductions in July, and larger subsidies to protect lower-income groups against rising costs of foodstuffs.

It is, moreover, an excessively "moral" budget: while it is good that the cuts in personal taxes benefit middle-income taxpayers relatively more than upper-income earners, it seems a pity that the rate at which single people pay maximum marginal tax rates has been lowered.

And concessions of only R1m towards reducing the anomalies to which divorced people are subjected are tiny beside the R12m concession (which itself no more than cancels out the price increases of the past two years) to married working women. Babette Kabak, of the Women's Legal Status Committee, dismisses this as "a mere token."

But these are criticisms of detail rather than of principle. Taken as a whole, this is a Budget that contrives to be bold and conservative at the same time. If putting money into the hands of taxpayers is indeed the way to get the economy moving, it is difficult to see how, *in toto*, Horwood could have done more.

We can only hope that private consumption will in fact respond, that Horwood is not just pushing on a piece of limp string. For, make no mistake, this is the private sector's last chance: if the economy does not respond to this dose of stimulation, massive increases in state spending will be the only weapon left.

We will now look at some of Horwood's specific proposals in more detail.

● **Insurance:** The industry is excited by the Budget. Liberty Life's Donald Gordon says "it can only be good for the life industry." A broker described it as "excellent." The industry is affected in four ways:

● The major concessions to the wealthy self-employed should have a big impact on retirement annuities;

● The higher combined life premium and medical abatement, plus the slower run off for abatements overall, means "that we can start all over again selling life to the middle-income man" (for the family man, abatements used to run off at under R20 000; now it is over R40 000).

● The modest concession on retirement benefits, with R15 000 now tax-free instead of R12 000, will give a stimulus to Top Hat plans.

But it is on retirement annuities, and the wealthy self-employed, that the impact is biggest. Until now, the self-employed could put R3 500 into an RA free of tax; he may now stash away 15% of his taxable income (excluding investment income) without limit. The old ceiling was equivalent to a taxable income of R23 333; the professional man earning R50 000 may now tuck away R7 500 tax free every year. Although the problems of defining "self-employed" and "taxable income" may lead to a few headaches, there is no doubting the magnitude of this concession.

While Horwood made it clear that he was concerned mainly with the self-employed, he was less clear when spelling out the new RA rules for the employee. In future, the employee may contribute 7,5% of his taxable income, or R1 750, to his pension fund, whichever is the *greater*, but his maximum combined contribution to the pension fund and an RA remains unchanged at R3 500. So an employee earning a taxable R46 000 may

STATE REVENUE ACCOUNT

EXPENDITURE	Sub-total	Budget figure 1979-80	Revised figure 1978-79	% change
		Rm		
Estimate		11 034		
PLUS: Pensions	59,8			
Sasol 2 extension	50,0			
Farmers' assistance	6,4			
Black states consolidation	20,0			
Bread subsidy	20,0			
	156,2	156		
Total expenditure		11 190	10 000	11,9
REVENUE				
Inland revenue at existing rates (excl loan levies)		7 556		
LESS: Concessions on:				
Provisional taxes	9,0			
Stamp duty & MST	10,0			
Surcharge on mines	22,0			
Black taxes	33,0			
Individual taxes	358,0			
Other	22,5			
	454,5	455		
		7 101	6 591	7,7
Customs & Excise at existing rates		1 439		
PLUS: Duties on spirits & vehicles	5,0	5		
		1 444		
LESS: Reduced surcharge on import duty	160,0			
Other	2,5			
	162,5	162		
		1 282	1 493	—14,1
TOTAL REVENUE		8 383	8 084	3,7
DEFICIT (before loans)		2 807	1 916	46,5
PLUS: Loan redemptions		1 112	2 150	—48,3
TOTAL FINANCING REQUIREMENT		3 919	4 066	—3,6
FINANCING				
Domestic loans:				
Public debt commissioners		1 350	1 400	
Reinvestment of maturing stock		856		
New stock issues		550	2 047	
Non-marketable debt:		300		
National Defence Bonds	90			
Bonus Bonds	100			
Treasury Bonds	100			
Other	10			
Foreign loans		200	110	
Loan levies at existing rates	556			
LESS: Concessions to companies and individuals	150	406	516	
Use of surplus of previous year		36	129	
Transfer from Stabilisation Account		221	—	
		3 919	4 202	
BALANCE			136	
Disposal of 1978-79 surplus:				
Transfer to Special Defence Account			100	
Transfer to 1979-80 financial year			36	

Food subsidies: Wheat subsidy raised from R50m to R70m.

Import surcharge: Cut from 12,5% to 7,5%. "This reduction must be passed on by the trader to the consumer in the form of reduced prices at the earliest possible opportunity."

Excise duties: The 5% duty on motor cycles to be abolished.

Duties on wine reduced from 4c/litre to 3c. Similar cut in duties on apple, pear and orange beverages.

To improve the competitiveness of cane and wine spirits, excise duty on grain spirits increased to R806,12 per 100 litres absolute alcohol. An effective duty of R792,22 per 100 litres absolute alcohol to be paid on grain spirits used to produce gin.

Retirement gratuities: Tax exempt portion raised from R12 000 to R15 000.

Marketable securities tax: Stamp duty on the registration of transfers of securities and MST down from 1,5% to 1%.

now pay R3 500 into his pension fund, but nothing at all into an RA.

This effect on RAs for highly paid employees was not spelt out in the Budget, but it follows from the objective of putting employees and the self-employed on much the same footing. Previously, the employee was receiving substantially better treatment from the fiscus than the self-employed, for the employee, who also gets the benefit of his employer's pension fund contribution, was also (up to the ceiling of R3 500) able to pay into an RA as well. Now, as Revenue Secretary Mickey van der Walt pointed out to the *FM*, both are on the same footing above R23 000 of taxable income. The self-employed is allowed 15%, and the employee his own 7,5%, plus his employer's 7,5%.

Van der Walt also made the point that "the RA was always intended for the self-employed, not the employee." Indeed, in the UK, it is *only* the self-employed who are allowed tax concessions on RA plans.) On the other hand, Van der Walt admitted that there could be complications for the higher paid employee (for example, a man currently contributing to an RA, could, on promotion, have to curtail, or even halt his contributions) and suggested that Horwood's wording was, in parts, "deliberately vague ... We may have to think it through further — we'll happily discuss any problems with the LOA."

But for the industry as a whole — companies and brokers alike — there is nothing but joy. "We may lose a bit at the lower level (the highly paid employee) but we'll gain a hell of a lot from the middle range and rich self-employed" was one celebrating broker's sober comment.

It is not easy to assess the R23 000 a year and over self-employed market, but it is undoubtedly big. And the RA market, currently worth over R250m a year, should grow dramatically.

- **Import surcharge.** Horwood has been committed to the removal of this for some time, and the recent visit from an IMF mission probably had a hand in its reduction. However, the reduction could be a bit of a double-edged sword, and fears that its total removal would have damaged the competitive position of local industry may have been a major reason why this was not done.

FCI economist Arthur Hammond-Tooke (like Assocom's Raymond Parsons) rather surprisingly says it should have been removed entirely; selective tariffs, he says, would be a better way of protecting struggling industries.

Retention of the surcharge at 7,5% will raise revenue of R260m, and a further cut would be an additional source of stimulation should Horwood deem this necessary during the year. Nedbank's economist, Merton Dagut, feels it is logical to have a phased withdrawal.

Anglo American's economist Aubrey Dickman calculates that, if the R160m reduction in import costs is passed on to the consumer, the rate of price inflation could be held back by about 0,5%.

- **Pensions.** The 10,2% increase in white pensions just keeps abreast of inflation. While the rate of increase is higher for coloureds and Indians (13,1%) and Africans (15,8%), the ratio of white to African pensions has narrowed only marginally. In cash terms, the absolute gap has actually widened, from R64,25 to R69,50.

Says Committee of Ten chairman Nthato Motlana: "We condemn race-differentiated pensions." At the present rate, it will be a long time before the gap starts to narrow in absolute terms, let alone before anything like parity is achieved.

- **Motor vehicles and fuel.** The additional 10% *ad valorem* excise and customs duty on light diesel-powered vehicles may help correct what Horwood

THE STATE OF THE ECONOMY

The present economic upswing, insists Senator Horwood, has not yet gained adequate momentum. But "prospects for the year ahead are promising."

Growth: Real GDP rose by about 2,5% in 1978, compared with an average of 1,5% in the previous three years. The recovery was due to the "substantial increase" in exports and gold output, the latter reaching R3 863m last year (R2 795m in 1977).

Demand: Gross domestic spending was up by 2,5% last year, thanks largely to moderately rising consumer outlays. Household spending increased by 2%.

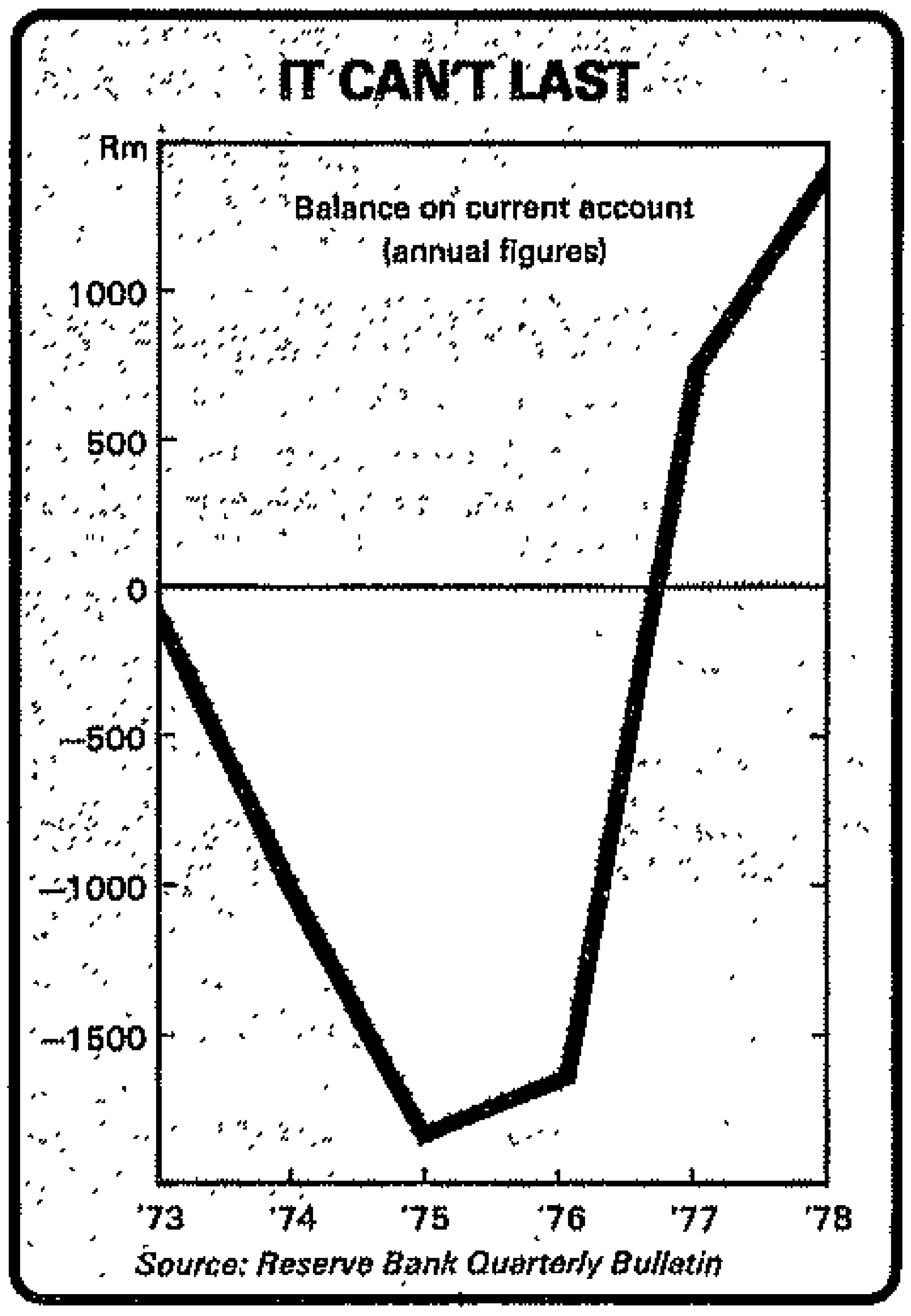
Real fixed investment fell for the third successive year. The drop in 1978 was 7,5%.

Public sector capital needs over the next eight years are estimated at R45 000m (at 1977 prices). This amounts to nearly 50% of total projected fixed investment. If the Sasol 2 extensions are added, the proportion is 52%.

Balance of payments: Last year's current account surplus was R1 412m, about three times higher than in 1977. However, if the upswing accelerates, "it must be expected that imports, particularly of capital and intermediate goods, will in due course rise substantially and that the surplus on the current account will then decline if not disappear."

Moreover, the growth in exports is likely to be slower this year.

The drain of long-term capital last year was R37m, giving a basic balance of payments surplus of R1 375m, well above the R761m surplus recorded in 1977. Short-term capital outflows totalled R896m, so the increase in net foreign reserves was R479m. Horwood stressed that the improvement in the balance of payments was a major reason for SA's higher standing in international capital markets.



Money supply: The stock of money and near-money rose by 12% last year, against 7% in 1977. The boost was largely the result of rising foreign reserves and higher bank credit to the private sector.

Bank credit to the government fell by R260m or 7,5% last year, while total domestic credit was up by 8%, "which in the circumstances was clearly not excessive."

Inflation: Consumer prices rose by 11,2% in the year to January 1979, wholesale prices by 10,5%. High inflation remains an "area of concern."

Employment: The seasonally adjusted number of registered unemployed whites, coloureds and Asians declined to 28 490 at the end of February. This is only 1,5% of the comparable work force. But recent studies suggest that "the actual unemployment among these groups as well as among blacks is considerably higher."

In emphasising the need to promote labour-intensive industries, Horwood observed that each job created at Sasol 3 will cost a staggering R350 000, compared with R10 000 per additional worker in manufacturing as a whole.

THE STING

Most of the Budget may indeed, like the lion of Samson's riddle, be a case of "out of the strong came forth sweetness"; but there's also a sting in the tail more reminiscent of a scorpion, in the references to taxation of fringe benefits and capital gains.

A report from the standing commission on taxation on the first of these is "expected any time." Horwood already has an outline of the findings. He will publish the report towards the middle of the year "so that comments on the practical application of the proposals can be submitted and considered before any decisions are taken."

Horwood has asked the Secretary for Inland Revenue to publish for comment a draft bill on a capital gains tax in the second half of this year. He implied that any such proposals would be "limited and modest."

In his speech as delivered, but not in the printed version, Horwood was at pains to stress that government is not firmly committed to introducing either of these taxes vet.

Still, capitalists beware: Horwood has given fair warning that both these taxes may have a definite part in our fiscal structure.

sees as an unhealthy swing towards diesel fuel, but it won't please the manufacturers. With diesel cheaper than petrol and diesel engines about 20% more economical of fuel, SA motorists have gone for diesel cars in a big way. Sales more than trebled in 1978: manufacturers like VW and Peugeot brought out diesel versions of popular cars, others introduced diesel versions of petrol-driven light commercials.

The trouble is that there is a limit to how much diesel fuel you can get out of a barrel of oil, and consumption has been knocking against that ceiling. Since 1975, petrol consumption has fallen 3,5%, diesel consumption has risen 7%. SA has been an *exporter* of surplus petrol.

The new 10% duty applies to *all* diesel vehicles with a gross vehicle mass of up to 2 450 kg. Revenue this year of R4m, spread over the 80 000 such vehicles likely to be sold, amounts on average to R50 a vehicle. Many buyers may consider this worth paying, to maintain the benefits of lower fuel costs and longer engine life a diesel offers.

The R500m mentioned as a possible contribution from the private sector to Sasol should be regarded as a minimum. Senior officials say it could be as high as R750m. Details of the issue could be finalised in a couple of months' time; however, to ensure that private investment is not diverted from other sectors, defeating the whole purpose of the Budget, the proceeds of the issue may be spread over several tranches. The R50m on the supplementary estimates for Sasol 3 is likely to suffice for the next few months, until Sasol 2 spending tails off.

However, this week's Opec oil price rise will probably mean that it will no longer be possible to channel part of the recently increased state oil fund levies (about 7,5c/l) to build up balances for Sasol 3. The rise could add up to 18% to the cost of Opec benchmark crude, so the whole of the levy will probably be needed to equalise more expensive crude acquisitions — unless SA is already paying a good deal more than the latest increase implies.

According to Adriaan Eksteen, Secretary for Transport, most of the R6m increase in the Urban Transport Fund (to R8m) "will go to Johannesburg, since this is the only metropolitan area that has completed its transportation plan."

● **Black taxation:** The threshold at which all Africans start paying tax has been raised from R361 to R1 201 a year. To achieve parity, if will be necessary not only to raise the threshold even higher, but extend to Africans the deductions and abatements now applicable only to non-Africans. This year, a single white will only start to pay tax at R1 950, a married white with two children at R3 900.

● **Krugerrand.** Stockbrokers have dealt informally in KR for some years, so the institution of a formal KR market on the JSE will have little practical effect. A broker tells the *FM* that regulations to govern this market have already been worked out but are still in the hands of the Committee.

The SA Gold Coin Exchange's Eli Levine welcomes the move, "because it will widen interest in this market." He does not fear the increased competition: "Brokers are my best customers." However, brokers' commission is likely to be less than SAGCE's R6 turn from both buyer and seller. Says Levine: "We will compete with them on charges if necessary."

● **In-house training.** The promised introduction of a bill to grant employers who provide in-plant training to non-Africans the same concessions as are now granted for in-service African training reinstates a measure due, but dropped, last year. The move will be welcomed by registered unions, who have constantly prodded for it, arguing that special concessions for Africans were discriminatory.

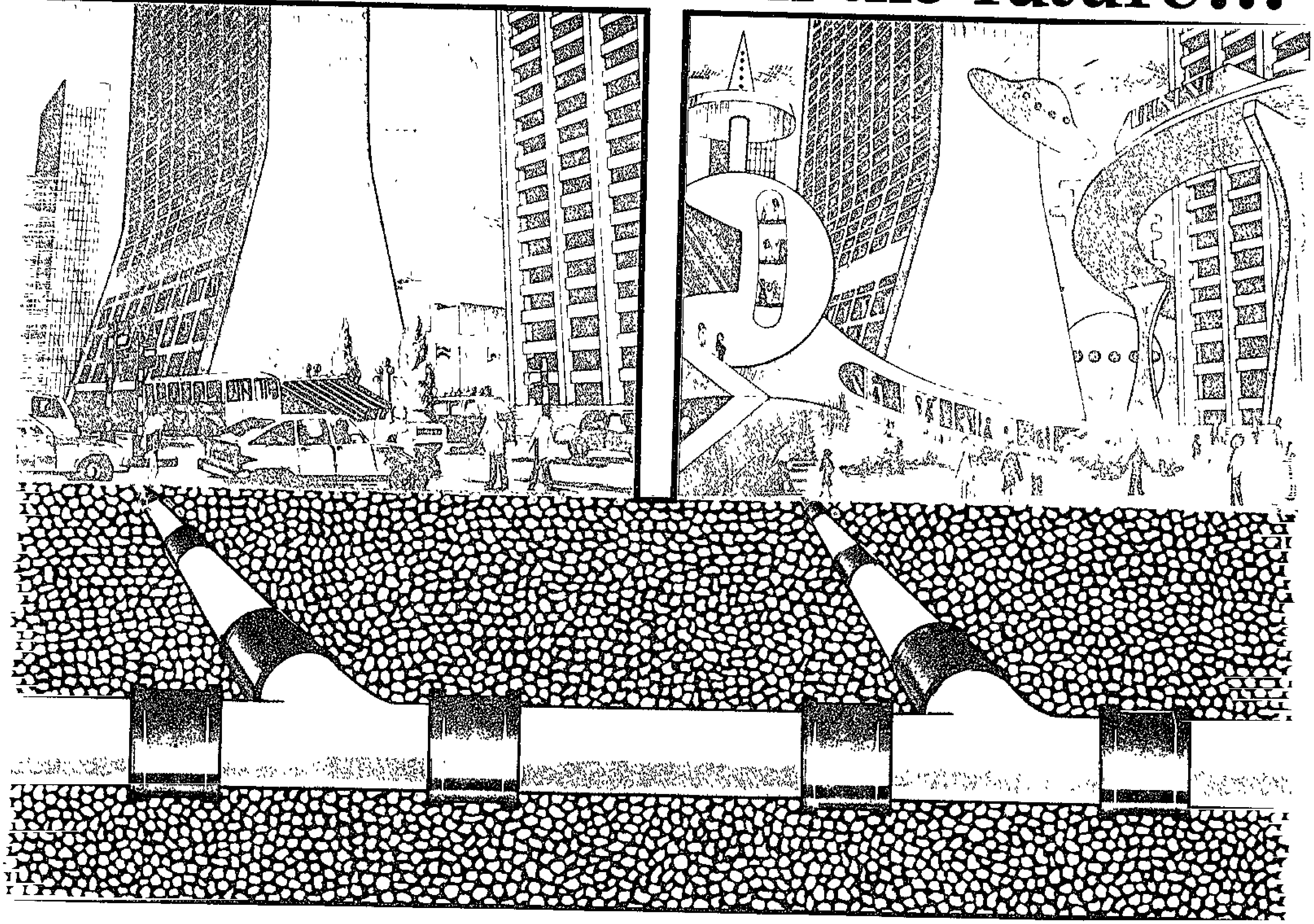
For many unionists, granting of tax concessions for training of non-Africans is an essential condition of their accepting African job advancement. It will, they say, give employers an incentive to retrain their members for higher-skill jobs. Horwood put the cost of this step at R10m a year.

● **Bantustans.** While the 63% increase on Bantustan consolidation brings spending on this head to R69,3m this year, sources close to government say that it would take R130m a year to buy up all the land envisaged under the 1936 Land Act by 1985. At the rate of Horwood's 1979-80 allocation, the process will take at least 10 years. Total expenditure to date under the 1936 Act is R358m.

● **Export incentives.** Safto's chief executive, Wim Holtes, welcomes the news that an Export Promotion Fund may be established, but is otherwise unimpressed with the budget, reckoning that the emphasis on greater consumption demand will have a demotivating effect on exporters.

The 2% reduction in the composite company tax and loan levy rate will also effectively erode export tax allowances. Says Holtes: "This decrease should have been accompanied by an immediate counterbalance in export incentives." The trebling of export promotion funds may not in fact stimulate greater exports, as "it must be offset against the effective loss to exporters, possibly as great, of former benefits through preferential forward exchange rate cover."

Our eternal link with the future...



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Anti-monopoly Bill is published

STAR 3/4/79

049

Tom Duff,
Political Reporter

CAPE TOWN — Sweeping new legislation to promote competition in the economy and to set up a special board to prevent possible monopolistic practices is contained in a Bill published in Cape Town today.

The Maintenance and Promotion of Competition Bill provides for the appointment of a Competition Board which will have the power to investigate and report to the Minister of Economic Affairs on restrictive practices.

In terms of the Bill, restrictive practices include price fixing and various actions which directly or indirectly restrict competition. These includes the restriction of the production of any commodity, preventing the production or distribution of any commodity by the most efficient and economical means, preventing or retarding the development or introduction of technical improvements or the expansion of markets, and preventing or restricting the entry of new producers or distributors into any branch of trade or industry.

The Bill, stipulates that the word "commodity" also includes newspapers, periodicals and books.

INTERROGATE

In terms of the Bill, the Competition Board will have the power to summon and interrogate people and the law of privilege will apply to witnesses.

It will advise the Minister on all aspects of economic competition policy, including the intrepreneurial activities of institutions directly or indirectly controlled by the State, undertake a continuous study of trends towards increased economic concentrations with a view to investigating acquisitions which may not be in the public interest, and issue information on policy regarding acquisitions.

The board will consist of the chairman of the Board of Trade and Industries, the Registar of Financial Institutions and a further two to five members appointed by the State President on the grounds of their special knowledge of economics, industry, commerce, law or the conduct of public affairs.

(a) what was the percentage increase in real GNP from 1958 to 1966
(b) " " " " " price level, as measured by the price deflator, between 1958 and 1966?

49 FM 6/4/79

ECONOMIC GROWTH

Now you see it, now you don't

The PM's Economic Advisory Council warns in its latest report (compiled before the budget) that "even to achieve a growth rate in real GDP of between 3% and 4% in 1979 might require relatively strong stimulation of economic activity." Some economists worry that the budget's medicine was not strong enough.

Though Finance Minister Owen Horwood predicted a 4% growth rate in his budget, one of his lieutenants reckons "4% is the ceiling, and I don't think we'll get there."

"We'll be lucky if we get 3,5%," says Standard Bank economist André Hamersma.

Horwood's budget assumptions show that, despite his brave words about leaving the recovery to the private sector, precious little growth is expected from this quarter. Farm output is slated to drop by 7% this year, while the contribution of primary industry as a whole will be down 1%.

Factory production could bounce up by 6%, but this is little higher than last year's rise of 5,1%. Likewise, though retail and wholesale volumes are projected to be up by 4%-4,5%, Horwood forecast a mere 3% uptick in consumer spending, barely more than 1978's 2% increase.

The long slide in new investment should be halted, but heavy outlays are unlikely this year.

Where will the growth come from, assuming no new injections of fiscal and monetary stimulus?

Horwood's household spending projections could turn out too conservative. Bank economists predict a growth rate of at least 4%, with Nedbank's Merton Dagut plumping for 5,5%. Dagut estimates that the budget tax cuts alone will boost disposable incomes by 2%. Since much of the benefit will be spread among low and middle income groups, the extra is more likely to be spent than saved.

Though the tax cuts will only show up in July payslips, consumers' purse strings may be loosened earlier by wage hikes sparked off by the civil service increases which take effect this month.

Owen Horwood . . . stepping out to 4%

But, as our table shows, a rise of even 4,5% in household spending may not in itself push growth in the economy as a whole above 3,5%.

Many are putting their faith in inventories and exports. Though there is little sign yet of a build-up in stocks, past business cycles have taught that heavy restocking can take place quite rapidly. Hopes on the export front are pinned on the gold price and a further firming of other commodity markets.

There are still some big problems, however. One is inflation (see leader), especially the spiral of price hikes caused by a runaway oil bill. The EAC notes that "such price increases would not only have a detrimental effect on the domestic inflation rate and on the current account of the balance of payments, but could also seriously retard the economic growth rate."

Moreover, while the expansionary budget was a necessary spur to higher growth, it was not a sufficient one. Assocom director Raymond Parsons warned this week that business needs "an encouraging politico-economic environment" if it is to spend more on machines, buildings and stocks. That goes for consumers, too.

The difference between a 2% and a 4% growth rate this year will depend as much on the Wiehahn and Riekert reports (now expected to be released by mid-May) and events in our neighbouring states as on lower taxes.

WHERE WILL THE GROWTH BE?

	1978 R bn	Change %	1979 R bn	Change %
Private consumer spending	22,1	2,0	23,1	4,5
Government consumption	5,6	1,1	5,7	2,0
Fixed capital formation	9,4	—7,4	9,5	1,5
Inventory accumulation	—0,3	—	0,2	—
Gross domestic expenditure	*36,8*	*2,6*	*38,5*	*4,6*
Exports of goods, incl gold, and non-factor services	13,0	2,0	13,2	1,5
Less: Imports of goods and non-factor services	10,0	2,3	10,5	5,0
Gross domestic product	*39,8*	*2,5*	*41,2*	*3,5*

(Constant 1978 values. 1979 FM estimates.)

THE ECONOMY FM 20/4/79 (69)

FCI expectations

Last week's meeting of the Federated Chamber of Industries' executive council agreed that factory output is likely to grow steadily this year, but, says executive director Hennie Reynders: "I would have to be in an optimistic mood to forecast a rise of more than 4%-5%."

Expanding on the Chamber's post-meeting report, Reynders notes that the mood of industry is "fairly good." The expected upturn in consumer spending in the second half of the year, and the start of a new restocking cycle, are bullish for continued growth. He adds that higher sales of cars and other consumer durables are indicative of the strength, if not the speed, of the current upswing.

Further stimulation possible

Manufacturers are well-placed to take advantage of the anticipated rise in demand, and according to Reynders, Minister Owen Horwood still has scope for further stimulation through the repayment of loan levies, further easing of bank credit ceilings, and the removal of the remaining 7,5% import surcharge.

However, a burgeoning home market could lead to reduced overseas sales, as exporters find it easier and more profitable to sell their wares at home. Thus, although the value of exports may be higher than last year, the rate of growth will be lower, Reynders says.

The main constraint on industry's growth will be the continuing oil crisis, reckons the Chamber. Stephanus Smit, chairman of the FCI's economic affairs committee, says industry is "working very hard" at reducing fuel consumption, and opportunities for further cut-backs are continually being uncovered.

Smit adds that the Chamber has voiced concern over the internal political situation, but is "expecting quite a lot" from the Wiehahn and Riekert commissions. So is the rest of the business community.

~~and ... Republic? Golfers ... woman) their three-week tour t them all over the country, and t golf opponents are local busines They're having a ball — and lea about SA first-hand.~~

~~The cost, about R6 000 each, borne by the individuals — not I~~

~~?~~

~~**Of the great** strides being made in compilation of bilingual technical dictionaries?~~

~~According to last week's *Government Gazette*, 20 such dictionaries are now on sale. Most recent are those covering hotel reception and veterinary science term Among the others still available are those dealing with the *tweetalige* terminology of embroidery, netball, hockey, work study, and physical education.~~

~~?~~

~~**Of Anglo American Property** Services' latest scheme for saving money at the Carlton Centre? All the lights in the office tower will now switch off automatically at 19h00. Should a tenant be so misguided as to wish to work later than that, he can, by using two switches on opposite sides of the building, switch them on again~~

(24) (260) FM 20/4/79

PRIORITIES COMMITTEE

Facing up to hard times

Next month the Interdepartmental Committee for the Determination of Capital Investment Priorities will meet in Cape Town for what may turn out to be its most crucial session to date.

It will have to assess the likely impact of the R3 276m Sasol 3 project on the economy, and on the capital spending programme of the public sector. And, toughest of all, it must rearrange existing government investment priorities.

For the past few months, the Prime Minister's economic adviser, Dr Simon Brand, and his department have been gathering data covering the widest possible spread of trend variables and permutations. This has been fed into a mathematical model which, for the first time, will give the committee push button access to future developments and lend additional weight to its recommendations to the Cabinet.

The committee comprises heads of government's big spending departments: Industries (Escom, Iscor, Sasol, IDC, etc); GPO; SAR; Mines (Ukor, Soekor, Atomic Energy Board, etc); as well as representatives of the Reserve Bank, the Treasury, the Department of Finance (whose secretary, Dr Joep de Loor, is chairman) and Brand, who is the backroom technologist of the group.

In addition, the committee co-opts representatives of other government institutions or departments with periodic large investment programmes (Community Development, Armscor, etc) to attend its two or three meetings a year.

The priorities committee was established as a kind of *ad hoc* thinktank back in 1974 to find ways of curbing government spending, which had been rising at something like 25% a year. Investment by public corporations (at constant prices) increased by 132% in the period 1970-77, compared with a potential GDP growth of 40% at most.

Blocking Ilanga

Since then, it has grown in status to become a permanent standing committee. Its hand is clearly to be detected in the three austere Budgets which followed the September 1975 devaluation. More recently, and so far unpublished, a recommendation by the committee resulted in Economic Affairs Minister Chris Heunis calling a temporary halt to Escom's proposed Ilanga project, which would have involved construction of two 1 800 MW stations, one to be commissioned in 1986, and the other in 1987, each requiring about R1 billion at 1977 prices.

One of the most painful headaches facing the committee in setting public sector spending guidelines for the next 10 years concerns the unpredictable behaviour of the international oil business.

When Sasol 3 comes on stream in 1982, total output of automotive fuels from the Sasol group will be enough to satisfy 47% of 1978 levels of demand. If

Simon Brand . . . technologist in the back room

the view is taken that the political situation in Southern Africa is unlikely to improve in the short run and that at best SA will be locked in a protracted conflict, while at worst it may have to contend with intensified trade sanctions, then the production of automotive fuels must take precedence over expansion of infrastructure capacity.

But does one opt for 80% or 90% or 100% self sufficiency in auto fuels, or is it better to continue to catch as catch can on international markets, even if this means absorbing annual price increments of R200m R400m rather than make a commitment to a domestic oil investment programme that would require another R8 000m-R10 000m?

Invariably, the things the committee finds itself must weigh are dove arguments. S[illegible] industrial strategy dictates on the one hand that the [illegible] sector should [illegible] its demand [illegible] investment [illegible] that the capital intensity of new investment projects should be reduced to raise the labour content to absorb the 200 000-300 000 new workseekers coming on to the labour market each year. On the other hand, fears of trade sanctions and continuing conflict generate demands for the type of investment that creates few new jobs. Sasol plant construction may absorb 20 000-30 000 site workers at the peak, but this is for three to four years at most. The cost of establishing permanent jobs at Sasol 2 & 3 is R350 000/job, compared with R10 000/job for manufacturing industry as a whole.

The committee applies a simple yardstick in setting up priorities: precedence is given to projects that will expand infrastructure capacity to absorb a given GDP target growth rate. "Opera houses and clover-leaf flyovers in the Karoo have to take a back seat," says a member of the committee.

The current priority guideline, extending from 1977-78 to 1985-86, runs for eight years, because that is the normal lead time for the largest Escom projects. The guideline, due to be revised drastically next month to accommodate the "disruptive" effects of Sasol 3, sets out a priority order that, in the view of the committee, will best serve efforts to average annual 5% GDP growth over the period. At 1977 prices, the plan allows public sector capital investment to rise from an annual rate of R4 500m in 1977-78 to R5 300m in 1985-86. Of these sums the three tiers of government will require 60% and public corporations (mainly Escom and Sasol) the rest.

To balance the demand against likely supplies of capital is the headache. For planning purposes the committee discounts foreign borrowing because it is fickle, so should just be regarded as a bonus if it is obtainable. But the committee does rely on export credits, which have proved a fairly reliable source in the past. Private sector capital investment plans are not taken into account "because the private sector should establish its own priorities," according to a committee member.

The committee has found that whereas a 3,6% GDP growth requires a 50% contribution from the public sector to gross domestic fixed investment, 5% would reduce the sector's involvement to 47%. This is because 5% growth assumes conditions in which private sector investment progressively outstrips that of the public authorities.

This is why it has been recommended that public investment should be allowed [illegible] the Sasol group up to R750m.

the foresight and skill of its management. Its history shows the wisdom of careful attention to market forces and their impending change in devising marketing mixes that

Opportunities for similar investments in public corporations will probably be looked into in the years ahead.

Contrary to recent press reports that Sasol is wary about allowing private investors a strategic stake in the group, the committee's advice is that, short of giving away control, no limits should be placed on private domestic and foreign access to Sasol stock since the production processes are no world secret, nor is output.

In view of government's commitment to reduce public sector demand for investment capital, and the priorities committee's recommendation to work towards a more favourable labour load in capital/labour ratios, government may be tempted to accept a recent Board of Trade recommendation (in its Escom report) to set up, in the Department of Finance, a statutory body which could be styled the "capital projects evaluation group," with expertise in accounting, economics, finance, and related disciplines, to monitor public spending.

A member of the priorities committee tells the *FM*: "There is a strong need for direct Department of Finance input in the investment decisions of state corporations. The committee and the department need to be privy to the germination of investment ideas at corporation board meetings, not when projects are a *fait accompli* and orders have been placed and tenders called for. With hindsight, some people may argue that Iscor's Newcastle facility was a big mistake, that we should rather have imported steel, and put the capital to work in another sector.

"However, we don't recriminate because there is nothing you can do about mistakes that are past or to which one may be contractually committed. But when public institutions talk about long-run investment projects we now need to know about them from the start. We have the economic overview which they don't have.

"At present we don't have teeth. All we do is make recommendations to the Minister of Finance and the Cabinet. Sometimes we get overturned, but overall we find greater appreciation of what we are doing."

MARKETING: SCIENCE OR ART?

The quest for a "science of marketing" is hard upon us. If science is in part a systematic formulation and arrangement of facts in a way to help understanding, then the concept of the marketing mix may possibly be considered a small contribution in the search for a science of marketing. If we think of a marketing science as involving the observation and classification of facts and the establishment of verifiable laws that can be used by the marketer as a guide to action with assurance that predicted results will ensue, then we cannot be said to have gotten far toward establishing a science. The concept of the mix lays out the areas in which facts should be assembled, these to serve as a guide to management judgment in building marketing mixes. In the last few decades American marketers have made substantial progress in adopting the scientific method in assembling facts. They have sharpened the tools of fact finding—both those arising within the business and those external to it. Aided by these facts and by the skills developed through careful observation and experience, marketers are better fitted to practice the art of designing marketing mixes than would be the case had not the techniques of gathering facts been advanced as they have been in recent decades. Moreover, marketers have made progress in the use of the scientific method in designing tests whereby the results from mixes or parts of mixes can be measured. Thereby marketers have been learning how to subject the hypotheses of their mix artists to empirical check.

With continued improvement in the search for and the recording of facts pertinent to marketing, with further application of the controlled experiment, and with an extension and careful recording of case histories, we may hope for a gradual formulation of clearly defined and helpful marketing laws. Until then, and even then, marketing and the building of marketing mixes will largely lie in the realm of art.

New Govt plan for 10-year growth

RDM 27/4/79

49

Financial Reporter

SOUTH AFRICA should comfortably be able to achieve an average annual real economic growth rate of 3% to 4% over the next 10 years — but such a growth level will be well short of the country's needs.

Higher growth levels are possible, however, provided some major policy changes are made and international financial and political conditions are moderately favourable.

These points were the basis of an analysis yesterday by Dr Simon Brand, Economic Adviser to the Prime Minister.

He was speaking in Cape Town at the national congress of chartered accountants.

Dr Brand said a new Economic Development Programme was now being made final, and he gave an "indication of the most important findings of the preliminary exercise".

He said: "Since South Africa's investment image abroad is subject to so many imponderables the assumption was used in all the exercises that over the next 10 years or so there will be on average no net inflow or outflow of foreign capital — in other words, there will be a zero balance on the current account of the balance of payments."

Dr Brand said further assumptions must be made:

- That the strict spending discipline of the past few years in the public sector will be maintained.
- That the gold price will rise gradually from a level somewhat below its present value and at a rate in sympathy with international price tendencies in general.
- That recent growth and inflation rates of South Africa's more important trading partners will be more or less continued.

On these assumptions, he said, "the exercise indicates that South Africa's real gross domestic product could grow over the next decade at an average annual rate in the order of 3% to 4%."

But Dr Brand warned: "That would not be sufficient to prevent the unemployment rate from continuing to rise and neither would it ensure that the economy can meet the other challenges it will face."

He said, however: "If, in addition to the assumptions already mentioned, allowance is made for the possible effects of policy measures which may result from the various investigations now under way, then the exercise indicates that the growth rate could be raised to such an extent that the unemployment rate could eventually start to fall, although initially it would still rise.

"If allowance is also made for a higher export growth than can be reconciled on historical grounds with the assumed growth rates of our trading partners, then the outcome is still more favourable with regard to the growth rate of the real GDP and its effect on unemployment."

Dr Brand cautioned: "A hard reality which is not gainsaid by this most favourable projection is that until such time as the present high growth rate of the potential labour force starts to fall significantly, unemployment cannot be brought down below its present level solely by any conceivable increase in the growth rate.

"The steps that are required do not necessarily mean more Government intervention, but in many cases actually involve a reduction of Government intervention.

"This does not take away the fact that they will require major decisions by the Government."

CT. 28/4/79

Inflation a mounting threat to SA growth

(49)

By PAUL DOLD
Financial Editor

nE four percent mark is ... becoming the up- ...rmost growth rate figure – the South African econ- ...y this year due to a ... of confidence and high ...flation. Many economists ... now viewing a three to .5 percent rate as a more ...ealistic target.

While the outstanding ...rowth Budget in April did ...uch to trigger a sharp reviv- ...al in business optimism the long delay before consumers feel the benefit of the July tax cuts is leading to calls for further stimulation of the economy, either through the repayment of a loan levy or the abolition of the import surcharge.

The adroit moves made by the country's economic planners over the past 18 months to lay the foundations for increased business confidence including the staggered lowering of bank rate should have been continued after the Budget

An early repayment of the loan levy would have done much to increase consumer morale which is taking a battering through the high inflation rate, filling the gap between the Budget and the July tax cuts. The aboliton of the import surcharge would be widely welcomed as it could help to stabilize the inflation rate which is causing concern among economists

However it is possible that the authorities may yet decide to take these steps and are keeping reserve ammunition in the armoury If the import surcharge is abolished Government should appeal to the private sector to ensure that the cut is passed onto the consumer

From a wide ranging series of interviews with leading South African economists this week it appears that inflation is posing a severe threat to the economy and that the July cost of living figures (when the impact of GST is stripped out) will be a crucial signpost to future economic policy.

It is now clear that a heavy responsibility rests on business leaders to show the utmost restraint in increasing prices or else the Budget's growth advantages will be whittled away by inflation

Some economists fear that the cost of living will not fall as expected at that stage and South Africa will be faced with reflating the economy from a very high inflation level indeed.

At the same time the challenge of providing jobs for the growing unskilled population is becoming a crucial issue. Clearly, a fairly high growth rate is needed at least in line with the population increase — and this assumes no drop in the current jobless rate

The keenly awaited Riekert and Wiehahn reports will be key measures in dealing with the so-called structural unemployment problems now bedevilling the economy

Economists surveyed, on the whole have praised the Government for the steps taken so far to put the economy back on the growth track and they are tending to adopt a wait and see attitude until the impact of the July tax ...

and incomes policy would be unacceptable. He views the jobless problem as basically structural A mere increase of the growth rate will not bring relief in the short term Certain changes to policy will have to be made to ensure improved training Labour intensive industries need to be created

He points out that the inflation South Africa is experiencing is mainly due to the lack of a productivity increase in part of the work force

Mr Louw expects bullion to stay more or less at the current level for the rest of the year with the possibility of a rise towards the year-end

According to his calculation the current account is in excellent shape recording a substantial surplus in the first quarter of this year mainly due to the continuing export performance and will not be a constraining factor this year.

He sees the lack of confidence as the major inhibiting factor The man in the street's confidence has been eroded due to rising inflation Mr Willem Roets, editor of the Bureau for Economic Research's influential journal "Trends", says the economy is gathering momentum and sufficient liquidity and real incomes are available to achieve around a four percent growth rate The underlying forces are very positive but there is a lack of real confidence He believes by July economists will have a far clearer view of the situation being able to gauge the increase in consumer spending.

He feels there will be a definite rise in disposable income as the inflation affect will not be so severe The recovery is being consumer led and on top of this exports are still high

The registered unemployment trend appears to be improving but the low levels of four to five years ago are unlikely to recurr and jobless could rise to 15 — 18 percent of the labour force within the next four years in spite of an average real economic growth rate of 3.5 percent a year over that period

Clearly, where possible the country will have to create labour intensive industries He stressed that a growth rate is not the sole determinant of the jobless rate which is also reflecting the growing sophistication of industry

Barclays economist, Dr Johan Cloete, believes that for the present the effect of the Budget must be allowed to filter through But he is extremely concerned over the 12.6 percent inflation rate pointing out that to stimulate in the face of high inflation results in price increases.

While the recovery is billed as being consumer led, he sees the public corporations playing a leading role with this sector's spending rising some 29 percent.

At this stage he does not think loan levy repayment would have much impact as the main stimulation will come through Budget expenditure.

South Africa is facing a dilemma After fighting inflation with monetary and fiscal policies and as a result having a low growth rate for the past few years, inflation still remains stubbornly high This was due to wages being inflexible downwards.

Dr Cloete, who supports a price and incomes policy for South Africa says this is the only solution and points out that it has been applied with success in other countries, citing the long US recovery and the UK's vastly improved prospects with growth, a reasonably slow inflation rate and falling unemployment

South Africa has in a sense has been using a type of incomes policy through decisions such as increasing or not raising civil servants salaries or adjusting SAR tariffs, steps which have failed to be integrated with monetary and fiscal policy

South Africa's economic prospects are reasonable with 3.5 percent growth rate likely and possibly even four percent due to public spending Government policy is to reflate now, causing more growth output and thus lower unit costs

He, too, is inclined to wait and see what happens in July before introducing fresh stimulation due to the inflation threat.

An unpleasant scenario would be a high money supply — current growth rate some 12 percent on an annual basis — and an inflation rate still around 12 percent

The jobless situation should not have been created in the first place and was due to reducing the growth rate through simplistic monetary and fiscal policies This hurt the growth rate more than inflation. The unemployment situation was unlikely to be remedied for years

The jobless issue had become a structural problem as industry which retrenched labour in the recession had now learnt to do without it

South Africa, he feels in common with some other countries do not know how to deal with inflation. He suggests solving the short run problems is a vital ingredient to providing a solution for the longer term issues. He would have preferred a delay in the introduction of the GST The GST system was obviously good in the long run but harmful in the short term as the tax was a major cause of spending remaining so low.

Looking ahead he suggests a 12-month lag between the US and South African economies but as yet no one knows to what extent the US economy will slow down The SA growth rate for the next few years could be in the 3 — 4 percent range

SA ready to speed up economic growth, says Horwood

CT, 28/4/79

(49)

JOHANNESBURG. — The South African economy is well placed to add momentum to its current upswing and to move into a phase of accelerated economic growth, the Finance Minister, Senator Owen Horwood said.

Officially opening the new Johannesburg stock exchange building, he said he expects real private consumption to rise by more than three percent this year compared with two percent last year.

Inventory investment should begin to rise soon, if it had not aleady done so, and in due course the downward tendency in real fixed investment should also be reversed.

With merchandise exports still rising substantially and the gold price continuing to perform well, the rate of growth of the real domestic product should accelerate significantly and might well reach four percent before the end of this year, he said.

He believed the government's new expansionary policy would be successful and a good year lay ahead.

It was common knowledge the country's balance of payments on current account had continued to perform impressively and last year showed a record surplus of R1.41 billion or about 3,5 percent of gross domestic product.

"This has to be compared with an average post-war deficit equivalent to about three percent of gross domestic product.

"These repayments reduced South Africa's so-called 'foreign liabilities related to reserves' by an equivalent amount, and thereby contributed towards the increase in our net official reserves of R479m during 1978.

"Secondly, the central government and banking sector also repaid R426m of long-term loans during 1978, which more than offset net inflows of long-term funds to the private sector and to public corporations and local authorities, resulting in a net outflow of long-term capital as a whole of R37m."

Using the record surplus on current account to finance these large loan repayments, while waiting for the new economic upswing to gather momentum, was clearly the logical and sensible thing to do, he said.

The one aspect of last year's capital account which caused concern was the net outflow of so-called 'short-term capital not related to reserves' of R896m.

But even here it should be noted that a large part of this outflow was the result of a switch by importers from foreign to domestic sources of finance in response to interest rate differentials.

This form of outflow is now being counteracted to a large extent by the new forward exchange rate arrangements introduced in January, he noted. — Reuter

Grim world outlook may hit SA growth

49

1/5/79

By HOWARD PREECE
Financial Editor

HOPES of getting South Africa's real economic growth rate up to 4% this year while bringing inflation down to around 10% seem threatened by a deteriorating world economic outlook.

There is mounting evidence that inflation internationally is moving onto a higher level again.

At the same time economic growth in the United States is slowing — and growth is also taking second place to trying to check inflation in some other leading Western countries.

This does not mean that the South African economy is faced with a quick reversal of its present economic upturn.

There is probably enough momentum in the economy already to ensure a minimum 3% growth this year and a 3,5% rate should be easily attainable.

But the official hope of 4% — repeated last week by Senator Horwood, the Minister of Finance — might just fall short.

The South African economy is highly vulnerable to shifts in direction among the major Western countries.

By a similar token it is difficult in prrctice — however simple it might look in theory — for this country to rein back its inflation level while prices generally are accelerating internationally.

Consumer prices have begun to run at a 12% annual rate in the US short-term and although that level will not be maintained the Administration concedes there is no hope now of meeting the original target of 7,4% for 1979.

The latest report from the International Monetary Fund says: "The rate of increase of consumer prices in industrial countries as a group accelerated in January."

More dramatically the economics department of Chase Manhattan bank concludes: "Inflation is boiling up again throughout Western Europe, even in the hard-currency countries that have enjoyed relative price stability over the past several years.

"Fueled by expansionary monetary policies set against a background of rising fiscal deficits price increases all over Europe in early 1979 have been pushing the double-digit range at compunded annual rates.

"In Germany the cost of livinmg rose at a monthly rate of 0,7% in March following rises of 0,6% and 1,1% in the two preceding months.

"And Switzerland experienced increases of 1,1% and 0,5% in the consumer price index in February and March.

"While inflation is accelerating in these traditional havens of price stability more inflation-prone countries like France, the United Kingdom and Italy are finding their inflation rates stuck at high levels."

Chase is perhaps over-selling.

Switzerland's inflation rate is indeed officially expected to rise this year — but only 2,5% to 3,5%.

Britain"s inflation has not yet proved as calamitous as was widely feared.

But the basic argument is valid — and the Western remedy generally might involve lowering growth targets.

A comprehensive summary in the Wall Street Journal says: "For a year or so economic policy makers in Western Europe, particularly West Germany, has been applying policies of economic stimulus to increase consumer demand, encourage industrial investment and create jobs.

"Now, however, the mood has turned distinctly conservative.

"Even before the Iranian oil crisis Western European governments wewre beginning to believe that it was time to sacrifice some new growth in favour of keeping inflation in check and consolidating past gains.

"The Iranian oil cutoff and resulting price increases have intensified that belief."

None of this means a world recession — but it does indicate a definite erosion of growth.

The US economy grew by only 0,7% in the first quarter of this year.

Figures published yesterday shows that the US index of leading indicators, a barometer of the economy, fell by 0,5% in March.

This was the third consecutive monthly drop.

Germany, France, Italy and others have been damping growth as well.

South Africa's momentum might take growth to 3,5% this year.

But not only will 4% prove tough — the Western cutback bodes will for 1980 for us.

And we have still what Senator Horwood admits is a wholly unacceptable inflation rate in South Africa, 12,6% for the year to March.

THE ECONOMY

FM 4/5/79

49

Bad but better

Business may not be good, but at least it is improving. According to the Stellenbosch Bureau for Economic Research's latest Opinion Survey, industry had "quite a good first quarter," wholesalers' confidence "is at a high level", and the mood among retailers is "quite favourable." Merchants and manufacturers reckon sales will rise further over the next three months, though the bureau warns that "the second quarter may still see fairly sluggish consumer spending mainly based on credit."

Business is likely to pick up later in the year, and the Bureau predicts a real GDP growth rate of around 4% for 1979. But, it warns: "A high inflation rate and a large number of unemployed persons will probably prove to be our most serious headaches."

Over half the manufacturers quizzed by the bureau are satisfied with present business conditions, compared with 44% at the end of last year. And almost three quarters of them (43%) expect an improvement in the June quarter. Stocks of raw materials are generally low, but finished goods inventories have been rising. "Not only did stocks accumulate, but delivery periods have actually shortened," notes the bureau.

Industries most optimistic about future sales include timber, leather, pharmaceuticals and cosmetics, metal building materials and motor components. But a majority of manufacturers of textile fabrics, mining and electrical machinery, and cables, as well as foundries and engineering shops expect sales volumes to be lower over the next few months than they were in April-June last year.

Most industries are not operating anywhere near full capacity. The timber and footwear sectors, and makers of electrical and mining machinery reckon they could raise output by about a third without new capital investment.

But most leather, pharmaceutical, brick and metal building product manufacturers claim they will have to boost capacity if production is to be raised. The bureau says that, in general, there are slight signs that fixed investment is picking up.

Retailers are not excited about short-term prospects, and, with the exception of office equipment and stationery suppliers, a majority expect sales volumes to be the same or less than at this time last year. Not surprisingly, no less than 77% say that business is bad. Photographic equipment, pharmaceutical, furniture, and footwear merchants are, however, relatively optimistic.

	Flexible Budget	ACTUAL	Price/Cost Variances
Sales - Widgets	200 000	204 000	4 000(F)
Gadgets	100 000	110 000	10 000(F)
	300 000	314 000	14 000(F)
Variable Costs			
Production - Widg.	66 667	70 000	3 333(U)
- Gadg.	60 000	70 000	10 000(U)
Commissions	15 000	14 050	950(F)
	·41 667	154 050	12 383(U)
Contribution	58 333	159 950	1 617(F)
Fixed Costs	283		1 863(U)
Net Profit	667		246(U)

Budget

Actual

Differe

Sales v
(300 000 -

Sales m 158 333 - (		6 667(U)
		4 333(F)
Sales p	4 000(F)	
	0 000(F)	14 000(F)
Variabl Produc	333(U)	
Gadgets	000(U)	
Commissions	950(F)	12 383(U)
Fixed cost expenditure variance		
Office expenses	600(U)	
Travel & Entertainment	1 263(U)	1 863(U)
Difference in Budgeted & Actual Profit		R4 087(F)

/cont...

Rapport 13/5/79

De Kock stel gerus oor Staat se rol

49

Deur DAVID MEADES

ONDANKS die land se planne om in sy totale strategie ook die ekonomiese front in te sluit, is daar geen gevaar van kruipende sosialisme of 'n oormatige gebruik van beheermaatreëls nie.

Hierdie feit het vandeesweek in Johannesburg baie duidelik geblyk uit dr. Gerhard de Kock, senior visepresident van die Reservebank en spesiale ekonomiese raadgewer van die Minister van Finansies, se openingsrede by die jaarlikse kongres vandie Afrikaanse Handels instituut.

Dr. De Kock se rede was in baie opsigte die hoogtepunt van hierdie kongres, wat weer soos in die verlede 'n baie groot sukses was.

Die meer as ses honderd afgevaardigdes is almal huis toe met die wete dat dit werklik die staat se erns is om die vrye ondernemerstelsel in Suid-Afrika te vertroetel.

Dr. De Kock konook ná die kongres na sy Minister teruggaan en die eenparige steun van die AHI vir die „nuwe" ekonomiese beleid van sen. Horwood gee.

Dr. Anton Rupert het vroeër toe hy die Junior Kongres geopen het ook groot lof uitgespreek vir die wyse waarop sen. Horwood en sy span die ekonomie reggeruk het. Dr. Rupert het gesê dat hy sen. Horwood wilhuldig omdat hy deur sy Begroting die individu erken het en terselfdertyd erken het dat die staat nie almagtig is nie.

Skeppingskrag kom net van die enkeling en nie van regerings, parlemente, sinodes en ander groepe nie, het dr. Rupert gesê.

Maar daar was ook kritiek. Die land sal prysbeheer moet verminder, want dit lei daartoe dat verkeerde en te min van die regte goed gemaak word, het mnr. Jack Van Wyk, die uittredende president van die Afrikaanse Handelsinstituut, in sy presidentsrede gesê.

Hy sê ... mielies beheer, maar dié van aartappels nie. Verder werk prysbeheer net binnelands want die goedere wat uitgevoer word, se prys word deur die vrye mark bepaal.

Hy het ook gesê dat daar ernstig aandag geskenk sal moet word aan die toevoer van olie na Suid-Afrika. Hy het gesê olie word gemors en olie is meer as geld. Dit kan die bloed van die land se nasionale voortbestaan wees.

Ander interessante punte was:

● **Mnr. J. S. Linde, bestuurder, mynbedryf, van JCI** het sterk beswaar gemaak teen die ad-hoc-besluite van staatsamptenare en die onbillike begunstiging van groot oliemaatskappye in die Suid-Afrikaanse steenkoolbedryf. Hy het gesê te veel beslissings oor steenkool word deur staatsamptenare gemaak en as die bedryf daarteen beswaar maak, word die besware op 'n despotiese wyse deur die amptenary gehanteer en word die beslissing na die bedryf weergegee as komende van die betrokke minister self.

Hy het ook beswaar gemaak teen die toekenning van groot uitvoerkwotas vir steenkool aan oliemaatskappye, wat voorheen nooit by die produksie van steenkool betrek was nie.

● **Die assistent-direkteur van die Nasionale Bounavorsingsinstituut, mnr. J. F. van Straaten**, het gesê daar moet dringend gekyk word na die moontlikhede wat sonenergie vir Suid-Afrika inhou. Hy het gesê daar bestaan geen rede waarom sonenergie nie ingespan kan word vir minstens 70 persent van die energie wat nodig is om water en geboue te verwarm nie.

Mnr. Van Straaten het gesê daar is bewyse dat die grootste hoeveelheid energie in die gemiddelde huishouding aangewend word vir water en verhitting wat juis die aanwendings is waartoe sonenergie hom die beste verleen.

● **Die voorsitter van Evkom, dr. R. L. Straszacker**, het die kritiek dat Evkom te veel wins maak, weerlê. Hy het gesê die voortgesette vinnige groei in die vraag na krag sal ongelukkig verdere hoë kapitaalbesteding in die volgende aantal jare meebring. Evkom se finansiële toestand het nou so 'n stadium bereik dat tariefverhogings in die toekoms nie maklik weer dubbele syfers sal haal nie.

● **Mnr. Francis le Riche, besturende direkteur van Sentrachem**, het gesê die vervaardiging van etanol uit mielies sal te groot wees om deur sy maatskappy alleen aangepak te word. Ander private ondernemings sal moet saamwerk.

Hy het gesê die argument dat die vervaardiging van brandstof uit landbouprodukte 'n vermorsing van kos is, gaan nie op nie, want baie landbouprodukte word reeds in die nywerheid gebruik.

Spending up, but warning on inflation

49

RDM 11/5/79

CAPE TOWN. — Consumer confidence has improved dramatically since January, says the latest consumer survey from the Bureau for Economic Research at the University of Stellenbosh.

The general environment is very favourable for a sharp increase in spending, it says.

The survey also shows that sentiment among business men appears very favourable in the consumer goods sector and has, generally, improved substantially since the end of last year.

The bureau says consumer confidence is more favourable now than it has been since the surveys began in April, 1975.

"There can be little doubt that the Minister of Finance (Senator Owen Horwood) has helped provide the much-needed environment for increased spending."

But "it is fairly certain that consumer confidence will deteriorate should the Government fail to bring inflation under control", the report says.

Increased amounts are likely to be spent on high-priced goods, although the high level of recent car sales could level-off, it says.

"Consumers are not as thrifty as they used to be. The percentages economising have, with a few exceptions, declined since last year."

The survey among businessmen in the consumer goods sector showed the economic recovery is continuing and is now much more broadly based than a year before.

"In the motor trade new vehicles sold well, but sales of used vehicles and spare parts were somewhat disappointing.

"On the whole, retailers did well, especially those dealing with semi-durable goods such as clothing and footwear.

"The relative buoyancy of the retail trade had a favourable impact on the wholesale sector. This sector had good sales and this, coupled with expectations of their sustainment, led to a very favourable business climate.

"The activities of both wholesalers and retailers should influence those of the manufacturers, and according to the survey results this did materialise. The manufacturing sector reflects a favourable business climate."

The surveys were conducted last month. — Sapa.

WESTERN CAPE

Stick to exports

49

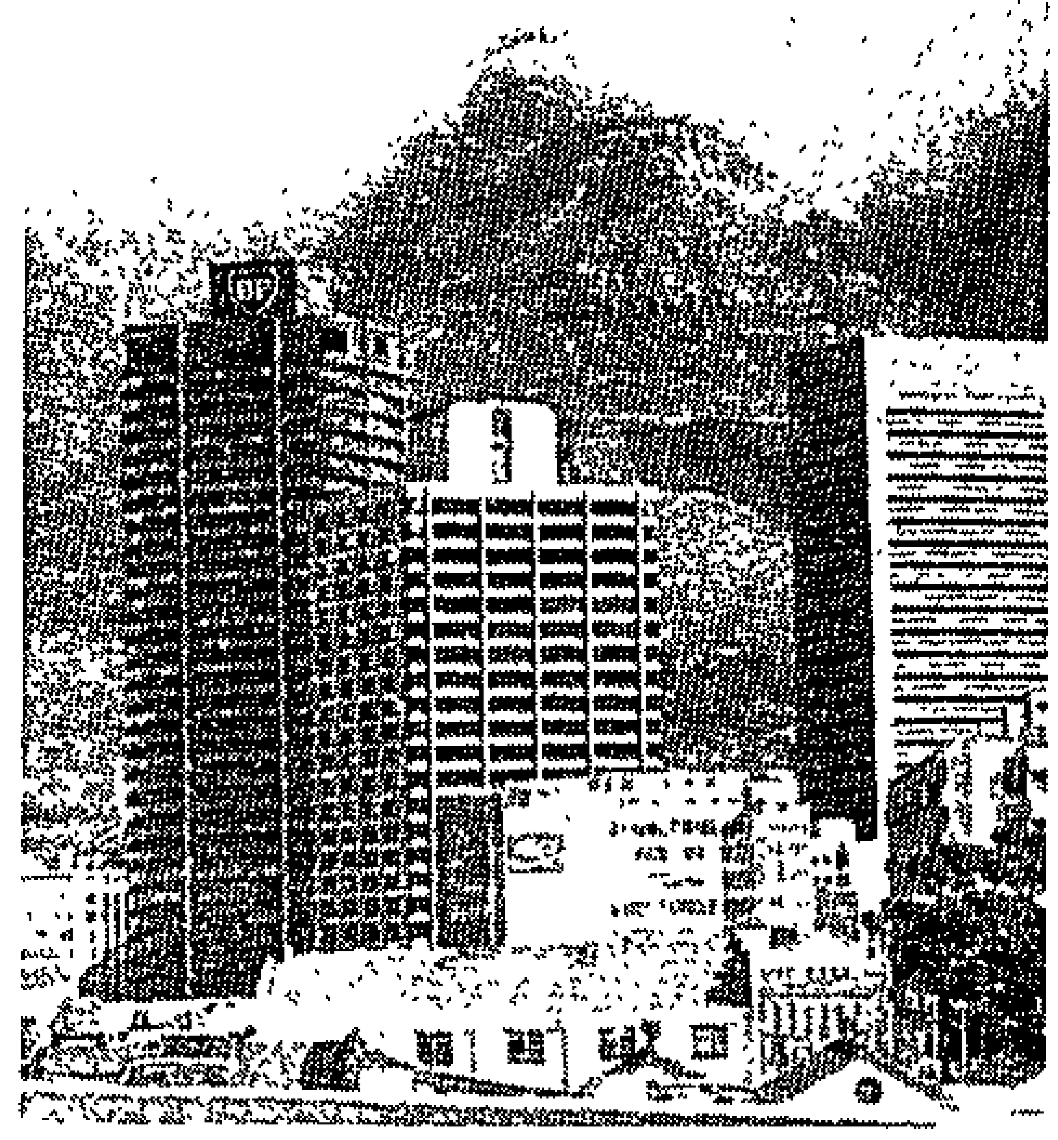
FM 18/5/79

The R37 000 that government is paying for a special investigation into strategies to bolster the sagging economy of the Western Cape appears to be well spent.

An interim report by the Stellenbosch Bureau for Economic Research (BER), which was entrusted with the project, has few new facts. Its real merit is that it spells out some home truths which politicians and entrepreneurs in the region have tended to ignore.

One is that "the BER could not escape the impression that some entrepreneurs relied on some form of government aid to stimulate the regional economy, rather than rely on their own initiative." Corrective measures should include steps to make them more self-sufficient.

Contrary to the government policy, which decrees that coloured workers should be protected from African work-seekers in the Western Cape labour preference area, BER found that coloureds themselves deny that such competition existed "and the factual situation confirms this."



Cape Town . . . when will the mists clear?

The report explains why Western Cape regional GDP, which stands at around R5 000m, lags behind the rest of the country: high cost of production imputs due to a lack of raw materials (coal and other minerals), and distance from the major market (the PWV area) exacerbated by an uncompromising SAR rating policy.

Moreover, industry in the area is perforce heavily weighted in favour of labour-intensive production of consumer non-durables (fruit and wine) and semi-durables, while the services sector is hopelessly overtraded.

Almost a third of undertakings — 37% if garages and other service firms are included — have fewer than 10 workers, while 60% have fewer than 30 employees. Because the regional economy is based on industries ultra-sensitive to fluctuations in the business cycle — building, construction, and manufacture of food, beverages and semi-durable goods with high labour and transport inputs — firms without export outlets are victims of a constant squeeze on profits which militates against new fixed investment.

BER notes that the biggest employers, the clothing manufacturers, are virtually at the mercy of five retail chains. Downswings in demand for textiles and clothing are invariably shifted on to manufacturers, who also often have to bear the brunt of "error judgments" by retailers.

As a first remedial step, BER recommends the establishment of a regional development advisory board and an export promotion organisation. It notes that the Western Cape is better suited to an export economy (in the form of an export processing zone as well as further development of established trades in fruit, wine, clothing, fish, canned goods, and other perishable products), than to expansion of its inland trade with the PWV area.

THE RADIOCARBON CHRONOLOGY

The rates derived from the simulations have shown that the fission model provided the fastest rate of expansion. The fission model was also characterised by a lower rate of expansion for a single culture than for the whole tradition. A comparison of the rates of expansion derived from the models with values derived from the radiocarbon chronology should provide a test of the appropriateness of the two models.

METHOD

Early Iron Age radiocarbon dates provide estimate of the period during which a site was occupied. Radiocarbon d... have an estimate of variability

RESULTS

The regression line for the Urewe culture had a slope of 0,54 with the origin at 92 years (Fig.4). This gave a rate of expansion of 0,57 Km/year. The slope for the Urewe to Silver Leaves expansion was 0,116 with the origin at 34 years. The overall expansion rate was 9,6 Km/year (Fig. 4). The overall rate of expansion corresponded fairly well with the values derived from the simulation (Table 2) with moderate to high rates of population growth (0,035; 0,040) and medium population densities (5-10/Km^2).

The slope of the regression for the Kwale to Silver Leaves route was 0,096 with the origin at 138 years (Fig.5). The expansion rate was 10,3 Km/year considerably slower than the values derived from the discontinuous spread model (Table 6).

The relatively slow expansion rates associated with the simulations of the continuous spread model indicated that the wave model (Soper, 1971a) is probably incorrect. The rapid rates of spread generated by the simulations of the discontinuous spread model suggest that this was the most likely mechanism of dispersal. This mechanism mimics movements known from oral tradition (Kimambo, 1974; Legassick, 1969; Monnig, 1967; Turner, 1954; Were 1974). The groups that were hived off would have moved some distance and settled and they could have acted as nuclei for further expansion. Because more than one

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...stimate of the period during ...ive an estimate of variability ...e, that the rate of spread could ... curve fitting technique was ...t fit straight line, derived ...tween distance and date. ...h them and a weighted average ...ite. The weighted average ...kely to be associated ...es were obviously more ...on Age in an area they were

GROWTH RATE

Better safe

Is the Treasury subtly downgrading its economic growth target for 1979? In his budget speech at the end of March, Senator Horwood spoke confidently of a real rate of growth in GDP this year of 4%.

More recently, officials and politicians have talked of a growth rate of 4% by the end of 1979 — which is not the same thing at all. And in a speech at a Standard Bank – Safto seminar on SA in Paris this week, Dr Gerhard de Kock said merely that "real GDP for 1979 as a whole should exceed that of 1978 by between 3% and 4%," adding that "during the second half of 1979 and the first half of 1980 there should be a further acceleration ..."

Of course, this could be no more than a banker's traditional conservatism. For De Kock also said that, on statistics presently available, "it would not be surprising if the current account surplus again exceeded R1 000m in 1979 as a whole." This would in fact be a good deal less than 1978's R1 412m, but unofficial Treasury hopes are known to be for an *increase* in the current account surplus this year.

It seems more likely, however, that developments in the international oil market since the end of March, and signs of a world economic slowdown, have induced a more cautious attitude in government to this year's prospects.

De Kock was also at pains to point out that the "well co-ordinated 'total strategy' embracing action on many fronts" being developed by the government at the moment does not imply socialism or Marxist planning or excessive use of direct controls.

On the contrary, he stressed, government "is now placing *more* emphasis on free enterprise and on harnessing market forces in the national interest."

The message, no doubt, was for international — specifically, French — consumption. So were his pleas for greater economic co-operation between the countries of southern Africa, and his remarks on the need for faster economic growth to facilitate solutions to our racial and labour problems.

RESULTS

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The values for the rates of expansion derived from the radiocarbon chronology are considerably faster than the values for the wave of advance model (Table 1) and this coupled with the evidence for a difference between the rate of expansion for a single culture and the whole tradition provided support for a discontinuous spread model of the Early Iron Age expansion.

DISCUSSION

The regression analysis of the Early Iron Age radiocarbon chronology supported a North to South temporal ordering in the flutted and bevelled complex. The complex used in the present analysis differed from the eastern stream and therefore the regression analysis in no way supported the historical reconstruction proposed by Phillipson (1975; 1977). However the temporal ordering within the complex indicated a North to South spread and hence a 'stream' model.

The relatively slow expansion rates associated with the simulations of the continuous spread model indicated that the wave model (Soper, 1971a) is probably incorrect. The rapid rates of spread generated by the simulations of the discontinuous spread model suggest that this was the most likely mechanism of dispersal. This mechanism mimics movements known from oral tradition (Kimambo, 1974; Legassick, 1969; Monnig, 1967; Turner, 1954; Were 1974). The groups that were hived off would have moved some distance and settled and they could have acted as nuclei for further expansion. Because more than one

PROPERTY

Yes, boom — but

(49) FM 28/5/79

When it comes to economic recovery, property is traditionally at the end of the queue. It's been a long wait. But at last it looks as if property's turn has come.

There were signs, and plenty of talk, that the market was improving all last year — rents firmed, landlords' attitudes hardened, leaseback rates dived, and so on. But the breakthrough came with Legal & General's buy of Diamond Corner in the Johannesburg CBD in December. Since then the market has gathered momentum, helped along to a greater or lesser extent by Old Mutual's Exchange Square deal, returning investor confidence, plenty of available institutional cash, falling interest rates, the Budget, and the new financial rand.

One indication of how the property market has improved is the movement of buying yields (see table). Yields on virtually all categories of property have moved downwards (and prices accordingly upwards) since the beginning of the year, although they are still way above the 1974 figures. Alastair Barclay, of Dunlop Heywood, reckons that yields will continue to drift downwards for the rest of the year. There is already talk of institutions negotiating industrial leaseback deals at 9,5%.

Another good sign is that office rents, in Johannesburg at least, have in the past three months started to rise.

The oversupply of prime, modern space is shrinking fast. True, some new buildings are still filling at the expense of other older buildings. But there have recently been lettings in older buildings at relatively good rents. Rapp & Maister's leasing manager, Pat Flanagan, cites a charity which signed up 1 600 m² on a 10-year lease — in an older building with no parking at R2,35/m² with 6% escalations — as an example.

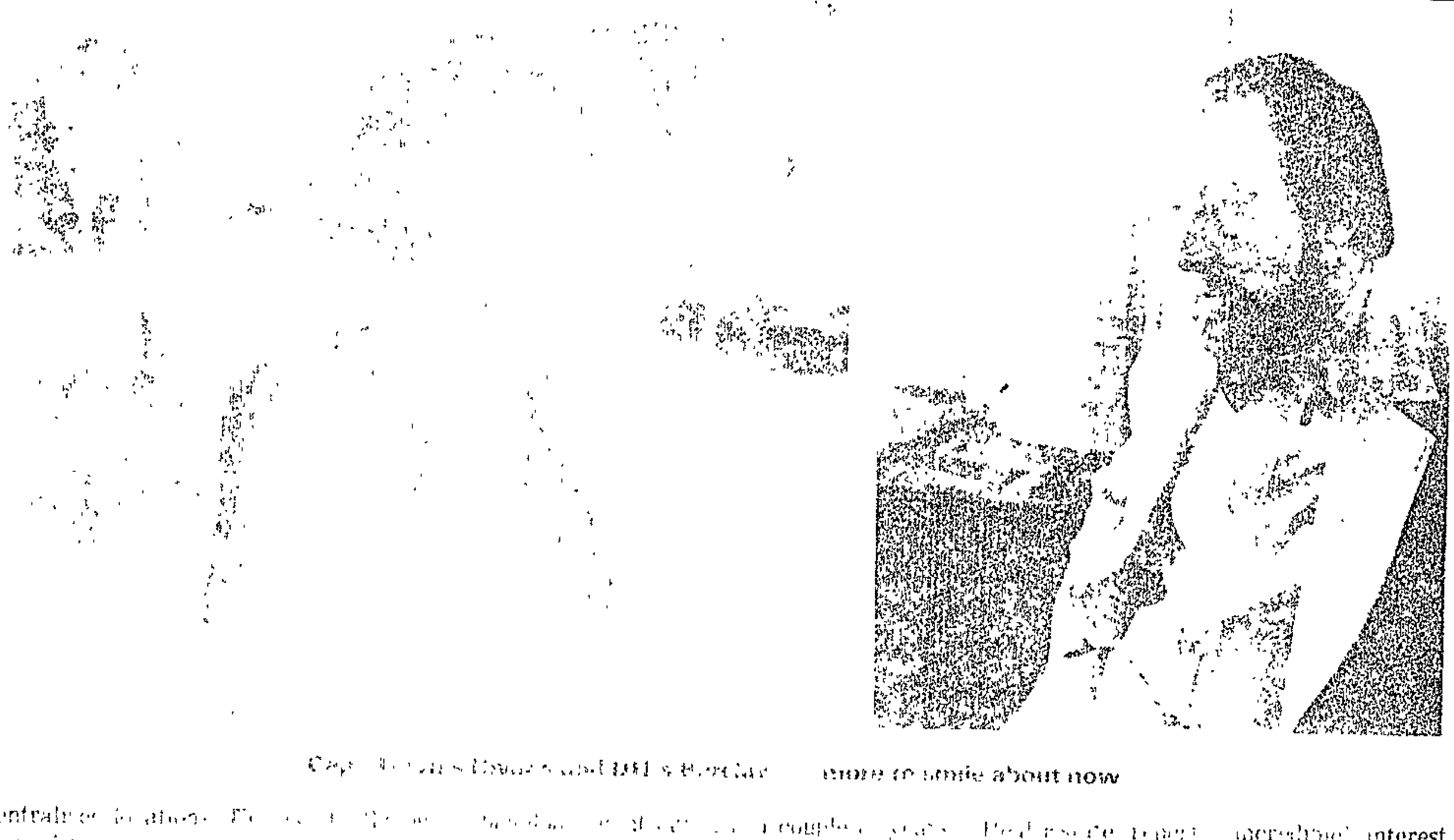
No new space in the Johannesburg CBD is now being signed at much under R4,50/m². In the popular northern suburbs, this figure is around R5,50/m² and rents of R6/m² are not uncommon. There is virtually no vacant space in these de-

PROPERTY YIELDS (%)

	A	B	C	D	E
April 74	6,75	7-7,5	8-8,5	8,5-9,5	9,5 (3,5)*
Dec 76	9,75	11-12,5	10-11	12,5-14	12 (6)
Dec 77	9,5	11,5-12,5	10-11	15	11,5 (5-6)
June 78	9,5-10,25	11,5-13	10-11	15	11-11,25 (5)
Dec 78	9-9,5	11-12	9-10	14+	10,5-11 (5)
May 79	11-12	9-9,5	13,5	13,5	10 (4,5)

A: Top class prime offices
B: Older, well located offices
C: Major regional shopping centres (eg Sandton City)
D: Neighbourhood shopping centres (eg Hyde Park)
E: Industrial leasebacks (prime)
*Annual escalations in brackets

Source: Dunlop Heywood



[illegible] more to smile about now

[illegible]

[illegible] interest from US private investors in both the [illegible] and residential sectors.

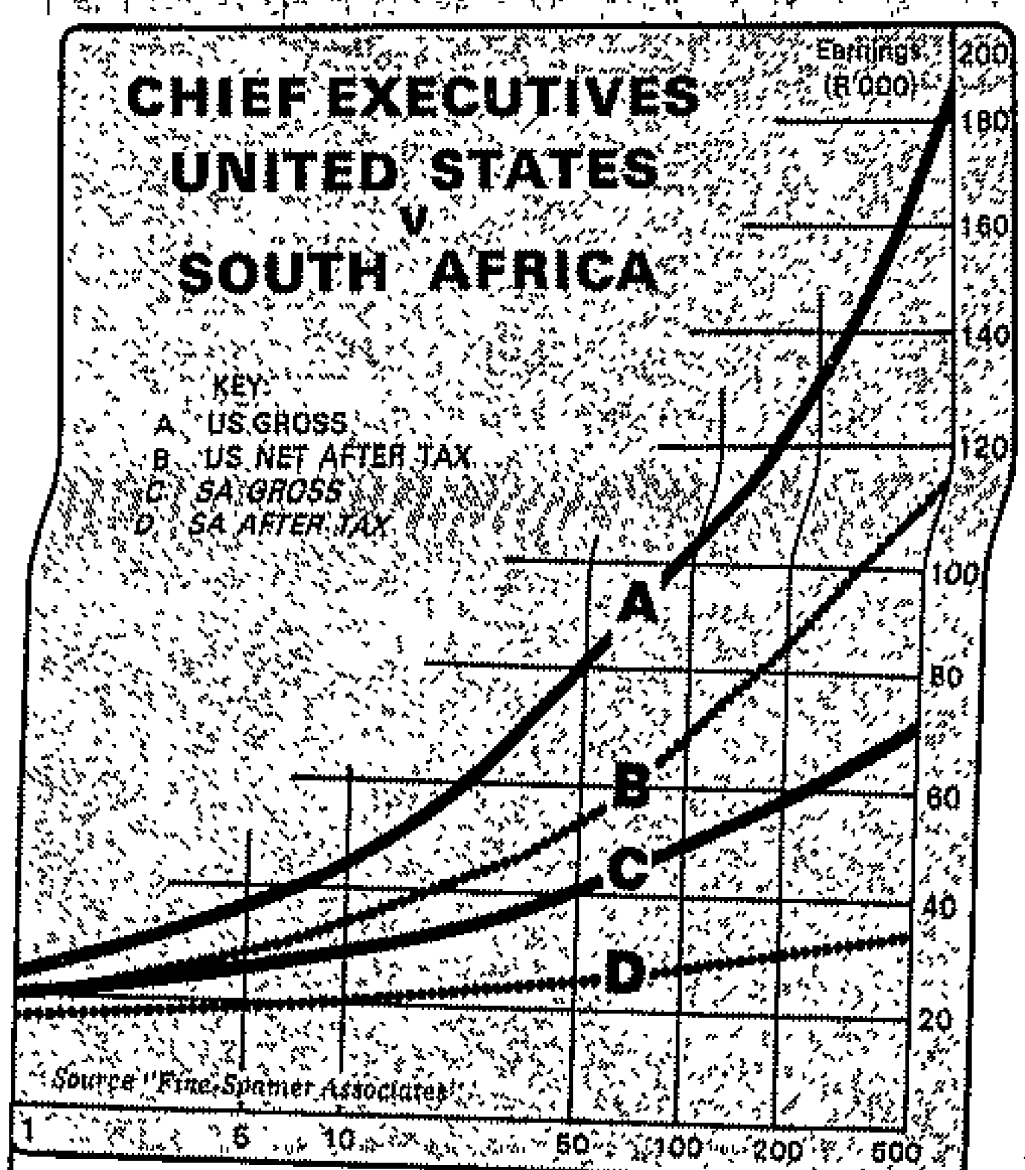
[illegible] the retail and industrial markets [illegible] awaiting the predicted con[illegible] boom at the end of July. If this [illegible], they reckon it should give [illegible]

[illegible] looking happier [illegible] three years and are desperately [illegible] staff to cope [illegible]. All round, the [illegible] promising.

[illegible] should ponder [illegible] property crash [illegible] Inter[illegible] have been falling [illegible] for some time now — but they could start to rise again. And any investor who doesn't include SA's possible political problems in his calculations is asking for [illegible]

EXECUTIVE PA[illegible]

(49) 25/5/79



tant group: "We're finding the utmost difficulty in getting senior people for general management. Remuneration is only starting to get in line with the rest of the world — roughly 15% more than 18 months ago."

Quoting some examples, there is the "average second runner who was getting R30 000-R35 000. He's now getting R40 000. *R100 000 is not unknown for the chief executive*, and perks would be another 6%-10% of basic salary."

Currently, groups with around R15m annual turnover average R30 000-R35 000 for the chief executive; companies turning over R30m-R50m, R40 000-R45 000. "With turnover above R50m, remuneration could go over R120 000, counting fringe benefits," claims Christie.

The *FM's* own roundup of what big mining houses and conglomerates pay indicates top executives are looking at

Gross and tax paid earnings deductions for US of 15%. (Most taxpayers are able to claim much more.)
The SA figures assume 15% contribution to pension fund and/or retirement annuities (with a maximum of R3 500).

Gross salary	US tax	net after tax	SA tax (inc levy	net after tax	After tax SA as A % of US
25 000	4 100	20 900	5 930	19 070	91%
50 000	13 000	37 000	21 890	28 110	76%
75 000	23 600	51 400	38 390	36 610	71%
100 000	34 500	65 500	54 890	45 110	69%
150 000	55 500	94 500	87 890	62 110	66%
200 000	77 000	123 000	120 890	79 110	64%

SA and overseas, SA companies may well have to rethink executive pay packages. With the economy now registering growth, there is increasing demand for top executive skills. But the SA skills pool, traditionally shallow at the top executive level, is getting ever shallower.

The reasons are twofold. There's an executive brain drain to greener and less politically fraught pastures overseas; and multinationals are luring SA executives with proven track records to manage overseas operations.

Not surprisingly, SA salaries and benefits show a sharp incline even though they lag behind those of the US, Japan, Germany, and Switzerland — to name but a few of the plum countries.

Des Froneman, MD of international management consultant MSL, says the hike is 12%-15% in the last year alone. "Remuneration will rise a lot more," he predicts. "In a tight market, which is the case now, aspirations rise way beyond the norm. Executives are pitching their demands 25%-30% above last year's salaries." Benefits can constitute an additional 30%-60% of basic salaries, rising with the level of responsibility — a higher proportion than indicated by most others polled.

Says Shirley Christie, group chairman of Executive Services, a personnel consul-

R60 000-R100 000 with 6%-10% added in fringe benefits. In some cases entertainment allowances alone could be between 6% and almost 10% of basic salary. Apart from the usual benefits — low interest (1%-6%) house loan or free housing, deferred compensation, frequently a 10%-20% bonus — there's the mandatory car.

The car is a Mercedes SE class or BMW 7 series. Adds a personnel director: "Compensations vary so vastly, it's impossible to look at average practices."

With the Receiver investigating executive fringe benefits, salaries are likely to become the main focus again over the next year or two, according to one personnel director. "There's a big movement in salaries — 10%-20% increases."

How are the compensation packages planned? Critical factors are size of the company, terms of responsibility, the turnover, number of people controlled, and profits. "It's never one factor in isolation," explains remuneration director Olof van Schalkwijk of remuneration consultant Fine-Spamer Associates. "There's a correlation between all the factors and size of the pay packages. And scarcity of skills is a market factor."

Adds Van Tonder: "An executive's previous track record is critical, not necessarily his qualifications." Says Froneman: "Three factors are becoming more important — 'know-how', problem solving, and accountability — irrespective of company size."

Adds Harold Kinsley, Fine-Spamer remuneration consultant: "Surveying close on 600 companies we find the total cost of employing a chief executive varies from R40 000 to over R100 000 with non-cash *elements taking a larger slice.*" Loath to predict likely salary percentage increases over the next year, he confines himself to saying: "Executive salary increases are fairly closely related to the movement of the consumer price index."

Both van Tonder and Pfaff feel that at the moment SA is "a bargain basement for executives — and multinationals are aware of it. They're the biggest payers. If the multinationals employ an expatriate in SA they would provide a free house, free servants, free cars, free trips overseas on which the wife is allowed to go along. And he would take his family home at least every 18 months. He's substantially better off than a South African executive on the same level."

They add that a medium-sized SA conglomerate — not family influenced or run — pays roughly R60 000-R80 000; the multinational, R100 000.

Van Tonder and Pfaff add a word of caution: "Executive pay packages are eroded by inflation and punitive tax. We've become a stripping ground for good executives, worth their weight in gold if they can produce the results. But in SA they're not allowed their rewards. The whole bloody thing is taxed away. An executive can't build up capital, and he realises that he'll be significantly better off overseas."

Words for the wise in Church Square?

The executive wields the club . . . but who pays his sub?

S.A. EKONOMIE LY

REG

Rapport 27/5/79

Koerse kan op, sê RAU-manne

49

Deur DAVID MEADES

DIE vooruitsigte vir die Suid-Afrikaanse ekonomie lyk ondanks tekens van 'n volgende resessie in Amerika rooskleurig tot nog ten minste die einde van 1980 en die groeikoers sal aanstaande jaar verder versnel.

Dit is die vooruitskatting van die ekonometriese studiegroep van die Randse Afrikaanse Universiteit onder leiding van prof. Geert de Wet, wat met sy vorige vooruitskatting in Junie verlede jaar buitengewone welslae behaal het.

Ander belangrike gevolgtrekkings waartoe die groep gekom het, is:

- Die reële groeikoers in die BBP sal vanjaar 4,1 persent en aanstaande jaar 4,6 persent haal.
- Die verbruik van duursame en semi-duursame goedere sal vanjaar met 3,1 persent en aanstaande jaar met 5,4 persent groei.
- Die verbruik van nie-duursame goedere en dienste sal vanjaar met 4,2 en in 1980 met 4,1 persent styg.
- Die invoer van goedere en dienste sal in reële terme met 3,9 persent in 1979 en met 7,2 persent in 1980 toeneem.
- Die oorskot op die lopende rekening van die betalingsbalans sal teen die einde van 1980 steeds heeltemal aansienlik wees.

met 10 persent gegroei teenoor net 5 persent in 1977.

Die groep doen sy vooruitskattings op 'n kwartaallikse grondslag en voorsien 'n groei van 16 persent in die geldvoorraad vanjaar en aanstaande jaar.

Kort- en langtermynrentekoerse sal volgens die groep se vooruitskatting in die tweede kwartaal van 1979 effens verder daal, waarna dit sydelings sal begin beweeg om in die tweede helfte van 1980 aansienlik te begin styg.

Onverwagte bewegings in die geldvoorraad en ander faktore sowel as beleidsmaatreëls kan egter 'n uitwerking op koerse hê. Koerse kan byvoorbeeld selfs verder daal as die geldvoorraad skielik vinnig toeneem.

Maar hierdie soort besteding wissel aansienlik van jaar tot jaar en die groep sal nie verbaas wees as 'n selfs hoër groeikoers verwesenlik word nie.

● Private vaste investering sal in die nie-landbousektor met 1,9 persent in 1979 en 2,2 persent in 1980 groei.

● Die daling in die inflasiekoers sal vanjaar beëindig word en tot 11 persent in 1980 styg.

● Rentekoerse is op die oomblik besig om hul laagtepunt te bereik en sal van aanstaande jaar af weer begin toeneem.

Dit is veral die groep se siening oor die verloop van die rentekoerspatroon wat met groot belangstelling in die private sektor afgewag word weens die besondere raak voorspelling hieroor in Junie verlede jaar.

Kort- sowel as langtermyn-koerse het oor die afgelope twaalf maande in ooreenstemming met 'n sterk toename in die groei van die reële geldvoorraad aansienlik gedaal. Die geldvoorraad het in 1978

Die groep sê dat dit weens 'n volgehoue styging in die goudprys kan wees tot 'n vlak wat aansienlik hoër as die gemiddels van 240 dollar per ons is wat die groep as basis vir sy vooruitskatting geneem het.

As die goudprys tot 'n aansienlik hoër vlak as 240 dollar styg, sal dit natuurlik die hele vooruitskatting van die groep raak en sal dit 'n verdere bonus wees, word bygevoeg.

Die vooruitskatting vir 1980 sal dan ook later hersien word.

Oor die groeikoers sê die groep dat die tydsverloop tussen veranderinge in reële uitvoer en die gevolglike verandering in reële groei aan die langkant is. Dit het byna drie jaar geduur, van begin 1975 tot einde 1977, voor die uitvoer uiteindelik vir reële binnelandse groei begin sorg het.

Hierdie lang tydsverloop aan die een kant en die volgehoue toename in die reële uitvoer sedert 1974 aan die ander kant, beteken dat 'n sterk ophoping van positiewe vermenigvuldiger-gevolge in die ekonomie opgebou het.

Hierom kan verdere groei uit hierdie bron tot ten minste die einde van 1980 verwag word, selfs al sou die uitvoer in die nabye toekoms aansienlik afneem, ofksoon die groep nie meen dat dit sal gebeur nie.

Wat private verbruiksbesteding betref, dui die groep se ekonometriese model daarop dat die onmiddellike doelwit van die afgelope Begroting bereik sal word.

Daar word verwag dat die totale verbruiksbesteding vanjaar met 3,9 persent en aanstaande jaar met 4,5 persent sal toeneem.

Die groep sê dat dit kan lyk of die verwagte groei van 3,1 persent in die besteding op duursame goedere vanjaar met die eerste oogopslag optimsties is, veral met die oog op die lae groeikoers van net 0,6 persent in 1978.

ECONOMIC GROWTH

Slipping on oil

(49) ~~(58)~~ FM 1/6/79

Hopes that the economy would grow from strength this year, to use Owen Horwood's budget phrase, are fading. The main reason, of course, is the fuel crisis. No matter what the details of government's conservation plan, it can only be deflationary.

Barclays' Johan Cloete says that the expected fuel price hikes will hit the economy where it hurts most — in the consumer's pocket. Since many fuel users will willingly pay higher prices rather than cut consumption, spending on other items is bound to suffer. And if demand for fuel is slashed, it is unlikely that output can be sustained.

As Anglo American's Aubrey Dickman put it this week: "If demand (for energy) remains relatively inelastic at increasing prices, then the shift in relative prices must mean cuts in expenditure on other goods. If the price increase is accommodated by offsetting money creation then the further acceleration of inflation will only postpone, but not prevent, an inevitable recession."

Growth for the year is likely to be closer to 3% than 4%, reckons Cloete. His view is borne out by official estimates that the rise in real GDP in the first half of 1979 will probably not be more than 2.5% – the same as last year's growth rate. If government's 4% target for the year as a whole is to be reached, a big boost in consumer spending will be needed after July.

Senbank's Louis Geldenhuys is worried that this will not materialise. Inflation is still too high to loosen purse strings he says, and the extra cash on hand after July's tax cuts will be whittled away by sharply higher prices in consumer goods. This week's hikes in dairy and plastic prices show what he means.

Savings have also been depleted over the past few years so that some of the fatter pay packets are likely to go into savings accounts, repeating last year's performance when the repayment of loan levies was matched by a rise in bank and building society deposits.

Out of reach

Before the fuel crisis, reckons Geldenhuys, a 3.5% growth rate would have been on the cards. But further predictions are impossible until the extent of the cutbacks is known.

Merton Dagut of Nedbank, also believes that the 4% target is out of reach. However expansionary measures already in force should give enough impetus for a 3%-3.5% growth rate this year, with one proviso: government's response to the fuel shortage must be "sensible," he warns.

Poor crops and unacceptably high inflation are two of the major restraints on growth, notes Volkskas' economist At Engelbrecht. He also doubts that the much-heralded consumer boom in the

Simon Brand . . . how long will the smile last?

second half of the year will be as buoyant as many hoped. Like Cloete, he plumps for a growth rate of close to 3%.

Although exports are still rising, Engelbrecht adds, an international recession could knock them later in the year. And a rising dollar combined with lower oil imports could lead to a slump in the gold price.

Despite some economists' gloom, government planners are sticking to their guns.

The PM's economic adviser, Simon Brand, says a 4% growth rate is still possible. However, he admits that this forecast takes no account of harsh fuel saving measures. "These will probably affect growth," he says. He points out, however, that further stimulation could be applied – at the risk of higher inflation. With private consumption and investment sluggish, speculation is that Horwood may resort to pushing up government spending.

Some economists remain optimistic, however. RAU's Geert de Wet is working on a growth target of 4.1%, although he concedes that his forecast does not take account of petrol rationing. De Wet sees increased export prices and volumes as the economy's saving grace.

Wilsey Kilian, of the Stellenbosch Bureau for Economic Research, is also sticking to his earlier forecasts of a 3,8% growth rate. New orders are already in the pipeline, he reckons, and factory output is noticeably higher.

49

(247)

Productivity is key to growth, says Heunis

THERE was no doubt the rate of productivity growth in South Africa was insufficient to ensure rapid economic growth, the Minister of Economic Affairs, Mr Chris Heunis, said last night.

He said growth was one of the main requirements for an economy to overcome its problems.

"Growth creates jobs, and growth can tie down inflation to reasonable levels. And the prime source of growth is productivity.

"The real income of people, the standard of living of people, and the rate at which new job opportunities increase, is largely determined by the rate of productivity growth.

"Standard of living is measured by the quantity of goods and services consumed per head of the population and in the long run we cannot consume more per person than what we produce per person. The standard of living of all South Africans is eventually only determined by our level of productivity.

"There is no doubt that the rate of productivity growth in South Africa is insufficient to ensure rapid economic growth. In the past our economy quite rightly grew as a result of adding more production resources to it, that is more labour, more capital, more raw materials and more energy.

"Our efficient use of resources, the second source of economic growth, played second fiddle.

"The time has come in the history of the South African economic development where we cannot grow on the basis of adding more production resources. We simply do not have enough labour, particularly skilled labour, or capital or energy to add to our economic stream to ensure sufficent growth for our increasing population.

"And all our raw materials with which we are so richly endowed cannot be used unless we have the other primary inputs.

"We must conclude that since we cannot obtain economic growth by adding more resources, our only way out to get higher economic growth is to utilise these resources better, that is by improving productivity," Mr Heunis said.

He said it had been proved by leaders in the field of productivity in the country that it was not the Government, the quality of labour, or the level of technology that caused low productivity.

"The main blame of low productivity must be laid at the door of management attitude.

"It has been said by other people (not me) that some firms in South Africa make profits, survive and even grow in spite of the quality of management and not as a result of it. The productivity advisory council concurs in many respects with this view," Mr Heunis said.

He stressed the need for training of staff. The training and development of the human potential from the top management level to the lowest worker had received detailed attention in the successful enterprises which had entered for the award.

He drew attention to the possibilities of the development of human potential by both the Wiehahn and Riekert reports. He said he hoped entrepreneurs would grasp the opportunities open to them in this respect. — Sapa.

Star 2/6/7

49

Consumers miss out on Budget concessions

Fair Deal Investigation by Sally de Vasconcellos

The five percent reduction in surcharge on imported goods has not been passed on to the consumer, because according to one spokesman, the "decrease would hardly be noticeable."

In his Budget speech this year Senator Horwood said the reduction should be passed on to the consumer "at the earliest possible opportunity."

In his Budget speech this year, Senator Horwood said the reduction should be passed on to the consumer "at the earliest possible opportunity.'

It is nearly two months since the Budget and price drops have been noted at only one of five stores.

The Houswives' League has reacted angrily, with national secretary Mrs Toni Frere saying: "It's all very well for Senator Horwood to say shops must reduce prices but no one sees that they do. The consumer seldom benefits."

SURVEY

Fair Deal surveyed 30 products subject to import or surcharge reductions at five Johannesburg stores.

Prices were noted on March 29, the day after the Budget, on April 25, and again on June 1. There was little change.

Only four of these prices have come down in two months. One of them has come down again in a month, and one price increased in a month.

The reductions were found at Pick 'n Pay, Bedford Centre. The biggest reduction was 25 percent on a 500 g tin of Lyles syrup, which had come down by four percent in our previous survey. On a 106 g tin of Boe Norwegian sardines, there was a reduction of 7,5 percent.

INCREASES

In the survey last month it was noted that there was a 3 percent reduction on a 200g tin of Carnation light meat tuna. This month the product could not be found on their shelves.

At Checkers Multimarket, Eastgate, there were no price reductions in either their grocery or hardware sections, but there were two increases.

A 500 ml bottle of Dufrais wine vinegar had increased from R1,14 to R1,39 and, in the hardware section, a carpenter's combination square had increased from R3,99 to R4,29. (Both prices include general sales tax).

At OK Bazaars Eastgate, there have been two increases in the past month. A 435 g tin of Shining Year natural snails from China cost R2,25 — it now costs R2,35. In the hardware section an Estwing Rockford hatchet, which cost R13,95, now costs R13,99.

EXCHANGE

Store spokesmen do not think there will be price reductions.

Mr Harold Greenstein, national merchandise manager for Checkers said prices of imported goods went up with each new shipment and the rate of exchange had "moved against us."

However, when Fair Deal spoke to their managing director, Mr David Magid, last month he said all their existing stock would be marked down.

When Fair Deal spoke to Mr Ralph Horwitz, general manager of O K Bazaars last month, he said decreases were unlikely for another month. There are still no decreases.

Sun Times Busi 3/6/79 (49) (58)

By NIGEL BRUCE

Fuel decision delay is an aggravation

WHAT a pity that Economics Minister Chris Heunis has once again postponed a decision on fuel prices. Delay is aggravating our economic difficulties.

This is especially so as fuel price rises are not the only cost shocks we are getting at present. Indeed, price rises are going pop all around us.

To be sure, meat one day, milk the next. Then plastic containers. And eggs, coal and tyres are just around the corner.

The fact is, however, that we are paying the price of having an economy that in certain important areas — for reasons of mistaken public good — is not allowed to respond timeously to changes in supply and demand.

The current increases in our cost of living — and those around the corner — stem mostly from a delay in adjusting administered prices — including the price of fuel.

Having been served the bitter pill, we are bound to swallow it. For if we grasp at palliatives instead, matters will be much worse in the months ahead.

It is not as if we as a nation cannot afford to pay up. The prices of gold and our other mineral exports are responding well in relation to our rising oil bill.

Moreover, to reason that we face disaster because the price of gold has not yet produced enough additional earnings to cover a sudden upsurge in oil import costs is quite absurd.

It takes no account of the fact that as the price of fuel rises, consumption patterns will change — indeed are already changing — which will reduce demand for oil imports.

Nor should economic growth objectives necessarily be imperilled. What should happen in time is that different firms will, because of price rises, see their earnings rise, while others will see them fall. But the total product need not be less, other things being equal.

Of course, the time that it takes for established consumption patterns to change could be a problem. That is why we must face up to realities now so that the appropriate business decisions can be taken quickly.

Certainly, in these circumstances it would be wrong for government to cushion price rises by applying subsidies, for they would be mere palliatives.

It would also be wrong to throw the mildly expansionist monetary policy into reverse. For the current price rises have not been caused by excessive demand meeting an inadequate supply.

The South African economy is in far better shape to weather the current fuel crisis than that of almost any other non-oil producer.

The trade surplus is growing, the financial rand discount is narrowing, net reserves are rising and as the money supply is still under tight control inflation should in due course be contained. This may be delayed, as it was by GST last year, but it assuredly will come.

While government may not be quite certain right now what to do about uncomfortably sharp short-term inflationary pressures, what it must not do is very clear; it must not change monetary and fiscal policies now, part from setting moves in motion to bowler hat officials who control prices by regulation.

So far as consumption curbs are concerned, as industry consumes three quarters of total liquid fuel consumption, so a large motor manufacturer tells me, that is surely where government should aim to achieve the greatest volume of savings.

And if the productivity award achievements reported elsewhere in this edition are anything to go by, a significant liquid fuel saving potential certainly does appear to exist in that sector.

C.T. 1/6/79

(49)

Steps may be needed to boost economy — bank

BY PAUL DOLD
Financial Editor

THE government may have to take further measures to counter the deterioration in business confidence and spending power and put the recovery on the road again, the Standard Bank says in its latest economic review.

These steps will depend on the complex oil situation allowing a continued emphasis on growth.

The bank warns that rising inflation may negate next month's tax cuts which were designed to boost consumer demand and put the economy into higher gear.

May was not a good month for the South African economy. The soaring gold price was overshadowed by the dramatic change in the world's oil situation and the announcement of staggeringly high increases in the controlled prices of staple foods.

This brought about an at least temporary turn-around in the business mood and consumer expectations. On the basis of a relatively weak performance of the economy in the first five months of the year and the possible effects of the latest shock on growth in the near term, official expectations of an increase in the Gross Domestic Product of four or even 3,5 percent this year, are now likely to be out of reach, unless substantial additional stimulation is applied soon.

The lack of confidence in the economy is reflected by the poor performance of retail sales in volume terms which has now also had a dampening effect on manufacturing industry. The overall effect is that the economy's GDP growth performance during the first two quarters is likely to have been poor.

Inflation has emerged as a major issue in the public eye. The rate has been gathering momentum in recent months partly due to the effects of the large fuel price rise earlier in the year, a substantial rise in the prices of controlled items such as foods, as well as a firming in the property market which was now pushing up rents and other costs.

A further twist to the inflation spiral will result from the jump in oil prices which make almost inevitable a large increase in the prices of petrol and petro-chemicals as well as significant secondary effects ranging from higher food to transport and increased packaging costs and a whole host of other price rises still in the pipeline.

But the Bank's economists are optimistic on the economic outlook in spite of the higher fuel prices. They say the country is in a favourable position to continue its recovery and there is little reason to climb onto the recessionary bandwagon now, unless the new oil crisis deteriorates into a world recession as in 1974.

The bank's optimism is based on the revenue from the soaring gold price and buoyant exports, which will help cushion the impact of higher oil.

Last year, bullion earned South Africa R3 860m in foreign exchange at an average price of $190. Even taking a pessimistic assumption that the current high gold price will slide to below $220 in the last quarter of this year due to say a further significant dollar advance or a collapse of the oil spot market, gold would earn some R900m more than last year.

Taking the more optimistic assumption of a sustained rise to some $300 by the year-end, foreign exchange earnings from gold would be some R5 260m — no less than R1 400m higher than the previous year or equivalent to last year's entire current account surplus. Added to this is a possible rise of R550m by metals and minerals over last year's R1 940m.

This means that an additional R1 400m would be availabe to act as an oil cushion if the gold price came back or some R2 000m under the more optimistic scenario.

Other positive factors are:

- Weak imports which are unlikely to rise significantly until inventories are built up later in 1979.
- Exporters are scoring considerable success in fields other than metals and minerals. Merchandise trade continued at a record level in the first four months
- There has been a visible improvement in long term capital flows — direct investment and long term loans. Inflows are once more positive and the country's standing as an international borrower is better than it has been in years.

Against these positive factors, there now is a drastic deterioration in the availablility of oil at reasonable prices — a single factor which at worst may make the present expansisonary policy obsolete or at best, lead to a slower recovery.

While no figures are available, a large part of South Africa's oil is likely to have been purchased on the spot markets following the Iranian revolution. The bank points out that although spot prices have been considerably higher than contract supplies since early this year, the serious shortages and extravagant prices of up to $40 a barrel, have only been a feature of the past few weeks. Until then, the combination of rising gold and commodity prices plus the likelihood that less oil than usual was imported, minimized the detrimental shrot term effects of the new oil crisis on South Africa.

The bank estimates that last year's oil bill was in the region of R1 400m, and with the likelihood of volume cuts and the fact that spot market prices have only recently risen sharply, the oil bill for the first half of 1979 could turn out to be below the R1 000m mark. If this were the case, the resulting rise of some R300m on last year's half year fuel import estimate would easily be compensated by the higher gold and metal earnings.

Given the present upward trend in the spot market for oil, the bill for the second half of the year may well be considerably higher unless significant economies result from conservation measures still to be announced.

Provided these are successfully implemented, and they will have to be given the present serious supply situation the bank says, the net gain from gold and other export earnings compared with last year could still be considerable, particularly in a scenario of a continued rise in the gold price On balance, South Africa is favourably placed to continue the economic recovery

[redacted]

Rapport 10/6/79 (49) 30

Klein man kan diktatuur keer, sê AHI-baas

KLEIN en onafhanklike sakeondernemings is 'n belangrike bolwerk teen die totstandkoming van 'n ekonomiese en finansiële diktatuur — een van die gevare van die skepping van 'n magskonsentrasie wat voortvloei uit die geweldige bedrae aan beleggingskapitaal wat deur die groot institusionele beleggers ter beskikking kom.

So het die president van die Afrikaanse Handelinstituut, dr. Martin van den Berg, vandeesweek op Umhlanga gesê. Hy het die Rapport-sakekursus wat daar gehou is, geopen. (Foto's op bl. 6).

Dwarsdeur die westerse wêreld is daar, veral vanweë inflasie en hoë inkomstebelasting, besig om 'n konsentrasie van finansiële mag in die hande van die groot institusionele beleggers (veral lang-termyn versekeraars en pensioenfondse) plaas te vind.

Hierdie magskonsentrasie vloei voort uit die geweldige stroom van langtermyn-beleggingskapitaal wat, vanweë die besondere aard van hul bedrywighede, tot hierdie instellings se beskikking kom en wat hulle dan o.a. gebruik om geleidelik bestaande onafhanklike ondernemings oor te neem, of soms om self as entrepeneurs met nuwe ondervinding te begin.

Hoewel daar besliste voordele uit ekonomiese oogpunt uit hierdie magskonsentrasie kan voortvloei, o.a. groter rasionalisasie en toegang tot groter kapitaalbronne indien 'n onderneming vanweë toevallige tydelike omstandighede in die moeilikheid raak, is daar ook besliste gevare en nadele.

Almal sal met hom saamstem dat dit ongewens is vir enige land wat op die basis van die vrye markmeganisme fungeer om geleidelik in 'n ekonomiese en finansiële diktatuur te verval. So iets sou natuurlik vrye en gesonde konkurrensie kan benadeel wat 'n noodsaaklike vereiste is vir die markmeganisme om te kan werk.

Een manier waarop hierdie strukturele neiging teëgewerk kan word, is om te sorg dat 'n gunstige klimaat geskep word vir die voortdurende totstandkoming van nuwe onafhanklike klein sakeondernemings in groot getalle.

Aangesien die sterftesyfer onder klein sakeondernemings wat nuut tot stand kom, betreklik hoog is (blykbaar ongeveer 3 uit 10), en heelwat van die suksesvolles voortdurend deur groot ondernemings oorgeneem word, is dit duidelik dat dit in ons almal se belang is om te probeer sorg dat nuwe onafhanklike klein sake-ondernemings voortdurend in groot genoeg getalle reg deur die land tot stand sal kom.

Dr. Van den Berg het 'n paar basiese waarhede genoem in verband met die toetrede van nuwe entrepeneurs as onafhanklike klein sakemanne tot die sakewêreld. Een daarvan (wat hy sê noem hy met huiwering) is sy bedenkinge oor universiteitsopleiding om jou eie kein saak te begin.

'n Man het nie noodwendig 'n graad nodig om dit te doen nie. Die drie jaar vir 'n B-graad kan soms baie eerder vir besigheidsondervindig aangewend word.

10/4/77 Sund Times

Blacks fight shy of investing in the white stock market

Moses Leoka ... he has the difficult job of trying to sell investment to the black population. He is a public relations assistant with the Johannesburg Stock Exchange.

ONLY about 20 of the 5,7-million economically active blacks in this country actively buy and sell shares in listed companies on the Johannesburg Stock Exchange.

The daunting but potentially vast task of JSE public relations assistant Moses Leoka is to encourage blacks, as opposed to any other population group, to invest directly through the JSE.

Mr Leoka's programme of lectures, competitions and informative advertising has been on stream for a year, but according to 10 of the bigger stock brokers in Johannesburg it is not meeting with much success. There has recently been no significant change in the number of blacks among their clientele.

Comments Richard Lurie, president of the Johannesburg Stock Exchange: "These are still early days, we cannot be expected to create a capitalistic class overnight. We will most certainly continue in our efforts to eliminate the various misconceptions that blacks seem to have about buying shares."

By PENELOPE MORGAN

The aim of the programme is to educate blacks about the basic principles of share investment. Because this is seen as a long-term effort the main target group is the "investor of tomorrow", ie high school and university students.

Stockbrokers tell me that their 20-odd clients come from all walks of life; they range from a buildilng society messenger to entrepreneurs with substantial amounts of capital to invest.

Sam Motsuenyane, president of National African Federated Chambers of Commerce, says: "Most blacks want a share in firms where blacks feature in the directorate. They see public companies as essentially white and this is a demotivating force in their approach to investing in shares.

"Those blacks who have the funds are putting their money into the homelands where they have a feeling of security.

"Black non-investment in the 'white' economy must be seen against the background of the apartheid laws in this country."

Reserve Bank stays out of financial rands

By NEIL BEHRMANN

BASLE. — The Reserve Bank does not intend intervening in the financial rand market in the short term, says the Deputy Governor of the bank, Dr Chris Stals.

He told me there was good demand for the financial rand from foreign corporations wishing to invest directly in South Africa.

Dr Stals is attending the annual meeting of the Bank for International Settlement with the Governor of the Reserve Bank, Dr T W de Jongh.

Dr Stals estimated that more than R200-million was shifting into the financial rand market from these investors. Because of this demand there was no necessity for the Reserve Bank to intervene by selling financial rands.

He said the bank aimed at creating a unitary rand. If the financial rand market had been distorted by a single buyer, then there could be reason to intervene, but there was extensive buying and he did not think there was any necessity for the bank to sell financial rands and keep the discount unofficially wide.

Dr Stals said that if all went well, the gap between the financial rand and commercial rand would close. In these circumstances the commercial rand could well devalue slightly.

Dr Stals said South Africa was finding it easier to borrow abroad. He was pleased with the gold price, but added that South Africa was burdened by the high cost of oil imports. The high gold price was helping to relieve this burden.

* * *

THE BANK for International Settlement has effectively revalued its gold reserves from $42,22 an ounce to $208.

Since its formation in 1930, the bank's unit of account has been the gold franc. All assets, liabilities, income and expenditure are valued in terms of the gold franc. The franc is equivalent to 0,29 grams of fine gold.

Since 1973, currencies in the balance sheet have been converted into gold francs at 442,22 an ounce, the former official price.

The chairman of BIS, Dr J Zijlstra, said that a gold price of $42,22 was obsolete.

The net effect of the change in valuation is that the gold proportion of BIS assets rises from 7% to 28%.

BIS officials said that bank's share capital was backed by about 200 tons of gold. But central banks' gold deposits at the bank came to about 4 000-million gold francs, equivalent to 11 600 tons.

* * *

MR JOHN Forsyth, director of Morgan Grenfell & Co, says gold at present accounts for half the world's official reserves, reports Reuter.

He told a world gold conference in Montreux that the recent increase in the role of gold as a reserve asset was inevitable because it represented no other country's liability.

However, he attributed this to unwillingness of countries to allow their currencies to be used as reserve currencies, and doubted whether this resistance could be maintained much longer.

He therefore forecast a decline in gold's present 50% proportion of world reserves.

The present high proportion of gold in reserves was artificial, and described it as the untraded half of central bank reserves.

He said it was only a matter of time before central banks became active traders in the gold market.

Special drawing rights had proved a complete flop in world reserves.

* * *

THE US Under-Secretary of State for Economic Affairs, Mr Richard Cooper, says gold has been demonetised for all practical purposes and will never be remonetised.

Gold is too volatile to be used as an international reserve asset.

Lack of interest by central banks in buying gold on the free market indicates their recognition of this.

Governments are uncertain how to judge the value of gold in their reserves.

Gold is moving towards private use, including use for industrial purposes and as a store of value.

It is too early to say that pooling of gold reserves within the European Monetary System represents a departure from the trend of demonetisation and he doubts whether this is so.

INDUSTRIAL PROFITS

(44) FM 15/6/79

Booster from economic recovery

Economic recovery has produced strong profit improvements from companies listed in the industrial sectors of the Johannesburg Stock Exchange. In 1977, it was the primary sector which propped up flagging domestic economic growth. In 1978 the secondary and tertiary sectors were largely responsible for the 2,5% growth in GDP as consumers began leading the way.

Of the 67 listed companies reporting profits for the year to end-March 1979, only 17 recorded lower earnings. Of these, four were in the building and construction sector, where activity remains at a low ebb and longer-term contracts are scarce.

Overall, the companies surveyed notched up a pre-tax profit growth of 41,3% to R415,2m. Taxed profits advanced 45,5% to R270,3m, reflecting a lower average tax rate of 35% (37%). Dividends paid to shareholders rose only 23,7%, as a larger proportion of earnings was retained to finance actual and expected increases in business activity. Retained earnings also reflect the repayment of borrowings, although this trend still has some way to go. The Bureau of Financial Analysis of the University of Pretoria publishes data showing an overall deterioration in the borrowings-to-cash-flow relationship of industrial companies.

Only the building sector reported lower earnings for the year. The best profit performances came from chemicals, steel & allied, and tobacco. Pre-tax earnings increases of more than 100% from the first two included loss reversals by Triomf and Dunswart. Other companies in these sectors turning in large profit increases included AECI and Union Steel, the latter in part by moving progressively out of price-controlled mild steel into specialised steel production.

Electrical and electronics companies and motors followed in the profit parade, notching up gains of more than 60%. The former includes cable manufacturers, which have been moving off the bottom for the past year as customers re-stocked. The sector also presents one of the best financial pictures on the JSE, with low gearing and fairly high returns on total assets and shareholders' funds.

Motors started 1978 well, and unit sales soared, as buyers rushed in to beat gst in May and June. Related companies were equally busy. However, current prospects appear somewhat gloomy after the petrol price increase and reduction in speed limits (see previous article).

The BFA data shows that during 1978 the average pre-tax profit return on total assets of all companies listed in Diagonal Street was 13,3% (before extraordinary items). After adjusting for inflation, this dipped to 8,4% giving the lie to charges of "profiteering" by critics of business. The same fall appeared in the BFA's return on shareholders' funds. This year, with petrol likely to add at least 1,9% to the CPI, the relationship between nominal and real returns could widen further, leaving companies with little option but to retain more earnings to bolster working capital.

Despite this, a leading firm of stockbrokers reckons on earnings growth of about 15% from industrial companies, with a similar increase in dividends. This tends to be borne out by the still low rates of interest and little need for additional capital expenditure because of still low capacity utilisation.

If corporate profits indeed rise, certain sectors will reap most of the benefits from increased consumer spending. These should include consumer and semi-durable goods industries. Food and clothing should be major beneficiaries, although the rate of growth in the black sector is likely to be limited by increases in staple food and petrol prices.

Furniture sales could also boom.

While retail sales are slated to rise, some companies are still suffering from unhealthy financial ratios, and some are even operating on conditions laid down by principal creditors, such as Scotts Stores. This sector could witness a large number of take-overs in 1979 as bigger and more efficient groups expand in an over-traded market.

Overall, if growth is as forecast and labour policies have the desired effect, 1979 should produce good profit performances. Earnings growth in many cases promises to outstrip sales growth as capacity slack is taken up. Those companies which used the past three years to tidy up and reduce overheads will lead the pack.

PROFITS AT A GLANCE

Sector	Pre-tax profits (Rm) 1979	1978
Building	30,2	35,7
Chemicals	122,6	58,0
Electronics/electrical	12,8	8,0
Engineering	22,3	20,2
Fishing	24,4	22,5
Food	59,4	47,5
Furniture	1,5	1,6
Motors	35,1	24,5
Paper/packaging	50,3	43,1
Pharmaceutical	9,0	8,4
Printing/publishing	5,2	4,0
Steel/allied	16,0	4,3
Stores	12,4	10,2
Tobacco	5,8	2,8
Total	415,2	294,0

rectification of the register.

Debentures

116. Creation and issue of debentures.—A company, if so authorized by its memorandum or by its articles, may create and issue secured or unsecured debentures.

117. Security for debentures.—(1) The binding of movable property as security for any debenture or debentures may be effected by—

(*a*) a deed of pledge and the delivery of the movable property concerned to one or more debenture-holders or to a trustee for debenture-holders; or

(*b*) a notarial bond, collateral notarial bond or notarial surety bond executed in favour of one or more debenture-holders or of a trustee for debenture-holders; or

EDP

FM 15/11/79 (44)

New horizons

The new Economic Development Programme, due for release within the next month or two, is likely to be of far more practical use to government and corporate planners than its predecessors.

A major flaw of earlier EDP's has been their stress on the economy's potential rather than a realistic assessment of its likely performance. For instance, the 1976-81 programme was based on an annual average GDP growth rate of 5%, but we'll be lucky if we reach a 3% average.

The new EDP, according to chief economic planner Skippie Scheepers, is "a cross between a prediction and a projection. We have taken more into account what actually may happen." For a start, the plan will not be confined to the six-year span of earlier EDPs. Longer-term views may be included.

Scheepers is mum on the figures in the new EDP. It's a safe bet, however, that the projected real GDP growth rate is below 5%, though Scheepers observes that "we'll give a figure higher than the present growth rate (about 2,5%) and make recommendations on policy adjustments to be made to reach it."

Indeed, the EDP outlines the detailed economic effects of various policies which are likely to be considered by Pretoria over the next five years, including higher export incentives, and further import replacement.

Facing up to reality, the plan assumes a far lower foreign capital inflow than SA enjoyed in the early 1970s. And chances are it will abandon the happy assumption that 30 000 skilled immigrants will settle in SA each year.

A big question mark hangs over government's unemployment estimates. In the last EDP the increase in the supply of labour was [illegible] lowered while the growth in employment of black farm workers was raised substantially. The plan also assumed a rise in the output [illegible] employment [illegible], implying a substantial shift from [illegible] to labour [illegible] [illegible] which has not materialised.

Scheepers recognises [illegible] should have more realistic [illegible] employment figures this time. He points out that government's economic advisers revised their calculations of unemployment earlier this year. For the [illegible], instead of using labour department returns of registered jobless, estimates are now based on the department of [illegible] statistics' population [illegible] and [illegible] population and [illegible] growth rates.

The new EDP relies on expanding job opportunities in industry. But instead of supposing that all sectors will become more labour-intensive, it assumes that capital-hungry industries will grow at a slower [illegible] than those with high labour needs.

june 15 1979

Financial Mail

(49) FM 15/6/79

THE ECONOMY

The time for toughness

The oil problem confronting SA is basically one of restructuring production and re-allocating resources. There will have to be marked changes in the pattern and methods of production. It is only realistic to accept that these unavoidable adjustments will take time and may have certain disruptive effects in the short term. On balance, however, we should still be able to attain the desired acceleration of the rate of real economic growth, and our fiscal and monetary policies remain directed towards that objective . . .

It would clearly be counterproductive to deviate from our policy of encouraging more rapid economic growth and the creation of more employment opportunities by attempting, through new restrictive financial and monetary measures, to reduce real investment and consumption. **Senator Owen Horwood, Minister of Finance, in this week's policy motion.**

That sums up our present dilemma in a nutshell: how to overcome the short-run disruption of the latest oil price hikes without killing long-term growth prospects.

Just how great the short-term disruption will be remains a matter of debate. Minister Chris Heunis has said that last week's fuel price increases will add 1,9% to the 1979 inflation rate: many private sector economists believe that when the secondary effects have worked through, this will be more like 2,5%.

Hopes that the inflation rate will be back in single figures this year have clearly flown out of the window. Latest estimates range from 12%-13% from conservatives like Assocom's Raymond Parsons or Standard Bank's Andre Hamersma to 14% from that perennial inflationary pessimist, Barclays' Johan Cloete.

The difference may not seem significant: but it could be. For it is a matter of historic observation that once inflation gets close to 14%, it can become a self-fuelling and well-nigh uncontrollable spiral; and the last thing we want is for that to happen at a time when the economies of most of the rest of the world are slowing down.

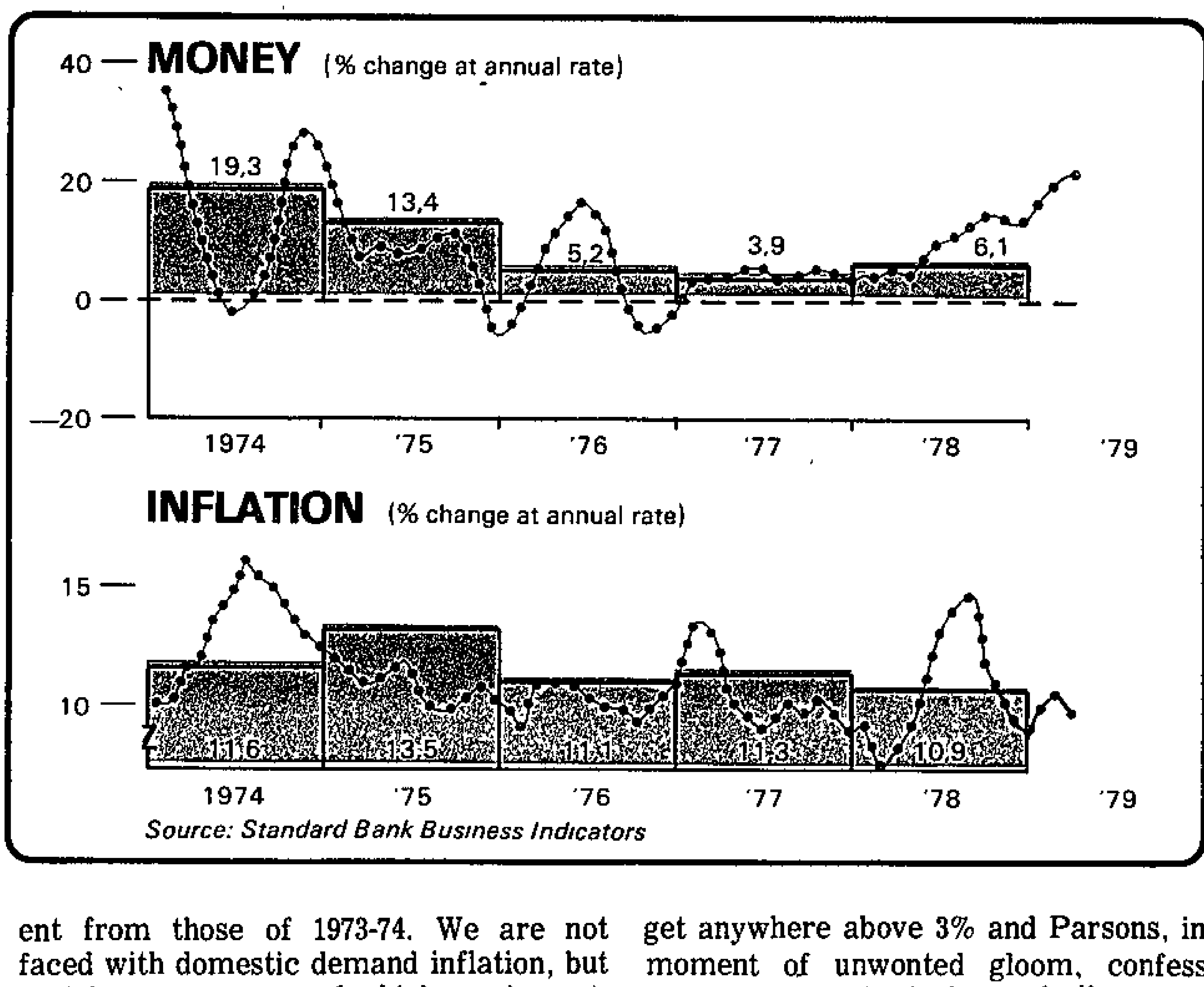
No-one in the private or public sector would thus disagree with Horwood's reiteration that the need to curb inflation will remain a basic consideration. Regulation of the money supply and government spending at appropriate levels are probably the only way of achieving this, as the causes of inflation today are very different from those of 1973-74. We are not faced with domestic demand inflation, but cost increases many of which are imported so cannot be avoided.

The only other option to the government is to hold down the rate of increase in administered prices. Horwood refers to these as "unavoidable"; no doubt many of them are, but this week's decision to shelve the planned increase in Post Office tariffs shows that even here there is, albeit limited, room to manoeuvre.

But even if inflation can be checked, what of the growth rate?

Horwood remains "confident that our present economic upswing will continue and that our rate of real economic growth will accelerate further . . ." Private sector economists are less sanguine.

Hamersma points out that the poor agricultural season alone, with a 5%-7% drop in real output likely, could trim the growth rate by 0,5%. Most private sector economists are still hoping for 3%-3,5% growth this year, although Cloete feels that we will need further stimulation to get anywhere above 3% and Parsons, in a moment of unwonted gloom, confesses "even 3% may be in jeopardy."



Source: Standard Bank Business Indicators

Moreover the fuel price increase hits some sectors harder than others. Urban black townships, for example, heavily reliant on paraffin rather than electricity; and lower income groups of all colours who are suffering from sharp rises in food costs.

As Horwood rightly says, excessive use of subsidies to cushion the adverse effects of the higher oil price will hide the real costs of liquid fuels and reduce the incentive to cut down on wasteful use. They are also philosophically incompatible with the general move — which the *FM* has always supported — towards a greater reliance on market forces as the regulator of the distribution of resources.

But taking a longer view of our social priorities and a need to avoid a recurrence of the conditions that led to unrest in 1976, some means must be found of compensating for the highly regressive effect of recent price changes. The *FM* argued at the time that one of the few failings of this year's budget was that it gave too little to those most in need. Subsequent events have only underlined this.

And there is room for concessions. Horwood says only that "the amount and composition of state revenue . . . are likely to differ materially from the original budget estimates." Mining will yield more; other sectors less. But private sector economists are unanimous that on balance state revenue will be substantially above the budget estimates.

Fiscal and monetary discipline are all very well, and Horwood is right to warn against the danger of "any re-emergence of demand inflation." But that's a remote risk: Parsons says — and few would disagree — that business confidence is not as high as it was a month ago, although Nedbank's Merton Dagut points out that, on an annualised basis, the difference between the new and the old oil price is still no more than the public sector pay increases and budgetary tax cuts.

Nor is the balance of payments a restraining influence at present. In spite of the setback in the agricultural sector, export earnings are running well, thanks to gold, diamonds and platinum in particular. Valued at average market prices for the previous 10 days less 10% — the

in my opinion

BILL ATWELL

King Pessimist?

Bill Atwell, an American who has held a variety of jobs in a variety of continents, takes a cynical look at the pros and cons of emigration.

Emigrating? Better look again.

Before rushing off to their own particular appointments in Samarra, South Africans should ask themselves, "Can I afford it?" Costs of moving are almost invariably greater than estimates and in some cases are impossible to estimate. As an example, furniture transportation to the US costs about R2,20/kg. Most countries require a return air ticket, which boosts flight expenses. Hotel, house and apartment accommodations in almost any part of the world are higher than in SA. Waiting for a work permit or permanent residence can be a long process, discouraging and costly. Result, the amount of money approved by the Reserve Bank for export overseas can vanish rapidly.

Other questions: "Am I sure I can stand the cultural changes?" Chances are the newcomer won't be living a vacation-folder existence. Initial thrills wear off quickly. Travel literature is intended to be beguiling. Colour photographs are taken on clear days, from favourable angles and almost never show air pollution.

Witness illustrations of California's Los Angeles and Brazil's only business town, Sao Paulo, where the local *farmacias* sell vitamin C pills from big bowls as if they were candy.

"Am I prepared to stay the course?" It requires great perseverance to stay put. Disappointment can lead to country-hopping. Costly. Natural enemies include governmental red tape, pollution — not just smog, but dirt, grime, uncollected trash, clogged and fouled waterways — inflation, crime, change of climate, reduced living standards, and in most cases, lowered educational and moral standards.

Those who have depended on servants might find themselves doing amazing chores.

All sorts of surprises lurk. Brazil (that booming land of opportunity) allows easily renewable tourist visas, but potential investors are limited to two weeks unless they visit the local police station for extensive finger-printing and delay. It normally requires several weeks to obtain residence permits. During this period, the immigrant may not leave the country without special permission. The local cumshaw merchant, the *despachante*, renders assistance — at a price. No-one purchases so much as a dog licence without his help and invoice.

Inflation? SA has it. Some countries have it worse. Brazil devalues her currency monthly — as much as 2,2%. Her much vaunted indexation helps only the moneylender.

"Will I be happy on that island?" Or in that little country? How will I earn a living? Costa Rica used to be so cheap. Now real estate prices are as high as an elephant's eye. New settlers find themselves paying customs duty on used household effects, including antiques and art objects. The duty is staggering. And, there is no guarantee that duty will not have to be paid when the items are removed from the country. Worse, the exact amount of duty cannot be determined until the goods have arrived.

Crime in some countries is a terrorist weapon as well as a way of life. In Italy, the homeowner's first acquisition might be a bank vault front door. Muggers ride motor scooters. San Francisco has one of the highest violent crime rates in America.

New Yorkers offer visitors the following tips. Walk on the kerb side of the sidewalk even in the daylight. Muggers may be hiding in the secluded doorways. Wear your old clothes (look poor) and watch out for youngsters, all races, clad in sneakers. "Tackies" mark the fast getaway man.

Where are the police? They're worried, too. It has been estimated that approximately 60% of New York's "finest" sport bulletproof vests.

Where to go? Small towns in the US may have a little less crime, but they can be very clannish. Few seekers would be comfortable in inland states such as Kansas or Oklahoma where the winds blow tumbleweeds over flat, flat prairies and the beautiful blue ocean is a long way off indeed. Canada can be really cold; is not booming; and is vast.

So much for North America, Central America and a big chunk of South America. Asia? Well, there are always Australia and New Zealand. New Zealand won't accept immigrants over 45.

Europe offers all that is bad in the US and more. Spain features communist banner outdoor "art exhibits." Oh, yes, pornography came to Spain quickly and is on sale next to the children's comic books. Strike-prone Britain combines high taxes with a terrible climate.

SA has its problems, but leavers must decide whether it is worth the risk, the cultural shock, the tremendous exertion necessary to overcome the inertia of starting over. Now that the first SA *emigrés* have already returned, the thought of emigration and the illusion of hope it offers should be examined carefully if not sceptically.

costs of liquid fuels and reduce the incentive to cut down on wasteful use. They are also philosophically incompatible with the general move — which the *FM* has always supported — towards a greater reliance on market forces as the regulator of the distribution of resources.

But taking a longer view of our social priorities and a need to avoid a recurrence of the conditions that led to unrest in 1976, some means must be found of compensating for the highly regressive effect of recent price changes. The *FM* argued at the time that one of the few failings of this year's budget was that it gave too little to those most in need. Subsequent events have only underlined this.

And there is room for concessions. Horwood says only that "the amount and composition of state revenue ... are likely to differ materially from the original budget estimates." Mining will yield more, other sectors less. But private sector economists are unanimous that on balance state revenue will be substantially above the budget estimates.

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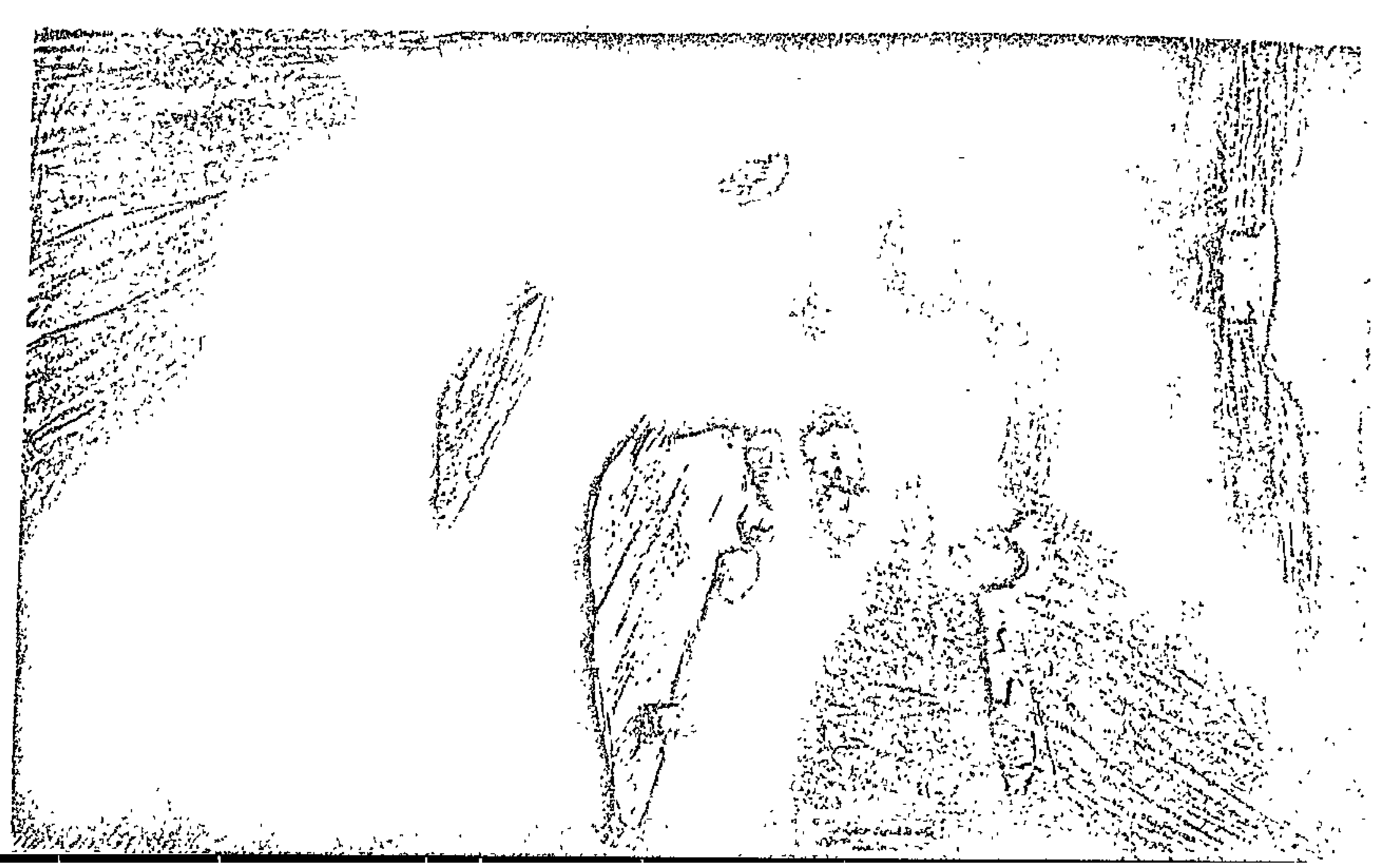
Nor is the balance of payments a restraining influence at present. In spite of the setback in the agricultural sector, export earnings are running well, thanks to gold, diamonds and platinum in particular. Valued at average market prices for the previous 10 days less 10% — the official method for the past year — end-May Reserve Bank gold holdings were nearly R2 billion, and total gold and foreign exchange reserves a record month-end R2.6 billion. Both the current account and the "basic balance" (current account plus long-term capital movements) should show another substantial surplus this year.

There are not many ways of stimulating without over-heating. Increased food subsidies, the scrapping of the remaining 7.5% import surcharge, and direct tax cuts such as repaying the 1977-78 loan levy and cutting or abolishing the existing loan levy are about the lot.

But one or more of them is going to be needed and sooner rather than later. So far Horwood's prudence has been justified; but the way things look now, within a couple of months at the outside further measures are going to be needed to prevent economic growth from spluttering out entirely.

At the same time, we must remember that our long-term prospects remain sound. Among non-oil-producing nations, SA is relatively well placed. There is no reason to doubt that gold (and other commodities) are likely to continue to appreciate against currencies generally; and once the painful adjustments have been made, our abundant supplies of other sources of power will put us in a strong position.

So if the immediate future is cloudy, there is no reason for despair. What, above all, we must ensure is that the fiscal and monetary discipline that has so rightly dominated policy in the Horwood era does not become a rigid state of mind inhibiting policy-makers from taking steps to deal with immediate problems which, though they may pass, could leave painful scars unless flexibly countered.



Rapport 17/6/79

SA is weer terug in die resessie-tonnel

(49)

Deur ALPHONS DU TOIT

AS gevolg van die drastiese styging in die prys van brandstof moet Suid-Afrika hom nou voorberei op 'n verdere terugslag in sy ekonomie, sê dr. Johan Cloete, hoofekonoom van Barclays-Nasionale Bank.

In sy Begrotingsrede in Maart vanjaar het sen. Owen Horwood belastingstoegewings van ongeveer R500 miljoen aangekondig. Die doel hiervan was om die land se verbruiksbesteding aansienlik te stimuleer.

Die stimulasie is nou uitgewis. Die geld wat op belastings bespaar word, gaan op brandtof en 'n hele reeks prysstygings bestee word.

Die posisie is nou bereik dat indien ons enigsins 'n redelike groeikoers wil handhaaf, moet die ekonomie weer gestimuleer word. Dit is dringend noodsaaklik en moet onmiddellik geskied.

Die vraag is egter hoe dit gedoen moet word. Direkte belastings kan verder besnoei word. Maar dan bestaan die gevaar dat sulke addisionele toegewings net die inflasiekoers verder gaan opjaag"

Die inflasiekoers is reeds in die omgewing van 13 of 14%, sê dr. Cloete. Synsinsiens moet hierdie koers minstens in die kort termyn aanvaar word.

„Ons moet eenvoudig leer om daarmee saam te leef. Prys- en loonverhogings moet in toom gehou word. Die geldvoorraad moet op minstens die huidige vlak gehandhaaf word.

Pogings om die inflasiekoers vinnig af te druk sal rampspoedig wees. Die huidige geldvoorraad moet gehandhaaf word om die aanvaarde inflasiekoers te finansieer.

Geadministreerde pryse, soos in die geval van landbouprodukte, moet beslis nie met meer as die aanvaarde inflasiekoers op 'n slag styg nie. Alle moontlike pogings moet aangewend word om die inflasiekoers op die aanvaarde vlak te behou.

„Indien dit nie gedoen word nie en indien te hoë prysstygings toegelaat word, sal die inflasiekoers die hoogtes inskiet. Om die ekonomie as geheel te beskerm behoort daar daadwerklik besin te word oor die subsideering van sommige basiese noodsaaklikhede.

„In die verband dink ek aan byvoorbeeld, mieliemeel, suiker, vleis, brood en melk.

„Ek dink ook aan lampolie van nou amper R12 vir 'n kan van 20 liter kos. Vir die swart mense in die stede sowel as op die platteland of in tuislande is lampolie geen luukse nie. Daar is miljoene van hierdie mense wat nie oor elektriese krag beskik nie. Hulle is genoodsaak om van lampolie gebruik te maak, om te kook, om te verhit en te verlig."

Dr. Cloete het dit beklemtoon dat 'n hoë inflasiekoers in die lang termyn nie aanvaarbaar is nie. „Maar in die huidige omstandighede móét dit aanvaar word. Enige poging om die geldvoorraad in te kort om inflasie die hoof te bied, sal die hele ekonomie sleg benadeel.

„Dit sal eenvoudig tot gevolg hê dat die terugkeer van die kwaaiste resessietoestande bespoedig word.

Oor die resessie wat van 1975 duur het dr. Cloete gesê: „Die stelling dat ons reeds uit die resessietonnel is, is verkeerd. Ons verkeer nog steeds binne in die tonnel. Waar ons vroeër vanjaar wel lig gesien het, sien ons nou, as gevolg van die olieprobleme, 'n donkerder tonnel.

„Suid-Afrika se oogmerk van 'n terugkeer na redelik stabiele toestande, dit wil sê na 'n aanvaarbare groeikoers, om nie eens van 4% te praat nie, sal waarskynlik 'n hersenskim bly.

Rand float vital, say bankers

49 17/6/79 Sund Times

By NIGEL BRUCE

THERE are growing fears among bankers that the introduction of the managed floating of the rand is becoming a matter of urgency if economic growth is to be adequatly protected from unexpected political shocks.

They fear this because the rand has grown strong recently almost entirely on economic considerations, while the political climate has deteriorated.

In the absence of a managed float, a sudden political scare could increase its vulnerability either to an old fashioned devaluation, with all its political implications, or place a severe strain on the foreign currency reserves and scupper all hopes of economic revival.

Should that happen, the Reserve Bank would be caught on the hop. It would be unable to implement the policy options open to it in terms of the De Kock Commission's recommendations.

Some believe that the rand's vulnerability has also been increased by the rather shakey heights to which the gold price has soared on world markets.

They point out that if there were a political scare—particularly in South West Africa — the forward exchange arrangements that are currently holding a short-term capital outflow at bay will no longer be effective, as they merely bridge the gap between interest-rate levels here and those abroad.

The whole object of government deciding to adopt a policy of a managed floating of the rand was to allow the exchange rate to take the strain of a political capital flight avoiding the need to abort the economic recovery.

Experience has shown in the past that under the present system of variable dollar pegging, either the spot rate would, in that event, have to be depreciated, or the country would once again begin to lose precious reserves as the Reserve Bank attempted to protect an artificial rand value against growing speculative pressures.

The consequences would be that all the advantages brought about by the implementation of the De Kock Commission recommendations so far would be lost.

Inflation would race ahead and — unless the gold price continued to forge strongly upwards — the current government policy of disciplined growth would have to be swung in the opposite direction.

Foreign currency dealers point out that over the past four months the rand has been appreciated against the dollar by the authorities while the dollar itself has been strengthening against most other trading currencies.

The rand's consequent strength might be justified on economic grounds, as gold earnings are still soaring, the trade balance is in substantial surplus and the reserves are rising.

But its current external value, the dealers say, would most certainly not stand up to a politically inspired capital flight. And that is a hazard that must be faced continually in Southern Africa — one which is heightened when the market begins to feel that the currency may be overvalued.

An indication of this is that despite the rising value of the rand that the Reserve Bank has partly engineered in recent months, exporters can still not be persuaded to cover forward their future foreign earnings. This suggests that they expect a devaluation of the rand — which would be advantageous to them — rather that a continued revaluation.

While he, himself, did not in any way suggest that the rand was overvalued, Dr Gerhard de Kock, chairman of the monetary policy commission that reformed the exchange-rate system, told businessmen in Cape Town on Thursday that the process towards implementation of a managed float "should not be unduly delayed".

Outlining a further disadvantage of adhereing longer than necessary to a variable dollar peg, he said: "... it also provides inadequate encouragement to the desired development of active and competitive spot and forward exchange markets in South Africa.

"For technical reasons, the present system has also contributed to an undue narrowing of the margins between the buying and selling rates of the banks, resulting in an excessive decline in the banks' profits on foreign exchange transactions."

He did also say, however, that the Reserve Bank was making rapid progress with the improvement of communications between itself and the foreign exchange dealers and should, therefore, shortly be in a position to apply intervention techniques appropriate to a system of managed floating.

The irony is, however, that for years the Reserve Bank has been dealing in world bullion markets over a distance of 10 000 km. Yet, to sell its dollars in the same way to banks 60 km away in Johannesburg, which is what is required under a managed float, it has communication problems.

JUNE 17, 1979

JOBS IN DANGER IN WAKE OF PETROL PRICE RISE

Sun. Tribune

(49)

Blacks face food shocks

By BEN TEMKIN

ECONOMIC forecasts following the fuel-price increase point to an inflation rate of 20 percent by the year-end. But the worst, and so far unexpressed, probability is that the rate of food price increases could well pass 30 percent by then.

At the end of April, the rate of inflation over 12 months on the Consumer Price Index was 12,8 percent. The rate for food alone, however, was 15,7 percent. Even this figure did not reveal the full implications of food price rises as some of these were offset by small falls in less important foodstuffs such as coffee and tea.

Nor did the April figures include the effects of maize products and processed meat price increases.

There is still a scheduled increase for bread by October, while meat is starting to take off in the wake of the floor price increase.

Food is among the commodities most heavily affected by fuel price increases. This is because so many foods have to be transported over short distances, alternative rail transport simply not being available.

It is also difficult for the transporters to arrange to pick up loads at [illegible] switch-loads available in the vicinity of most supermarkets. The result: Trucks have to return empty to their warehouses.

A reasonable estimate of the immediate additional cost factor on foods as a result of the latest fuel-price increase is something like five percent.

This would probably mean an overall increase in the CPI of less than two percent — which is what the Minister of Economic Affairs indicated he expected.

But this indication ignores completely a shift in spending on food out of necessity. Less will be spent on other items in the index, because people will be forced to concentrate on essentials.

The trend for households to do without servants will be aggravated while out of economic necessity people will be forced to cut down on their entertainment and on their holidays.

This will distort the statistics so that the authorities will be able to boast the fuel price had a relatively small effect.

But conveniently the statistics will ignore the changed pattern of spending so the 30 percent rise in the overall prices of foodstuffs will also be ignored until it becomes a glaring reality.

By that time, the [illegible] ministered prices of a wide range of foodstuffs will be very serious indeed.

This is because in the lower income group — mostly blacks — there is no way in which to shift spending from non-essentials to essentials.

The 30 percent rise will hit these people in full and will in many instances take them below the poverty datum line.

Their situation will be worsened by the pressure to maintain domestic wages at their current levels and, in many cases, to make do without domestic help. This will reduce the income of many black families even more.

Within industry and commerce, there will be even more pressure to increase productivity. Since this means in many cases producing the same amount of goods with fewer people, unemployment will again be aggravated with the unskilled and semi-skilled workers being hardest hit.

In short, it's not just possible as Barclay economist Dr Johan Cloete suggested this week, that the economic recovery will be halted or slowed but that the seeds for social unrest may well be in the course of being sown.

There is a glaring weakness in all this — the obvious inability of the Government to look at the economy as a whole before making a move in any individual sector. There must have been few people in key posts who did not realise at least two months ago fuel prices would have to go up by a considerable amount.

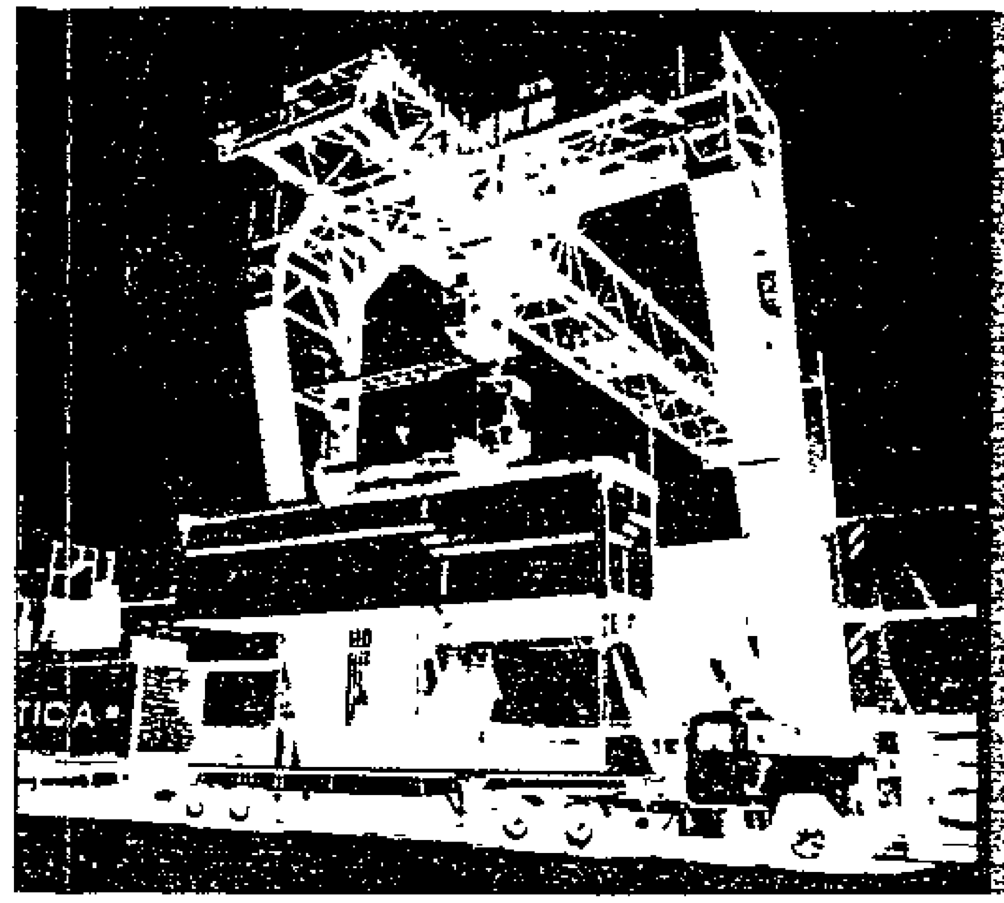
Yet, the price controllers allowed a whole range of increases in administered prices.

Only the Post Office showed a degree of responsibility by allowing the proposed postage rate increases to be postponed. For the rest it's been an unhappy free-for-all.

If a rise of 30 percent in the cost of food is on the cards, and since this is the sector in which the State tends to exercise most control, it is clear that this control is failing miserably.

(49) SUNDAY TIMES, Business Times, June 17, 1979

Industry on move after recession



MATERIALS HANDLING

Edited by Amarnath Singh

OR the first time since 973, when the industrial recession sent service industries into a osedive, it looks as hough South Africa's aterials handling industry may be moving lowly forward again.

To quantify total industry orth is virtually impossible. .t as a yardstick, the forklift ck industry is still at the ime R25-R35m level it was in 73

Then, about 2 000 units were ng sold against the 1 200-500 expected this year Inflation pushed up prices, but a arp drop in unit sales has tset price rises for everybody , the consumer

But the escalation in costs has increased the potential for mechanisation rather than dampened it. Economics Minister Chris Heunis has laid great emphasis on the urgency of improving productivity, and time is running out

Forklifts have moved into a position of local content which will not be improved much further without local engines, gearboxes and axles. An infant industry protected by duties, has come of age.

Hydraulic lifts are a different matter and, in view of the SAR's R440m investment in containerisation, this side of industry merits special consideration for protection.

Materials handling, embracing warehousing, containerisation, stevedoring and such specialised fields of engineering as conveyors, mobile and gantry cranes, forklifts, hydraulic lifts and a broad spectrum of ancillary equipment, has much to offer Industry cannot expand without it.

Materials handling and what Ray Rose of the SA Institute of Materials Handling calls its kissing cousin, mechanical handling, may be described as the sinew and muscle of industry, since it forms the channels and mechanism of material and commodity flow, without which many manufacturing, processing and warehousing enterprises would be lifeless.

Vast quantities of materials are conveyed and transported about the world in bulk or in containers. These two methods of handling materials form the two main branches of materials handling, says Mr Rose.

On the one hand bulk handling for free-flowing products — such as mineral ores, grain, sugar, phosphates, etc — is carried in rail trucks and bulk ore vessels between source and user.

The products are then distributed in the factory or processing plant by the numerous individual conveying units, belt conveyors, bucket elevators screw conveyors, mechanical and vibrating feeders and the host of auxiliary components that go into their construction, or work in conjunction with them

On the other hand, we have containers and all that is involved in containerisation, with rail cars and ocean vessels (cellular ships) designed for their exclusive transport.

They usually transport processed materials and goods from manufacturer to a central marketing or distribution centre, as is presently done from British or European ports to the Johannesburg Container Depot, rightly described as an inland port.

A different class of handler takes over once the container is opened at destination. The versatile forklift truck now comes into its own, assisted by loading ramps and docks, extendable belt or slat conveyors, gravity rollers, with pallets and pallet trucks working their way into the whole containerisation activity.

As with bulk materials arriving at the processing plant or bulk storage area, the container's destination is a factory or warehouse where further handling and equipment allied to it take over.

Among these are hand and power pallet trucks, tow trucks, reach trucks, order pickers and racking and stackable pallets where the goods are kept until required.

The analysis of any material handling operation has disclosed that between 40% and 90% of the cost of a product is directly or indirectly related to materials handling costs. It is worth noting that every lift means a step up in costs.

When handling materials in and out of the warehouse, the immediate access to the various products can be difficult and costly if storage is not conducted in an orderly fashion To this end, centralised, regional warehousing is a growing phenomenon.

To most people, materials handling as a function and variety of disciplines may not seem to constitute an industry in itself. It is, however, a relevant one to those engaged in in the manufacture, application and marketing of the multifarious items of equipment that make up the total and increasing range of material, commodity and component-moving machinery that go with it.

Although the initial costs of proper materials handling and equipment has been a deterrent, the industry, generally, feels that people are gradually being educated to realise the benefits of the concept.

Flow of goods must be streamlined in order to reduce costs and increase efficiency, they maintain. It is expected that the big increase in transport costs will go some way to achieving this end.

The materials handling industry is well represented and well catered for in South Africa.

In spite of its extensive and specialised nature, it is held together not only by a "consecutive interdependency", but by various organisations catering for the needs of individuals and companies in all aspects of materials handling

The SA Institute of Materials Handling, a professional body with branches throughout the country which keeps abreast of the latest trends in method and mechanism.

The institute has also promoted the establishment of a diploma course in materials handling

The Materials Handling Association of Seifsa is engaged in all that is involved in the relationship between the employer and employee in the broadest sense.

The association holds regular meetings and attempts to achieve consensus on a variety of questions relating to the interests of the industry A crane manufacturers' and forklift truck division have been formed under its aegis

Moderate upswing is continuing

49 RDM 19/6/79

A FURTHER increase in the real gross-domestic product of the non-agricultural sectors of the economy in the first quarter of 1979 indicated a continuation of the moderate cyclical upswing in real economic activity, the South African Reserve Bank says in its latest quarterly bulletin.

"It was fairly clear, however, that the upswing did not gain further momentum.

"An actual decline in real gross-domestic expenditure in the first quarter indicated that aggregate domestic demand was not sufficiently strong to bring about a higher rate of economic growth," the bulletin says.

These developments provided justification for a further shift in policy stance that was aimed at adding momentum to the current economic upswing.

"In accordance with this general policy objective, several measures were introduced in the course of the first quarter with a view to stimulating aggregate demand."

The bulletin says bank rate was lowered on two occasions, the ceilings on banking institutions' credit to the private sector were raised, and the liquid asset requirements for banking institutions were reduced.

Apart from announcements that salaries and wages in the public sector would be raised, tax concessions to individuals and companies as well as increased expenditure on pensions and other social benefits were incorporated in the 1979/80 budget.

Most of the budget measures, however, will only take effect in the second half of 1979.

The bulletin says because of a considerable improvement in South Africa's terms of trade, the corresponding growth rate of the real gross national product amounted to 6%.

Other points made by the bulletin:

- Preliminary estimates of the national accounts indicate that the real gross-domestic product in the first quarter of 1979 remained at about the same level as in the preceding quarter.
- Real gross-domestic expenditure declined moderately during the fourth quarter of 1978 ... agricultural employment from the second quarter of 1978 continued during the fourth quarter of that year and for the year as a whole, employment was 0,8% higher than in 1977.
- Compared with the corresponding month in 1978, the seasonally adjusted consumer price index rose by 11,2% in January and in February, by 12,3% in March and by 12,8% in April, 1979.

o change greatly this year.

The fact remains, however, that UK refineries could probably use about 10-20% more North Sea oil than at present, if they could only obtain the supplies.

By next year one solution for the Government would be to take royalty oil in kind and insure that it is refined in the UK.

But if it wished to intervene in this way, the decision must be taken soon.

In the intervening period

Economy needs kick 'to keep it going'

(49) 20/6/79 Rdm

Pretoria Bureau

THE UPTURN in the economy is in danger of running out of steam unless new stimulation is applied, according to some economic experts.

And in its quarterly report, the Reserve Bank said there was justification for a further shift in policy aimed at adding momentum to the current economic upswing.

Suggestions to inject new life into the economy include:

- A decrease in the current savings levy;
- the abolition of the remaining 7,5% levy on imports;
- the repayment of the 1977-78 loan levy;
- higher food subsidies.

Barclays Bank's chief economist, Dr Johan Cloete, stresses that the drastic rise in fuel prices could mean a further serious economic setback.

He said The R500-million tax concessions in this year's Budget, aimed at stimulating consumer demand, and the R250-million increase in earnings for public sector workers would be neutralised by the higher fuel price and the wave of other price rises which this would cause.

He claims that if a reasonable growth rate is to be achieved, the economy must be given a further dose of stimulation.

The PFP's financial spokesman, Mr Harry Schwartz, said the Minister of Finance should immediately abolish the remaining import levy.

This would be both stimulatory and anti-inflationary.

In addition, the minister should consider a reduction in the loan levy for the current year to create more purchasing power for the man in the street.

The major need now was confidence and meaningful political action. Some of the proposals made in Washington recently by the Minister of Cooperation and Development, Dr Piet Koornhof, would have the desired effect.

The Government was faced with stimulating the economy on the one hand and fighting inflation on the other.

Mr Schwarz said a major anti-inflationary move would come from subsidising basic foodstuffs.

49 FM 22/6/79

Now what?

The Reserve Bank's latest quarterly bulletin says what many businessmen have suspected. The economy has shown little vigour since the turn of the year.

Non-farming GDP grew at a real annual rate of 5% in January-March, compared with 7% in the fourth quarter of 1978. If agriculture is included, the figure was zero. "It was fairly clear that the upswing did not gain further momentum", says Church Square. And most economists will be surprised if the growth rate has been any faster in the second quarter. "The spark still isn't there", observes one expert.

The recovery has clearly been withering. Farm and factory output, and retail and wholesale sales either fell or stagnated in the first quarter. Private spending rose by an annualised 3% (7% in October-December 1978). Stocks and fixed investment sagged further.

Two bright spots were mining output and real estate business, which reached its highest level in three years, jumping by 16% in the first quarter. Cars, clothing and footwear were among the few consumer goods on which spending picked up appreciably.

A jump of R313m in the net reserves points to a sound balance of payments. But some trouble spots remain.

The record current account surplus, R3 455m at a seasonally-adjusted annual rate, is more than double last year's balance, thanks mainly to a 40% cut in oil imports and a surge in gold output from 1978's R3 863m to an annualised R5 084m.

Non-gold exports slipped back, however. Despite rising prices, real earnings from copper, fresh fruit, chrome ore and wool fell in the first quarter.

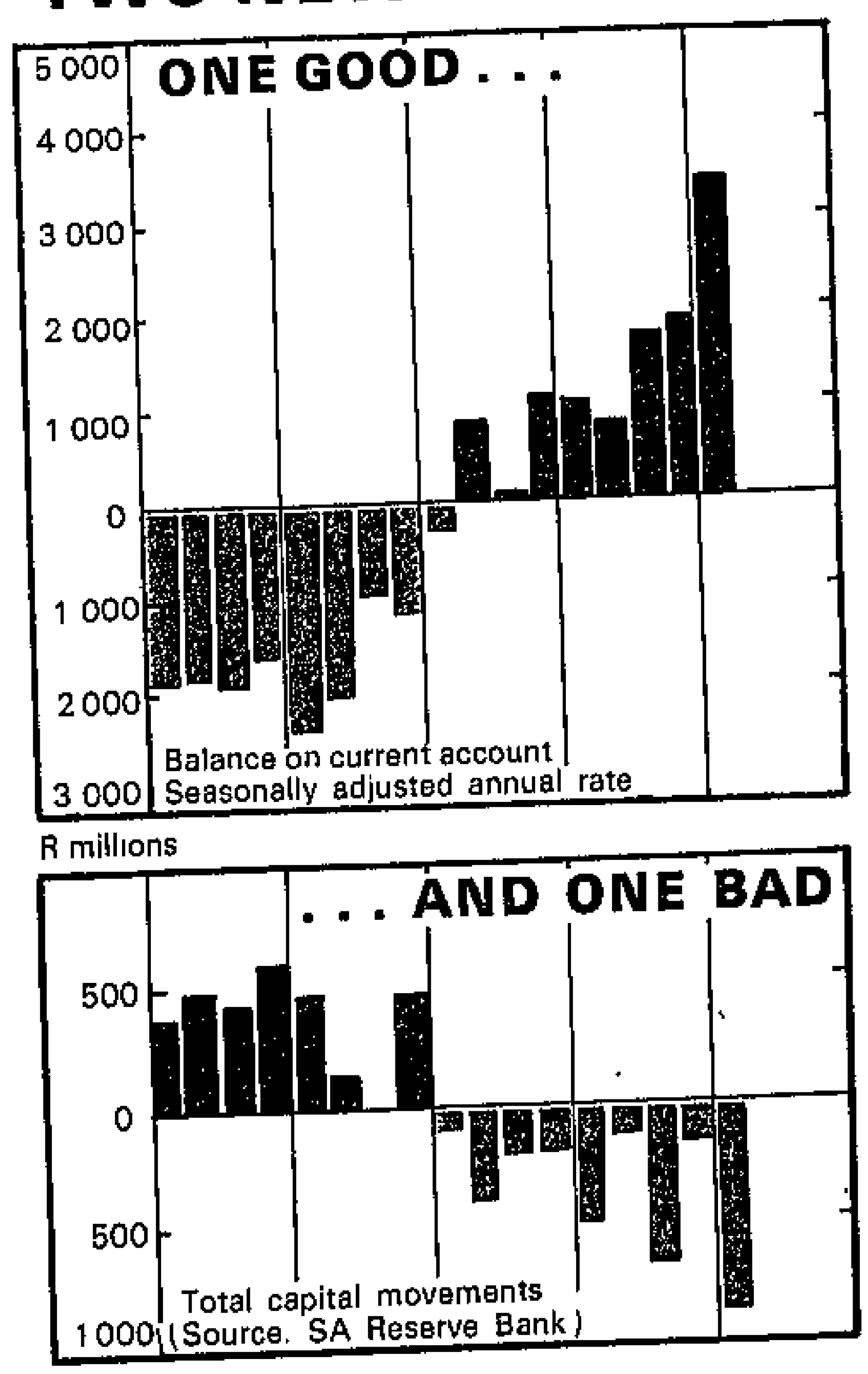
The current surplus was slashed by a record capital drain of almost R850m. Much of the continuing outflow is accounted for by trade finance switching and the repayment by the Reserve Bank of its remaining short-term loans. The change in oil purchasing policies from long-term contracts to the cash spot market probably meant the unwinding of sizeable foreign credits.

Heavy debt burden

The record R167m outflow of long-term government funds may be a sign of the heavy debt repayment burden facing SA over the next two years. According to the latest issue of Euromoney, government and public corporation debt maturing in the next three years stands at a stunning R3 billion-plus, with the biggest portion due for repayment next year. It's fair to point out, however, that a sizeable chunk of this will be rolled over or refinanced. What's more, Pretoria has felt confident enough about the balance of payments to repay some loans voluntarily before due date.

But despite a few balance of payments worries and leapfrogging price hikes, the overriding worry of SA's economic mandarins is clearly an inadequate growth rate.

TWO NEW RECORDS



Not all the blame can be laid at the door of a hesitant private sector. The money supply rose by less than 1% (at an annual rate) in the first quarter, thanks to a sharp drop in bank credit to the public sector — hardly the stuff of a "growth from strength" policy.

Though Pretoria obviously hopes that private spending will pick up after next month's tax cuts, nobody is convinced that it will. With the 1979/80 budget based on a gold price not much higher than $200/oz, chances are that government may be sorely tempted later this year to resort to one of the few stimulatory measures which has not been tried in the past 18 months — higher public spending.

Though increased public sector outlays may in the short-term help ginger up business, they would also be contrary to Finance Minister Owen Horwood's promise to raise private enterprise's profile in the economy.

And businessmen argue that they will willingly spend and invest more, if the political and social climate improves. Government should therefore give top priority to boosting confidence rather than simply putting more money into everyone's pockets.

GREY MARKET

In the dark

(49) FM 22/6/79

Slack business has left many companies sitting on mountains of cash. But surprisingly few are grasping the extra interest that could come their way through lending it in the "grey market." At least few are prepared to admit it.

The Banks Act lays down that any company which receives deposits from more than 25 people, or which receives over R500 000 in deposits altogether, must be registered as a bank. With the amount of money flowing around commerce and industry, some firms may have to answer a few embarrassing questions.

The finance director of a big cement producing company says his firm does make use of the grey market, to borrow when necessary, and to lend when requests for cash are received. But it is a case of "one day in and one day out." Amounts vary, and rates on 3-month money run at around 7%-7,5%, he adds. Others say the game is "find the borrower," and rates are between 6% for cash money and 8,5% for six month loans.

Sweidan & King's Harry Sweidan reckons his participation in the grey market is limited to what he considers to be a few "gilt-edged" companies with whom he has dealt in the past. If he does not consider borrowers to be absolutely secure, cash goes on call with the registered institutions.

The grey market is "terribly inconsistent and sporadic," according to Gresham Industries MD Hanns Saenger. He thus prefers to keep surplus cash for the quick purchase of new subsidiaries, as evidenced by last week's takeover of Jensen Belts (Pty) of Cape Town.

Companies are very liquid, he agrees, but the few which do require cash are usually bad risks. Anyway, liquidity probably won't last too much longer — "I've read about an economic revival," he adds wryly.

The giants see little use for the grey market. SA Breweries group financial manager Selwyn McFarlane points out that any temporary shortage within SAB companies can be met by a transfer of resources from other group members. The group places heavy emphasis on healthy cash flows, he maintains.

Sappi, likewise, uses corporate flagship Union Corporation as a cash pool, according to MD Eugene van As. Barlow Rand group financial controller Peter Mitchley, points out that it is against company policy to operate in non-recognised money markets, and surplus cash is placed with the registered financial institutions.

"This is shareholders' money," avers Allied Technologies executive director, Ken Maud, "and we would rather lose out on slightly higher interest rates than run the risk of investing with unknown companies." However, he does admit that in the past some money has moved between Altech and "trusted friends."

A major consumer goods manufacturer says the risks of the grey market are "inhibiting." He concedes, however, that if cash is required the rates are attractive. Sums offered to the company this year have ranged between R500 000 and R1m.

Some of the funds proffered, he points out, were not strictly company-to-company business. A large financial institution is reported to be acting as an intermediary in grey market activities. Presumably it picks up a handling charge on the side.

'Uplift poor' in order to remain rich

CT. 22/6/79

Dr Zac de Beer

HOUSE OF ASSEMBLY. — The most dangerous long-term problem facing the country was the wealth gap, and if South Africa wanted to remain rich, it would have to uplift the poor, Dr Zac de Beer (PFP Parktown) said here yesterday.

Dr De Beer was the first opposition speaker after the Minister of Finance, Senator Horwood, introduced the third reading of the budget. He warned that South Africa faced "stagflation," the worst of economic woes.

Although the increased price of oil was largely offset by the rise in the gold price this year, as far as the balance of payments was concerned, the oil price was going to boost inflation sharply and diminish purchasing power for other commodities.

The increased oil price was going to ripple through to other products and finally to increased wage demands.

"Prophecy is a dangerous game," he said, "but I don't think any of us will be surprised to see inflation at 15 percent within the next 12 months."

"Inflation in a boom is bad enough, but inflation in the presence of diminishing real purchasing power — stagflation as it is known — is almost the worst of all economic woes."

The strong gold market could offset the effects of the oil price if the great deal of money it would put in the State's coffers were used to stimulate growth.

Mines would be encouraged to invest in capital projects and if this was invested locally rather than on imports, it could again provide employment and increase purchasing power.

Dividends to shareholders, most of whom were in South Africa, would also increase, but Parliament had to take serious note of the fact that the benefits of a high gold price would be felt by the more affluent section of the population.

The dangerous rate of inflation would, however, hit everybody and would be especially serious for the less privileged part of the population.

"This combination of circumstances, if it is not combated by determined action, will aggravate what is already the most dangerous long-term problem facing this country. I refer, of course, to the wealth gap," he said. — Sapa

49

(for Cutting)

The credo of another Afrikaner

A new ideological battle erupted in the National Party this week when Dr Andries Treurnicht, Transvaal leader and author of a book called "Credo van 'n Afrikaner", openly challenged Dr Piet Koornhof's interpretation of Government policy.

Dr Koornhof, Minister of Co-operation and Development, gave to two American audiences the fullest explanation so far of the radical changes in policy that have been launched by the Government of Mr P W Botha.

These are key extracts from both speeches, one to the National Press Club in Washington, the other to a distinguished audience in California.

By Dr PIET KOORNHOF

On human rights:

- I believe in the right of every man — regardless of colour — to be heard when decisions are taken affecting his own destiny, in other words, in participation in decision-making processes.
- I believe in every man's right to equal chances and opportunities.
- I believe in the right of every man to equality before the law — to full citizenship.
- I believe in full human rights for all people in my country, South Africa.

These beliefs are shared by my Government.

On Dr Koornhof's vision:

I and my Government are seeking to create a happy and meaningful life, therefore a new blueprint, for all in South Africa.

We are entering a period of complete reformation. We are presently in a new era. We have reached a turning point in our history.

Apartheid, as you came to know it in the United States, is dying and dead. We are in a period of reform. Our intent is to positively improve the life-style of all South Africans.

We have entered a period in which all races are becoming involved in the decision-making processes.

Our policies are not static. We are following an open-end policy. Our intent is to reform South Africa on the basis of a commonwealth or even a confederation in which all its components would play a meaningful role, in which there would be full rights for all South Africans, and in which individual rights and the rights of various racial groups comprising present-day South Africa would be protected.

On justice:

I did not need anyone from abroad reminding me that a society where any man, whatever his creed or colour, is denied human rights, is an unjust one.

I am fully aware of this and so is my Government. We are doing something about it every day.

We will not rest until racial discrimination has disappeared from our statute books and everyday life in South Africa.

On rethinking policy:

Through its Foreign Minister, the South African Government has made a pledge to move away from racial discrimination.

A short while later, it also tacitly accepted that the urban black is not a transient phenomenon, but a permanent part of the South African setup.

This latter proposition especially implies a huge change which calls for a complete rethinking of many aspects of policy.

On urban blacks:

What about the millions of blacks who left their traditional homelands to live and work in cities in so-called white South Africa?

Are they to remain voiceless, and rootless, driftwood jostled and thrown about by the changing demands of white industry and management?

Men and women living on borrowed time, often separated from their own families in the homelands? Desperate souls in search of stability?

This, ladies and gentlemen, is the real problem facing us in South Africa today. The question of the urban black.

They need us and we need them, shouldering the burdens of a rapidly developing industrial society.

On Crossroads:

Crossroads, a black squatter community near Cape Town, presented a heartbreak story. These people were threatened with eviction.

I went to Crossroads and met with the self-appointed leaders of this unfortunate squatter community. Together we worked out a solution.

Alternative housing will be provided for them near Crossroads before we send in the bulldozers to remove this blight from Cape Town's face.

It should be clear that this achievement demonstrated a victory for humanitarian concern over dogmatic ideology.

On 99-year leasehold:

The first tangible manifestation of the policy change was the granting of 99-year leasehold rights to urban blacks. This legislation makes possible real security of tenure and home ownership in so-called white areas.

It will make private sector finance available to blacks ... it will enable employers to assist blacks to acquire their own homes and many of them have anxiously awaited the opportunity to do so.

It will confer upon the urban black freedom of choice concerning the nature and type of housing he has the aspiration to acquire.

It would consolidate the concept of individual ownership and promote free enterprise values. It is a move away from the subsidised housing and the paternalism of which it smacks.

On employment practices:

In so far as the move away from racial discrimination is concerned, the private sector has played a vitally important role, especially in relation to the promotion of a code of employment practice ...

The code has two main opportunities for acting as a change agent. The most important is in the impetus it gives and the goals it provides for changes in the internal labour relations policy of individual companies.

But it also helps to create an atmosphere in which the desired changes become more likely and more acceptable.

The publication of the code ... stating clearly that discrimination should be removed, demonstrates to the public at large what constitutes desirable change in these times.

On migrant labour:

There seems to me a real possibility of the eventual phasing out of migratory labour as it is presently practised, and a new emphasis on the value of family life as the basis for sound, stable urban communities.

I am a great believer in upholding sound family life ... the mining industry faces particularly severe challenges in this respect.

On pass laws:

I am on record as saying that I detest the "dompas" for blacks and that we are in the process of doing away with it. But having said that, the fact is that we do not have a pass law on our statute books. Our critics actually refer to what we call a system of influx control.

I readily admit that in theory it is unjustifiable to deprive a citizen of the right to move around freely in the country in which he was born ...

Experience has taught us (both blacks and whites) that it is unwise to allow unlimited numbers of unskilled black people to take up employment and residence at the expense of those black people who, by virtue of birth or lengthy periods of residence or employment, should receive priority.

It stands to reason that chaotic housing, squatting, transport and social conditions will ensue if more unskilled black people than can reasonably be accommodated and provided for, are allowed to take up residence or offer their services in a particular area at lower wages than people who have families to support are prepared to accept.

On separate freedoms:

Eventually we hope to embrace all our ten black nations — after independence — together with other neighbouring self-governing countries such as Rhodesia-Zimbabwe, South West Africa-Namibia, and Botswana, Lesotho and Swaziland in an economic union.

Each nation ruling itself and contributing to the economic prosperity of all — much in the same way as the European Economic Community. A constellation of Southern African states.

That is our goal for the inhabitants of the respective black homelands within South Africa. In this way we will ensure that every citizen of these black nations enjoys the same freedoms in the homelands as we white Africans claim for ourselves in our part of the country.

The Nats behind cry 'Forward!' and the Nats in front cry 'Back!'

SOUTH African politics hasn't been such fun since the United Party went the way of the dinosaur.

Evolution, like everything else, is speeding up. The National Party has, in one session of Parliament, achieved a level of bewilderment and division which it took the United Party nearly three decades to reach.

"Apartheid is dead," cries Dr Piet Koornhof to America. "Apartheid lives," murmers Dr Andries Treurnicht, back in the old Transvaal.

And down the ranks, the party faithful dutifully take up the slogans of their leaders as they have been trained to do: "Apartheid's dead!" "Tisn't!" "Tis!" "Tisn't!"

Those behind cry "Forward!", those before cry "Back!"

Whatever still holds the Nats together, it isn't policy.

When Sir De Villiers Graaff talked of "white leadership with justice" or "race federation", nobody understood, but at least they all hummed the same tune. Now every Nat leader has his own policy.

What is hilarious about the spectacle is that the habit of marching in lockstep is so deeply ingrained. Like a parade ground of rookies who have been given an order on the wrong foot the party legions are all marching stiffly in different directions.

> Like a parade ground of rookies who have been given an order on the wrong foot, the party legions are all marching stiffly in different directions.

Not that this should be altogether surprising. An agrarian party whose functionaries have been drawn from the ranks of rich farmers and small-town lawyers has suddenly found that most of its troops are urbanised, industrialised, two-car, middle-class, self-indulgent, servant-ridden, mortgage-burdened clerks whose kids slip off to lekker discos while mamma consults a divorce lawyer.

Half the party, to make the point in starkly exaggerated terms, clings to a vanishing rural feudalism while the other half hustles sales of second-hand cars to cash clients from Soweto and Babelegi.

Far be it from me to try to explain the resultant (and inevitable) confusion in the ranks. But some of the fracture lines are fairly clear.

Thanks to Info and other assorted foolishnesses, the verligte faction has found itself unexpectedly in the driver's seat.

Comfortable

This has been a shock, since the verligtes have shared with the English the comfortable assumption that, no matter how sincerely they preached reform, the verkramptes would keep things under control.

Under the circumstances, the Prime Minister has done awfully well. He has actually seized the levers of power and is making things happen — sometimes, one suspects, to his own astonishment.

Mr M C Botha, the super schoolmaster, has hardly left, and there is Piet Koornhof inviting Africans to consult him on their future (you can always tell a liberalising move in policy because it makes the Government's opponents so angry), while Punt Janson has been behaving as though he believes that education for Africans were a right rather than a privilege.

Mr Marais Steyn, who sleeps better for putting Indians out of town, must be having nightmares; they're all to be allowed back during shop hours.

The Wiehahn and Riekert reports, despite their partial implementation, make nonsense of Dr Treurnicht's insistence that apartheid lives.

What remains of the old Verwoerdian vision is not clear — bigger and better Bantustans, to judge from the composition of the consolidation committee; tighter influx controls; pass raids; and similar idiosyncracies.

It won't work any better, of course, than Apartheid Mark I, or Mark II or Mark III.

But in the meantime, at least, many more black workers can have their families with them. And urban black families can buy their own homes (which will in time turn many of them into mortgage-burdened, middle-class, two-car, servant-ridden, self-indulgent conservatives).

In the process of ramming all this through his party, Mr Botha has done considerable damage.

Placate

In trying to shed the awful heritage of Info, he has fallen out with Mr Vorster, with Dr Connie Mulder, and with most of the party in the Transvaal.

In trying to placate the Transvaal, he has fallen out with Mr Louwrens Muller.

In advancing the verligte P T du Plessis, MP from Lydenburg, he has angered the verkrampte Hennie van der Walt, MP from Schweizer-Reneke.

And in trying, in his authoritarian way, to impose unity on his recalcitrant followers, he landed himself in a straight fight with his own Press over that ill-advised Gag Bill.

His favoured lieutenant, Mr Chris Heunis, has been trying to flatter the Nationalist newspapers back into line while the party gurus figure out a way to abolish the opposition half of Press freedom while retaining the Nationalist half.

But not all the strains are Mr Botha's fault. The party is bitterly divided over the "new morality" of its intellectuals who insist on desegregating civilisation — who bestow honours on Elsa Joubert for a book about the suffering (under apartheid!) of Poppie Nongena, and on books like "Magersfontein O Magersfontein!" which have naughty words in them, and who campaign for the preservation of old buildings and for the abolition of old customs like theatre segregations.

The party is divided — seriously and perhaps irreparably — over South West Africa.

Already it has abandoned its allies in that territory, among them life-long friends and fellow-leaders like Mr A H du Plessis.

Nationalists in Windhoek, bereft even of their name, now call themselves Aktur and make common cause with the HNP and worse.

Beeld preaches sanctimoniously: "South West can only assure a future for itself by reaching a political settlement between its inhabitants. And it will have to be a settlement that does not merely benefit and satisfy some people."

But at home the direct descendants of Dr Verwoerd protest — often at the behest of Aktur — that to accept this logic for South West Africa will undermine every logical and moral assumption of pursuing even the Koornhof brand of apartheid — dead apartheid? — in South Africa itself.

The turmoil is political, moral, organisational — and it obscures if it does not conceal, another revolution which is being pursued by that most unlikely knight in shining armour, Senator Owen Horwood, perhaps the first Nat finance minister who actually believes in capitalism.

He is throwing overboard the notions of an earlier, poorly informed generation of Nationalists that the entire economy could be harnessed to the purposes of ideology, that the rule of clerks could be imposed on the entire society, that markets could be resisted or reshaped, and that men could be reduced to mere labour units.

(These things are achieved by communist governments, it's true, but you need a stronger stomach than Mr Jimmy Kruger's to do so.)

Broken

Such old-fashioned notions gave the backroom bureaucrats an iron hold on the country, and an insatiable appetite for taxes.

Their hold is now being broken by the very nature of the free-enterprise policies of Sen Horwood. That he has the backing of the Prime Minister is clear from the appointment of competent men from the private sector to reshape not only public policies, but even the public service.

The assault on the privileges and powers of the public service may, in the end, prove the most significant of the cross-cutting conflicts that make the National Party so absorbingly interesting right now.

For it promises an end to an era in which the interests of the public service coincided so exactly with the interests of the party that each served the purposes of the other.

What Mr Botha is doing now is to break — deliberately, I suspect — the instrument that was fashioned to make apartheid work.

When that has been done, nobody will be able to put the old machine back together again.

> Half the party, to make the point in starkly exaggerated terms, clings to a vanishing rural feudalism while the other half hustles sales of second-hand cars to cash clients from Soweto and Babelegi

DEPRECIATION

Fast enough

SA's domestic fixed investment peaked at R4 600m (1970 prices) in 1975. Since then it has declined steadily, to R3 800m in 19[illegible]. In the private sector, only the mi[illegible] increased real capital expenditure l[illegible] year, largely because of higher outlays [illegible] uranium plants.

The US has faced a similar investment fall-off, but two legislators there recently submitted a bill to Congress which they claim will greatly stimulate investment. Specifically, they are suggesting a fixed five-year depreciation for tax purposes on all new equipment and a 10-year write-off period on plant and commercial buildings. Would this work in SA?

Business reaction is mixed. Prof Ja[illegible] Steele of Wits University's Department of Accountancy feels that existing initial investment allowances are fairly good, that Inland Revenue is "not ungenerous" on new investment. Firms are allowed to deduct an initial 25% of the cost of new plant and machinery, an investment allowance of 30%, and 10% to 20% on buildings used for production purposes. The present system allows companies to make deductions from income for the depreciation of ageing equipment according to the expected life of the machinery.

Steele feels that the rigidity of the American suggestion is not desirable, while Murray and Roberts' financial director, Roger Voysey, adds that he does not favour the idea as most of M&R's machinery lasts less than five years.

FCI tax committee chairman George Thomas is keen on any system which gives companies a tax break. He says it is difficult to comment on a new regime without specific figures, although superficially, fixed-period depreciation would not be an improvement.

Toyota's Bill Hewitt wants faster write-offs. His firm currently writes off component tooling over the life of a vehicle model, usually four or five years. Other equipment is depreciated over 10 years. Hewitt, like many other corporate treasurers, does feel that two bones of contention in the present tax system need attention — the depreciation of buildings controversy (*FM* February 17) and recognition of replacement cost write-offs by the Receiver of Revenue.

SA Breweries' Selwyn MacFarlane is concerned about distortions the American suggestion could create. If, for example, a machine has an estimated 15-year life, a 5-year write-off could create imbalances and may affect pricing policies. The product may be priced at a vastly inflated [illegible] has to be replaced after, say, 20 years when it has in fact been written-off 15 years previously and inflation has pushed costs up considerably.

Derrick Robson, technical director of the National Council of Chartered Accountants cautions that the rate of depreciation in company books must reflect a "true and fair" position. But tax allowances on machinery need not necessarily bear any relation to the actual rate of depreciation. Robson notes that the period allowed by the taxman for depreciation is above all, a political choice.

Interestingly, American business plans to gives its full support to the Bill.

YOUR MONEY

A few errors crept into [illegible] investments table published on May [illegible]

- Post Office savings bank certificates must be held for six months to earn [illegible] (not 8%). The tax-free limit is R[illegible] (not R800) interest.
- National Savings certificates are available in units from R50 (not R[illegible]) [illegible] R2 000.
- The tax-free limit on interest for building society permanent shares is R700 per year (not R800).

SA lags in scrapping job bars — survey

By RIAAN DE VILLIERS
Labour Correspondent

SOUTH African companies are lagging behind both American and British firms in eliminating discriminatory job practices.

This is one of the main findings of a major survey on black job advancement conducted by Fine Spamer Associates, human resources consultants.

But according to Mr Bernard Chalmers, the director responsible for the survey, the gap is "fairly small".

About 200 companies employing just under 500 000 people took part in the survey, the second to be conducted by the organisation.

Half the companies were SA owned, 21% were linked with the US and 19% with the UK.

The survey has revealed that companies are making slow progress in eliminating discrimination in employment practices and that they remain strongly opposed to trade unions, especially black unions.

Among the main findings are:

- Some 80% of the companies said they had policies granting equal opportunities to all population groups;
- More than two-thirds of the participants said they had an integrated pay structure for all population groups;
- About the same number said they gave equal pay for equal work, based on job evaluation systems;
- More than half the participants pay minimum wages in excess of R150 per month, and most base their low level wages on a minimum determined by a cost of living index;
- More than 70% of the firms subscribe to a code of employment practice.

Of the firms who do not pay equal pay for equal work, some 36% have definite plans to achieve this goal. On average, these companies estimated that it would take between three and four years before all population groups are paid on an equal basis.

But according to further information in the survey, which was releasd to the Financial Mail, about 60% of the companies said they would prefer not to deal with black trade unions, and more than half would prefer not to deal with any unions.

Some 90% preferred plant committees to unions.

Most companies said they would deal with registered unions — but only 37% said they were prepared to recognise an unregistered union.

According to the Financial Mail, advancement into top jobs is also lagging behind. Only 22% of the companies have coloureds, Asians or blacks in supervisory positions over whites, and only 3% have blacks in top supervisory jobs.

49

GENERALLY ACCEP ... ACTICE

APPI

QUESTIONS

DEFERRED TAX

A. Alpha Limited acquir ... plant for R60 000 on 1 May 19.6. Dep ... ided at 12½% p.a. straight line. A 2 ... nce is granted for tax purposes, wear a ... on the reducing balance. Tax rates ... and 42% in 19.7, and taxable income a ... 0 and R50 000 respectively, for th ... ended 31.12.19.6 and 19.7

1. What is the balance ... ccount in respect of the plant at 31.

   a) deferral m

   b) liability

2. Show how the tax ch ... osed in the income statement fo ... 1 December 19.7, assuming

   a) deferral

   b) liability

   (assume t ... items causing timing d

3. How will the answe ... d by the existence of an extraordinar ... of a division of the company, amounting ... f which was taxable, in the 19.7 financ

4. How does the answe ... the R70 000 is now a deductible loss, w ... ff against the taxable income from other ... ? Draw up the income statement a ... ral method is used.

5. Further to Note 4, ... the company has a set profit before depr ... 00 in 19.8.

Draw up the income ... e 19.8 financial year under a) liability

b) deferral method

Assume the tax rate remains 42%

Face the challenge of change — survey

RDM 18/7/79

Pretoria Bureau

IF SOUTH Africa is to get back on the road to prosperity during the rest of the century, its people will have to face the challenges of economic and political change.

This is the warning contained in a survey conducted by the Bureau of Economic Policy and Analysis of the University of Pretoria.

In contrast to the 1960s when thousands of European immigrants supplemented the skilled manpower base, the "non-white" population would from now on have to fill the gap to a much greater extent.

Without this, South Africa could expect serious unemployment, a slow growth in living standards and a seriously widening differences in personal incomes.

To a very high degree, general education and industrial training must provide the key to the changes required.

Taking into account the projected rate of growth in the supply of manpower, a growth rate of 5% over the next 22 years is necessary.

The bureau warns, too, that the population is expected to increase from about 27-million in 1978 to more than 48-million in the year 2 000.

By then the black population is expected to constitute 77,4% of the population. At present it constitutes 71,5%.

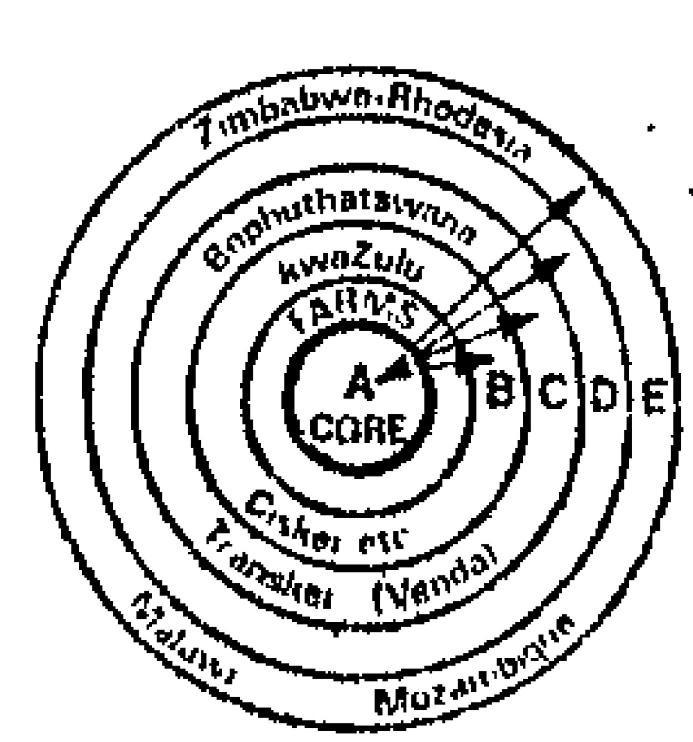
The black population would also be responsible for roughly 84% of the annual increase in the labour force by the year 2 000.

The white group would shrink from 16,2% of the total population to 11,2%.

The bureau adds there is a vast potential for further rapid urbanisation of the black population.

This would necessitate large expenditure on housing, physical and administrative infra-structure and on the provision of employment.

The economic core of SA, representing mines, factories, towns and cities circled by "white" farming areas, is represented by Dr Wilson as "A" here. Surrounding it are the various categories of black area which he says are shouldering more unemployment and poverty, despite the possibility of a non-racial core in future. The arrows indicate the flow of labour to and from the core in accordance with its needs.



White core set for radical change?


Bishop Tutu . . . changed mind.

By John Allen

Recent Government moves fitted in with a policy of integrating some blacks into "white" core areas of South Africa, but shifted the burden of unemployment and poverty to black rural areas.

This was the basic conclusion reached by University of Cape Town labour economist Dr Francis Wilson in an analysis presented to the conference of the SA Institute of Race Relations today.

Government response to the Riekert and Wiehahn reports, aspects of the reports themselves, the continuing resettlement of people in rural areas and the reinforcing of "boundaries" between core areas and "black states" were in line with this conclusion, Dr Wilson suggested.

The feeling of reform, sensed by many people, seemed to be a gradual move to replace skin colour by political boundaries which separated those permanently resident in urban areas and blacks in rural areas, he said.

Restrictions

"Is it too far fetched to suggest that we are witnessing the beginning of a significant shift in the status of black urban 'insiders' (permanent residents) by means of a gradual easing of all economic and social restrictions based solely on colour.

"This 'deracialising' of the core could conceivably be carried through by the present Government provided it did not involve too many Africans. Such a policy has many advantages to white South Africa. It makes possible a 'new deal' . . . for those living in places such as Soweto.

"The process will take much of the sting out of international criticism. And it will deepen the division of interests within the black community between those who have rights of access to the accumulated wealth of the economy in the core region and those who must wait unemployed and hungry on the edges waiting to be called if they should ever be needed."

Homelands and nearby black African states "from which the core can draw labour when it needs it and to which it can return workers when it no longer needs them act as a kind of shock absorber which gives the whole system a stability which

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Justice

The issue of economic justice could no longer be seen in simple black and white terms. Those concerned with it should press above all for the rights of "rural Africans" and migrant labourers.

Dr Wilson argued that the migrant labour system had significantly shaped economic development.

Political boundaries (including those of homelands), which had become increasingly important, had operated as a "one-way filter" allowing labour into the core but also resulting in productive capital being accumulated mostly in the core.

The system also shifted "much of the risk of unemployment, the burden of social security, and the hardships of poverty from the shoulders of those living within the economic core . . . to those who, whilst contributing to its growth, are not allowed to share its full fruits."

Government response to the Wiehahn and Riekert recommendations, as broadly accepted by the Government, benefited blacks with the right to live permanently in core areas, Dr Wilson said.

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Desember 1978

ECONOMIC GROWTH F.M. 13/7/79 (49)

Horwood cornered?

Government circles are currently full of talk about further stimulation of the economy. According to Simon Brand, economic adviser to the Prime Minister, the assumptions on which the budget estimate of a 4% growth rate was based is not entirely valid anymore. "Therefore," says Brand, "there is a case for considering further stimulation."

The soaring oil price is only one of the reasons for the pessimism. Although, reckons Brand, the higher price will not have a direct impact on the growth rate, "it will indirectly offset growth by eroding buying power." But the tax concessions flowing through this month should have some offsetting effect.

Another dampening factor is that consumer spending is not living up to expectations. According to the Reserve Bank Quarterly Bulletin, in the first three months of this year, real consumer outlays barely exceeded those of the previous quarter or the level of the first quarter in 1978.

The continuing strength of the balance of payments and healthy government finances have cleared the way for Minister of Finance, Owen Horwood, to go for more stimulation. But, although there are a number of stimulatory measures which could be adopted, Horwood, hemmed in by government policy, has few options to choose from.

More State spending is a possibility. But this would go against government's declared policy of reducing its expenditure relative to that of the private sector. In the unlikely event of government deciding to step up spending, Brand avers that it would not have an immediate impact on growth because of the time lag between the initiation of projects and their effect on the economy. "We must look at measures with a strong short-term impact," he adds.

Senbank's economist, Louis Geldenhuys, points to the speed at which government got Sasol 3 going. This sort of pace could probably be achieved with other projects, such as low-cost housing. Barclays' chief economist, Johan Cloete, suggests subsidies to help the economy along. These have the advantage of benefiting the low-income groups, who are most severely hit by inflation.

Horwood stated in Parliament last month that government will step up its efforts at curbing inflation. Since a return to anti-inflationary measures is out of the question, Horwood could have in mind subsidies on, for example, food and urban transport.

But Rudolf Gouws, Nedbank's economist, argues that "since government's aim is to move away from subsidies, I cannot see an increase in subsidies amounting to more than R50m, which will not make any real difference to growth or inflation."

Standard Bank's economist Andre Hamersma, asserts that a drop in the import surcharge would help to reduce

Adviser Brand . . . more pressure in the rear

inflationary pressures. But Geldenhuys argues that "this could go against growth in the sense that protected firms may not be able to stand up against more competitive imports."

Lowering general sales tax (gst) is another possibility. But again economists argue this would not do much for growth, despite the fact that a cut in the rate from 4% to 3% would increase spending power by between R250m and R300m on an annualised basis. Gouws thinks that "we could do with something more visible to boost confidence."

Early loan levy repayments are a more likely stimulatory measure. In April, they totalled R285m for individuals. Such repayments have the advantage of being quick to implement. But, Brand argues, most of the levies would go into the wrong hands, those of the high-income groups, who would probably save a large portion of any repayments.

Lowering the bank rate once more to push interest rates down even further could help growth by boosting confidence, "but it would have to be part of an entire package," Gouws argues. But Horwood is unlikely to consider this option, since the capital account is still very weak. Moreover, reckons Hamersma: "What the businessman needs is sales, and a drop in interest rates certainly won't push up sales."

(49)

For Full text see
Acts 1979

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

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VOL. 169] KAAPSTAD, 13 JULIE 1979
CAPE TOWN, 13 JULY 1979 [No. 6574

DEPARTEMENT VAN DIE EERSTE MINISTER

No. 1537. 13 Julie 1979.

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 120 van 1979: Begrotingswet, 1979.

DEPARTMENT OF THE PRIME MINISTER

No. 1537. 13 July 1979.

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 120 of 1979: Appropriation Act, 1979.

ACT

To appropriate an amount of money for the requirements of the State during the financial year ending 31 March 1980.

(Afrikaans text signed by the State President.)
(Assented to 2 July 1979.)

BE IT ENACTED by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:—

Appropriation of R9 293 221 000 for requirements of State.

1. Subject to the provisions of the Exchequer and Audit Act, 1975 (Act No. 66 of 1975), there is hereby appropriated for the requirements of the State during the financial year ending 31 March 1980, the amounts of money shown in column 1 of the Schedule, with which the State Revenue Account shall be charged.

Short title

2. This Act shall be called the Appropriation Act, 1979.

Public utilities lose borrowing privilege

49 15/7/79 Sunday Times

By NIGEL BRUCE

THE Reserve Bank is forcing the public corporations to cover forward certain of their foreign loans at market rates through authorised foreign exchange dealers.

This means that the cost of covering some of their hard currency loans — particularly those in Swiss francs — has rocketed by about 700% over the past five months.

But it also means that the foreign currency losses of the Reserve Bank, which previously provided this cover at a ludicrously low rate, will be curtailed.

The last time an official figure for these losses was given, more than a year ago, it was in excess of R1 000-million and Finance Minister Owen Horwood said at the time it was likely to rise. Bankers estimate that the current exposure is many times that sum.

These losses have ultimately to be made good by the taxpayers.

The bank's move, however, has caused some consternation among the public corporations, partly because of the additional cost, but mainly because of the lack of flexibility when they have to buy cover on international markets.

For instance, the drawing down and repayment of foreign loans is often dependent upon the completion of stages of a capital project, which means that obligations vary and cannot be fixed much in advance.

However, forward contracts through authorised dealers do have to be fixed in advance and honoured at specific dates, although some optional contracts are available. This means that public corporation treasurers will have to become particularly adept at currency dealing to keep their exposure to currency losses at a minimum.

It will also mean that they will have to be very careful in which currency they decide to borrow. In the past, they needed to look only at interest rate levels. Now they will have to anticipate the future strength or weakness of the currency they borrow.

The loans that the corporations are being forced to cover in this way are predominantly foreign trade credits offered by foreign suppliers of equipment.

These loans do not actually flow into the country. When the corporations buy equipment abroad and finance them by means of these credits, the foreign bank providing the credit simply pays the manufacturer, who is usually in the same country.

Before the railways had to pay the full commercial rate for forward cover of loans of this nature, these trade credits might have been the most advantageous method of financing its new R31-million airbus. The situation could be different now.

Except for Iscor, which tells me it is paying the full international market rate to cover all of its foreign loans, the other public corporations are still able to obtain Reserve Bank cover for foreign loans that actually flow into the country.

But whereas before January 25 they paid 1% a year for this cover, the bank now makes them pay according to a formula that takes interest rate differentials between the rand and the borrowed currency into consideration, but still contains a small element of subsidy.

Moreover, it will cover these loans directly against the rand, without the corporations having first to cover their rand positions against the dollar, and then the dollar positions against the borrowed currencies.

According to this formula, some corporations' most recent DM loans were covered forward by the Reserve Bank at a premium of 2% and Swiss franc loans at a 3% premium.

Despite an element of confusion and the additional burdens these moves place on the public corporations, the Reserve Bank's move is undoubtedly a wise one as it reduces what amounted to an onerous and unjustified public subsidy to our nationalised institutions.

49

27/7/79

SA ECONOMY EXPANDING — FIGURES SHOW

Financial Editor

CONCRETE evidence that the growth rate of the South African economy is starting to accelerate is contained in the latest foreign trade figures issued by the Department of Customs and Excise.

These show that South African imports in June were a record amounting to R672,1-million, an increase of 20,5 percent on the year ago figure.

In the past the authorities have tended to regard rising imports with a slightly jaundiced eye as this meant they would have to find more foreign exchange to pay for them.

However, at the moment the authorities are probably quite pleased to see imports rise in this way, as it indicates that commerce and industry are feeling more confident about the economic outlook and are beginning to build up stocks and to instal new equipment.

Furthermore, with exports riding high, the authorities need not be concerned about the country's ability to pay for these imports.

The June export figure of R769,7-million is the second highest monthly export figure recorded, being exceeded only by the May figure of R861,8-million. June exports, moreover, were 25 percent higher than in June last year, indicating a considerable increase in the export business of South African firms.

The Minister of Finance, Senator O P F Horwood meanwhile, has reiterated his belief that the South African economy is in a fairly strong expansionary phase.

Speaking in Johannesburg last night, Senator Horwood said he still believed that the annual rate of economic growth can reach 4 percent by the end of this year.

If Senator Horwood's forecast proves to be correct, then South Africa is in for a period of rapidly expanding business activity within the next few months.

3.

evaluated, and it is probable that some of the dates are not associated with
Iron Age occupations (Huffman, in press), and (2)
to processes associated with settlement prolifera
research strategies (Collett, in prep.). However
Iron Age traditions the bevelled/fluted complex
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would have made changes in pottery styles unlikely
not occur, and social pressure would have enforced
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In the present paper two simple ecological mo
a continuous spread and the other a discontinuous
colonisation of new areas. Mathematical modelling
be shown to produce different rates of expansion,
rates derived from the Early Iron Age radiocarbon
that a discontinuous spread model produces more r
than a continuous spread model.

ECOLOGICAL MODELS OF DISPERSAL MECHANISMS

Continuous Spread. Dispersal processes that give rise to continuous spreading have been linked to two variables, population growth and the existence of territories or home ranges (Emlen, 1973). A territory or home range, a site territory in archaeology (Higgs and Vita-Finzi, 1972), has a fixed carrying capacity under a specified system of exploitation. As population increases the carrying capacity is approached, population limiting factors will come into operation and movement out of the area would become more advantageous to individuals because it would increase their reproductive fitness. The group would split into two or more sub-groups, and all but one of these would move away some distance and settle. An imaginary boundary enclosing the settlements would appear to move outward (Fig.1). If population continued to grow, the boundary would continue to move outwards, and population

4.

density would increase in the central area until all the potential site territories were being utilised. In the central area population limiting
recruitment (birth, immigration) and loss
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spread case. As the density of settlements increased behind the frontier the

Economic boycott of SA impracticable?

C. Times 2/8/79 (49)

Economic Boycott Against South Africa. By Arnt Spandau (Juta)

SOUTH AFRICA has had to live with the threat of international sanctions ever since Sharpeville. This book sets out the economic implications of this threat becoming reality and in the process details arguments which are behind it.

Arnt Spandau, professor of business economics at Wits, has concentrated on normative and factual issues backed by an impressive array of statistics to produce what is probably the definitive work on a subject which has largely remained in the realm of the prohibited and unknown. He maintains an investment and trade boycott would be almost impossible to implement and enforce, and it wouldn't help blacks in South Africa or the citizens of other countries even if it did come about. In short — it wouldn't work.

But Spandau believes the "laager scenario — where the white population withdraws into a form of catatonic state holding millions of blacks hostage against a hostile outside world — is both unrealistic and irrational. Yet even if the country was cut off from the international community, it would "probably remain sufficiently strong to continue to withstand the call for the abandonment of its apartheid policies".

In other words, it is not so much the action but the threat of its application which gives the West leverage in the politics of South Africa, and once this card had been played the only tactic left would be direct military intervention. The embargoed state would certainly have its problems, but neither its people nor anyone else would hear much about them because the government would then presumably clamp down on the press and bar foreign journalists. The authorities would be able effectively to mould minds with control of the media and uphold this situation for some time.

The author concludes that the task at hand is the search for a better solution. There is hope that one will be found and "although it is is difficult to detect, it would appear at this moment in time (mid-1978) that the earlier gradual escalation of conflict between South Africa and the West has given way to a period of learning". Local subsidiaries of multi-national corporations are considered to be one of the few power groups left which could forcefully initiate necessary change, a role which would end as a consequence of an investment and trade boycott.

Professor Spandau's book is not easy reading, but the extensive collection of economic facts and figures inter-relating the fundamentals behind major political issues of the day, coupled with the spectrum of stances taken on these issues, makes it a valuable addition to the library of understanding so essential to solutions.

Gordon Kling

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

49 The Star Monday August 6 1979

THE MARKETING SCENE

BY JEAN MOON

Blacks set for R11 600m buying spree

The South African retail market reaches a significant new milestone next year.

The spending power of black and brown families will climb to around R11 600m in total — and so for the first time overtake the white total.

Aside from sheer size of population, factors that switch the scales are led by the fact that black worker incomes are expected to go on beating the pace of inflation while white incomes fail to keep pace.

The event means the biggest shake-up in marketing attitudes in years. Is the marketing profession as a whole geared to cope?

Darryl Bernstein, marketing service director of Grey Phillips, says this phenomenon has been anticipated for a long time. His company has employed black people in order to introduce black "thinking" and "ideas" into the marketing services undertaken by Grey Phillips.

The entry of the black customer into areas formerly thought of as white only has influenced his company to build the black element into its advertising, marketing and media programmes. Clients formerly not exposed to the demands of blacks are being "schooled" to include a different way of thinking with regard to new projects. Darryl feels it is of the utmost importance to bridge the communications gap between the races and to break down the mystique of the black market.

The increasing rate of literacy in South Africa, especially among the blacks, is of enormous importance. In 1960 the rate stood at 40 percent, rising to 50 percent in 1970. It should be much higher now. Advertising can now be increasingly aimed through the written word.

An independent survey estimated that in 1977 black earnings accounted for 29 percent of the total of actual gross earnings in South Africa, while that of whites accounted for 61 percent. The remaining 10 percent was made up of coloured and Asian earnings.

By 1980, black earnings will account for 34 percent, Asian earnings three percent and coloured earnings seven percent. In the same year, white earnings will total 56 percent — a five percent drop since 1977.

In real terms, whites will have less purchasing power in 1980 than blacks, dropping to 48,3 percent from 53,2 percent in 1978. In the three-year period, black salaries will increase by a total of 72 percent, compared with a 33 percent increase for whites. Black earnings are running well ahead of inflation, while those of whites are falling behind.

The survey indicates the increased discretionary incomes of black and brown families will be aimed mostly at tobacco, personal care (deodorants, soaps etc) clothing and footwear, and it is in these areas that manufacturers must first concentrate.

In the three-year period, it is estimated black families will spend 15,9 percent more on food, compared with the increase in white spending of about 6,7 percent. This represents a R1 485m rise in spending by blacks compared with a R368m rise in white spending.

★ ★ ★

South Africa's top packaging competition, the Bob Wooler Award, which is held annually under the auspices of the Institute of Packaging SA to recognise and promote packaging design, is taking on a new identity this year when it is being renamed the SA Goldpack Award.

LEFT: Somkele Kekana, who in 1975 launched Afro Marketing — claimed to be South Africa's first black advertising agency — has joined Bates Wells Rostron as a marketing consultant.

RIGHT: Michael Hook has been made a director of Robin Binckes Promotion and Public Relations (Pty) Ltd.

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

c) Ander lede:

Mnr K. Bosman
Professor A. Cupido
Mnr N. Daniels
Mnr Achmat Davids
Professor R.J. Davies
Professor J.J. Degenaar
Mnr René de Villiers
Mnr H.W. Middelmann
Eerw. M.T.L. Moletsane
Professor A.D. Muller
Sheik A. Najaar
Mnr Victor Norton
Professor N.J.J. Olivier
Mnr L. Phillips
Professor H.P. Pollak

The Star
Friday August 10 1979
CLASSIFIED ADVERTISEMENTS INSIDE

BRIEFING

For the Prime Minister, Mr P W Botha, the next few weeks will be critical. After barely a year in office during one of the most tumultuous political periods in the country's history, he goes into a National Party congress season needing to maintain the momentum of his policies of change and to entrench his leadership. Can he sell his new "national strategy" to his essentially conservative party? HUGH LEGGATT, political correspondent, looks at the challenge he is facing.

Botha will stake all on his SA 'New Deal'

Arguably the most important season of National Party provincial congresses since apartheid came off the drawing boards in 1947 starts next week in Durban.

The party is in ferment as old ways come under scrutiny in a new spirit of "realism."

With changes of policy and flexibility to meet new circumstances being foreshadowed by the Prime Minister, Mr P W Botha, its electoral base is in danger of being eroded to the right.

The four provincial congresses will be the acid test of Mr Botha's leadership and the Government's true intentions. And knowing Mr Botha's style and his record so far he is going to press ahead with what he thinks is necessary, never mind who may fall by the wayside.

The season reaches its climax in Cape Town at the end of September when the Prime Minister should be able to celebrate a double — his first anniversary in office and the four-times endorsement of his New Deal.

The Prime Minister has declared that he will put his stamp on the congresses — that the Government will take the lead and ask for approval for new directions in policy.

The "new directions" amounts to a greater emphasis, inside the framework of separate development, on Co-operation between the races as typified by moves to:

- Satisfy homeland blacks on consolidation;
- Create a constitution with shared power between white, brown and Indian, and perhaps even urban blacks;
- Form a constellation of interdependent southern African states;
- Relieve the burdens of life from urban blacks by easing application of controls and developing settled communities with all normal urban facilities.

The aim of all this racial rapprochment is to improve inter-group and inter-personal relations to form the basis for a national strategy that encompasses unity in diversity.

Whereas in the past apartheid meant separation for the sake of separation, the New Deal implies separation with good neighbourliness and co-operation.

Separation will be blurred here and there in the process by the need to get together on matters of common concern, and to recognise the economic bonds and interdependence that hold groups together in one region.

It means that apartheid is still alive but it is more benign. It will be an apartheid that is more dynamic and creative than negative and selfish.

It means that blacks and whites must recognise, not only in word but in deed, each other's rights to retain their identity and group structures and to have full say over their own affairs.

Mr Botha's moves, as he has been at pains to point out, do not mean principles are being thrown overboard, but that the policy flowing from these principles must be updated and flexible.

Easy

The basic principles of the National Party leave a great deal of room for manoeuvre — and interpretation — in terms of policy adaptations.

They include recognition of the supremacy of God, the sovereignty of South Africa, the welfare of the nation (not only part of it), the attainment of people's aspirations.

In these terms it is easy for the Prime Minister to say the National Party must look to the interests, and to listen to the needs, of others for the common good.

But will he take the conservatives with him into the new phase, the new emphasis on Christian brotherliness?

Perhaps because Mr Botha understands so well the use of the levers of power it appears that he has already done so.

It has been noticeable already at political meetings that even conservatives are speaking much the same language as Mr Botha — even in Koedoespoort where a Nationalist must be fearless to push a verligte line.

Transvaal leader Dr A P Treurnicht and the conservative Minister of Water Affairs, Mr Raubenheimer, have been among those who appear to have been imbued at Cabinet level with a new spirit.

While assuring supporters that apartheid is very much still policy they speak of co-operation because the black man in our urban midst cannot be wished away.

While there is scepticism, especially after the years of Mr John Vorster's "verligtheid" and "pragmatism," that the NP can ever change fundamentally, there are certain pointers that in his first 300 days Mr Botha has set things happening.

Consider those pointers:

- Crossroads;
- Alexandra;
- Glenmore;
- The promise to electrify the public service into effectiveness by axing the number of departments from 40 to 18;
- The streamlining of national decision-making into compact Cabinet committees; and
- The new reliance in Government on private sector business skills.

Scepticism about the latest euphoria in Pretoria is expressed by political scientist Professor Willem Kleynhans and the leader of the New Republic Party, Mr Vause Raw.

The outgoing Leader of the Opposition, Mr Colin Eglin, takes a more sanguine view.

"Mr Botha's grandiose schemes will fall by the wayside," said Professor Kleynhans. "I have been watching the National Party for years and by its very nature it cannot change. Look how they apologetically water down and camouflage in Koedoespoort the so-called verligte measures of the Govt..."

Sanguine

Mr Raw said: "I foresee that this congress season will be a jamboree of cliches and pretty phrases. But beneath the surface there will be hard-fought compromises.

"I have listened to phrases like national strategy, global strategy for many years in the defence context and I believe in the political context they will be no more than a camouflage for an inability to make any fundamental changes."

Of Mr Botha's year in power he said: "After a period of typical Botha outbursts and explosions he has tried to set his stamp on the Administration but has skilfully avoided facing the real issues.

Appease

"Where he has not been able to avoid issues he has backpedalled as with the Riekert and Wiehahn Commissions. His appointment of Professor Gerrit Viljoen to SWA/Namibia is also clearly an attempt to appease his right wing."

Mr Eglin said in his assessment that Mr Botha was unpredictable compared with Mr Vorster's toying around with changes on the fringes of Nationalist policy.

"Mr Botha has given the impression that he is less negative and ideologically hidebound than his predecessor.

"He has at least opened some doors which could lead to really significant changes. Indeed some important changes in policy and emphasis have already taken place.

"His dilemma is the yawning chasm opening between policy and principle. While the policy and idiom is changing the principles remain Verwoerdian.

"This schizophrenia is not only causing confusion in the Nationalist rank and file but it makes the Prime Minister vulnerable from inside and outside his party.

"He must grab the nettle this congress season, bury Verwoerd and reshape basic Nationalist principles so that policy and principle face the fact we are a multiracial society with a single integrated economy."

(Report by C H Leggatt, 216 Vermeulen Street, Pretoria.)

(49) FM 10/8/79

THE ECONOMY

Now for some action

Hopes are high that the long-awaited business upswing is about to materialise. But few expect it to last longer than about a year

The economy is ripe for recovery. Interest rates are low, and still falling (see *Economy and Finance*). Banks and building societies have enough money for anyone who needs it. Net foreign reserves are rising, thanks to a current account surplus which totalled about R1,5 billion in the first half of the year. Gold, though off the top, is still high. Many factories are still idle, and there is the prospect of a slow easing in the cost of living, as oil and other administered prices start levelling off.

Particularly encouraging has been the sharp rise in export earnings. Non-gold receipts in January-June were almost a third up on 1978, while gold earnings are running at an annual rate of over R5,5 billion (R3,9 billion in 1978).

But despite tax cuts and Finance Minister Owen Horwood's eagerness to give private enterprise the lead in the climb to economic recovery, most businessmen have so far been unwilling to grasp the nettle.

The Stellenbosch Bureau for Economic Research recently concluded that "there is a possibility that the recovery has run out of steam, and that the private sector will not be able to push the growth rate along at a satisfactory pace." According to Standard Bank, real GDP will grow by only a fraction over 3% this year, not much better than 1978's 2,5% (see box). In a speech to Wits's business school two weeks ago, Horwood tempered his earlier optimism that the economy would reach an annual growth rate of 4% by the end the year. That may happen only in "ear 1980," he said.

Political worries are one reason w business has not taken advantage of risi profits and liquidity to invest in new pla machinery and inventories. And househ spending has stagnated as consumers h had to spend more on fuel and the m other items whose prices have rocketed, without corresponding pay increases.

STANDARD'S TEA LEAVES

Standard Bank's economic research unit predicts slightly faster growth in 198 than this year, but worries that a slowdown abroad will dampen exports. Industri expansion next year will be straitjacketed by contraints on capacity, labour an finance.

In its annual economic forecast, based on gold averaging $290/oz for the rest o this year and $260/oz in 1980, Standard's wise men have come up with the followir predictions:

	1979 % change	19 % chan
Real GDP	3,1	3
Manufacturing production	5,1	4
Unemployment	—15,2	—22
Average consumer price index	12,3	13
Total consumer spending (real)	2,3	4
Total fixed investment (real)	2,7	
Change in inventories (nominal)	—R185m	R16
Exports (at current prices)	22,2	1
Gold earnings	42,2	—
Imports (at current prices)	26,9	2
Current account balance (nominal)	R1 923m	—R76
Money supply (average) M1	13,6	1
Money supply (average) M2	11,7	1

Economists are confident, however, that a meaningful upturn is not far off. To sustain it, however, a way must be found to put more of the money earned by exporters, especially the mining industry, into consumers' pockets.

The mines say they are doing their bit to push their wealth through to the rest of the economy. Capital spending so far this year is well up on 1978, with existing gold mines' fixed investments alone up by some R300m. Export profits not taken by the taxman are flowing into the money and capital markets, where they are available for any other expansion-minded businessman.

The mines' tax payments are a different matter. Thanks largely to higher contributions from gold and other mineral producers, total income tax collections in the three months to June were 25% up on the same months of 1978. Standard Bank notes in its latest review that "by isolating these funds in the State coffers without granti[illegible] subject of what to do with the gold bonanza will be high on the agenda of the PM's Economic Advisory Council when it meets later this month.

There are several ways of putting more money into consumers' pockets. One is through higher subsidies on essentials such as foodstuffs and urban transport. The trouble with subsidies is that they breed inefficiency and become more permanent than originally intended. A more preferable option is another tax cut.

Already, signs are appearing that consumers are eager to spend more. Major retailers report that July turnover was about 17% up on July 1978 (admittedly a bad month, following the start of gst). "The trend is fairly buoyant," says Doug consumer spending will generate many millions of rands in new orders for industry.

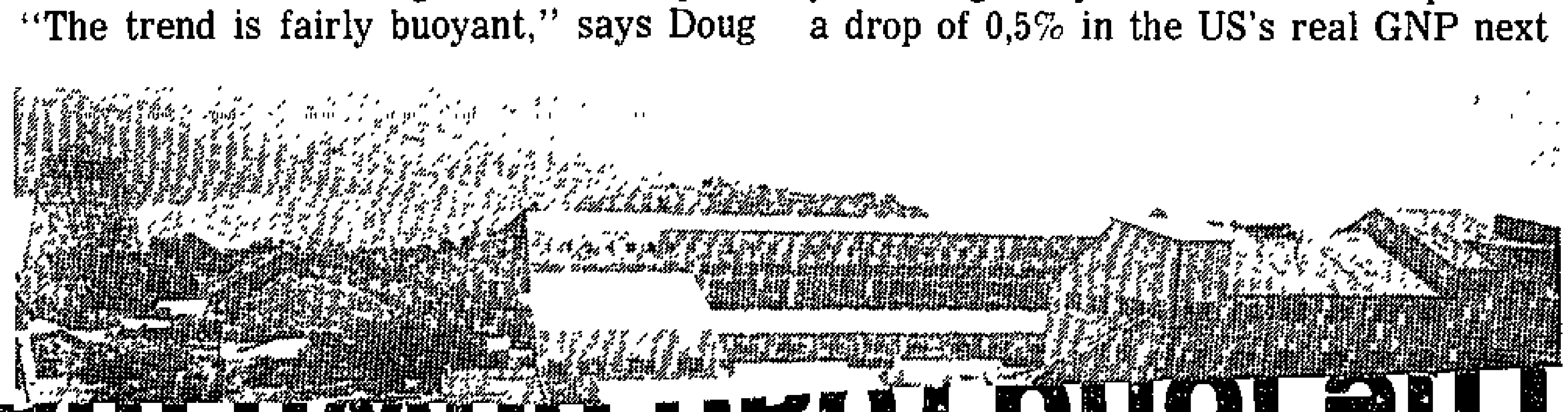
This year's poor farm season cost the economy about 1% of real growth. If, hopefully, the coming spring rains are heavier than 1978's, farmers should be able to make a sizeable contribution to pushing up consumer demand in coming months.

The need to inject more life into the SA economy is becoming increasingly urgent, and not only because of the need to shorten the queues of black job-seekers. The outlook for the economies responsible for SA's export boom over the past two years is gloomy. Latest forecasts predict a drop of 0,5% in the US's real GNP next

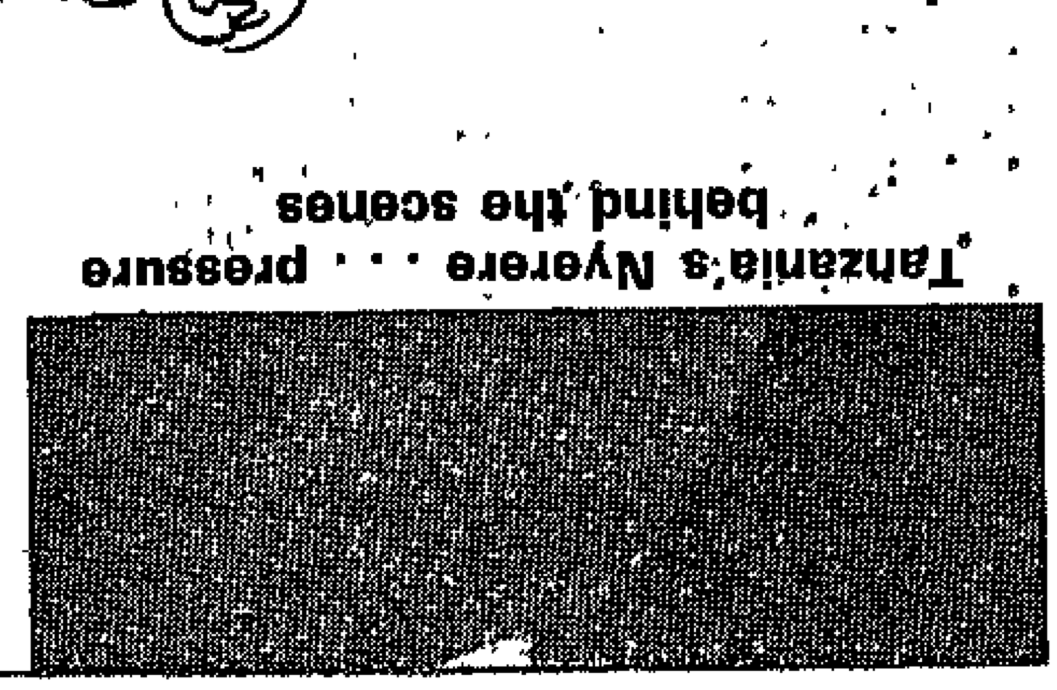
(30) FM 10/8/79

MOTOR VEHICLES

The long road down market



Conservative government has undergone a distinct shift in policy - even though Thatcher is trying to convince her anxious backbenchers (*see Politics and Labour*) that this is not the case. At one point, Whitehall appeared to be moving towards recognition of Z-R's internal agreement and the lifting of sanctions. Unfortunately,



Tanzania's Nyerere . . . pressure behind the scenes

lem. But one thing does seem to have changed. White and black Rhodesians have been looking to a Conservative government for support of their internal agreement. Thatcher, seemingly, has dented those hopes, backed by the white Commonwealth. The long search for a settlement is not over.

Bank rate cut in bid for jobs, prosperity

49

Argus 11/8/79

By Derek Tommey

THE Government is trying to prod private enterprise into creating more jobs and a wealthier South Africa.

It will cut the official bank rate by half-a-percent to seven percent from Monday, to give the economy a boost.

The idea is to try to get commerce and industry to use the cheaper money — and there is plenty of it lying idle — to expand their businesses and open new ones.

The Prime Minister, Mr P. W. Botha, has said that one of the Government's immediate aims is to look into the problem of unemployment.

DEMAND

The immediate effect of today's announcement of the Reserve Bank's cut in the discount rate should mean lower hire purchase costs, for a start, for the man in the street. This is likely to increase the demand of goods.

Commercial banks are also expected to announce immediate reductions in their lending rates to clients.

Apart from hire purchase and overdraft rates, mortgage rates and many other interest rates, should be reduced by half-a-percent.

JSE

However, it is possible that some institutions may need a little prodding by the Reserve Bank before acting.

Share prices on the Johannesburg Stock Exchange should rise on the news for the drop in interest rates will make shares more attractive to investors and push up their prices.

The cut in the bank rate is not good news for everybody. Those people who live on the interest from fixed investments could be seriously affected.

Their income, which has already been hard hit by inflation, is now likely to shrink even further.

However, the move should be advantageous to most people as it will encourage economic expansion.

The governor of the Reserve Bank, Dr T. W. de Jongh, delivers his annual address on Tuesday. It is possible that he will then announce further moves to help the economy.

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die

Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

c) Ander lede:

Mnr K. Bosman
Professor A. Cupido
Mnr N. Daniels
Mnr Achmat Davids
Professor R.J. Davies
Mnr H.W. Middelmann
Eerw. M.T.L. Moletsane
Professor A.D. Muller
Sheik A. Najaar

d) Twee Ere-Fellows:

Professor J.L. Boshoff
Dr Sheila T. van der Horst

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger op die Beheerraad. 'n Verkiesing is in 1978 gehou en die huidige ampsdraer is Biskop A.W. Habelgaarn. Terwyl geen verpligtinge aan lede opgelê word nie, word hulle geraadpleeg in verband met sake wat die Sentrum se program raak.

NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

WHAT THE ECONOMY-WATCHERS EXPECT

By BEN TEMKIN

Sun, Tribune 12/8/79

Growth rate now it's up to you, Guv'nor

(49)

De Jongh may urge banks to lower rates

WHEN Reserve Bank Governor, Dr Bob de Jongh, makes his annual address on August 22, economy-watchers will be looking to him for some important moves on the economic growth front.

In particular, what is wanted is some strong direction to the commercial banks to drop their lending rates. While the building societies have lowered their mortgage rates in line with the lower rates being offered on deposits, most banks are still charging overdraft rates of 13 percent or more to their customers.

Lower mortgage rates in the consumer sector are a stimulus to consumer demand for housing and also free more cash to be spent by the consumer.

Lower rates on deposit are, however, directly anti-stimulatory because they reduce the incomes of those who make the deposits.

They act effectively to curb consumer demand especially on the part of those consumers who depend on their income from their deposits with banks and building societies.

This anti-stimulatory effect is easily countered and, in fact, turned to positive advantage if, in the business sector, investment can be encouraged through lower lending rates.

However much money the banks have to lend, they will not be able to lend it unless the business sector finds the rates attractive enough for borrowing.

At the moment, the business sector is looking at double-digit inflation which means that, to earn a real return of even three percent on capital invested, a total return, before inflation of 13 percent, has to be earned.

If money has to be borrowed at 13 percent, then there is no real return to be had.

When the Minister of Finance targeted four percent real growth for the economy this year, he was unquestionably only too well aware of the problems of that growth from a base of double-digit inflation.

But he also must have seen the prospect of relatively cheap money as an inducement for more capital investment in the commercial and industrial sectors.

It is almost certain De Jongh will find some way of delivering on this point.

The second area he will be expected to look at is that of allowing greater flexibility to the banks in their lending.

The current practice on ceilings is to increase these by 0,5 percent a month — a practice which does not acknowledge the amount of banking business that is being done by a particular bank.

Banks have to attract deposits in order to lend money and it would seem more logical if lending was in some way related directly to the amount of deposit business transacted by the banks.

If there is to be a more flexible and realistic approach to credit ceilings for banks then they will have to have the kind of capital base which will allow them to expand their business.

They cannot simply rely on the historic level of their ceilings and the progressive increase in those ceilings. And so Trust Bank goes to the market to give itself the base it needs for its future expansion — which indicated not that it is weak but that it is vigorous and looking for growth now that most of its troubles are out of the way.

For those who believe in an economy that is wholly free, it may well seem absurd that people are looking to the Reserve Bank to persuade the private sector to borrow by dangling the carrot of lower lending rates.

It would have been thought that these rates would have fallen simply through the enormous amount of liquidity in the market. (Not so: Liquidity has kept the interest rate trend in a decline but lending rates have remained substantially firm.

The emphasis has, therefore, to be on getting some real growth from increased consumer demand — and from more aggressive growth in the private business sector. Government spending, lower interest rates and more lending flexibility for banks will all help to this end.

New wrangle on forward cover

Sun Times Bus. 12/9/79

By NIGEL BRUCE

AFTER some sharp objections from Sasol — and a certain demurring from Escom — the whole thorny, and expensive, question of the provision by the Reserve Bank of subsidised forward cover for certain of the foreign loans of the public corporations is again in the melting pot.

The previous ruling from Pretoria was that the Reserve Bank would not provide subsidised cover for those public corporation loans — such as export credits — which did not actually flow into this country.

Export credits are usually provided relatively cheaply by the banks within the country manufacturing the capital equipment being bought by the public corporations. They pass directly from the banks to the equipment supplier.

The provision by the Reserve Bank of subsidised forward cover for the foreign loans of the public corporations has in the past resulted in foreign currency losses of thousands of millions of rand, which ultimately have to be paid by the taxpayer.

Sasol has a particular problem in this regard because a very large proportion of the R600-million in foreign facilities that it has obtained is in the form of long-term export credits.

Both Sasol and Escom argue that if these credits have to be covered at full international market rates, they will not be able to come out on their present capital project budgets. Costs, they say, would escalate without the subsidy.

They acknowledge that ultimately the taxpayer is going to have to foot the bill — either by paying higher taxes or petrol or electricity prices — regardless of how this cover is obtained.

But they do not themselves want to be seen as the cause of these cost increases, especially as public opinion is often ill-informed on their financial affairs and is therefore hostile.

For the time being forward cover is being provided by the Reserve Bank for these export credits according to an interim formula, which stipulates certain limitations. It does not by any means meet all of the requests that Sasol made.

But Treasury thinking on the matter has not yet crystalised. Understandably, no one wants to be easily identified as the source of higher demands on the public purse.

Nevertheless, it can also be argued that it is sounder economics for costs to be seen to arise where they are being incurred. For that is where pressure must be applied to reduce them.

In any event, I understand that a definite policy statement on this matter will soon be made by the Treasury, possibly within a matter of days.

Sun. Tribune 12/8/79

Why rates were slashed

(49)

By BEN TEMKIN

YET another portent to what the Governor of the Reserve Bank holds in store when he makes his annual address was the cut in building society deposit rates last Wednesday.

The official reason given by the Association of Building Societies for the cut is the flood of institutional money which the societies are having difficulty in placing.

The latest cut is from 7,5 percent to seven percent for 12-month deposits and from 8,5 percent to eight percent for 24 months.

This is the fourth cut in the last 12 months, rates having been reduced in October, 1978, and February and April this year.

The reason for taking what is being regarded as an early view on rates is that, in the view the societies had reacted too late to market trends.

The result was they were flooded with money at rates which were higher than the pattern and were then faced with much lower margins between their lending and receiving rates for quite considerable periods.

The banks are, of course, still quoting 7,5 percent on 12-month money although their rates for two-year deposits are identical to those of the building societies.

The probability is that there will be some institutional flow to the banks for one-year deposits especially since it looks as though there will be more pressure to drop rates further in order to carry through the economic recovery.

Not that there has to be much official downward pressure. Short-term rates are still in decline as evidenced by the falling treasury bill rate which just a week ago dropped by 18 points to 4,80 percent.

Comment in the money markets is that the low for treasury bills co[illegible] 50

percent whereas just a few months ago 4,75 percent was considered to be the minimum.

This is especially interetsing in relation to the strong views expressed earlier this year that an interest rate reversal was near.

Certainly the evidence of that reversal was strong in January-March. But, unfortunately things started to go wrong when the inflation rate refused to be slowed and was then aggravated by the oil price increase and restrictions.

As long as the recovery is not evidenced in demand for money for capital investment, then rates are likely to go lower still

— and the building societies are merely acting to protect their own lending market if later this year there is a heavy demand for mortgages.

Apart from Arab buying of some luxury houses — and exactly how much of this there really has been seems to be conjecture — the only real housing demand this year must have come from the large Rhodesian immigration into this country.

This hardly smacks of growing consumer confidence. Without demand from the consumer sector, businessmen are not going to be tempted to expand their businesses — but, if they can get cheap money — who knows?

Star 15/8/79

(49)

Congress report sees gloom in US economy

WASHINGTON — The US economy is now probably in a recession which might be worse than the Government predicts, the Congressional Joint Economic Committee says.

Its mid-year economic report says real output turned sharply negative in the second quarter of this year.

"For the year as a whole, the American economy will exhibit little or no positive economic growth. A continuation of this lacklustre performance in 1980 is all but guaranteed." the report says.

"We agree with those economists who attach the greatest probability to the prospect of a mild recession in 1979.

"However, we do not rule out the possibility that this recession could extend well into 1980 and be more severe than is generally anticipated!"

The report does not make any recommendations on fiscal or monetary policy. Instead, it urges strong steps be taken to improve US productivity over the next decade as the best way to reduce inflation.

URGES

Committee chairman Lloyd Bentsen says the best way to increase productivity will be to give incentives to businesses, such as faster depreciation rates and government subsidies, to encourage them to modernise their equipment and train unskilled workers.

The report makes optimistic, pessimistic and baseline projections for the economic outlook from 1980 to 1989, based on different assumptions.

Under the pessimistic forecasts, based on higher food and energy costs, the US gross national product would grow at an annual rate of 2,7 percent from 1980 to 1984 and 1,5 percent a year for the next five years. Unemployment would average seven percent or more each year.

The inflation rate would be 8,7 percent over the first half of the decade and 9.3 percent in the last half.

According to the optimistic forecast, if the US could substantially increase its productivity and reduce its dependence on oil imports, it could average a growth rate in GNP of four percent a year, with inflation and unemployment both dropping to about five percent a year.

The baseline projections are based on a substantial productivity increase, moderate energy and food price increases and a rapid growth of exports.

TAX CUT

This would produce an annual GNP increase of 3.6 percent from 1980-1984 and 5,1 percent from 1985-1989 and an annual unemployment rate of 6,7 percent in the first half of the decade and 3,5 percent in the second half.

Senator Bentsen has called for a 20 000 m dollar (R17 000 m) tax cut but this is not part of the committee report. He said in an interview he thought a majority of Congress would support such a cut even though the Carter administration says no tax cut is needed at this time. — Reuter.

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

Konferensie van die Afrikaanse Calvinistiese Beweging, Potchefstroom (Oktober).

(c) Deelname aan Welsyns- Professionele en Openbare Organisasies

Die Direkteur het aktief gebly in die Suid-Afrikaanse Instituut vir Rasse-Verhoudinge as 'n lid van die Weskaap-Distrikskomitee, die Nasionale Uitvoerende Komitee en van die Raad.

Hy is Voorsitter van die Quaker Service Fund in die Kaap, die diensafdeling van die Godsdienstige Vriendekring (Quakers), wat gemeenskapsontwikkeling op die platteland en in die stadsgebiede bevorder.

Die Direkteur is gekies as lid van die Raad van die Vereniging vir Sosiologie in Suidelike Afrika. Hy is ook 'n lid van die Suid-Afrikaanse Sosiologiese Vereniging en van die Internasionale Sosiologiese Vereniging. Hy is aangestel as die Suid-Afrikaanse afgevaardigde in die Raad van die Internasionale Sosiologiese Vereniging vir die tydperk 1978-1982.

WAARDERING EN DANK

Ek is altyd dankbaar vir die geleentheid wat die jaarverslag bied om my waardering te betuig aan lede van die Akademiese Advieskomitee en die Beheerraad vir hulle leiding, aanmoediging en belang in die aangeleenthede van die Sentrum.

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

Treasury bills have boomed, but what now?

COMMERCIAL banks have been buying Treasury bills fast and furiously. The reason, they say, is that the rate is now market-related and hence attractive. But is that all? And, perhaps more important, will this enthusiasm last?

The recent demand for Treasury bills has been exceptional. But will it last? PENELOPE MORGAN speculates on the outcome.

Applications for TBs have moved, albeit haphazardly, from around R52-million in January to around R200-million in late July. From the Reserve Bank's quarterly statistics it is clear that the commercial banks are the buyers.

This in itself is strange as the market in TBs has never really been allowed to flourish in this country, mainly because the Reserve Bank had kept the TB rate artificially low in its past attempts to control interest rates.

It did this simply by using the funds which banks placed with its appendage, the National Finance Corporation, the borrower-of-last-resort when discount houses could no longer accept call deposits from the banks without upsetting their capital constraints.

The banks have to place these funds somewhere, or sit on idle balances, and the NFC was originally set up for this purpose.

For many years the authorities found this was a very effective method of keeping rates down, as the TB rate sets a base to which short-term interest rates are variously related.

But over the past six months it has not proved nearly as effective in keeping rates up, which is what the Reserve Bank was trying to do to prevent the switching that was, until we had a new exchange rate policy, eroding the reserves.

What has happened over the last few months is that the commercial banks have had huge cash balances which they would, in a less liquid market, have lent overnight at call.

But as they watched the current account of the balance of payments grow and as they could not lend on overdraft, they anticipated a protracted decline in call rates.

To counter this, they bought Treasury bills instead, thereby making sure of a yield that would remain steady for at least 90 days, whereas call rates fell almost daily.

Another reason is that as the banks began to bump their lending ceilings, it was to their advantage to move out of bankers' acceptances, their holdings of which are subject to the ceilings, and into TBs, their holdings of which are not constrained quantitatively.

Moreover, with the Reserve Bank frantically trying to prop up the TB rate against the weight of about R300-million in surplus liquidity that the NFC had taken from the banks and had to invest somewhere, the traditional margin between TB and BA yields narrowed to a miniscule 0,25%.

This margin was 1,20% in 1975, 3,41% in 1976, 1,14% in 1977 and as wide as 5,0% last year.

A spokesman from Standard Bank's investment division points out: "Another reason why the commercial banks favour TBs is that they are highly negotiable. If their rate is attractive, they can be traded easily as they are risk-free assets."

Turnover in TBs has been boosted, too, by the high liquidity preference as investors await a rise in long-term interest rates.

A Barclays Bank spokesman believes that commercial bank interest in TBs is here to stay as "long as the Reserve Bank allows the rate to remain market related and so long as the banks anticipate that call rates will decline fast."

However, TBs popularity could also be short-lived if the Reserve Bank raises credit ceilings the day after tomorrow. This could mean that banks switch back into BAs.

Much would depend, however, on whether the leeway under the ceiling could be taken up by lending on overdraft, which in turn gives a higher yield than BAs.

Be that as it may. There is yet another consideration. If the Reserve Bank does decide to mop up surplus liquidity through open market operations — ie by selling assets to the banks — the TB market, now that it has some breadth, could be the fastest and most advantageous place to do this.

Of course, the bank could achieve the same thing by selling gilts. But at a time when the Treasury is stuffed full of taxes, it would be committing Government to loans at needlessly high rates over longer periods than could otherwise be achieved in the 90-day TB market

Were it to decide to so use the TB market, the TB rate could be maintained at a market related level and the role of the NFC as a borrower of

● To Back Page

Treasury bills boom, but...

● From Page 10

last resort would become of relatively less importance.

In that event, too, the TB market could fulfil the high expectations the pundits of the fifties had of it becoming a useful and flexible method of Treasury funding and implementing monetary policy.

Moreover, as the De Kock Commission is known to favour monetary policy being implemented through official intervention in active securities markets, the Reserve Bank might act in anticipation and keep this market active and expanding.

It could also be a precursor to the restoration of Bank rate as the penal rate charged for last resort assistance, thereby giving it a more meaningful role once more in the financial system.

Almost by accident, the TB has suddenly come to play a useful role in the banking system. Its further development could only be to the advantage of the authorities, given its nature and potential, both as a flexible method of funding and through which policy could be implemented.

It would be a pity if shortsightedness in Church Square allowed this advantage to be lost.

Professor J.L. Boshoff

Dr Sheila T...

...projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

Bank rate may be cut again

(49)

Sun. Trib 19/8/79

By Ben Temkin

THE 0,5 percent cut in the bank rate by the Reserve Bank last weekend could be a foretaste of a further cut when governor Bob de Jongh makes his annual address this Wednesday.

The feeling in the capital markets is that De Jongh did no more in making the 0,5 percent cut than follow the market down.

The reduction can, therefore, hardly be regarded as an instrument of policy in helping to keep the economic recovery going or to speed it up.

Significantly lower rates — particularly for lending — are needed if businesses are going to go to the banks for more working capital.

This view presupposes, however, that businesses want more working capital or want to make new investments in capital goods. This is not necessarily an accurate picture of business needs or wants as the recession taught South African industry much about the use of capacity.

De Jongh . . . following the market down

The leasing boom that preceded the recession and which to some extent ushered in the recovery towards the end of 1976 meant that a considerable amount of equipment and machinery had been added to total capacity.

It was generally felt that, until this capacity had been taken up, economic recovery would not take place on any significant scale.

Interestingly, this capacity is still being taken up and even utilised to more than full — in the sense that many firms are working additional shifts rather than expanding their facilities.

They are also making do with repairs to existing equipment rather than investing in new.

It is this change of emphasis in use of productive capacity that has to some extent disguised the full impact of the recovery so far. In addition, it has meant that the problem of unemployment has not been alleviated as much as was hoped as production in the manufacturing sector has stepped up.

This major structural problem in the economy coupled with the continuing liquidity of so many companies, means that a further cut in the bank rate could well have no great effect on the rate of economic growth.

The liquidity problem cannot be wished away nor controlled by measures from the central bank. Foreign reserves are growing rapidly and, partially also a legacy of the recession, companies are concentrating on the generation of strong cash flows.

Lower lending rates could entice them to alter their gearing ratios of debt and equity — but only if there are opportunities for the employment of the additional loan capital.

Sun. Tribune 19/8/79 (49)

ASSOCOM JOINS CALL FOR ACTION BY HORWOOD ON ECONOMY

By Tony Hudson

IF Finance Minister Owen Horwood does not take remedial action soon, the economy could well be facing its worst bout of stagflation yet.

Hopes that a consumer-led recovery would take place are now rapidly fading as the man-in-the-street, faced with an inflation rate that could reach 20 percent by the end of the year, is already battling to maintain his standard of living — let alone make ends meet.

Latest in the line of experts to call to Government to take steps is Assocom president Bob Wood, who told the association's congress in Margate last night that the Government must withdraw the import surcharge, reduce taxes and repay a loan levy.

He told the congress: "The Government should:

- Formulate a plan for socio economic growth to give all races a fair share in this country;
- Carry forward, as soon as possible, the recommendations of the Riekert and Wiehahn commissions with vigour;
- Continue to endeavour to promote economical growth;
- Continue to support the free enterprise system by letting market forces determine economic policy;
- Seriously consider food and transport subsidies to eliminate some of the problems of inflation and
- Withdraw the import surcharge, reduce taxes and repay a loan levy, all to assist with inflation and help growth."

Wood went on: "For my part I have confidence in the future of South Africa. We have the men and the materials to deal with our problems. The businessman should make his contribution by:

- Supporting any Government plans for socio-economic change;
- Improving employment possibilities as much as possible and carrying out the recommendations of the Wiehahn and Riekert commissions;
- Defending and promoting the free enterprise system and making his contribution to increased economic growth and
- Controlling costs and prices and promoting productivity to assist in the fight against inflation."

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INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

Act now to halt slump, Govt urged

21/8/79

Pretoria Bureau

PRIVATE sector support for a crash Government programme to restimulate the country's ailing economy is now overwhelming.

The danger of a slide back into recession is now widely acknowledged, and support for urgent counteraction comes from the Association of Chambers of Commerce, the Federated Chamber of Industries, the banking and financial sector, and the big trade unions.

A major worry is the still rising numbers of unemployed blacks, particularly young blacks, and the associated risk of urban unrest. The need to provide jobs, according to all private sector leaders, has become pressing.

The Prime Minister's Economic Advisory Council meets in Pretoria on August 30 and restimulation will be high on the agenda.

Outgoing president of the Johannesburg Chamber of Commerce, Mr H C Ballingall, warns that inflation combined with unemployment and low growth could throw up serious social unrest "with all that this implies".

The chairman of the Economic Affairs Committee of the Federated Chamber of Industries, Dr Stefan Smit, said the FCI strongly supported a restimulation, particularly of consumer demand.

Dr Smit, who is on the Prime Minister's Economic Advisory Council, said moves supported by the FCI would be reduction in the current loan levy, the repayment of a loan levy and the payment of bigger food subsidies.

Consumer demand, he said, had been eroded by fast rising prices, and the need to expand purchasing power, particularly among blacks, was urgent.

Assocom has taken a similar line. Its president, Mr Bob Wood, said the Government must withdraw the import surcharge, reduce taxes and repay a loan levy.

Serious consideration should also be given to bigger transport and food subsidies.

President of the Trade Union Council of South Africa, Mr Ronnie Webb, said the need to restimulate was obvious.

The rising number of workless blacks was a reason for serious concern, and the provision of more jobs should be given urgent priority.

Mr Webb, who is also a member of the Prime Minister's Economic Advisory Council, stressed the risk of unrest if the spread of poverty was not halted. And there was only one way of achieving this — by creating more jobs.

The president of the SA Confederation of Labour, Mr Attie Nieuwoudt, said the buying power of wages had been slashed by the welter of price rises during the past few months.

"Naturally we fully support any effort to restimulate the economy which will help the man in the street halt the slide in his living standards."

Progressive Federal Party's finance spokesman, Mr Harry Schwarz MP, said corrective action should have been taken by the Minister of Finance, Senator Horwood, weeks ago.

The indicators then pointed to a serious loss in the momentum which resulted from the budget concessions.

"He must act now or the country will stumble back into recession. Consumer spending power has been reduced by the recent spate of price rises, especially food price rises, and if the economy is to be revived more spending money must be given consumers."

The Minister had a number of ways of doing this, including the repayment of loan levies and bigger subsidies for basic foods.

To sit back and do nothing, Mr Schwarz warned, was asking for trouble.

The New Republic Party's finance spokesman, Mr Bill Sutton MP, said moves to get the economy moving again, to provide employment for some of the mass of black unemployed, were vital.

Hopefully the Prime Minister's Economic Advisory Council would come up with some answers.

SA growth rate 3% says Reserve Bank

ROM 24/8/79

149

By HAROLD FRIDJHON

A MODERATE rate of economic growth was recorded in the year to June 30 1979, with the gross domestic product increasing by 3%, compared with a decline of 0,25% in the previous year and an increase of only 1,75% in the year to June 1977.

This aggregate figure, published in the annual economic report issued by the SA Reserve Bank, smooths over the somewhat patchy performance of the various sectors.

The primary sector achieved the 3% average growth rate, compared with a drop of 1,5% last year and a 16% growth the previous year.

The secondary sector improved by 5%, with manufacturing industry up 5,5% against a drop of 2% last year, electricity, gas and water showed a 6,5% gain — 5,5% last year — but construction remains in the doldrums; it produced 0,5% growth, against declines of 7% and 9% in the previous two years.

Where the economy failed to gather any real momentum was in the tertiary sector. As a whole this sector just managed to show a 2% improvement, with the wholesale, retail and motor trades recording a drop of 3,5% for the year to June after a decline of 4% last year and 3% the previous year. This means that for three successive years, the distributive trades have fallen back by 10,2%.

On the other hand the services industries — transport, the government and the financial sectors — have shown a continuing growth pattern, 3,5% to June 1977, 3% to June 1978 and 4% to June 1979, with transport and communications making the running.

The bank says that the higher level of real economic activity was reflected in an increase in non-agricultural employment. In the private sector this went up by 2,1% after a decline of 0,9% last year, while in the public sector employment was 0,8% higher against 2,7% the previous year. The bank observes that this higher rate of increase was still well below the estimated annual rate of growth in the economically active population.

Production per worker in the non-agricultural sectors showed a 1,5% improvement in the first three quarters of the year compared with 0,5% the previous year, with productivity in the manufacturing sector moving up by 4%.

The improvement in the terms of trade, partly reflecting the sharp rise in the gold price, was the major reason for the big surplus on the current account of the balance of payments. The volume of imports were slightly larger — and would have been larger still if the supply of petroleum products had not been partially disrupted during the first half of 1979.

The current account surplus was large enough to finance a substantial net outflow of capital as well as to raise the country's gross gold and foreign exchange reserves. During the year there was a capital outflow of R2 238-million compared with R970-million the previous year and a net inflow of R44-million in the year to June 1977. Of this capital outflow R2 283-million was short term with a net inflow of R45-million long term.

Stock exchange transactions resulted in a net outlfow of R79-million this year, compared with R11-million last year and R57-million the year before. The bank reports that foreigners were selling SA securities in the first half of 1979, after being net buyers in the second half of 1978, because their transactions were aimed at creating financial rands.

Real private consumption expenditure rose by only 1% in the year to June 1979. This was an important reason for the slow economic growth. Spending on furniture and household appliances dropped — in real terms — by 6% after the previous year's gain of 4%. Sales of motor cars were 1% higher against 14% the previous year (when the pre-GST splurge catapulted sales) and other durable goods reflected a 9% drop. Semi-durables dropped by 4%, non-durables, which include food, rose 3,5% while services were up 4%.

Another factor which reduced growth was a further decline in real gross domestic investment which during the past three years show declines of 7,5%, 6% and 5%, but gross domestic savings went up from R1 015-million in 1978 to R3 498-million in 1979, with personal saving soaring to just under R1 000-million against net disinvestment of R847-million the previous year.

Symptoms "of the inertness of the economy" are:

- the low ratio of the volume of imports to GDP;
- the low rate of expansion in credit extended by the banking sector;
- the moderate rate of growth in money supply.

The bank says that the acceleration of inflation has adversely affected consumer confidence, but the Budget concessions should begin to have an expansionary effect during the second half of this calendar year.

R350m credit boost to economy

By GORDON KLING

THE RESERVE BANK yesterday provided another modest boost to the economy with a 4 percent rise in bank loan ceilings, making an additional R350 million worth of credit available from the end of the month.

The chairman of the Bank, Dr T. W. de Jongh, said in his annual address in Pretoria that the ceiling would continue to rise by 0,5 percent a month as was previously the case. The new increase, however, was below expectations and economists yesterday did not believe it would have much impact on the economy. They maintained the existing demand for funds by acceptable borrowers could easily be met in any event.

While some commercial banks have recently been fined by the Reserve Bank for exceeding their ceilings, this has been largely due to technical factors which will remain. Little justification is seen for retaining the ceiling at all in the current economic environment and Dr De Jongh hinted that it could be on the way out as soon as the De Kock monetary commission completes its report on alternative measures.

The Reserve Bank chairman warned against a growth spree and emphasized official policy remained disciplined stimulation. An underlying message, apparent from remarks throughout the speech, was basically: The country still needs politically responsive foreign investment to generate an adequate rate of growth in the economy which in turn can provide sufficient employment opportunities. The corollary is a vicious circle; political uncertainties retard foreign investment slowing the growth rate and worsening unemployment which heightens political uncertainty.

The problem of the moment, said Dr De Jongh, is the need to attain a higher economic growth rate and consequently a lower unemployment rate under conditions of a high and increasing inflation rate, and possible balance of payments problems. "There is certainly no obvious solution," he concluded.

Star 22/8/79

49

Still more needed to push economy

By Colin Campbell

Welcome though the additional stimulatory measures announced yesterday by the Governor of the Reserve Bank have been, there is still a need for further action to get the economy on the move.

There is also a need for confidence — but confidence does not come out of thin air.

In announcing a further raising of credit ceilings yesterday, Dr T W de Jongh gave some sombre warnings about the level of unemployment and the unacceptably high level of inflation.

He urged that the additional credit which would be made available through the latest measures be applied to productive capacity.

Economists have generally welcomed the tenor of Dr de Jongh's address, and bankers are pleased with his statement that the Reserve Bank is of the opinion that the ceiling method of credit control should be abolished "as soon as possible."

The president of Assocom, Mr R J Wood, reflecting a wide spectrum of business opinion, said last night that the Governor's statement again highlighted the need for South Africa to pursue sound growth policies which will be attractive to overseas capital "upon which we are clearly dependent for sustained and yet higher economic growth."

Assocom, for one, believes that both for internal and external reasons further stimulation of the economy is "very necessary."

BRIGHT

Outside of the sombre parts of Dr de Jongh's address yesterday there were some bright patches — especially concerning gold.

The Governor said the Reserve Bank had repurchased a small part of one of its earlier gold swop transactions and resold the gold at a considerable profit — without any negative effect on the market price.

The Reserve Bank's gold marketing policy has obviously worked very well, and very smoothly.

Gold swops, Dr de Jongh said, had provided the Bank with the needed additional foreign exchange without affecting the gold price. They had proved a great success.

In outlining his case for an increase in economic activity, Dr de Jongh emphasised he was not calling for "growth-at-all-costs."

"But if we want to think in terms of an average growth rate of five percent or more, a net inflow of foreign capital will continue to be needed — especially in the form of direct investment."

SOUTH AFRICAN RESERVE BANK
CHAIRMAN'S ADDRESS

Address by Dr. T. W. de Jongh, Governor of the South African Reserve Bank, at the Annual General Meeting of Stockholders of the Bank on 21st August, 1979

Gentlemen,

I have pleasure in formally presenting to you the Annual Accounts of the Bank, and the Reports of the Board and the Auditors, for the year ended 31 March 1979.

I also submit to you the Bank's Annual Economic Report, which should be regarded as furnishing a background to my remarks today.

Survey of Economic Developments

As indicated in my previous address, economic activity began to revive moderately from the end of 1977 after it had slowed down for more than three years. The revival continued during the eighteen months to June 1979 but failed to develop strong momentum. The real gross domestic product increased by 3 per cent during the year ended 30 June 1979, compared with a small decline in the preceding year. This acceleration in the increase in the real gross domestic product was accompanied by a substantial improvement in the terms of trade, with the result that the real national product showed an appreciably higher growth rate of 5½ per cent. Although most sectors contributed to the higher growth rate in the real gross domestic product, the trade sector showed a decrease of 3½ per cent.

These sluggish conditions in trade indicate a weak revival in consumer demand. Although real gross domestic expenditure increased by 3 per cent in 1978/79, compared with declines in the preceding two years, the increase was due mainly to investment in inventories. After a considerable depletion of inventories during the preceding two years, inventories increased by R25 million in 1978/79. Real private and government consumption expenditure each increased by 1 per cent in 1978/79, whereas gross domestic fixed investment declined by 5 per cent.

Regarding real fixed investment, a decrease of 16 per cent occurred in private manufacturing in 1978/79, which can be partially associated with the [illegible]

The value of the net gold output increased by 43 per cent to R4 613 million during the year under review. The average price of gold on the London market rose from $165,8 per fine ounce in 1977/78 to $228,3 per fine ounce in 1978/79. The increase over the year in terms of stronger currencies such as the Swiss franc, German mark and Japanese yen was obviously less dramatic, although the gold price recently also increased strongly in terms of these currencies.

Earnings from merchandise exports rose by 18 per cent to an amount of R8 015 million in 1978/79, while the volume increased by only 1 per cent. The value of exports showed a declining trend in recent months.

Merchandise imports rose from R7 335 million in 1977/78 to R8 357 million in 1978/79, or by 14 per cent. Higher import prices, especially of petroleum products, were mainly responsible for the rise in imports. Imports, at a seasonally adjusted annual rate, fluctuated considerably from quarter to quarter. These fluctuations may be ascribed to the irregular delivery of certain merchandise imports such as petroleum products.

The capital account of the balance of payments weakened further during the year under review. The net capital outflow increased from R970 million in 1977/78 to R2 238 million in 1978/79. The latter outflow was caused by short-term capital, which included unrecorded transactions on both current and capital accounts, and the repayment of short-term debt contracted in 1975/76 to support the reserves. Regarding long-term capital, a small net inflow occurred notwithstanding the repayment of foreign debt amounting to R266 million by the central government and banking sector. Both the private sector, at R141 million, and the public corporations, at R170 million, had net inflows of capital.

The net result of the surplus on the current account and the net outflow of capital was a rise of R157 million in the gross gold and other foreign reserves in 1978/79. If the reduction of R600 million in foreign liabili-

order to allow the downward movement of interest rates to proceed orderly. During the year under review the Reserve Bank sold government stock amounting to more than R500 million and purchased about R160 million of such stock.

Regarding government finance, Exchequer receipts decreased by 19 per cent during the year under review, while expenditure increased by 14 per cent. Furthermore, the Exchequer reduced its net indebtedness to the banking sector by R112 million.

During 1978/79 conditions in the capital market remained easy and the market in fixed-interest securities was considerably more active than ever before. Long-term interest rates accordingly moved downwards, except when uncertainty about the future course of interest rates occurred towards the end of the year under review and rates firmed slightly. The rate on long-term government stock in the secondary market declined from 10,57 per cent in June 1978 to 9,11 per cent in March 1979, before it rose again to 9,49 per cent in July 1979. On the stock exchange the prices and the value of turnovers of shares rose by 32 and 42 per cent respectively during 1978/79. Longer-term funds invested with deposit-receiving and other savings institutions increased by R3 milliard during the year under review. Notwithstanding the above-mentioned considerable financial activity in the capital market, the mortgage and real estate markets experienced only a moderate revival and real economic activity remained relatively sluggish.

Current Economic Conditions and Short-term Prospects

Although the restrictive monetary and fiscal measures from 1975 to 1977 had an extremely favourable effect on the balance of payments and the rate of inflation, economic growth remained sluggish and unemployment high. The authorities consequently [illegible]

fourth quarter of 1978, the rate of increase again accelerated to 11,6 per cent in the second quarter of 1979. The latest data indicate that the index increased by 12,9 per cent from July 1978 to July 1979.

Regarding the balance of payments, it is not only the large net outflow of capital which is unsatisfactory at this stage. The exceptionally low inflow of petroleum products in the first half of 1979 could cause the value of these imports to increase considerably in the second half of 1979 and thereafter. Price increases abroad make imports more expensive in any case. Furthermore, merchandise exports showed a clear downward tendency during the first half of 1979 and declined from a seasonally adjusted annual rate of R8 334 million in the fourth quarter of 1978 to R7 768 million in the second quarter of 1979. On the other hand, the net gold production increased strongly during the year and as from the end of June received the benefit of further rises in the gold price, which reached a record level of $307 per fine ounce in July 1979. Subsequently the gold price declined to $283 per fine ounce on 7 August, and then fluctuated until it came to $300 per fine ounce on 17 August. Although the gross and net gold and other reserves rose in total during the year 1978/79, the Reserve Bank's gross foreign exchange reserves declined by R303 million and its net foreign exchange reserves by R387 million from the end of May to the end of July 1979. The volume of the gold reserves of the Bank remained reasonably constant during these two months.

Considerable misunderstanding apparently still exists about the influence which financial rand transactions have on the country's balance of payments and foreign exchange reserves. Financial rand transactions do not, of course, bring new foreign investments to South Africa, but only shift existing foreign investments in new directions. Furthermore, it is unlikely that the Republic will receive any foreign exchange for investment by foreigners as long as a discount exists on the financial rand against the commercial rand.

The Reserve Bank takes precaution as far as possible to ensure that funds which are introduced into South African concerns through the financial rand system, are not used by these concerns to repay loans and

Regarding South Africa's imports, the higher price for oil will undoubtedly increase the value thereof. The volume of imports is also likely to rise should the domestic economic growth rate increase further, especially if the relatively low level of inventories in the country is taken into account. The course of the gold price and developments in the capital account of the balance of payments will therefore be of the utmost importance. I shall revert to these matters later.

Policy

For the problem which confronts South Africa at the moment, namely to attain a higher economic growth rate and consequently a lower unemployment rate under conditions of a high and increasing inflation rate and possible balance of payments problems, there is certainly no obvious solution. Regarding inflation, there are certain facts which must be taken into consideration. The first is that a high and increasing inflation rate definitely does not promote growth and may even impede it seriously on account of the detrimental effect it has on consumption and investment. The second is that a high and increasing inflation rate creates expectations of rises rather than declines in long-term interest rates. The third is that the persistence in a country of a higher inflation rate than those of its trading partners, will inevitably adversely affect its trade balance with these countries.

Without detracting from the dangers of inflation, it may be pointed out that the present high inflation in South Africa has not been the result of excessive expenditure. It is therefore not a demand inflation but rather a cost-push and imported inflation which has shown up in the strong rise in administered prices. Moreover, it is not the result of an excessive increase in the quantity of money and near-money. It is therefore doubtful whether a switch by the authorities at this stage to a restrictive monetary and fiscal policy would in fact reduce the inflationary pressure — it may harm the growth rate instead. The proper course thus appears to be to continue for the present with the committed policy of gradual stimulation, obviously by means of measures which have the least inflationary effect.

The continuation of this policy has been reflected recently in a further reduction in Bank rate, which has been followed by a reduction in the lending rates of the banks.

Concluding Remarks

The developments in the South African economy during recent years have illustrated once again what an important role is played by gold. There is undoubtedly good reason to be grateful when it is considered what the impact on the economy of the increase in oil prices would have been if we had not been favoured with the advantage of the rise in the gold price. The increased value of the country's gold production also played an important role in the fact that South Africa during the past year could pursue a fiscal and monetary policy which made an increase to 3 per cent in the real growth rate of its economy possible, notwithstanding a net outflow of capital of more than R3 milliard during the past two years.

From this also follows the fact, however, that we must not repeat the mistakes of the past and should look realistically at the gold price. In a world of uncertainties and increasing distrust of paper money, there is reason for optimism about the long-term prospects for the gold price, but over the short-term the price may fluctuate considerably, seeing that the sharp rise in the recent past is to a large extent related to the rise in oil prices and the weakness of the dollar. In certain respects there appears to be less reason than in 1975 for a sharp decline in the gold price. The USA reduced its sales of gold already in May 1979 from 1 500 000 to 750 000 fine ounces per month, while the International Monetary Fund's current selling programme will come to an end in May 1980. It is still uncertain whether the sales by the American Treasury and the International Monetary Fund will be continued, but the experience of the recent past indicates that the demand for gold can absorb such sales at rising prices.

The past year has furthermore provided clear proof that gold still has an important role to play in the international monetary system. In the European Monetary System (EMS), which came into operation on 13 March 1979, gold is accorded an important function. The participating countries in the EMS namely each paid 20 per cent of its gold reserves plus 20 per cent of its dollar reserves into the European Monetary Fund (EMF) in exchange for the new European Currency Unit (ECU). Seeing that the ECU's are used for intra-EMS settlement purposes, gold has been monetised effectively again as res cent: a construction declined for the fourth consecutive year in 1978/79. Real gross domestic fixed investment by public authorities showed a decrease of 6½ per cent, whereas real fixed investment by public corporations increased by 12 per cent, mainly as a result of expenditure by Sasol on its second oil-from-coal project and by Escom on its nuclear and other power stations. Notwithstanding a decline of 5 per cent in total real gross fixed investment, real net fixed investment remained positive and real fixed capital assets increased by 3½ per cent.

The acceleration in economic activity was also reflected in an increase of 1,7 per cent in employment in the non-agricultural sectors during the first three quarters of the year under review compared with the corresponding period of the preceding year. The bigger increase in employment contributed to a decline in the number of registered unemployed Whites, Coloureds and Asians from a recent peak of 31 750 in July 1978 to 27 270 in April 1979, before rising slightly again to 27 950 in June 1979. According to the sample survey of the Department of Statistics, the ratio of unemployed Blacks to the economically active Black population decreased from 9,8 per cent in July 1978 to 9,4 per cent in February 1979. Unemployment thus remains unacceptably high and a higher growth rate is necessary to combat this problem.

Notwithstanding a decrease in labour cost per unit of production, price increases accelerated to unacceptably high rates. Consumer prices accelerated from an increase of 9,9 per cent in 1977/78 to 11,9 per cent in 1978/79. Wholesale prices rose by 10,7 per cent in 1978/79, compared with 10,4 per cent in the preceding year. The rate of increase in prices of imported goods, including petroleum products, accelerated from 9,9 per cent in 1977/78 to 10,7 per cent in 1978/79. From June 1978 to June 1979 consumer prices increased by 13,6 per cent and wholesale prices by 13,4 per cent. Apart from the effect of the general sales tax, increases in government-administered prices contributed much to the sharp rise in prices.

Regarding the balance of payments, the current account improved dramatically during the past four years from a deficit of about R2 milliard in 1975/76 to a surplus of R2 395 million in 1978/79. The latter represents 5,5 per cent of the gross domestic product.

On a quarterly basis the balance on current account fluctuated considerably and increased from a surplus at a seasonally adjusted annual rate of R2 042 million in the fourth quarter of 1978 to R3 517 million in the first quarter of 1979 and then decreased again to R2 257 million in the second quarter. The sharp increase in the surplus in the first quarter was caused by a big rise in the gold price together with a decline in merchandise imports, especially imports of petroleum products, machinery, electrical equipment and transport equipment. The subsequent decrease in the surplus on current account in the second quarter of 1979 occurred notwithstanding a further rise in the gold price and was due mainly to a decline in diamond exports and a rise in imports.

n.o account, the net gold and other foreign reserves rose by R657 million in the year under review. Including gold revaluation and other valuation adjustments, the gross gold and other reserves increased by R878 million during 1978/79 to a level of R2 807 million at the end of June 1979.

Regarding foreign exchange rates, the rand appreciated gradually from the previous fixed rate of R1 = $1,1500 against the USA dollar to R1 = $1,1955 on 16 August, ie by 4,0 per cent. In a world where the leading currencies are floating, however, one should not look at the rand's exchange rate vis-à-vis the USA dollar only. The rand's average weighted value against all other major currencies appreciated by 3,9 per cent from the end of January 1979 to the third week of May 1979, but subsequently depreciated again by about 2,0 per cent due to the strong appreciation of sterling at that stage. On 16 August 1979 the average weighted value of the rand was 2,3 per cent higher than it was just after the inception of the new foreign exchange system on 24 January 1979.

In the financial field there was considerable activity during 1978/79, but the more important monetary magnitudes such as the quantity of money and bank credit increased only moderately. During the eighteen months of the current revival the quantity of money and near-money rose by only 12 per cent, compared with an increase of 35 per cent in the first eighteen months of the previous revival in 1973/74. The quantity of money also increased more slowly than the gross domestic product and the ratio of money and near-money to the gross domestic product consequently declined to its lowest level in the seventies, namely 24,8 per cent in the second quarter of 1979.

The increase in the quantity of money and near-money during 1978/79 was the result of increases in the net gold and other foreign reserves and in bank credit to the private sector, which were partially offset by a decline in bank credit to the government sector and a rise in long-term deposits with the banking sector. The demand for bank credit to finance increased economic activity was sluggish during the year under review, as appears from a rise of less than 1 per cent in normal overdrafts and other loans. In contrast, credit extension in the form of hire purchase, leasing and investment in securities of the private sector maintained a strong upward tendency.

The monthly average surplus liquidity ratio of banks increased to 2,7 per cent in 1978/79. Commercial banks had the largest average surplus liquidity ratio of 3,4 per cent in 1978/79. Apart from seasonal periods of tightening, money market conditions eased further and interest rates moved downwards during the year. The discount rate on 3-months bankers' acceptances and Treasury bills declined from 8,5 and 8,0 per cent respectively on 7 July 1978 to 4,90 and 4,47 per cent on 17 August 1979. Bank rate was lowered in several stages from 9 per cent in August 1978 to 7 per cent on 13 August 1979, and during the year under review most of the deposit and lending rates were adjusted downwards. The Reserve Bank was also active with open market transactions in

[illegible] mulation of economic growth since late in 1977. The Reserve Bank already relaxed credit ceilings in 1977 and the Government took steps to stimulate selectively the industries which had been most affected by the recessionary conditions, such as the building industry. Both the 1978/79- and 1979/80-Budgets emphasised moderate stimulation with financial discipline. Several tax concessions were granted, credit control was relaxed and interest rates were allowed to move orderly downwards.

As appears from the comprehensive survey in the **Annual Economic Report** and from the foregoing brief exposition of economic policy and development during the past year, the South African economy has already been in an upswing phase of the business cycle for eighteen months, and although the revival has not developed exceptional momentum, a growth rate of at least 3 per cent can nevertheless be held in prospect for the calendar year 1979. Employment has begun to increase more rapidly and unemployment has decreased, but still remains too high. The inflation rate has, however, accelerated to a level which is unacceptably high for South Africa. In recent months the balance of payments has again shown signs of weakening.

There are various reasons for the lack of a more rapid acceleration in domestic economic activity in 1978/79. The absence of a significant increase in the real domestic demand coincided with only a small increase in the volume of exports. In addition, the higher earnings from the rise in the price of gold and from other exports did not permeate sufficiently to general domestic economic activity, especially because surplus capacity was still experienced in manufacturing. Furthermore, the large net outflow on the capital account of the balance of payments and the rising inflation rate damped business confidence.

The acceleration which did in fact occur in domestic demand, was caused by an accumulation of inventories and not by a significant increase in real consumption expenditure or fixed investment. The reasons for the sluggishness in private consumption expenditure were a decline in real wages and salaries, and the fact that any increase which did take place in real disposable income as a result of tax reductions, resulted in higher savings and not consumption expenditure. Consumer confidence was adversely affected by the persistent and repeated price increases, especially those which occurred in the first half of 1979, and also by expectations that the inflation rate would accelerate further.

The revival in the economy during the past year did reduce the unemployment figure moderately, but the growth rate remains too low to combat the unemployment problem effectively.

As mentioned already, the consumer price index increased by 11,9 per cent during the year under review. On a quarterly basis it accelerated in the third quarter of 1978, mainly as a result of the introduction of the general sales tax, to a seasonally adjusted annual rate of 21,5 per cent. After it had risen at an annual rate of 9,0 per cent in the

countries. There are, however, reasons for believing that a part of the funds which have been invested during the past six months in concerns not listed on the Stock Exchange, has in fact been used for this purpose and has thus contributed to the large net outflow of capital from the country.

Regarding the monetary situation, the money market in general is easy and the banking system liquid, apart from seasonal periods of tightness. Interest rates are moving downwards and the Reserve Bank conducts open market transactions from time to time in order to allow interest rate adjustments to proceed orderly. The quantity of money and near-money increased only moderately during the year under review, but the rate of increase slowed appreciably in the course of the year. During the second half of 1978 the quantity of money and near-money increased at a seasonally adjusted annual rate of 15 per cent, and then declined by 1 per cent in the first half of 1979. This slowing down was caused by, firstly, a smaller increase in the net gold and other foreign reserves, secondly, a considerable decrease in bank credit to the government sector, and thirdly, a very substantial increase in long-term deposits with the banking sector. In these circumstances there was scope for an appreciable increase in bank credit to the private sector without resulting in an excessive increase in the quantity of money. Bank credit to the private sector accelerated during the year from a seasonally adjusted annual rate of 7 per cent in the third quarter of 1978 to 17 per cent in the second quarter of 1979. The acceleration was caused mainly by increases in investments in private sector securities and hire purchase and leasing credit. The demand for credit for normal business purposes remained sluggish however.

Considerable activity has been prevailing on the capital market recently and conditions generally remain easy while interest rates continue to decline. In July 1979 long-term rates hardened slightly due to a confluence of market conditions, but subsequently rates moved downwards again.

Regarding economic prospects, the existence of a large measure of surplus capacity in manufacturing means that a general revival in fixed investment of the private sector cannot be expected in the near future. Fixed investment of the public corporations will most probably increase further on account of projects already under way.

Consumption expenditure of government will not accelerate notably, according to the 1979/80 Budget, while the further tax concessions announced in the Budget may be expected to show a favourable effect on personal disposable income from the beginning of the third quarter of 1979, which may lead to higher private consumption expenditure. On the other hand, higher prices, especially the petrol price, may continue to exercise a negative influence on consumption expenditure.

In the case of the balance of payments, the expected levelling off of economic activities overseas will affect both the prices and volume of South Africa's exports adversely. The increasing tendency towards protection of domestic industries which has recently become evident in many countries, will probably retard the expansion in world trade.

factor which [illegible] or growth, and this applies also to monetary policy as a whole. On this score, there also appears to be complete unanimity among the various commercial and industrial organisations with which the Reserve Bank conducted consultations recently.

At present there is substantial room within the ceilings for credit creation by the banking system as a whole, and in addition considerable credit can also be created under concessions granted outside the ceilings. Furthermore, it should be kept in mind that the Reserve Bank is currently expanding its own credit strongly, **inter alia** for crop financing. On the other hand, there is the fact that, for reasons which have already been indicated, the quantity of money and near-money has not increased excessively during the past year and has even declined more recently, notwithstanding a strong rise in bank credit to the private sector. Taking this into account, and also the fact that certain banks have experienced problems with their credit ceilings during recent months, it has been decided nevertheless to grant relief by increasing the ceilings applicable to banking institutions' discounts and advances and to their investments, as from 31 August 1979, by an additional 4 per cent of their base figures as at 31 December 1975. The existing arrangement whereby the ceiling figures are raised every month by half per cent of the basic figures, remains unchanged.

At the same time the total amount of credit extension to the private sector, as defined for the purposes of the credit ceilings, which a banking institution may not exceed before becoming subject to the ceiling requirements, is increased from R20 million to R25 million. When the total credit extended to the private sector by such a banking institution reaches the new limit of R25 million, its respective ceilings will thereafter be increased monthly by one half per cent of the relevant base figures as at 31 December 1975. An earnest appeal is made to banking institutions to ensure that additional credit extended by them will be used for the expansion of real economic activity.

The Reserve Bank is of opinion that the ceiling method of credit control should be abolished as soon as possible. It would, however, have to be replaced by an indirect method which would yield better results than those achieved in the past by directives relating to liquid assets. This is one of the matters which is currently under scrutiny by the Commission of Inquiry into the Monetary System and Monetary Policy in South Africa, and the Bank will liaise with the Commission in an effort to obtain early finality on the matter.

Regarding fiscal policy, the Minister of Finance proposed net concessions in respect of taxes and loan levies amounting to R762 million in his recent Budget in order to encourage expansion in the private sector. It should be kept in mind that the biggest part of these concessions will still show an influence on the economy in the period ahead. In certain circles it is felt that further stimulation by the Government is now necessary in view of the slow rise in consumption, and a number of proposals in this regard have already been submitted to the Government for consideration. As it is possible that bank credit to the private sector may rise strongly, the Government will obviously have to be careful not to finance additional government expenditure by means of bank credit.

the fact that the participating countries of the EMS paid a total of 80 million fine ounces of gold at a market-related price into the EMF in exchange for ECU's.

Regarding the Reserve Bank's gold marketing policy, the Bank is of opinion that it obtains the best prices for its gold. Furthermore, it is clear that, after the Bank's marketing policy played a very important role in the rise in the gold price to about $100 per fine ounce, its policy subsequently, when a number of other factors became responsible for the further rise, at least never exerted a downward pressure on the price. In this regard the gold swap transactions proved to be a great success in that they provided the Bank with the needed additional foreign exchange without affecting the gold price. The gold thus sold at the time can, moreover, today be repurchased by the Bank at a price which is appreciably lower than the current market price. In fact, the Bank repurchased a small part of this gold during the past year and resold it at a considerable profit without any negative effect on the market price.

Apart from movements in the gold price, developments in the capital account of the balance of payments will be of great importance in the time ahead, as already mentioned, not only from a balance of payments point of view, but also in regard to the expansion of real economic activity. Admittedly, South Africa has reached the stage where it can generate sufficient capital to attain a reasonably high economic growth rate, but if we want to think in terms of an average growth rate of 5 per cent or more, a net inflow of foreign capital will continue to be needed, especially in the form of direct investment. The inflow of new foreign capital is also required for the financing of a current deficit which may occur in the balance of payments on account of rising imports which usually accompany higher economic activity. In this regard it is heartening that foreign loans have in the recent past again become available more readily and on more reasonable terms. Furthermore, a substantial part of the foreign loans which were contracted by the authorities from 1975 to 1977 to strengthen the foreign exchange reserves, has already been repaid. The inflow of direct investment capital obviously continues to be influenced by political uncertainties in Southern Africa.

In conclusion, I want to return to our effort to bring about an increase in economic activity which has become necessary for the combating of the unemployment problem. In this regard, I would be neglecting my duty if, in the light of the threatening danger of inflation, I did not warn against the idea of growth-at-all-costs. For this reason, the official dictum of growth with financial discipline does not imply idle talk. Thus, for example, it is essential that the high measure of liquidity which already exists, must now work through to production and not become tied up in share and land speculation as in 1968/69. In addition, it is necessary to ensure that increases in wages and salaries are linked to increases in productivity, because the latter can contribute a great deal to a solution of the inflation problem in the long run. Under the present circumstances, confidence is of the utmost importance and I wish to express the hope that this will be borne in mind in the taking of decisions by the authorities as well as the private sector.

49

'Private sector must play a bigger role'

Political Reporter

THE Government expects the private sector to take more responsibility in shaping, adapting and maintaining the economic structure in accordance with the country's changing socio-economic environment.

This was said by the Minister of Industries and of Commerce and Consumer Affairs, Dr Schalk van der Merwe, when he opened a conference of the National Development and Management Foundation (NDMF) in Johannesburg yesterday.

Dr Van der Merwe said Government policy on the involvement of the private sector in public sector activities comprised many facets and he outlined three:

- Consultation and co-operation between the Government and organised commerce and industry in achieving their common national objectives.
- Limiting state involvement in economic activities to that level which would be more reconcilable with a free enterprise economy.
- The private sector's involvement in the changing socio-economic environment.

Dr Van der Merwe said: "The Government is prepared to honour its commitments to a free enterprise economic society as the best way of achieving sustained economic growth and ensuring the optimum utilisation of all production factors.

"This would entail that the Government should not put undue pressure on the country's limited capital resources and that the principles governing a free enterprise society would always be practised and propagated."

It was his contention that the positive approach towards consultation and co-operation between the Government and the private sector on matters of common concern should be further encouraged and strengthened in the future.

The Government had already demonstrated its willingness to follow that policy more vigorously. It would not only contribute towards a balanced approach in the Government's legislative and regulatory functions, but would also give commerce and industry more social responsibility by developing a better understanding of the motives and reasoning behind official measures.

He said the private sector was being given an opportunity to participate in comprehensive projects such as Sasol II and III. Attention was also being given to certain public corporations to determine the extent to which their activities could possibly lie in the area of the private entrepreneur.

Dr Van der Merwe pointed out, however, that although the Government's intention was to reduce its direct share in economic activities, problems might arise from time to time which would require that it keep its options open and not be bound to an unchangeable programme.

Turning to inflation, he reiterated that both public and private sectors should display great self-discipline in determining price, tariff, salary and wage increases.

(Report by A Akhalwaya, 171 Main Street, Johannesburg).

- 86 -

GENERALLY ACCEPTED ACCOUNTING PRACTICE

APPLIED EXAMPLES

QUESTIONS

DEFERRED TAX

A. Alpha Limited acquired an item of new plant for R60 000 on 1 May 19.6. Depreciation is provided at 12½% p.a. straight line. A 25% initial allowance is granted for tax purposes, wear and tear being 20% on the reducing balance. Tax rates were 40% in 19.6 and 42% in 19.7, and taxable income amounted to R45 000 and R50 000 respectively, for the financial years ended 31.12.19.6 and 19.7

1. What is the balance on deferred tax account in respect of the plant at 31.12.19.7, assuming

   a) deferral method

   b) liability method?

2. Show how the tax charge will be disclosed in the income statement for the year ended 31 December 19.7, assuming

   a) deferral method

items causing

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of which was taxable,

the R70 000 is now a
ff against the taxable
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ral method is used.

the company has a set
00 in 19.8.

e 19.8 financial year

That gold orgy — SA won't repeat same mistake twice

5/10/79 Rom

49

By HOWARD PREECE
Financial Editor

BELGRADE. — South Africa is determined not to repeat the disastrous mistake of 1974-75 and allow an orgy of State spending in the wake of the gold boom.

This assurance is being passed around in the whole range of informal meetings and talks in the lobbies of the annual meeting in Belgrade of the International Monetary Fund.

One South African official put it bluntly: "We are not going to do a Diederichs."

Dr Gerhard de Kock, principal economic adviser to Senator Owen Horwood, the Minister of Finance, explains things more diplomatically — but the implication is the same.

He says: "In the 1974 and 1975 Budgets, we allowed huge increases of over 20% in both Government spending and money supply. We let the 1974 gold boom go to our heads.

"Then came the sharp fall in the gold price, devaluation and a recession made that much more difficult by the previous inflationary policies."

The late Dr Nico Diederichs was Minister of Finance during the 1974 and 1975 Budgets.

Dr de Kock says the strategy now is to continue the path of steady economic expansion and not to get carried away by the gold surge. The expectation is that real economic growth will be around 3,5% this year and 4% or a fraction more next year.

This is, of course, in marked contrast to the IMF member countries generally. The IMF reckons that real growth in the industrialised countries generally will be around 3% this year and down to 2% or less in 1980.

There is nothing unusual about South Africa running against the general pattern. There tends to be a one to two year gap between trends in the main Western countries and economic developments in south africa.

But the depressing message coming from this IMF meeting is that growth in the world economy is going to be at low levels for the mext few years as governments battle to wring inflation out of the system.

So what happens to South Africa after 1980?

There is optimism among the South African team at the IMF that a rate of around 4% might perhaps still be sustainable. This, it is believed, is the benefit of not going flat out — unlike 1974 when growth was over 8% — and then being forced almost into reverse.

Whatever happens to the gold price over the next six months, I shall be surprised if Senator Horwood frames his next Budget on a gold price assumption above dollars $280.

Even if the gold price were to fall back to that level — and there is no knowing what a world recession coupled with soaring interest rates might do — South Africa would still not have early balance of payments problems.

There has apparently been switching from overseas to South African finance by traders of perhaps R1 500-million this year as South Africa's interest rates have tumbled while those in the US in particular have soared.

These funds could return if imports boomed.

However, Senator Horwood, Dr de Kock and Dr J H de Loor, the Secretary for Finance, all agree that South Africa must not expect to keep growing at a high rate if there is sustained world recession.

Some slow down would be inevitable.

RAND DAILY MAIL, Saturday, October 6, 1979

MR HARRY SCHWARZ, MP for Yeoville, sets out his views on what he calls Social Democracy — a subject likely to provoke lively controversy on the role of traditional capitalism.

Give the South African working man a chance

R.O.M 6/10/79 49

CHANGE is a much abused word in today's society. That we are on the brink of a period of dramatic change is no longer in issue. What is unresolved is the method and nature of such change. Those who believe that change can be merely cosmetic and that talk as opposed to action can solve problems, are walking blindfold in a fool's paradise.

The debate on change has, until recent times, been almost entirely in the area of political rights. Constitutions, federation, partition, constellations and consensus, freedom of movement and of association, and the rule of law — all these are the subject of public dialogue and dispute. Very little is heard of economic change. When it is debated, it is almost exclusively in the field of labour conditions: training, wages, trade unions.

We are told that we face a Marxist threat, but this is portrayed as a military threat. It is not debated as an alternative economic system, nor is there any real endeavour to demonstrate by deed, let alone word, the benefits of alternative systems.

One could almost assume an unwritten agreement in white politics that there should be no debate about the system, only about improvements to the system. This approach ignores a reality of Africa, in that black political movements operating outside the Republic seek not only political change, but as part of their programme, demand not only economic advancement within the system, but the complete overthrow of the existing economic system.

Those who believe in the free enterprise system should bear in mind that the system will perish in South Africa if there is violent change, but can survive if there is an orderly peaceful process for political change accompanied by a process which will ensure that all sections of the community participate in the economic system, not only as workers with improved working conditions, but with a feeling of belonging to all aspects of the system, including both capital and management.

The most effective way to combat Marxism is by marketing and implementing a system which demonstrably is more attractive, where the working man not only enjoys more benefits, but where he has real hopes of improving his position.

What does this mean in real terms?

Capitalist systems cause hardships as a result of cyclical movements. Upturns and booms are followed by recessions and depressions. Fiscal and monetary tools are used to seek to mitigate adverse effects, but unemployment and hardships to the working populations almost inevitably occur. Western countries have sought to deal with these problems by substantial unemployment benefits. One reason why West Germany can live with substantial unemployment is its system of social benefits.

Unemployment is perhaps the greater danger to stability in South Africa. The long term solution does not lie in social benefits, but in the creation of jobs. But without an adequate system of social benefits to the genuine unemployed the capitalist system does not offer an answer to Marxist propaganda.

Unemployment benefits are not the only ingredients of a sound system which discharges its social obligations. The sick and the elderly need to be properly cared for by the community and our present system does not do so adequately. We need to look at health schemes and we need to protect the elderly from the ravages of inflation and to enable them to live out their years with reasonable comfort.

There is much talk of free market mechanisms being the soundest basis for an economic system. The free market can however only operate justly if there is equality of bargaining power in the market place. Historical events have caused inequality in bargaining power. This is an issue quite separate from colour. The resources available to capitalists in the marketing mechanism, the ability to manipulate prices, monopolistic combines and the sheer pressure of money power, let alone advantages in skills, training, education and other resources, make the ordinary citizen unable to compete equally in the market place, and often make it not a market place, but a jungle where the fittest survive.

The State, therefore, must play a role. No-one objects to State interference to provide physical protection by laws, rules, courts and police forces — all this to ensure justice and protection to the physically weaker. Why should there be an objection to the protection of the economically weak, to ensure there is equality of bargaining power in the market place?

Consumer protection is essential. Rules against monopolistic abuse must exist. Exploitation must be stamped out.

No economic system is perfect, and incentive to achieve is one of the driving forces of private enterprise, but just as there are rules for conduct in other spheres of life, so too in the economy must there be rules, which ensure that there is not only equality of bargaining power, but also equality of opportunity. This equality of opportunity involves the availablity of education and training for all who can benefit from it, as well as a chance not merely to be a worker, but also to become an entrepreneur, manager and owner of capital.

There is a concentration of wealth in our country, and if the system is to hold attractions for the under-privileged it must allow others with drive and skill to accumulate wealth.

If there is not to be a Marxist-type redistribution of wealth and communal ownership of all means of production, then there must be economic growth not merely in absolute terms, but in the right sectors. Nothing is solved by the rich getting richer, but there is a solution if the under-privileged can be assisted to prosper.

South Africa has some particular problems which should receive priority:

- Housing is an urgent need. A population can only be content if it is adequately housed. Free market mechanisms only are not able to deal with a problem of this magnitude under existing conditions. Nor can a capitalist system flourish where millions of urbanised people cannot fully own property. To combat communism, the very opposite needs to be implemented — all South Africans should be assisted and encouraged to own propety. This is the most effective answer to Marxism.
- Rural poverty is a major problem. Rural development, urbanisation, decentralisation of industry, influx control, urban housing problems, malnutrition, unemployment all go together.

This problem needs to be tackled by the country as a whole.

Here we come to a major conflict area between capitalism and socialism.

Will an uncontrolled free enterprise society provide the resources to solve this problem, or will it actually accelerate a crisis by even greater urbanisation in existing developing areas?

Must not the State intervene to allocate resources to solve this problem?

New types of farming, both of an individual peasant and of a communal nature, rural industrial development, housing, training, all need the State's intervention.

Private ownership is a prized possession, incentive is a major force for development, not only in direct material terms, but in ingenuity, inventiveness and human progress.

But there comes a time for rules to stop abuse, a time for equality in bargaining power and opportunity. There is a need for social responsibilities to the under-privileged and unfortunate.

There come occasions for the State to allocate resources for the good of the community at large.

The time is now. The concept is Social Democracy.

BUSINESSMEN'S SUMMIT (154)

A turning point? (49)

Next month's meeting with 200 top businessmen could prove critical for Prime Minister P W Botha. For, according to those close to the PM, he has decided to make it clear to the assembled industrialists and financiers that his political future lies squarely with them and the verligte electorate, rather than the National Party *per se*.

He is expected to ask for their support in exchange for a continuance of his proposals for political reform. With the right-wing of his party — and Transvaal leader Andries Treurnicht — hopelessly alienated from Botha following the NP's disastrous showing in the recent Transvaal by-elections, and their incompatibilities visible, Botha knows he must lose traditional support. Though there are centrists in the NP who believe Botha should continue the Vorster line of keeping everyone happy in the interests of party unity, Botha is said to be rejecting this approach with a vigour that suggests he is confident of compensatory support from powerful quarters.

The leader of the New Republic Party, Vause Raw, publicly endorses Botha's strategy. "If it produces the sort of deal SA really needs, I don't care who gets the credit," he avers. And this is the attitude of many businessmen, even some who profess to have voted Progressive since that party's inception.

PM Botha . . . a meeting that really matters

The official purpose of the meeting is to thrash out Botha's proposals for a Southern African constellation of states. But before he can convince his audience of his plan, he has to persuade them that his policy changes will guarantee SA's ability to hold its head up high on ideological as well as economic grounds.

As SA Foundation director-general Peter Sorour points out, the world at large is tired of the long-propagated argument in favour of the *status quo* that SA is the powerhouse of Africa, that SA blacks enjoy the highest standard of living of any blacks in Africa, and so on.

Sorour says that while the economic arguments are sound, Botha's announcement that the Immorality Act and Mixed Marriages Act should be re-assessed, as well as government's decision to open trade unions to blacks, are the kind of policy reforms that help improve SA's credibility abroad.

It is on matters like these that Botha will have to convince his audience, the majority of whom will certainly be traditional opponents of the government. After all, while confidence in the economy abounds, the spectre of another Soweto is ever present in the mind of the business community. What Botha has to do is convince this group that he has the ability to defuse the bomb. That done, and he will have their moral support — if not some of their votes at the polls.

His inclusion of the private sector in major government projects and institutions has already won him allies. Indeed when businessmen compare Botha with his predecessor, Vorster tends to be portrayed as a somewhat ponderous, dogmatic hack, against his more flexible and imaginative successor.

Just how effective is the businessmen's summit may depend on how the meeting is chaired. Anglovaal chairman Basil Hersov is worried that the number of businessmen going to Pretoria will prevent important people from having their say. To ensure the debate does not turn into a farce, participants should organise themselves into blocs beforehand, choosing key spokesmen to put their case.

The fact that Botha has invited so many, however, lends credibility to the belief that he wants primarily to put across his message, and that comment will be a secondary matter. His ability to convince the country's business leaders that he is sincerely and irrevocably committed to his professed course, regardless of party consequences, is paramount.

NRP leader Raw rightly warns: "The Prime Minister has started something he cannot stop. If he fails to meet expectations, he will plunge the country into a disaster of frustrated hopes."

ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

	W M	W F	A M	A F	C M	C F	B M	B F
	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

5-24	1,05	0,46	1,·
25-44	3,02	1,47	4,3
45-64	17,46	9,49	26,2
65+	73,62	54,55	92,2
ALL	9,44	7,40	8,0
NO.	19600	15374	282

[redacted]

(49)

Business Argus 13/10/79 (49)

US recession will not pull SA back

THE United States, reeling under President Carter's dear money policies, is probably heading for a serious recession. But this will not affect South Africa's prospects of achieving strong economic growth next year, top economists say.

By the Financial Editor

In spite of developments in the United States they expect 1980 to be the best year for the South African economy since the early 1970s, with a growth rate in real terms of at least 4 percent.

Certainly none sees any reason for South Africans to dump their industrial shares the way the small investors in Japan, France and the United States have been doing this week.

• Mr Brian Kantor, senior lecturer in Economics at the University of Cape Town said the South African economy did not automatically follow the United States into a recession.

Lagged behind

The last time the US went into a recession South Africa lagged behind by about a year or so, and lagged even longer in the recovery.

At present the South African economy was building up a lot of momentum which should sustain it for at least the next year.

The danger in the American situation for South Africa was not that it would start a recession here but that it would set off even greater inflation.

Money supply

If the Americans could not keep their money supply under control — and this would be difficult in an election year — the United States could expect serious inflation.

On the one hand, this would stimulate demand for South African goods, but, on the other, it would result in an increase in the price of South African imports and stimulate inflation here.

The authorities should be prepared to offset the inflationary effect of these developments by allowing the exchange rate to rise.

Mr R P Gouws, senior economist with Nedbank, said the economy had sufficient strength to grow for all of next year, even if the US economy was in a recession for the whole of that time.

Real incomes were rising and personal savings were also increasing. Measures recently announced by the Government should also help consumer spending and South Africa should enjoy a good Christmas.

A drop in the gold price from its present level should not have too much of an effect on the economy. Even if it were to drop by between 50 dollars and 100 dollars an ounce, South Africa would still have an economic growth rate of 4 percent next year.

SA exports

Mr A J M de Vries, deputy director of the Bureau for Economic Research at Stellenbosch, said an American recession, even if it spread to Europe and Japan, did not necessarily mean the value of South African exports would drop.

The sharp increase in the Opec oil price should increase demand for South African uranium and coal. Furthermore, South Africa's low energy costs were likely to result in even greater exports of semi-processed and manufactured goods.

As a result, South Africa could still expect the value of exports to grow, but at a slower pace.

The high gold price would also protect the economy against the effects of a world recession.

A gold price of 250 dollars should lead to a growth rate of 4 percent next year and a price of 300 dollars to a growth rate of about 4,5 percent.

STUFFED CABBAGE SALAD

1 fresh green medium size cabbage

tomatoes
fresh pineapple

May Bennett, Ridgeworth

43

SPRING GREEN SALAD

1 medium size lettuce
2 onions
parsley

1 cucumber
mint (fresh)
scallions

May Bennett, Ridgeworth

44

1 medium head lettuce, torn in bite-size pieces (4 cups)
2 cups diced apple
1 11 oz can (1 1/3 cups) mandarin orange sections, drained
1 6 1/2 or 7 oz can tuna, drained and broken in large chunks

1/3 cup coarsely chopped walnuts
1/2 cup mayonnaise or salad dressing
2 t soya sauce
1 t lemon juice

In a large salad bowl, combine lettuce, apple, orange sections, tuna and nuts; toss together. Combine mayonnaise, soya sauce and lemon juice; mix well. To serve, add dressing to salad; toss gently. Makes 4 - 6 servings.

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CT. 18/10/79 (44)

SA's economic development programme

PRETORIA. — The basic approach adopted in connection with the ninth economic development programme for 1978-1987 was that the public sector's expenditure, capital as well as current, should be limited to such an extent that equilibrium in the current account of the balance of payments would be maintained over this period.

This was stated at a press conference here yesterday by Dr C F Scheepers, director of economic development programming in the office of the Economic Adviser to the Prime Minister.

Long-term goal

Summarizing the main findings of the EDP Report for 1978-1987, which was released yesterday, Dr Scheepers said this assumption was in accordance with the government's intended goal to allow more room to the private sector to fulfil its role in the growth pattern.

In view of the government's most important long-term economic goal, namely, a higher economic growth rate, a significant reduction in the expected high unemployment level, the maintenance of a recent degree of balance on the current account of the balance of payments, price stability etc, three possibilities had been investigated whereby the government could attempt to actually achieve these goals or otherwise to make significant progress in that direction.

The results had shown that should the real current expenditure of the general govenment increase on average by 3,5 percent per annum and the capital expenditure by only 1,8 percent per annum, then equilibrium on the current account of the balance of payments would be achieved, but the growth in the real gross domestic product would only be 3,6 percent per annum.

"From various viewpoints, but especially from an unemployment aspect, an expansion of only 3,6 percent per annum in the South African economy is unacceptable," Dr Scheepers said.

Growth rate

With an expected growth rate of 3,6 percent over the next decade, unemployment as a percentage of the work force was likely to increase from 10,6 percent in 1977 to 21,9 percent in 1987.

In addition to the policy goal to cut down the growth in public sector expenditure relative to private sector expenditure, it was assumed that the government would transfer the surplus financial resources generated via this process to the private sector.

Provision had thus been made for certain direct tax concessions for both individuals and companies

Dr Scheepers said it had been accepted that export trade policy should receive additional stimulation from Government

In the case of imports the view had been taken that planned import substitution resulting from strategic goals would, in conjunction with existing protection policy, be able to limit imports to an acceptable level.

Main policy

"The results of this exercise have proved that, to a great extent, Government's main policy goals are attainable over the longer term such as the growth rate of real GDP will attain 4,5 percent per annum over the period from 1978 to 1987

"A GDP growth rate of 3,6 percent per annum will result in the employment rate increasing from 1,2 to 2,1 percent.

Seen against the background of an expected increase of 2,6 percent in the work force the unemployment rate will actually increase from 10,6 percent in 1977 to 15,0 percent in 1987, + Dr scheepers said.

It was well within the capability of the economy to expand at a faster rate by relying on domestic resources. An average growth rate of about 5,1 percent per annum in non-gold exports seemed to be an attainable goal, he said

As far as the price level is concerned the projections indicated that although the growth rate of the economy would reach a higher level, this would not have a significant effect on the expected rate of inflation.

The performance of South Africa's economy in the seventies, compared with the sixties, could clearly not be regarded as desireable from an economy, social or political point of view, the office of the Economic Adviser to the Prime Minister says.

In its economic development programme for South Africa for 1978 to 1987, the report sets out the objectives of economic growth.

"As in other countries where the economic system is based on the principles of free market mechanism, there are various individual and national objectives in South Africa.

"In general terms the most important of these objectives are the following: maintaining a satisfactory economic growth rate, provinding adequate employment opportunities, distributing the national income according to socially acceptable norms, improving the social welfare of the community and achieving acceptable economic independence from external economic and political developments. +

Price stability

The report says that because of the important role of the government in a modern economy, a great responsibility rests on it to create, as far as it is able, conditions under which the objectives stated above can be achieved.

"In South Africa, with its unique circumstances, the government has an even greater responsibility than that of any other comparable country

"The government is expected, using its various policy instruments, to influence the conomy in such a way that production capacity is utilized as fully as possible over the meduim to longer term, price stability is maintained, stability in the balance of payments is maintained, the competitiveness of the private sector is promoted, adequate community goods and services are provided and the private sector is left enough scope to continue its activities without having to compete too much with the public secotor for the country's limited production resources."

Because the economy did not nearly manage to achieve the stated national targets as embodied in successive EDPs in the seventies, a need arose for a review of the fundamental growth forces in the economy as well as of the policy measures that will be required over the meduim and longer term to bring about these forces to full development.

The Economic Advisory Council of the Prime Minister therefore requested the office of the Economic Adviser to investigate the matter and make recommendations. This was done in 1978 and the government accepted a new approach to economic development programming.

Strategy

After outlining the main policy adjustments that have been introduced in respect of tax revenue, monetary policy, trade policy and the rate of exchange, the report makes an assessment of the practicability of the policy strategies for growth.

When such an assessment is made, the report says it is important to take account of the fact that there have been important developments recently at policy levels that tend more or less in the same direction as the broad guidelines embodied in the EDP.

"The structural imbalance that developed between savings and investment during the seventies, up to about 1976, has been successfully reversed since 1977 For instance, the record deficit on current account in 1976 has been replaced by large surpluses in 1977, 1978 and, it is expected in 1979 as well

"Although these changes were not brought about without paying a price in the form of, among other things, higher unemployment, it is nevertheless an indication of the tremendous adaptability of the economy," the report says

Expenditure

Moreover, the government has already declared that it is aware of the importance of the adverse effects of various structural factors and has committed itself in broad outline to eliminate or at least ameliorate these factors as far as possible.

"There have been cutbacks in public expenditure since 1977 on the grounds of short-term stabilization considerations, and the proposed retardation of the rate of expansion of capital investment programmes in the public sector fits in well with the long-term development strategy embodied in the EDP, and is an important prerequisite for the elimination of the imbalance between savings and investment."

The next important element in the development strategy, in addition to the retardation of public expenditure in relation to that of the private sector, is the adjustment of the tax structure in order to leave a larger portion of the available financial resources in the hands of the private sector.

Export outlook

Although the prospects for primary exports are fairly rosy the prospects for exports of manufactured goods give rise to some concern, according to the report.

Exports of manufactured goods increased considerably more rapidly in the seventies than total local production, the report said.

It should, however, also be remembered that the growth rate of local production was far below the level of the sixties.

Because of the general structural economic problems in the seventies, the manufacturing industry to some extent diverted its growing production capacity to exports and away from the domestic market.

"It may be, therefore, that as soon as the domestic demand for locally manufactured products begins to revive, export of these products will be affected accordingly.

Exports

"An analysis of South Africa's exports of manufactured goods also shows that there was only a small degree of diversification in export goods in the seventies, so that South Africa still depends on a small number of items for its export performance as far as manufactured articles are concerned.

"This is of course, true to a significant extent of the whole South African export package," the report said.

Regarding primary exports, the report said that gold, diamonds, platinum, coal and uranium, often referred to as the "Big Five", constituted about three-quarters of total mining exports during 1977

As far as gold, diamonds and platinum are concerned, even in times of slow growth in the world economy, the demand for this type of commodity should be fairly firm.

The problem with these commodities, however, is that South Africa has only limited deposits in certain cases and that their prices may fluctuate widely over the short term, introducing an element of uncertainty into the course of the country's balance of payments, which may make it very difficult to determine policy.

South Africa has gained thorough experience of this problem in the past, especially as far as gold is concerned, the report said.

Coal,uranium

Regarding coal and uranium, the report said the long-term export prospects for these two commodities have improved considerably as a result of the energy crisis experienced by the whole of the Western world in the seventies, and the expected structural changes in Western countries that will flow from this crisis in the eighties and beyond.

These two export components will therefore ensure some degree of stability in the balance of payments over the longer term

Moreover, because of the composition of South Africa's exports and the fact that price and volume movements often compensate for each other in the medium term, these commodities are an important stabilising element in the balance of payments.

Foreign capital

The South African national economy became considerably more dependent on foreign capital in the seventies than it had been in the sixties, according to the report.

Whereas the net inflow of foreign capital as a percentage of the gross domestic investment averages only 6,6 percent from 1962 to 1969, it averaged 9,6 percent from 1970 to 1977.

Apart from the changes that took place in the size of the net inflow of foreign capital, the type of capital, i e the rate of repayment involved and the institutions to which it was channeled, also changed in the seventies in comparison with the sixties.

Whereas short-term capital constituted the largest component of capital inflow during the sixties, there was a net outflow of such capital during the first eight years of the seventies and long-term capital formed the major portion of the capital inflow during the latter period.

Deficits

The fact that the growing deficits on the current account and the outflow of short-term capital had to be financed increasingly by way of short-term compensating loans and by making use of gold and currency reserves, naturally restricted the ability of the monetary authority to act to stimulate the economy, because of the [illegible] the balance of payments.

The role played by political uncertainty in these trends should, of course, not be underestimated.

+Because of the underlying structure of imbalances present in the economy in the seventies a progressively greater need for foreign capital not only arose, but South Africa was also obliged to change the structure of its foreign liabilities in such a way that problems resulted in the application of an effective stabilization policy.

+Thiswas mainly the result of the cntinued and growing outflow of short-term capital, not related to reserves, and the increased use of gold and other foreign currency reserves as well as short-term compensating loans to support the reserves.

Inflation

"Although it may be accepted that political developments also played part, the basic causes can early be traced back to economic problems," the report say

Projections indicate inflation will remain fundamental problem in South Africa in the 1980s.

The report, on the South African economic development programme for 1978 to 1987, said the current account of the balance of payments is expected to remain more or less in equilibrium, and even at a real gross domestic product growth rate of five percent, the average annual inflation rate for the period is seen at about 7,9 percent.

The report noted, however, the estimated inflation rate is considerably lower than was experienced in the recent past, indicating policy measures recommended will definitely contribute towards slowing inflation.

It can also be inferred that one of the main causes of inflation should be sought on the supply side of South Africa's economic capability, the report said, and the country's productivity must be pushed up as much as possible.

The report said because South Africa exports mainly primary goods, for which prices are difficult to manipulate, it is very difficult to counter the inflationary effect of increases in import prices by compensating for them in export prices.

It said with imports constituting about 25 percent of the country's gross domestic product, inflationary conditions in the main supplier countries may ultimately have a relatively severe effect on domestic price levels. — Reuter

44

May Bennett, Ridgeworth

...N SALAD

...e lettuce
1 cucumber
mint (fresh)
scallions

...ed the lettuce, chop onions finely and parsley;
...ieces for garnishing. Wash cucumber peel and cube.
...ns, and cut tops off leaving a short piece of the
...n. Toss the lettuce, parsley, cucumber, onion and
...gether, salt and pepper. Pour over a little French
... serve in a glass bowl. Garnish with a few sprigs
parsley.

---oOo---

Mrs Futter, East London

...N BEAN SALAD

...d green beans
...nions
1 d salt, level
2 cups water

...ns (sliced) with salt and onions till cooked, then
water.

F.M. 19/10/79 ~~350~~ 49

GOVERNMENT

New look at the top

The private sector will participate in government decision-making at an unprecedented level now that the Cabinet is operating on a decentralised basis, according to J E du Plessis, Secretary to the Department of the Prime Minister. A new Cabinet power structure, involving a radical cutback from about 40 cabinet committees to five (first disclosed in the *FM* on June 22), has been finally approved by the Prime Minister, and fully functional since last month.

Directly responsible to these committees will be working committees where, says Du Plessis, recommendations to the Cabinet will be drafted by departmental heads and senior civil servants — in consultation with experts from the private sector. "In this way we should have a realistic mix of outside proposals, combined with those of government experts for the Cabinet committees to consider," he adds.

Significantly, however, Du Plessis refuses to disclose (on the PM's instruction) who Botha has chosen as chairmen of the individual committees. This is hardly surprising, since other members of the executive believe the Prime Minister has, in effect, selected an inner cabinet. It is understood, however, that Piet Koornhof has been charged with the Internal Affairs Committee, Owen Horwood with Financial Affairs, Chris Heunis with Economic Affairs, Fanie Botha with Social Affairs, and Alwyn Schlebusch is expected to take control of the State Security Council under the watchful eye and overall charge of the Prime Minister himself. The Security Council is regarded as the keystone of the new structure.

The functions of a sixth proposed committee, namely Parliamentary Affairs and Legislation, have been absorbed by the other committees.

Power to loyalists

It goes without saying that Botha loyalists, such as SADF chief Magnus Malan, will have powerful roles to play, and that some ranking civil servants will, in many cases, have more influence than their Cabinet Minister bosses.

Though ordinary members of the Cabinet naturally have full access to their senior colleagues, each member of the inner cabinet is said to be a staunch supporter of the PM — and the five will almost certainly act as buffers between Botha and his brawling political factions. The PM's decision to move his party in a more liberal direction has caused a storm in the NP that could lead to a hiving off of his recalcitrant right wing.

It is, however, unlikely that Botha will end his administrative reforms with the reorganisation of the Cabinet. According to sources in the Public Service Commission, he is keeping an eagle eye on promotions and retirements of civil servants. The PM aims, the *FM* learns, not only to reduce drastically the size of the public

service as he cuts back the number of government departments to 18, but to move people of verligte political persuasion into some of the most senior slots in officialdom.

Though his confidantes maintain he will replace as far as possible verkrampte elements in the administration with people of his own political persuasion, he is apparently finding this aspect of proposed reform by far the most difficult. Unlike political appointees, heads of department enjoy the protection of the PSC, and sackings or demotions are rare, to say the least. And in terms of his new cabinet arrangements, they will enjoy a new importance.

Thus, a reluctant bureaucracy could prove a formidable obstacle in any programme of political change. With most senior public servants reputed to be verkramp rather than verlig, and firmly entrenched in power, they could turn out to be Botha's *bete noir*.

But, as one optimistic civil servant points out, Botha was not fazed by the verkrampte legacy left by Erasmus and Fouche when he took over as Minister of Defence. He re-organised the force, promoting English-speakers who had been overlooked for 15 years to senior ranks, and created a fine balance in the upper echelons of the SADF. Men with combat records received in many cases the promotional and financial recompense they deserved, and morale in the Permanent Force rose astonishingly. Specialists were brought in from outside, and promotion on merit rather than age became commonplace (Malan himself is a case in point).

It is precisely this kind of management philosophy that Botha espouses publicly and privately. And both his supporters and detractors believe nothing will stop him from following this approach through to its inevitable consequence — even if it shatters NP unity.

F.M. 19/10/79 (49)

ECONOMIC DEVELOPMENT

Guide for investors

Entrenched unemployment is the sombre reality spelt out in the 1978-1987 Economic Development Programme. On average each year as much as 15% of workers will be jobless when real output is climbing by 4,5%. Even with an optimistic growth rate of 5% a year, the unemployment rate will average 11,5% against 10,6% in 1977.

However, having predicted the worst, the EDP suggests possible ways of avoiding it, without necessarily pushing up the growth rate. For instance, government could offer incentives to labour intensive industries, remove the burden of statutory and other measures which push up the cost of labour, or ensure that the cost of capital more accurately reflects its scarcity. Unfortunately, the EDP does not give any indication of how strong these measures would have to be to bring unemployment down to a tolerable level.

The compilers of the development programme have been at pains to produce a useful guide for government planners and investors. Past EDPs have turned out to be academic exercises, projecting potential growth rates, without helping government analyse situations or coming up with appropriate policy measures. But incorporated in this EDP are three growth rates — 3,6%, 4,5% and 5% — which can be expected to come about, given certain assumptions and forecasts on, for instance, the state of the world economy. Moreover, policy measures which government can manipulate are also taken into account.

Two basic policy aims are highlighted. Firstly, since SA can no longer expect the

Planner Simon Brand . . .
unemployment is the problem

huge foreign capital inflows of pre-1975 days, it should try to reduce its dependence on such capital. To achieve this, the EDP argues, the current account of the balance of payments must be in equilibrium. And secondly, government should cut its share of total spending and investment, leaving more for private enterprise. This would, in addition, raise the productivity of both capital and labour

However, it is perhaps optimistic to assume that — no matter what the growth rate — increases in real government spending and investment will remain unchanged at 3,5% and 1,5%, respectively over the next decade. The EDP argues that this doesn't seem impractical in the light of government's recent commitment to reducing its share of fixed investment to the levels of the Sixties — that is, around 40%.

Nonetheless, if unemployment is anywhere near the pessimistic predictions in the EDP, government will most likely attempt to do something about it. Whether this be through additional social benefits or attempts at maintaining greater order, additional costs will be involved.

The policy implication of slowing down government spending is clear. There will have to be adjustments to the tax structure. Thus provision was made in the model for tax concessions to both individuals and business. But, because of government's policy of reducing the direct tax burden, indirect taxes were not changed.

More realistically, the EDP has, for the first time, considered the effects of inflation on the economy. It also shows that inflation is here to stay. With growth at its lowest — 3,6% — the inflation rate will be as much as 6,6%. In the other two growth scenarios it will be 7,6%. The EDP does not suggest specific policy measures that the authorities should adopt to combat inflation.

Immigration has been revised downwards to 10 000 a year, against 30 000 in the 1976-81 EDP. And exports have been given far greater importance, by taking into account the effect of SA's physical infrastructure, market conditions and price competitiveness. Possibly too much weight has been given to the impact of exports on growth For the jump from 4,5% growth to 5% is achieved purely by export growth climbing from 5,1% a year to 5,8%.

The EDP is a pronouncement of faith in the private sector's ability to push the economy forward, recommending measures which will create the right climate for investment by business. Granted, it suggests that individuals should also receive tax concessions, which would boost consumption However, the recommended policies are biased towards increasing the supply of goods This is all very well when consumers are buying, but what happens if they do not buy? The answer is not in the EDP.

Be that as it may, the new EDP is a tremendous advance on the old ones and, given some refinements and adjustments in the years ahead, should be incomparably more useful.

by 1970, this figure had decreased to 15,7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality experience as a percentage of the 'coloureds' had decreased from 15,2% to 7,1%. It should be noted that the 0 year age specific death rates are higher than the corresponding IMRs. This is because the denominator for the former is the number of live births whilst for the latter it is the mid-year populations under one year of age.

Fig. 4 provides an indication of the proportional contribution of selected causes of death to the overall mortality experience of the white, 'coloured' and African communities.

During the period 1929 to 1970, the whites have shown a changing spectrum of mortality which is classically associated with an improving health status. Infectious diseases have become less important and the major causes of death are increasingly related to Cardiovascular and Neoplastic diseases. The 'coloureds' and Africans, however, have a persistently high proportion of deaths caused by infectious diseases. The Africans exhibit a spectrum of mortality which is characteristically associated with [illegible] whilst the 'coloureds' appear to occupy an intermedia[illegible] whites and Africans, although it is clearly much more [illegible] Africans than it is to the whites.

What is of particular concern about the 'intermediat[illegible] 'coloureds' is that it would appear to incorporate t[illegible] developed and the developing experiences. This bec[illegible] Table II which provides a more detailed analysis of [illegible] contrib[illegible] the overall mortality of the whites [illegible] form of caus[illegible] though cardi[illegible] small propo[illegible] indicat[illegible] si[illegible] [illegible] classifica[illegible] examine the temporal changes or [illegible] ease categories with rates greater than 5/1 000 appear in italics in Table II. It will be noted that the mortality experiences of the 'coloureds'

(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) and at 45 years of age (e_{45}) for both males and females. It expresses the average number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

RESULTS

The infant mortality rates (IMR) and standardised mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst the whites have experienced a steady decline in both of these indices since 1929, the 'coloureds' after an initial decrease, show a comparatively static IMR since 1950 and an increase in their SMR since 1960.

From 1941 to 1970, the white IMR has fallen from 50,9/1 000 to 21/1 000, an improvement of 57,6%. During this period, the 'coloured' IMR has [illegible] 1 000, a change of only 19,7%. [illegible] it is appreciated that the greater the [illegible]ents be accomplished. The decrease [illegible],4% and 25,7% for whites and [illegible]

[illegible] summarised in Fig. 4. Since death [illegible]at decreases in the mortality ex[illegible] give rise to a corresponding increase [illegible]. Thus, although it is to be expected [illegible] the mortality rates for persons over [illegible] concern that

Give us proof, says Qoboza

RDM 20/10/77

ONLY when entrepreneurs treated each other as equal partners, irrespective of race or colour, could a free enterprise system be seen in its true perspective, the editor of Post and Sunday Post, Mr Percy Qoboza, said in Johannesburg yesterday.

In a speech read on his behalf at the Mercabank Foundation seminar on "Free enterprise and socio-political change", Mr Qoboza said the sincerity of the private sector must be proved.

"For too long the private sector has stood by paralysed by indecision when their voices should have been heard. For too long the private sector has thrown the blame for everything at the Government without attempting to look for solutions.

"This paralysis has made a mockery of free enterprise Various laws have placed restrictions on black trading. Can anyone blame blacks for believing that free enterprise is a system which can only benefit the rich whites?

"In the final analysis it is clear that free enterprise cannot exist in meaningful terms in a system that is not totally free," Mr Qoboza said.

Also addressing the conference, the Deputy Secretary of Co-operation and Development, Mr Frans Cronje, said South Africa was entering a new era which would see the rise of a new class of black entrepreneurs and a large, stable black middle class.

He delivered the speech on behalf of the Minister of Co-operation and Development, Dr Piet Koornhof.

A major question confronting South Africa was how to create the necessary jobs and raise the necessary capital. But it was unlikely that adequate jobs of a capital-intensive nature could be created in the short term and the development of manpower skills and training took time, Mr Cronje said.

"One proposal to which we are giving serious consideration is the development of the informal sector, or home industry, as well as light industry in the black areas," he said.

Mr Cronje said the Government was fully aware that in the process of change there would be fears among some whites that black advancement

Mr Cronje said the Government was fully aware that in the process of change there would be fears among some whites that black advancement would take place at their expense.

There were also blacks who were concerned that unless there was direct intervention of "affirmative action" in their favour they would, especially in the business areas, be at a competitive disadvantage with whites.

"I can assure you that we are paying full attention to the needs of all the peoples," he said.

As a major step towards developing urban black residential areas, profit-sharing arrangements between whites and blacks on a specific basis were being considered, Mr Cronje said

The chairman of the Free Market Foundation, Mr M C O'Dowd told the seminar the basic message of the foundation was that the substantial freeing of the economy from control could safely be taken a great deal further.

He said this was the answer to most of the country's problems, including poverty and unemployment. — Sapa.

Economic outlook bright, say investors

Argus 23/10/79 (49)

Financial Editor

THE prices of industrial and commercial shares have begun rising strongly on the Johannesburg Stock Exchange as investors and businessmen look forward to a rapid acceleration in industrial activity in the next few months.

The senior Deputy Governor of the Reserve Bank, Dr G de Kock, electrified delegates to the Assocom conference in Bloemfontein last week with the remark: 'Prepare to meet thy boom.' This was followed by a forecast by the Minister of Finance, Senator O P F Horwood, indicating that tempo of the economy should quicken fairly dramatically by January and February next year.

Developments

Hard developments expected to boost the economy in the next few months include:

- The repayment of R166-million in loan levies on November 12. The July tax cuts have already greatly stimulated the retail trade. This additional stimulus to consumer purchasing is expected to make this Christmas the best of the decade.

Share prices of the top quality companies such as Barlows, OK Bazaars, Pick 'n Pay and SA Breweries are now at new highs, a fact reflected in the JSE industrial share prices index which rose more than four points in the past 24 hours to a new record 388,7.

This index is now more than 10 percent above its peak in 1969 — the last major boom year on the stock exchange.

Forecasts

Investors and businessmen have been stimulated by authoritative forecasts made recently of greater economic activity. These forecasts have also been backed by reports of substantial economic successes.

Gold

- Record earnings from exports and from gold. Since July South African exports have been averaging R800-million a month —a third as much again as last year. These export earnings have greatly stimulated business and employment in South Africa and also boosted the foreign exchange reserves.

In addition with the gold price now apparently stable at around a record 400 dollars an ounce, and looking most unlikely to fall below 300 dollars, South Africa can expect another multi-billion rand boost to its economy in the near future.

- Lower interest rates. With most companies probably having repaid their foreign loans, further earnings from gold and exports are expected to remain in the country, put-

(Continued on Page 3, col 1)

Outlook 'bright'

Continued

(Continued from Page 1)

ting strong downward pressure on interest rates.

This move is being cautiously encouraged by the Government as it realises that the easiest way to stimulate investment is to provide cheap money.

Looking ahead, the economic outlook looks extremely bright. About the only disturbing factor is the high rate of inflation, now running at around 14 percent.

However, it is considered most unlikely that the petrol price will rise a further 50 percent in the next 12 months! So many top economists are now expecting some easing in inflation by the middle of next year.

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valuable in themselves, although the mere procedure does not necessarily ensure that better decisions will be made. Their potential is realised only if there follows an assessment of the value of expenditure in each programme.

2.2 Programme Evaluation

Methods of evaluation range from simple procedures for looking at costs, where the conclusions are left largely to intuition, to highly complicated processes which present more or less clear-cut solutions. For these more precise methods, most of the value judgements have to be made explicitly in advance. Some points on the spectrum between these two extremes are analysed below.

2.3 Looking at Expenditure

Basically, one is looking for inconsistencies. It was noted that a logical axiom, basic to economics, is that a rand should yield approximately the same value in whichever programme it is spent. If the net social benefit from the marginal expenditure on one programme much exceeds that on another, one can do better by withdrawing funds from the second programme and increasing expenditure on the first. By simply looking at a breakdown of the budget between programmes, the amounts spent on each may be compared with our intuitive notions of how much 'ought' to be spent on these things. Our judgement will depend on what we consider the benefits of expenditure under each programme to be, a process which cost-benefit analysis seeks to formalise (see below). For example, if it can be shown that expenditure on preventive medicine constitutes approximately 2% of all expenditure on health,[11] it may be felt that the benefits from this kind of provision warrant an increase in the share of the budget allocated to it.

Unfortunately, such intuitive processes can pick out only the grossest incongruities which are recognised by all, whatever criteria of 'value' are used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

ing. This is partly due tc
the programmes which can be
Nevertheless, there will als
be resolved without prior ac
benefits which have to be fe
process, these two factors n

A very large proportion of (
than this. Any further st(
benefits of different progr

2.4 An Informal Method

The following method for gu
described by John Bryant.
students in Thailand, and oi
where no numerical data is
discussion, to draw on the

Potential health problems a:
one to four pluses) under e

Diagram 1: A method of ra

Problem	Prevalence				
Large & poorly spaced families	++++				
Inadequate ante-natal & obstetric care	++++				
Malnutrition	+++				
Need for medical care	++				
Specific diseases:					
V.D.	++				
Dental problems	++++				
TB	+++				
Common cold*	++++	+	+	-	o
Yaws*	-	++	+++	++++	o

* Added to test scoring method

Relax, Viljoen tells foreign investors

FOM 25/10/79 49

FOREIGN participants in the country's industry need not fear any unjustified interference by the Government in transactions between buyers and sellers, the State President, Mr Marais Viljoen, said last night.

Speaking at the annual dinner of the Steel and Engineering Industries Federation of South Africa, Mr Viljoen said foreign industrialists knew that nationalisation was anathema to the Republic and that the free play of market forces would continue to be respected.

"In this regard our record speaks for itself."

Mr Viljoen said it should be understood at all times that the supplying of scarce minerals and processed products from South Africa must not be seen as a favour granted to overseas buyers.

"South Africa earns much-needed foreign exchange through it. It also attracts foreign investment and the technology accompanying it. Without this, meaninful development just cannot take place," he said.

Mr Viljoen said it was in the industrial sector, especially where the biggest possibilities for development lay, which was so necessary for the employment of hundreds of thousands of people who annually offered their labour on the market.

"Even with the availability of all the necessary resources there would be little progress if it was not for the quality of available human material and the effective use of it."

South Africa was to a large extent dependent on overseas know-how in industries using advanced methods of production. But such interdependence was an international phenomenon.

"In many areas we are not able to offer wide-ranging expertise, but the highly developed countries require many of our agricultural products, raw materials and intermediate products.

Uncertainty about the future supply of metals and mineral raw materials had turned the attention of some of the major industrialised countries towards the use of substitutes and the recycling of scrap metals. — Sapa.

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of the migratory labour situation.

The standardised mortality rate provides a single figure for the mortality experience of a population which can only be fully expressed in terms of a series of age specific death rates. The SMR is calculated by multiplying all the age specifi[illegible] corresponding numbe[illegible] deaths so obtained this figure is inde[illegible] the choice of the s[illegible] the deaths in the v[illegible] population as a sta[illegible] weight to deaths am[illegible] will reverse the po[illegible] ranking of the mort[illegible] answer. As the Du[illegible] and statistics'!

Infant mortality ra[illegible] is experienced in o[illegible] Africans are not published by the central government. The various medical officers of health[9] have estimated the infant mortality rates for their urban areas. These show considerable variation. (See also ref.15). A mean figure and the range are given in Fig. 2. These de facto figures should be interpreted with caution as sick infants are often brought to the cities from rural areas. An indication of the situation in the rural areas is given by a sample survey carried out in Cape Town and Transkei among Xhosa-speaking Africans.[12] An increase in infant mortality was observed with decreasing urbanisation, the figure for the completely rural areas being of the same magnitude as those parts of the world devoid of medical services. Fig. 4 summarises the age specific mortality rates of

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed population and Mexico 1960 for a developing one.

[illegible] has been [illegible] 1970 and taking into account the actual births and deaths in the 0-4 age group. Allowance was made for migration.

For Africans, a different procedure was adopted as a population figure for only part of the country was required. The 1970 age distribution[10] by magisterial district was used, the numbers being adjusted by the 1974 gross population estimates by economic region.[11]

BER REPORT

Bright outlook

(14) 26/10/79

If businessmen were a little sceptical of economic adviser Gerhard de Kock's "prepare to meet thy boom" message last week, the latest *Opinion Survey Report* of the Bureau for Economic Research at the University of Stellenbosch provides reassuring news.

According to the Bureau, conditions in the manufacturing sector during the third quarter of the year showed a "very sharp increase" over the April-June quarter.

The report adds that, for the first time in almost four years, a majority of respondents found business conditions "satisfactory." The value of orders received by the manufacturing sector is rising and there are increasing expectations that current trends will continue into the last quarter of the year.

The Bureau points out that, as a result of increasing activity, more manufacturers report difficulty in obtaining skilled labour, although salaries and wages have not yet begun to react. The wholesale sector also shows a "fairly sharp" improvement, says the report, considering that expectations during the earlier part of the year were for a deterioration in the business climate. Both sales volumes and expectations for the last quarter have now perked up, it adds.

Retailers are becoming "substantially more optimistic," with a large majority reporting increases in sales volumes. Prices, they add, are increasing, but at a lower tempo than in the second quarter. The only exception to the firmer business picture is the motor trade, where respondents report lower sales and expectations. The proportion of credit and hp sales is rising, but employment continues to drop, says the Bureau.

On the economy in general, the Stellenbosch boffins reckon that government will now be restrained from further stimulatory packages until the next budget, for fear of overestimating the gold price. However, they add, earlier forecasts of a 4% growth rate in 1980 may now be revised upward to around 4.5% with one of the major causes for uncertainty remaining private investment.

Despite rising demand for labour, and assuming stable oil prices, the Bureau reckons the rate of increase in consumer prices should slow during the second half of next year. If this does not happen, a continuation of the upswing past the end of 1980 may become unlikely.

Financial Mail October 26 1979

(49) FM 26/10/79

ECONOMIC GROWTH

Think again, Tutu

Bishop Desmond Tutu might profitably seek support for his anti-growth stance in the ranks of the Herstigte Nasionale Party or Die Afrikaanse Weerstandsbeweging.

These right-wing fanatics agree with Tutu, but for different reasons, that economic growth is bad for SA. Stifle growth, says Tutu, and you'll force change. Stifle growth, say the HNP and the AWB, and you'll inhibit change.

The *FM* fears that the right wing is correct. It is in societies where economic growth is a characteristic that change is more likely. In fact, the fatal error which the Shah of Iran made was to force economic development at a rate which outpaced political evolution.

Change takes place in West Germany while East Germans are subjected to a totalitarian stranglehold. The US is a society in a constant state of flux while, in Russia what little change there is moves at a glacial pace, usually reflected in such dispensations as allowing Jews to *buy* their way out.

It is not coincidental that freedom and economic growth flourish together. It is also not coincidental that, in all the great democracies, the free market system plays a role; and the larger that role is, the higher is the living standard of ordinary people and the greater their personal freedoms.

The force of economic growth is, as the HNP and the AWB recognise, the gravest threat to the structure of apartheid. In fact, rapid growth, in which free market principles prevailed, would destroy apartheid as surely as it destroyed forever the feudal system of Britain and Europe, releasing ordinary people from degradation and bondage to join the new market economy and emerge in time as history's first middle class.

The disturbing aspect of the fight against apartheid's evils conducted by Tutu and others of the intellectual left is that they appear to see socialism as the answer to the sins of racial discrimination.

Alexander Solzhenitsyn has this to say to those who seek an answer to Western ills in collectivism:

"It is almost universally recognised that the West shows all the world a way to successful economic development, even though in the past years it has been

strongly disturbed by chaotic inflation. However, many people living in the West are dissatisfied with their own society. They despise it or accuse it of not being up to the level of maturity attained by mankind. A number of such critics turn to socialism, which is a false and dangerous current.

"I hope no one present will suspect me of offering my personal criticism of the Western system to present socialism as an alternative. Having experienced applied socialism in a country where the alternative has been realised, I certainly will not speak for it . . . Socialism of any type and shade leads to a total destruction of the human spirit and to a levelling of mankind into death."

The new "buzz phrase" among some observers in SA today is "social democracy." The argument goes that the blacks have, over generations, developed their own system (which, naturally, copes with hardship and sheer survival) based on mutual assistance. It is suggested that this system must be perpetuated so as to draw blacks into the market economy. This system — a symptom of nothing more than a desperate need to survive, a reminder of the terrible poverty and devastation suffered in Africa over thousands of years — is held out as the answer to the aspirations of the modern black.

Surely it is an insulting suggestion that blacks can never break with their tribal past. Arthur Schlesinger, the American historian, writing with that condescending arrogance typical of the intellectual left, has described black Africa as "irremediably tribal."

Presumably, in ancient Britain, the elite of the day sat about in their castles discussing the "irremediably tribal" Celts, Picts, Jutes and Saxons.

Bishop Tutu . . . what kind of change

It is right for Tutu and all fairminded South Africans to fight the evils of racial discrimination, although Tutu might achieve more for his people with less rhetoric and greater pragmatism. Be that as it may, there is no quibbling with his view that apartheid is "diabolical" and "of itself, evil."

But he, and others who seek justice and equal opportunity for the black man, do their cause a disservice when they heap the sins of apartheid on the system of free enterprise. When that system, properly followed, demands that there be no barriers to entry of race, colour, creed or whatever.

The market is colour blind and it has within it, if it is permitted to work, the answer to poverty.

This answer does not lie with socialism, whatever its hue. As Henry Hazlitt has written: ". . . all schemes for redistributing or equalizing incomes or wealth must undermine or destroy incentives at both ends of the economic scale. They must reduce or abolish the incentives of the unskilled or shiftless to improve their condition by their own efforts, and even the able and industrious will see little point in earning anything beyond what they are allowed to keep. These redistribution schemes must inevitably reduce the size of the pie to be redistributed. They can only level down. Their long run effect must be to reduce production and lead toward national impoverishment."

It is little more than 200 years since Western man discovered the system that transformed life for hundreds of millions of men, women and children.

It is a system that has exceeded the wildest dreams of humanity in all preceding history. Now, those who seek freedom urge others to turn away from it and towards systems which have proved that they destroy both freedom and prosperity. We are even urged to adopt systems which served the tribal needs of ancient illiterate and desperately impoverished peoples.

SA must surely be turned towards freedom and prosperity — not away from them.

ONION RINGS — May Bennett, Ridgeworth

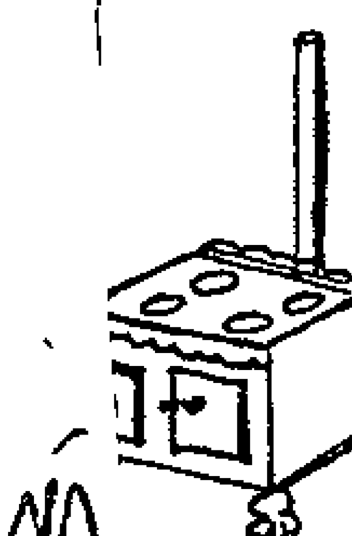
Peel and slice large onions, and separate the rings. Heat a pan; add oil. Dip the rings in milk and then coat with flour, and fry till brown in the hot oil. Drain the oil off on a paper towel, and season with salt and pepper.

---oOo---

250 discuss key to future

49

Star 30/10/79



By Tom Duff and Sieg Hannig

It will be one of the most important conferences in South Africa's history: On November 22 the Prime Minister, Mr P W Botha, enlists the aid of the private sector to help launch his planned "constellation of Southern African states."

Mr Botha, his Cabinet and heads of key Government departments will sit behind closed doors in Johannesburg with about 250 people representing a broad cross-section of South African expertise.

They have been invited irrespective of their political views and Government sources say a free exchange of ideas will be encouraged.

Of the 250 people invited, about 160 are from commerce and industry and the rest will represent semi-public bodies like Iscor and Escom, city councils and professional organisations and institutions.

Mr Botha has defined a constellation of states as "voluntary co-operation by independent and non-independent states in matters of common concern."

This includes the possibility of creating secretariats and committees to deal with shared interests. Among these shared interests are health, transport and communications, tourism and security.

This constellation would include "white" South Africa, independent and non-independent homelands and, it is hoped, other neighbouring black states.

Together they could combine to form a powerful economic bloc, united against the communist onslaught that Mr Botha so often warns against.

"We need development, development and more development — and to achieve this we have to get stability and co-operation between states," says one Government source.

In recent months Government leaders have stressed the need for more jobs to be created to prevent a dangerous rate of black unemployment in the future.

A prerequisite for creating a constellation of states is the consolidation of the homelands. It is significant that Mr Botha made his announcement that he regarded his Government no longer bound to the limits of the 1936 land agreement when he spoke at a gathering of leading businessmen and industrialists in Cape Town early this year.

Representatives of about 50 of the largest companies in South Africa were invited to the meeting at which the Minister of Co-operation and Development, Dr Piet Koornhof, made it clear the Government was moving away from the old Verwoerdian restraints on white investment in the homelands.

On November 22 Mr Botha will speak to a much broader audience.

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MUTTON, ROAST SHOULDER OF 1900

shoulder of mutton	salt
dripping	flour

Put the joint to a bright clear fire, floured well. Baste contin-

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with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the Circulatory [illegible] community stand to gain most from measures included in Fig. 6 [illegible]

The men who will play a vital role in SA

ROM 26/10/79

By HELEN ZILLE
Political Correspondent

THE NAMES of seven men who will play a key role in determining the economic tactics of the Prime Minister's "total strategy" were announced yesterday.

The men include members of the private sector and prominent academics — in line with the Prime Minister's policy of drawing all sectors into his plans for a strong "anti-Marxist" front in southern Africa.

The economic arm of this strategy is considered to be the most important and the investigation is being headed by Dr Simon Brand, economic adviser to the Prime Minister.

The key aim of this investigation will be to find ways of drawing blacks into the free enterprise system, and allowing them to reap the benefits of it, so that they will not be attracted by Marxism.

The men who will assist Dr Brand in his investigations are: Dr G de Kock, senior vice president of the Reserve Bank; Mr A B Dickman, economic adviser of the Anglo American Corporation; Mr C Saunders, chairman of the Tongaat group of companies; Mr J B Sutherland, managing director of Afrox; Prof J H Hupkes, of Unisa; Prof S J Terreblanche, of Stellenbosch University, and Prof J A Lombard of the University of Pretoria.

In addition Mr Marius de Waal, senior general manager of the Industrial Development Corporation, has been seconded to assist the commission from November 1.

In a statement yesterday, Dr Schalk van der Merwe, Minister of Commerce, said industrial decentralisation would have to be an inherent part of the Government's overall economic strategy.

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valuable in themselves, although the mere procedure does not necessarily ensure that better decisions will be made. Their potential is realised only if there follows an assessment of the value of expenditure in each programme.

2.2 Programme Evaluation

Methods of evaluation range from simple procedures for looking at costs, where the conclusions are left largely to intuition, to highly complicated processes which present more or less clear-cut solutions. For these more precise methods, most of the value judgements have to be made explicitly in advance. Some points on the spectrum between these two extremes are analysed below.

2.3 Looking at Expenditure

Basically, one is looking for inconsistencies. It was noted that a logical axiom, basic to economics, is that a rand should yield approximately the same value in whichever programme it is spent. If the net social benefit from the marginal expenditure on one programme much exceeds that on another, one can do better by withdrawing funds from the second programme and increasing expenditure on the first. By simply looking at a breakdown of the budget between programmes [illegible] ma[illegible] on [illegible] fi[illegible] an[illegible] th[illegible] ex[illegible] of [illegible] Un[illegible] co[illegible] of value' are us[illegible] level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

SA's free enterprise system criticised

Consumer Mail

A PROMINENT black businessman yesterday questioned South Africa's "free enterprise" system" in which 80% of its population were "chained".

Mr H S Majola, managing director of Blackchain Ltd, said blacks had been denied certain rights which made it difficult for them to compete with white retailers.

Speaking at the Retailers' and Distributors' National Conference in Johannesburg, he said that because blacks had been denied the rights of land ownership it was almost impossible for them to raise loans for their businesses.

"It was not the intention of the Government to have a class of black businessmen — the birth of the black retailer has accidentally been brought about by the policy of separate development," he said.

Referring to their lack of self-confidence, Mr Majola said "It's time blacks developed self-pride and self-reliance This feeling of self-destruction is caused by sensing that whites view them as inferior."

And of the role of whites in this process, Mr Majola said: "They would have to cultivate the willingness to assists on projects initiated by blacks instead of levelling destructive criticisms against them"

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different benefits which have to be fed into the analysis; and in the intuitive process, these two factors may not be differentiated.

A very large proportion of decisions are now taken with no further analysis than this. Any further steps involve a way of systematically valuing the benefits of different programmes to render them comparable to one another.

2.4 An Informal Method for Setting Objectives

The following method for guiding the choice of priorities has been described by John Bryant.[12] It has been used by medical and nursing students in Thailand, and one of its advantages is that it can be used where no numerical data is available. It, therefore, lends itself to discussion, to draw on the experience of a group of people.

Potential health problems are first listed, and then given a score (from one to four pluses) under each of four headings:

Diagram 1: A method of ranking health problems

Problem	[illegible]alence	Severity	Community concern	Vulnerability to management	Total
[illegible]	++	++++	+++	++	96
[illegible]	++	++	++	+++	48
[illegible]	++	+++	++	++	36
[illegible]	++	++	++++	++	32
[illegible]					
V.D.	++	++	++	++	16
Dental problems	++++	+	++	++	16
TB	+++	+++	+++	++	54
Common cold*	++++	+	+	–	0
Yaws*	–	++	+++	++++	0

* Added to test scoring method

Cash control is finally in the hands of the holder

South Africa's soaring rate of inflation — 14,3% for the year to September — has puzzled many economists who were saying a year ago that such a rate today would be "impossible" in view of the money supply restraint of the previous two years.

More and more economists overseas are finding the same puzzle and are concluding (as some sceptics always urged) that money supply control is far more complex than is sometimes popularly touted.

ANTHONY HARRIS of the London Financial Times, one of the world's leading economic commentators, looks at the dilemma from a British view.

His analysis could, however, help explain the South African experience.

CHARLES GOODHART, the chief monetary economist of the Bank of England, has enunciated a Second Law of Monetary Policy.

Of which more later.

Goodhart's First Law is this — "Any measure of money chosen as a target for control will change its meaning within a year."

Lay persons may still be unaware that there is any difficulty about defining money.

But sophisticated readers know that once you get beyond actual coin and banknotes, it is very difficult to know the difference between money and a highly marketable security.

You might say that money is anything against which you can write a cheque: but that would include such things as overdraft facilities, credit cards and even building society deposits, which are not officially counted, but would exclude time deposits and certificates of deposit, which are.

The result is that any definition of money chosen for control purposes is bound to be arbitrary; and if you make one form of holding scarce, or equip it with an alarm signal to drive up interest rates, holders will soon begin to switch to some other form.

There are two possible responses to this problem. The simple-minded, or Greater London Young Conservative approach is to forget the subtleties, and simply control the actual change in your pockets — notes and coin.

Restrict the output of the Royal Mint, impose cash ratios on the banks, and there you are.

Do this, and how long would it be before banks were paying their customers to use credit cards, and employers were offering a premium to those who consented to be paid by cheque?

Remember too what happened in Ireland when there was a bank strike for some nine months: British notes were imported, endorsed cheques on good names circulated, and when everything was sorted out some three months after the strike, it was found that the rate of growth of M1 — cash and current accounts — was exactly the same in the do-it-yourself era as in the previous period of official "control."

A second and more sophisticated approach is the 100-flowers system of control.

Invest Ms to your heart's content, and we will set growth targets for all of them.

Stockbrokers Greenwell's already go up to M5 in their monetary bulletin (which makes five important series, since although M2 is missing because the official statistics blur its edge, the monetary base is known as M0.)

These difficulties lead some thoughtful men to wonder just how much economic result can be achieved by controlling the money supply at all.

To put it in technical language, the demand for money functions, which relate money holdings to interest rates and money incomes, break down.

However, when investors and politicans are subscribers to monetarist fashion, their feelings must be considered.

You may not know what the numbers mean, but you know the feelings they will inspire. So the unhappy central banker may feel he has two tasks — to manage credit conditons, and to manage a statistic.

Here he faces a temptation, which may be stated as — yes, as Goodhart's Second Law: "The bigger the loophole, the better the control."

In other words, innovations, Euromarket gaps and so on, which can meet the demand for liquidity outside the defined money supply, make it very easy to produce good-looking statistics.

Do such gaps matter? German performance, despite the Luxembourg Gap, suggest they don't; US performance, with the still bigger Euromarket gap, suggests that they can fool even the central bankers themselves at times.

So, you tend to be left with the performance of the economy, and the best credit control you can devise, with the money supply as a rather unreliable speedometer.

Or one might call it "the general state of liquidity." Which perhaps explains why some sophisticated monetary economists are beginning to speak of the Radcliffe Report with a new respect.

232

(c) to know the effectiveness of a given amount of money when spent on different objectives, so that choices can be formulated in terms of the alternatives we might afford - so many geriatric day care centres, so many child welfare clinics, etc.

Financial statistics are not traditionally arranged on this basis but in categories such as 'salaries', 'transport', 'medicines', etc. A separation, e.g. between expenditure on different disease groups or age groups cannot be made.

231

the cost of raising the necessary funds has to be taken into account. The funds themselves are already justified by comparison with the alternative methods of provision, but there are additional costs involved in raising them: interest on loans, or administrative and incentive costs of raising taxation. These are normally insignificant for any given project, but may affect the overall amounts available for the health budget.

Where the methods of providing a given service use the same kinds of resources in different proportions, the decision-making can be simplified by means of Linear Programming, though health service choices cannot usually be presente

2. CHOICE OF PRO

So far, we have dis objective. But wh ives themselves? to be given to part more to child welfa

Overall criteria ar way that they can gu problem is not only to relate the variou

There are various me expenditure be accou

can be compared by cost-effectiveness analysis;

STUFFED CABBAGE SALAD — May Bennett, Ridgeworth

1 fresh green medium size cabbage
onions
carrots
tomatoes
fresh pineapple
radishes

Cut the centre from the cabbage, leaving the outer leaves to form a bowl. Wash well. Chop onion. Peel and cube the carrots and pineapple. Cube tomatoes. Thinly slice some of the inner leaves of the cabbage leaving the stalks. Place the carrots, pineapple, tomatoes, sliced cabbage and the finely chopped onion in a bowl adding any juice from the tomatoes, pineapple and add salt and black pepper to taste. Toss well, then pile the salad into the cabbage "bowl". Garnish with radish roses and a small bowl of mayonnaise for those who like it. To make the radish roses, cut across the tops in a double cross, then put them in iced water ...

GERMAN PO...

boiled po...
cooked ba...
mayonnais...

Cube the ...
with the ...
salt and ...

EGG SALAD

hard boil...
salanaise...

Cut eggs ...
down. Po...

---oOo---

CHICKEN AND CUCUMBER SALAD — S. Drury, East London

1 cup cooked chicken, diced
4 T finely chopped walnuts
French dressing/mayonnaise
lettuce
1 cup cucumber, peeled and diced
1 cup cooked green peas

Marinade chicken, cucumber, nuts and peas with French dressing. Serve on lettuce with mayonnaise. Cover with greaseproof paper and refridgerate until ready for use.

French dressing:
Blend together 6 T salad oil and 2 T lemon juice.

---oOo---

SPRING GREEN SALAD — May Bennett, Ridgeworth

1 medium size lettuce
2 onions
parsley
1 cucumber
mint (fresh)
scallions

Wash and shred the lettuce, chop onions finely and parsley; keep a few pieces for garnishing. Wash cucumber peel and cube. Wash scallions, and cut tops off leaving a short piece of the green left on. Toss the lettuce, parsley, cucumber, onion and scallions together, salt and pepper. Pour over a little French dressing and serve in a glass bowl. Garnish with a few sprigs of mint and parsley.

---oOo---

CURRIED GREEN ...

FOREIGN POLICY

Unfair trial

Government interference in SA's economy, and especially in the labour market, could lead the black workforce to condemn market solutions to economic problems without a fair trial, thinks Peter Lewin, ex-Wits MBA school lecturer

Now assistant professor of economics at the University of Texas, Lewin recently addressed the Rockefeller Foundation's Study Commission on US policy towards Southern Africa in New York. He said that by denying the majority of SA's inhabitants the experience of a fully competitive economic system, the SA government may be responsible for the complete rejection of that system

He argues that the use of Soviet-style curbs on labour in SA will not in the future invite the development of a less controlled system. Rather, he says, it will encourage the growth of a similar structure containing the same arbitrary elements of colour discrimination, but with beneficiaries of a different colour

Although this may be seen by some as proper reward for the injustices of the past, he warns, there must be serious doubt about whether the price of justice would, in this case, be worth the cost

The situation, he adds, is unfortunate because, although the SA economy has traditionally been relatively free by world standards, of government intervention, the labour market is riddled with controls. Consequently, blacks have not been permitted to experience the benefits of the rapid economic growth which has occurred over the past years. Capitalism, Lewin says, will ultimately be seen as responsible for the inequities of the dual economy and the exploitation of labour

He points out that although the Wiehahn and Riekert commissions recommended far-reaching changes to the labour market structure, there are already indications that some of the fundamental problems, such as recognition for urban blacks, may be left unsolved.

Solutions to southern Africa's problems are deep-rooted in the history and culture of the region, concludes Lewin, and arbitrary solutions imposed by outsiders along Western constitutional lines are bound to fail. Policy alternatives, he says, can only be constructed after close study of the economic interests of the local populations in their own context

Financial Mail November 9 1979

...uts

...dressing

1 11 oz can (1 1/3 cups) mandarin orange sections, drained
1 6 1/2 or 7 oz can tuna, drained and broken in large chunks
2 t soya sauce
1 t lemon juice

In a large salad bowl, combine lettuce, apple, orange sections, tuna and nuts; toss together. Combine mayonnaise, soya sauce and lemon juice; mix well. To serve, add dressing to salad; toss gently. Makes 4 - 6 servings.

---oOo---

Financial Mail

(49) FM 9/11/79

PFP ECONOMIC POLICIES

Cash and cant

Economic problems have become even more urgent than political problems — Harry Schwarz, PFP MP, September 1979.

There are many who would argue that the finance spokesman for the official Opposition never said a truer word. But what is puzzling about Mr Schwarz's party is that it has taken so long to realise its own policy shortcomings in this respect.

About a month ago, a multi-racial commission was appointed by the party's leadership to forge a detailed economic policy. Since then it seems to the *FM* that PFP spokesmen have increasingly advocated measures that conflict with what is normally considered to be a market economy.

This suggests not only the urgency of the task before the commission, chaired by Schwarz himself, but also its enormity. For it will have to reconcile diverse views on capitalism within its own ranks, affluent though they undoubtedly are.

In particular, there are those who do not seem to appreciate the important role played by prices in allocating scarce resources so that they are used most efficiently.

For example, hardly two weeks ago the PFP opposition in the Johannesburg City Council walked out in an unsuccessful attempt to block an increase in parking meter tariffs from 20c to 30c an hour. They did so knowing that for each month the increase was delayed, the cost to the city was R82 000.

These PFP councillors had scant regard for the fact that the longer administered price rises are artificially suppressed, while costs are rising, the higher the ultimate increases will be. Indeed, this is one of the main causes of current inflationary pressures.

It is also not a new, albeit mistaken, attitude among PFP spokesmen. When, for the same reasons, Escom was forced to increase the price of electricity drastically two years ago, it came under withering fire from Schwarz, Rupert Lorimer and Alf Widman.

Yet in 1975, when it became clear to all who cared to read Escom's financial statements that the price of electricity was being held too low in relation to its production costs, there were no calls from these men for appropriate adjustments to avoid the hikes of 1977-78.

In fact, despite Escom having reduced the price of electricity in real terms in the Sixties, Widman had the effrontery in September 1977 to say "the public is entitled to be satisfied on Escom's efficiency."

Harry Schwarz . . . toying with socialism

Perhaps it is hardly surprising, therefore, that when the dismantling of rent control was announced two years ago, the most vocal reservations came from Schwarz and Widman.

In April last year, they were still baulking at the inevitably harsh consequences of de-control after years of protection. Schwarz said: "The Minister said the moves would encourage the building of new flats. In fact it has not done so at all and the result has merely been increases in rents."

What he overlooked was that the longer protection was given, the harsher would be the effects of de-control. Moreover, policies of gradually attempting to reduce inflationary pressures have been unsuccessful almost everywhere they have been applied.

Other issues on which there appears to be ambivalence are the related ones of minimum wages, the rate-for-the-job and the wage gap.

For example, only two months ago Harold Rudolph, a PFP member of the Johannesburg City Council, sharply attacked a greater proportionate increase in wages for white traffic officers, because they are harder to find, than black traffic officers.

He objected ostensibly to an increase in the wage gap saying . . . "it is wrong to pay persons who did the same work, took the same risks, had the same training and standard of education less than others because of the colour of their skins."

What he overlooked is that the rate for-the-job is not by any means a liberal or equitable concept. It is regarded with great suspicions by workers abroad. Experience has shown that where certain categories of skilled workers are prevented from offering their services for wages below the going rate, they have effectively been kept out of the trades to which they aspired. For precisely this reason, women have never been able to gain entry in any number to powerful British male-dominated printing trade unions.

As Lord Robbins said: "It is hardly in the interests of the poor to render them unemployable." In the *FM's* view the most effective method of reducing the wage gap is to allow skilled blacks the freedoms necessary to undercut white wages, which also entails scrapping restrictions on their movements and minimum wage enactments.

Looking back at the last three national Budgets, which have shown a clear trend towards a reduction in government's share of production and encouragement of

the Court may order the costs or any part thereof to be paid by any person who in the opinion of the Court is responsible for the default.

P.T.O

free enterprise, there appears to the *FM* to be a tendency in PFP assessments towards the advocation of increased subsidies and social security handouts. Even distinguished former editor Joel Mervis, now a PFP MPC, has called for subsidies for the newspaper industry.

Maybe this is born out of frustration at government's refusal to speed up the pace of reducing unproductive economic and social discrimination. But it is an unfortunate trend nonetheless, because in the longer run it is self-defeating.

Finally, there are the doubts Mr Schwarz himself has in the ability of a market economy to allocate resources more efficiently than government. Only two months ago he said "While it is perfectly normal in a free enterprise system for a businessman to decide to spend R100m in a chemical project, we have to ask ourselves whether the expenditure should rather be made to satisfy some major social need." If that's not a plea for socialism we'd like to know what is

To ask of a political party that it never oppose for the sake of opposition, is most likely asking too much Some of the examples quoted here may be thus explained But there appears, in addition, some evidence that differences in ideological emphasis in the PFP do exist

For instance, in sharp contrast, PFP Edenvale candidate Brian Goodall vigorously expressed his concern last month that during the past three decades the current expenditure on goods and services by government, calculated at current prices, increased more than fourfold

These differences may be ironical in a party that draws so much of its support from the well-to-do beneficiaries of free enterprise But it is also sobering to reflect on Joseph A Schumpeter's reference to "the spoiled beneficiaries of a system which they neither appreciate nor understand " Therein are the seeds of the destruction, not the creation of wealth

The *FM* does not argue that government hasn't an important role to play in a market economy But it believes it to be that of referee rather than participant.

Nor does it doubt that blacks have an inherent ability to participate to the same extent as whites in the wealth created by the free enterprise system, provided they are given equal opportunity to do so.

Therefore, it is troubled by those in the PFP who question "whether the private enterprise system in its present form is able to meet the challenges of tomorrow" when that challenge is obviously meant to be black advancement.

application for the winding-up.

Voluntary Winding-up

349. Circumstances under which company may be wound up voluntarily.—A company, not being an external company, may be wound up voluntarily—

(*a*) where its memorandum or articles provide—

(i) for the period of its duration; or

(ii) for its dissolution on the occurrence of any event,

if that period has expired or that event has occurred and the company has by resolution passed at a general meeting resolved that it be wound up voluntarily; or

(*b*) if the company has by special resolution resolved that it be wound up voluntarily.

350. Members' voluntary winding-up and security.—(1) A voluntary winding-up of a company may be a members' voluntary winding-up if—

(*a*) a copy of the resolution passed under section 349 together with a copy of a further resolution passed at the same meeting nominating a person or persons for appointment as liquidator or liquidators is lodged with the Master within twenty-one days after the passing of such resolutions; and

(*b*) security, to the satisfaction of the Master, for the payment of the debts of the company within a period not exceeding twelve months from the commencement of the winding-up, is furnished within the said period of twenty-one days; or

(*c*) the Master has dispensed with such security on production to him within the said period of twenty-one days of a sworn statement by the directors of the company, supported by a certificate by the auditor thereof, that to the best of his knowledge and belief and according to the records of the company, it has no debts.

(2) The costs incurred in furnishing the security referred to in paragraph (*b*) of subsection (1) may be recovered from the company concerned.

(3) Unless otherwise provided, in a members' voluntary winding-up the liquidator may without the sanction of the Court exercise all powers by this Act given to the liquidator in a winding-up by the Court, subject to such directions as may be given by the company in general meeting.

351. Creditors' voluntary winding-up.—(1) A voluntary winding-up of a company shall be a creditors' voluntary winding-up in every case where a resolution provided for in section 349 has been passed after the consideration by the meeting concerned of the statement of affairs referred to in section 363 (1) and a copy of the said resolution is lodged with the Master within fourteen days after the passing thereof and in respect of which the provisions of section 350 relating to security do not apply.

Growth can be base for change — Oppenheimer

Star 9/4/79 (44)

Nicholas Oppenheimer, director of Anglo American Corporation speaking on Investment in South Africa — Today and Tomorrow said at the FM conference that by his understanding there is a broad consensus among economists that 1980 will bring a further moderate acceleration in growth — maybe even a bit more than that — despite an expected slowdown in the economies of the major western nations.

The strength of the current economic upswing had a positive influence on business confidence generally.

"The growth expected for the rest of this year and next year gives us a great opportunity to make certain changes which will ensure that future growth will be more secure and less likely to be affected by extraneous factors.

"A business cycle must, by definition, arrive at a peak and then turn down again. Policy makers are at best able to smooth business cycle developments, not eliminate them.

"Importantly for the first time for a very long time, it appears that Government and private enterprise are thinking the same way."

South Africa today had more going for it, said Mr Oppenheimer, in terms of resources and potential than it ever had in the past.

'Govt must cut down'

There must be a drastic reduction in Government expenditure expressed as a percentage of gross domestic product to something under 20 percent from the current 30 percent, Dr Andreas Wassenaar, chairman of South African National Life Assurance said.

Dr Wassenaar said the explosion of Government expenditure and the tax structure, where rates have increased to oppressive proportions, are symptoms of an unsound economy and will almost certainly lead to a high inflation rate, which is in itself economically destructive.

Dr Wassenaar said the tax structure should be amended to encourage capital formation and so increase productivity and employment opportunities, by taxing income as little as possible where it arises, and particularly not at such a steeply escalating rate as at present, but to levy taxes where the income is spent.

IX

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1–4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5–24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25–44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45–64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

XIV

	W M	W F	A M	A F	C M
0–1	1,57	0,76	0,60	1,03	1,24
1–4	0,05	0,04	0,05	0,05	0,05
5–24	0,01	0,00	0,01	0,01	0,01
25–44	0,00	0,00	0,00	0,00	0,00
45–64	0,01	0,00	0,00	0,00	0,00
65+	0,02	0,01	0,00	0,00	0,00
ALL	0,04	0,02	0,03	0,04	0,04
NO.	87	43	9	14	50

XV CERTAIN CAUSES OF PERINATAL MORBIDITY A[illegible]

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	12,46	9,07	16,92	11,55	29,22	24,78	23,16	22,23
1–4	0,02	0,02	0,02	0,02	0,02	0,04	0,04	0,00
5–24	-	-	-	-	-	-	-	-
25–44	-	-	-	-	-	-	-	-
45–65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

Upward trend in shares predicted

Staff Reporter

THE stock market still represented good investment value, the general manager of Union Acceptances, Mr Alister Colquhon, said at the conference yesterday.

He predicted an upward trend in earnings and dividends next year and said share prices today were cheap compared to what they would be in a year's time.

"Activity at the moment is picking up over a broad front and will be boosted by a higher level of consumer spending, a modest upturn in private sector fixed investment and public sector expenditure.

"There are some signs of inventory accumulation, and an increase in gross domestic expenditure of, say 6%, seems a fair forecast for 1980, compared with an estimated figure of 2,5% this year.

"Imports will probably rise faster than exports, leading to a somewhat lower rate of progress in gross national product, but we expect something better than 4%.

"This compares favourably with the expected average growth rate of just under 2% for our major trading partners."

Mr Colquhoun said the balance of payments and inflation would determine how far the present growth rate would last, and "I regard the possibility of a world recession as a very real prospect.

"Although South Africa is to some extent protected from the full force of such an event, we will not be able to escape the effects completely.

"We can probably expect to have a deteriorating balance of payments picture about the end of next year or early in 1981."

On the availability of institutional investible funds, he said his preliminary estimate for 1980 was that the amount of money available for discretionary investment would amount to about R1 800-million.

The private individual had re-entered the equity market, he said, "spurred by the poor returns available on banking and building society deposits and also by the success of recent public issues.

"It is clear that there will be no shortage of funds available for equity investments if they continue to offer value."

On gold shares, Mr Colquhoun said he was assuming an average price for gold of $325 an ounce for 1980, a compromise between the more optimistic and pessimistic forecasts.

"The position is probably very volatile for the year ahead.

"It is clear, however, that the immediate prospect is for substantially higher dividends, which shows a very much more supportable position with regard to the index of prices than was the case in 1973 and 1974."

He reviewed the major mining sectors of the economy over the past two years and said that, excluding diamonds, "one can foresee total mineral sales revenue reaching over R8 600-million this year, compared to about R6 200-million in 1978.

"It is little wonder that one overseas commentator referred to South Africa as 'the greatest little storehouse in the world'".

He said due partly to investment currency premiums, problem shareholders and counter-attractions of other markets, the level of overseas investor participation in the South African market had shrunk from a fairly significant level to one of nominal proportions, particularly in the case of industrial and financial shares.

Mr Colquhoun said recent statistics indicated that overseas involvement in gold shares had altered very little in recent years, although an examination of the counters showed a steady upgrading of the quality of the holdings towards the longer-life mines, with the weighted average of these holdings about 37% of issued share capital.

The weighted average of overseas holdings in mining financials had come down to about 20% of issued share capital from 25% a couple of years ago, mainly as a result of the United States selling Anglo American and Union Corporation shares.

He said despite an increase in US holdings in De Beers, this had been offset by reduced European positions, with an overseas holding now of about 40% of issued share capital.

Because of the strong generation of local investment capital, overseas selling of equities had easily been absorbed in South Africa and political reversals had been seen as good opportunities for acquiring good lines of stock at keen prices.

Boom in the '80s, forecasts economist

Financial Reporter

INFLATION was likely to rise to 15% next year, the chief economist of Standard Bank, Mr Andre Hammersma, told the conference yesterday.

But he expected a "fully-fledged" economic boom in South Africa either late next year or early in 1981.

Mr Hammersma said the boom would bring with it "all of its associated problems on the production side".

"It is clear the economic revival will develop further next year from its present infancy to a more mature phase, which is usually accompanied by a turning point on the current account of the balance of payments."

He said that on the investment side the emphasis was likely to shift to the real sector of the economy from the financial sector, while equity and fixed interest markets were both likely to peak and move into bear phases.

Mr Hamersma said fixed investment could be expected to show healthy growth, while corporate profits, which are moving up strongly at the moment, were also likely to reach a turning point next year.

Despite the inherent strength of the balance of payments, he said the Government would probably not completely abandon its broadly conservative policy stance next year, and real government spending was likely to be marginally higher because of salary increases.

'Solutions lie with free enterprise'

49

THE collapse of capitalism could be avoided if leaders of Western countries accepted that their problems could only be solved in the economic field and by the private enterprise philosophy, the chairman of Sanlam, Dr A D Wassenaar, told delegates at the Financial Mail's annual investment conference in Johannesburg yesterday.

Dr Wassenaar said capitalism could only be saved by long, hard toil.

"The appearance at the top by Mrs Margaret Thatcher and Mr P W Botha shows that this is not completely impossible. But, if the West continues to be led by the Wilsons, the Callaghans and the Carters, a collapse of our private enterprise system is unavoidable, simply because they are leaders who follow the wrong economic guidelines and/or succumb too easily to political pressures to depart from the economically correct guidelines."

He said the West had drifted gradually into the acceptance of socialistic concepts as the guidelines of economic policy.

"There are signs of a realisation that this is a cul-de-sac and there are increasing signs that a search for the road back is being conducted in many circles.

"We will regret that we have allowed decay to set in to the extent that it has before realising that a retreat from socialism has become imperative. Whether this realisation has not come too late, no one can tell at this moment," Dr Wassenaar said.

He said the West was haunted by terrorism, and gave it moral and physical support instead of recognising it as a world disease.

"My mind cannot reconcile the return to a free economic system with the apparent acceptance of terrorism by the Western powers.

Dr Wassenaar said three indicators had to emerge before it would be known "for a fact that we are on the road to a free economy".

First, there should be a drastic decline in Government expenditure expressed as a percentage of the gross domestic product. "It must come down in South Africa by at least one-third, to something under 20%".

Secondly, rates of taxation should be reduced, and third, the overall income gradient of the population as a whole must be increased.

"The tax system should be restructured in such a manner as to encourage capital formation, productivity and more employment opportunities."

Dr Wassenaar..."Don't tax capital."

Dr Wassenaar said this meant that companies should be taxed not on company profits but, "if taxed at all", rather on the dividends they declare.

"Capital should not be taxed at all, and there should be no thought of a capital gains tax. Taxes should be levied where the income is spent, not where it is earned.

"In a nutshell, therefore, the tax structure should encourage saving, investment and production, and discourage consumption. But people will consume and taxes should then be levied where they consume."

On Government expenditure, Dr Wassenaar said the focus of public expenditure should in the first place be on administrative expenditure.

"Except for infra-structural capital expenditure and, of course, defence expenditure, there should be as little as possible public capital expenditure."

He said the extent to which nationalisation had been resorted to in the past placed the State in possession of a vast fortune in state-controlled ventures and state-owned properties.

"These should be sold subject to the limits within which this is possible."

Dr Wassenaar said it should be pointed out that municipalities "can by and large be identified as some of our biggest spenders".

He said control of Government over local governments should be revised and strict limits should be imposed on the expenditure and taxing powers of local government. — Sapa.

Gold regaining monetary role, says bullion dealer

GOLD is regaining its traditional monetary role, according to Mr Robert Guy, a director of the London bullion dealers, N M Rothschild & Sons.

He told the conference yesterday: "The evidence is before you. The actual sale of gold by the United States is a use of gold as money.

"There are other examples, such as the collateralisation of gold (using it as security for loans)."

Mr Guy said: "The evidence of re-monetisation is profuse but also extremely confusing.

"The most sensible approach would appear to be that of Italy.

"It now revalues its gold reserves on the same basis as that used by the European Monetary Co-operation Fund, that is, quarterly, on the basis of the average of the London market prices in the preceding six months."

Mr Guy said central banks which felt restrained from participating in the gold market should now re-enter, as it seemed strange to revalue reserves and then not use the market either to support the price or to switch into other assets.

He told the conference that advocacy of greater central bank participation in the gold market should not be seen as support of a new gold pool, as this was impractical, and recent support for the idea was inspired mainly by a wish to defuse the market rather than impose long-term parameters on it.

Mr Guy said the US charge that gold was too volatile was strange when foreign exchange markets continued to pass through periods of intense turbulence.

In addition, gold price volatility was often instigated by the US itself, as an announcement of an auction of 1,25-million ounces was unlikely to cause no reaction.

The US gold auction policy had failed, as it was meant to defuse the market but had in fact proved to be a catalyst, while the actual process was extremely restrictive.

Mr Guy said an obvious difference of opinion which will have to be solved over the next eight months was over the IMF policy of monthly auctions.

The attitude of the US Congress would be crucial, and while sectors of it had shown rising hostility to gold sales by either the IMF or the Treasury, it could not be certain whether a compromise could be reached.

The main stated [illegible] auctions was to create a trust fund for developing countries, but it was questionable whether this was the most effective way of giving aid and, while developed countries were rectifying their own domestic economic problems, IMF auctions appeared to be somewhat irrelevant.

The gold market might be [illegible]rowin; and in the long-term this would be to the benefit of producers, but, in the short-term, a more numerous body of nervous investors could instigate sharp reversals in the price, he said.

He told the conference the reversal might be inspired by evidence of a domination of traditional physical demand, a belief that the latest US dollar package would succeed and, despite last week's figures, be bolstered by an elimination of the US trade deficit. — Reuters.

LIFT-OFF! SA BOOM'S AGAIN

S. Times 11/11/79

SOUTH Africa's economic engines are building up thrust to propel the country into boom conditions next year.

Indeed, a real growth rate of as much as five per cent — outstanding by comparable world standards — may be on the cards in 1980.

By STEPHEN ORPEN

It would mean more jobs, more spending money, and probably higher pay for the man in the street.

For business, it would bring an end to the long, stagnant period of low — or no — growth.

That is the message from Pretoria, as spelt out to me by the office of the the Minister of Finance, Owen Horwood, and by his senior advisers this week.

They had just been examining the latest statistics, especially the key indicators — figures not yet generally available.

What they found was strong evidence to support the spate of optimistic statements that emanated from officials and experts this week.

Senator Horwood himself promised at the Financial Mail's investment conference in Johannesburg to put more money into the pockets of consumers to sustain economic growth in 1980. He hinted at a possible income tax cut.

Stunning

Mr Nicholas Oppenheimer, a director of Anglo American Corporation, spoke of a further moderate acceleration in growth — and perhaps a bit more than that.

Mr Joel Stern, the New York economist, firmly predicted 5½ per cent growth — a stunning performance in a world economy depressed with oil, monetary and other problems.

Standard Bank's Mr Andre Hammersma was nearly as hopeful. He spoke of a "fully fledged boom" in the next two years.

As the draft of the Minister's speech for the conference was being finalised by the senior Deputy Governor of the Reserve Bank, Dr Gerhard de Kock, I was told that the Ministry was now certain — as far as anyone could be certain — that 1980 would bring:

- An acceleration in consumer spending.
- A gentle, but firming take-off in new fixed investment.
- Climbing imports.
- Little if any diminution in exports, which have again performed well in the third quarter.
- Rising interest rates.
- A fall-off in the excess liquidity now washing about the economy (especially in the banking sector) as demand for fixed and working capital rose.
- A decline in the capital outflow, probably turning rapidly into a net inflow as the R1 000-million or more in "concealed reserves" — funds used to finance foreign trade — are returned home.
- A decline in the surplus in the current account of the balance of payments as imports rose fast to feed the economic growth. South Africa normally imports large quantities of machinery and similar items during boom periods.
- Higher pay and rising living standards.
- More jobs — at least enough to slow the increase in unemployment, if not to reduce it.

Dr De Kock put it to me that there could be no official confirmation of such expectations, which might result in undue euphoria.

But he was clear that, by the same token, nothing would please the Minister and his colleagues more than to see imports tending to rise sharply, the balance of payments surplus narrowing, interest rates rising — and so on — provided these were evidence of the long-awaited lift-off (as opposed to upward drift) in the economy.

Acceleration

"We can envisage a situation in which certain commentators will be tempted to begin sowing alarm and calling for restraints as soon as imports begin climbing and the surplus on the current account starts falling.

"Yet these are the very signs we are now hoping for, provided they are a result of an acceleration in the growth trend."

Dr De Kock is not making any forecasts about gold, but is hopeful that the price will perform better than some expected when the Americans announced their "wildcat" auctions policy.

And the Bank Rate? "What we decide will obviously depend on whether the liquidity in the economy rises still further, or whether demand for funds starts to mop it up and ignites pressures for a rise in interest rates.

"Things are delicately poised at the moment. But we are confident the signs of a fully-fledged, yet stable recovery phase will soon be apparent."

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Where the methods of providing a given service use the same kinds of resources in different proportions, the decision-making can be simplified by means of Linear Programming, though health service choices cannot usually be presented in the simplified way required by this method.

2. CHOICE OF PROGRA

So far, we have discus
objective. But what
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to be given to particu
more to child welfare

Overall criteria are n
way that they can guide these detailed questions. Essentially, the problem is not only to relate resources used to objectives achieved, but to relate the various objectives to each other.

There are various means of doing this; but all of them require that expenditure be accounted for by the ends it is expected to achieve.

2.1 Programme Budgeting

Programme budgeting, also known as budgeting by objectives, involves the presentation of expenditure data according to the objectives to which it is directed. Thus, projects to combat TB would be grouped together, geriatric problems, sanitation programmes, etc.

This is necessary:

(a) to know the cost of pursuing each objective;

(b) to group together activities with the same objectives which can be compared by cost-effectiveness analysis;

tion, e.g. between expenditure on different disease groups or age groups cannot be made.

The grouping of expenditure into programmes is an art. Pole, an economist in the U.K. Department of Health, writes:

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welfare ... which attempts to make a distinction between the choice of the composition of the basket of outputs and the choice of the set of resources from which each output is to be produced. The former is, in a broad sense, a question of tastes, values, or utilities; the latter is a question of techniques".

He adds:

> "In practice, it is not an easy matter to make a hard and fast distinction between technical matters and matters of values or utilities in the health services. From one point of view, the question whether to treat schizophrenics in hospital or in the community is a technical one. Which is the cheaper way to fulfil whatever are the society's requirements for the treatment of this group? But community care originally became fashionable as a good thing in itself. The practitioners are very apt to muddle the medical and economic arguments when it suits them, and the politicians and administrators equally so when it suits them, but the economist's concern is to keep them separate".[9]

Programme budgeting, then, entails the attempt at this separation, sorting out from the multiplicity of decisions those which can be made on the basis of administrative or economic, together with medical-technical criteria, and those in which the role of the public through political

Minister predicts a boom year in 1980

By SIMON WILLSON
Financial Reporter

A DRAMATIC change had occurred in the South African economy over the last two months, and all economic indicators pointed to a boom year in 1980, the Minister of Industries and Commerce, Dr Schalk van der Merwe, said at the weekend.

Speaking at the annual banquet of the Institute of Purchasing of South Africa (Ipsa) in Johannesburg on Saturday, Dr Van der Merwe said the outlook was so favourable that he endorsed a phrase used recently by the deputy governor of the Reserve Bank, Dr Gerhard de Kock.

"I can confidently repeat Dr De Kock's words to you here and now: 'Gentlemen, prepare to meet thy boom'," Dr Van der Merwe said.

Dr Van der Merwe's optimism about South Africa's short-term economic prospects reflected a series of favourable statistical indicators drawn up last week that point to a higher economic growth rate for South Africa over at least the next two years.

"I have been informed that our growth rate, which at the end of June stood at 3%, is now 4%-plus and gaining momentum all the time," Dr Van der Merwe said.

"This represents a dramatic change, in the space of only a few months, in our economic performance."

Dr Van der Merwe emphasised the encouraging outlook could not be viewed in isolation from South Africa's rate of inflation, which, at around 13%, is high by US and West European standards.

But he made an important observation about the type of inflation South Africa has, and made clear it was not due to uncontrolled spending by the public.

"The present relatively high rate of inflation in South Africa is not the result of excess expenditure. It is therefore not demand-pull inflation, but rather imported and 'cost-push' inflation which is the cause of our rising costs and prices."

The distinction between demand-pull and cost-push inflation drawn by Dr Van der Merwe is important because each type of inflation has a different cure recommended in contemporary economic theory.

That South Africa's inflation is definitely the cost-push breed is good news for the Republic's wage-earners. The conventional cures for cost-push inflation are far less painful for consumers than for demand-pull, involving mainly a more selective import policy to reduce expensive foreign luxuries and a concentration on domestic import substitution.

"It is by curbing increased costs that our rate of inflation can be curbed, and in this regard I have no doubt that the purchasing profession can play a vital role," Dr Van der Merwe said.

"By buying more economically and judiciously, individual firms can contribute materially towards keeping costs down."

Dr Van der Merwe emphasized the role of import substitution in South Africa's counter-inflation strategy. He said consumers had a responsibility to South Africa to support the local product.

"There is great merit in the principal of free trade, but charity begins at home and our local industries, insofar as they produce goods of good quality and at a competitive price, should be given a fair share of demand, he said."

He said the South African economy was still under-utilising its productive capacity in most sectors, and this had a strong cost-raising effect.

Increased support for locally manufactured goods would increase the turnovers of local industries and reduce their unit costs, and so would help reduce South Africa's inflation.

Dr Van der Merwe warned that too quick an economic upswing would lead to increased imports, and balance of payments difficulties, but did not dampen the prospects, raised by the Minister of Finance Senator Owen Horwood last week, that more money would be put into consumers' pockets in 1980.

Tax cuts are still almost certain next year, as the economic recovery will need extra demand to keep its momentum.

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valuable in themselves, although the mere procedure does not necessarily ensure that better decisions will be made. Their potential is realised only if there follows an assessment of the value of expenditure in each programme.

2.2 Programme Evaluation

Methods of evaluation range from simple procedures for looking at costs, where the conclusions are left largely to intuition, to highly complicated processes which present more or less clear-cut solutions. For these more precise methods, most of the value judgements have to be made explicitly in advance. Some points on the spectrum between these two extremes are analysed below.

2.3 Look

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may be compared with our intuitive notions of how much 'ought' to be spent
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the wide variation in benefits attributable to a particular type of spend-

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different benefits which have to be fed into the analysis; and in the intuitive process, these two factors may not be differentiated.

A very large proportion of decisions are now taken with no further analysis than this. Any further steps involve a way of systematically valuing the benefits of different programmes to render them comparable to one another.

2.4 An Informal Method for Setting Objectives

The following method for guiding the choice of priorities has been described by John Bryant.[12] It has been used by medical and nursing students in Thailand, and one of its advantages is that it can be used where no numerical data is available. It, therefore, lends itself to discussion, to draw on the experience of a group of people.

Potential health problems are first listed, and then given a score (from one to four pluses) under each of four headings:

Diagram 1: A method of ranking health problems

Problem	Prevalence	Severity	Community concern	Vulnerability to management	Total
	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws*	-	++	+++	++++	0

* Added to test scoring method

49

Urgent call to buy South African

THE time had arrived for a greater awareness and effort to "Buy South African," the Minister of Industries, Commerce and Consumer Affairs, Dr Schalk van der Merwe, said at the weekend.

Addressing the Buyers Institute on Saturday night, Dr Van der Merwe said this was all the more urgent in the present stage of the country's economic cycle.

"We are still experiencing an unsatisfactory degree of under-utilisation of production capacity in most sectors.

"This has a strong cost raising effect at a time when sacrifices are asked from everybody to curb inflationary pressures."

"Increased support for locally manufactured goods would increase turnovers of local industries and reduce unit costs.

"Hence such support from all categories of buyers could contribute to reducing the rate of inflation in the economy."

Dr Van Der Merwe said spare capacity acted as a disincentive to new investment which was essential for a return to healthy long-term economic progress.

Thus preference for locally manufactured goods could also contribute towards achieving this object.

"A sound balance of payments position is of major importance to South Africa, especially in view of the openness of our economy.

He added that being an open economy made South Africa very vulnerable to changes in the international business environment."

He said the country's balance of payments had not yet acquired the strength to withstand, for any length of time, the pressures which would be exerted during an economic revival.

These pressures were usually experienced during an upswing in business cycles, he said.

"The behaviour of our balance of payments will in future also be strongly influenced by the fact that in the present international political and business climate, we can no longer rely on an appreciable inflow of foreign capital to balance our external accounts, as was previously the case.

"I feel that we would be wise to look upon these changed circumstances as being of a permanent nature."

Dr Van der Merwe said support for local products could play a significant role.

Such support would help preserve the foreign currency needed to meet increased demands during any upswing of economic activity.

"There is no gainsaying that imported inflation is an important element of local inflation.

It is also for this reason that it is important to increasingly source our requirements locally," he said.

There was great merit in the principle of free trade, but charity began at home, he said.

The country's local industry, insofar as it produced quality goods at a competitive price, should be given a fair share of demand.

"The time has arrived for a greater awareness and effort to buy South African.

"This need is all the more urgent in the present stage of our economic cycle," Dr Van der Merwe said. — Sapa

14/11/80

Black capitalism will promote constellation

Extensive black capitalism will lend credibility to the South African system and thus help promote the proposed constellation of Southern African states.

Before neighbouring states will join hands with South Africa, blacks must be seen to play a fair part in South Africa's economic system as well as in its politics.

This message is expected to be one of the strongest to emerge from two conferences to take place in Johannesburg next week.

On Thursday, the Prime Minister, Mr P W Botha, will discuss his proposed constellation of states with business leaders.

Starting earlier in the week, will be another conference on the need for free enterprise sponsored by the 1820 settlers National Monument Foundation.

The 1820 Settlers conference will adjourn on Thursday for delegates to attend the Prime Minister's meeting. It will resume the next day.

CONTROVERSIAL

Attending will be South Africa's strongest black business muscle as well as two homeland leaders, Chief Gatsha Buthelezi of Kwa-Zulu, and Chief Minister Lennox Sebe of the Ciskei.

Professor Walter Williams, a prominent black American economist, will set a controversial tone for the conference by expounding his thesis that minimum wages should be abolished to give black workers more bargaining power.

Mr Walter Washington, the former black Mayor of Washington DC, will share his experience of multiracial urban development.

One of the central speeches is expected to come from Dr Piet Koornhof, the Minister of Co-operation and Development. "Sharing the burden and sharing the benefits," will be his theme.

The black delegates will be on the lookout for concrete signs that benefits really are going to be shared.

Setting the scene for the conference, Dr Douglas Roberts, who will preside, said: "Blacks in South Africa have tended to see the free enterprise system as a whites-only affair, benefiting only whites.

REINFORCE

"This has to change."

Organisers have said they hope it will help reinforce the Government's new enlightened policy moves.

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with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the Circulatory System in men, the 'coloured' community stand to gain most from measures directed at the control of any of the selected diseases included in Fig.6. Of particular importance are the Infectious and Parasitic Diseases, diseases which are frequently amenable to the implementation of relatively simple methods of prevention.

ACKNOWLEDGEMENT

The writers wish to thank the Board of the Colonial Mutual Life Assurance Society for their generous financial assistance.

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valu...
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expend... on health,"" it may be felt that the benefits from this kind of provision warrant an increase in the share of the budget allocated to it.

Unf... y, such intuitive processes can pick out only the grossest in-
...ch are recognised by all, whatever criteria of 'value' are
...um level of expenditure on a particular objective is,
...ew of intuitive judgement, highly uncertain, because of
...benefits attributable to a particular type of spend-

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RAND Daily Mail

THURSDAY November 15, 1979

Does capitalism need protection?

SA Breweries and Rembrandt are doing what is natural to them: they are seeking growth. Out of the clash of their competing interests a new giant has emerged which will control a goodly part of the wine and spirit market, while SAB's beer monopoly will be entrenched.

In business terms it all makes sense: the economy that comes with scale (or hopefully so), and the inexorable growth of well-managed, already large corporations, with money to spend on expansion.

While this process of the logical working out of capitalism cannot be faulted, it also contains within itself a contradiction of capitalism: ultimately, taken to its full conclusion, only a handful of giant corporations will be in existence with awesome control over the supply and price of goods and services. It must mean the end of private enterprise as we understand it now.

It is a problem which South Africa shares with the rest of the West. The multinationals have become all-devouring.

There are no easy answers. Is it wrong to impose blocks in the way of private enterprise becoming too enterprising? Or is it necessary to do so to protect private enterprise?

In America, where private enterprise is prized above all else, attempts are made to avoid monopolistic conditions in any industry; corporations can, if necessary, be ordered to divest themselves of acquisitions.

In the present South African case, SAB and Rembrandt have Government support for their deal. But has sufficient thought been given to the matter? Have all the possible implications for the future been studied?

For the sake of what private enterprise exists here, we hope that at least these questions can be answered — and that they will be answered.

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot ...olved without prior agreement on the relative valuation of different ...ts which have to be fed into the analysis; and in the intuitive ...s, these two factors may not be differentiated.

... large proportion of decisions are now taken with no further analysis ...is. Any further steps involve a way of systematically valuing the ...; of different programmes to render them comparable to one another.

... Informal Method for Setting Objectives

...llowing method for guiding the choice of priorities has been ...ed by John Bryant.[12] It has been used by medical and nursing ...s in Thailand, and one of its advantages is that it can be used ...o numerical data is available. It, therefore, lends itself to ...ion, to draw on the experience of a group of people.

...al health problems are first listed, and then given a score (from four pluses) under each of four headings:

...1: A method of ranking health problems

...m	Prevalence	Severity	Community concern	Vulnerability to management	Total
...poorly ...amilies	++++	++++	+++	++	96
...te ante- ...obstetric ...care	++++	++	++	+++	48
Malnutrition	+++	+++	++	++	36
Need for medical care	++	++	++++	++	32
Specific diseases:					
V.D.	++	++	++	++	16
Dental problems	++++	+	++	++	16
TB	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws*	-	++	+++	++++	0

* Added to test scoring method

BUSINESS MAIL

Financial rand slumps

By NEIL BEHRMANN

LONDON. — The financial rand discount rose to nearly 36% yesterday — the highest level since the De Kock Commission's recommendations on exchange control relaxation were instituted last February.

The financial rand — South Africa's effective investment currency — traded at 77,5 US cents to the rand, compared with the normal commercial rand rate of R1,2050 to $1, for a discount of 36%.

Dealers were perplexed about the slump in the financial rand, which was trading at 92 US cents only a few weeks ago. They said that the market was thin and a R1-million order could swing the rate by 2c or 3c cents.

Reasons cited for the fall, according to the arbitrageurs, were continued sales of Consolidated Gold Fields shares to unidentified South African sources and possibly the disbursements following the disposal of the paper company Dickinson Robinson's interests in Johannesburg.

The Sasol issue could still be having an influence on the market following sales of rands by unsuccessful bidders for the shares.

But the major factor appears to be the selling of gold shares, especially by the Americans. Large holders of gold shares, taking a bearish view on the gold scene, are also selling into the market. When foreign holders sell, their sales generate financial rands and these depress the rate.

Last week when I asked a Swiss banker what he thought of the attractive yields of gold shares compared with non-interest-bearing gold in a time of high interest rates, he said: "People want to buy gold itself because it is easily disposed of and they do not need to worry about mining changes in countries remote from their area of investment."

Randfontein is a classic example.

The banker said: "I think the financial rand illustrates what is actually happening, no matter how illogical it might appear to be.

"Despite the fact that the gold price is double what it was a year ago and there has been an improvement in South Africa's political and economic outlook, the financial rand is still at a substantial discount.

"In fact, paradoxically, the very sharp increases in gold bullion prices can have an adverse impact on gold shares and the financial rand.

"In times of a steady increase in the gold price, the shares follow. But in these wild markets, shareholders do not believe that the situation will last and they tend to sell their shares when gold moves to a new peak.

"This is why gold shares have tended to lag behgind gold metal and and have fallen with gold — despite the fact that they did not increase as much as bullion in the first place.

"Even though shares are discounting a much lower gold price, history has shown us that they will fall with gold despite their high yields."

Brokers are linking the poor performance of the financial rand and gold shares to the slump on Wall Street. Many speculators bught shares on margin. On the calls from their brokers, these people were forced to sell — and in some cases this included gold shares.

Finally, interest rates of 15% or more on dollar and sterling short-term deposits mean that gold share yields of 15% to 20% are not that exciting if the investor is anxious about the outlook for gold.

XVII

ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

XVI

SYMPTOMS AND ILL-DEFINED CONDITIONS

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83

WORLD GROWTH (49) FM 16/11/79

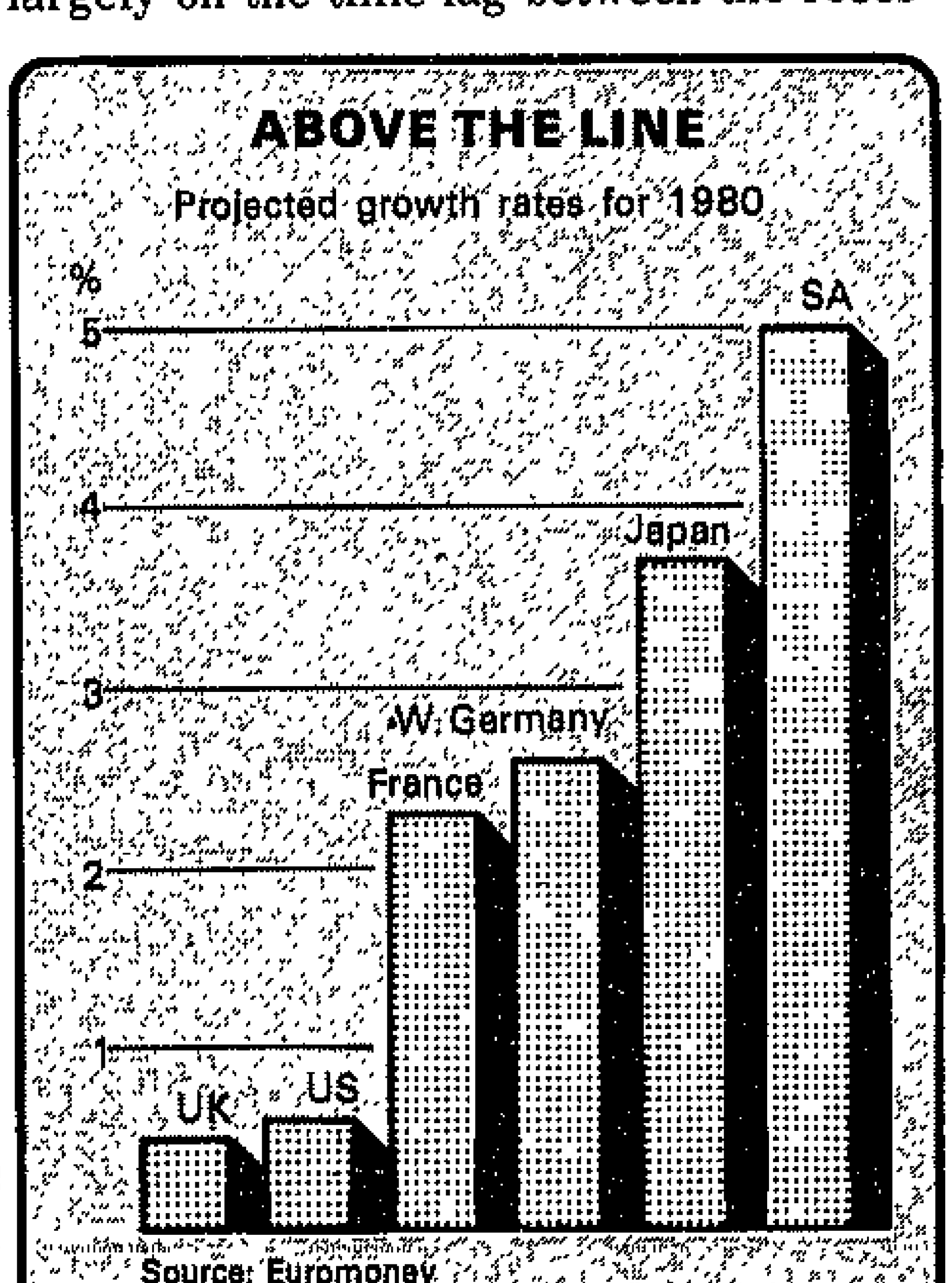
Super South Africa

SA's economic strength was underlined at the *FM*'s Investment Conference last week when Finance Minister Owen Horwood forecast a growth rate of almost 5% for 1980.

Judging by latest overseas forecasts, this performance is certain to be way out of line with expected GDP growth rates in most major industrial countries.

Economists stress that oil-fired inflation is the major problem facing the Western world's economies next year, and that strict fiscal and monetary policies are bound to reduce overall growth rates. The London School of Business estimates that world industrial production growth will decline from 4,6% to a mere 0,6%.

SA's performance, of course, depends largely on the time lag between the recession in the rest of the world and its effects here. Overseas economic conditions usually take between six and 18 months to affect SA's economy. However the current strength of world mineral markets, including, of course, the pervasive gold price, may give SA as much as 24 to 30 months breathing space.



Horwood is obviously trying to make as much of this period of grace as possible. At the *FM* conference he vitually promised a reduction of taxes in the next fiscal year, although he warned of rising interest rates and the possibility of current account deficits. Nonetheless, these trends should be seen as evidence of the country's recovery.

Forecasts of US GNP growth rates next year range between minus 0,7% and 2,8%. The average forecast is 0,6%, after 1,5% in 1979. Although inflation should be slightly lower at 9,2%, unemployment is expected to rise from 6,1% to 7,2%.

Japan's GNP growth, likewise, is forecast to fall in 1981 from 5,4% to around 3,7%, with inflation and unemployment both rising slightly. Higher oil prices and tighter monetary policy are expected to be the main constraints to growth, although Japan is also particularly dependent on the rest of the world's economies.

Predictions for West German GNP growth in 1980 run at around 2,6% against 3,9% in 1979. Inflation is expected to be the major problem in Britain in 1980, and is expected to rise to 13,8% from the current 13,6%. GNP growth should remain sluggish, say forecasters, declining from 0,9% in 1979 to around 0,5%. And the country's perennial problem, unemployment, is expected to worsen significantly, with up to 6,6% of the work force out of operation, compared with 5,6% this year.

The French economy should be somewhat stronger than its cross-Channel neighbour, although forecasters expect a decline in its growth rate from 3,0% this year to 2,3% in 1980. Moreover, prospects for a substantial decline in France's inflation rate, currently around 10,6%, look bleak.

Swiss growth, inflation and unemployment rates are expected, once more, to be hardly changed in 1980, at 1,2%, 3,1% and 0,5% respectively.

While SA's growth prospects undoubtedly look bright against this dismal scenario, it too will find inflation and unemployment particularly hard nuts to crack.

CONTENTS

Worn-out daddy blues Page 66
Silence in jail! ... Poem for myself 67
...dreary morning 68
...st moon 69
...tting 71
...do with the drowned sailor 73
75
...ore you die 76
...woman 77
...f the poet in his bathtub about his lunacy 78
...her short poems 80
... the beach 83
... the bay 83
83
83

THE PLUMSTEAD ELEGIES
The First Elegy
The Second Elegy
The Third Elegy
The Fourth Elegy
The Fifth Elegy
The Sixth Elegy
The Seventh Elegy
The Eighth Elegy
The Ninth Elegy
The Tenth Elegy

The Happy Faces Law Amen
A morning day and a sun
School poem 1
School poem 2 61
Portrait of a middle-aged poet 63
conceivable
South African Banalities 64
Prayer to the great Baas 65

ADDRESS..

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Signature

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1–4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5–24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25–44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	0,78
45–64	0,44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,80	3,64
							14,69	14,84
							1,80	1,96
							3765	3145

RDM 17/11/79

Minister gives private sector an assurance

By GERALD REILLY
Pretoria Bureau

THE Government has no intention in the short term of transferring the assets of State corporations through share issues to the private sector, the Minister of Industry and Commerce, Dr Schalk van der Merwe, said in Pretoria last night.

At a Press conference he also announced an investigation into the development of a national economic strategy, within the framework of total national strategy, which could form part and parcel of the concept of a constellation of South African states.

It could, the Minister said, precede political co-operation.

Referring to the share issue, the Minister said considerable speculation had centred on the possible takeover in part of certain public or State corporations like Escom and Iscor by the private sector through public share issues, as had happened in the case of Sasol.

The spread of these rumours could create wrong impressions.

The Government had been promoting economic activities in the private sector over a lengthy period.

This included the early repayment of a loan levy, a bonus payment to pensioners, an increase in subsidies, and the redemption of State loans.

"It would therefore be totally counter-productive for the Government now to decide to draw large volumes of funds from the private sector through share issues."

Dr Van der Merwe said he did not want to give the impression that the private sector should not play an important role in economic development in South and southern Africa.

On November 22 — when the Prime Minister meets leaders of the private sector — it would be shown just how important the Government considered the role of the private sector.

Thorough consideration would be given to those economic activities for which the Government should not accept responsibility.

These issues as well as others were the subject of a comprehensive investigation into the formulation of a national economic strategy.

This was being conducted in close collaboration with the economic advisory council led by the economic adviser to the Prime Minister, Dr Simon Brand.

Dr Brand was being assisted by a committee of authorities from the private as well as the public sector. A senior official of the Industrial Development Corporation, Mr Marius de Waal, had been appointed on a full-time basis to undertake the investigation as Director of Economic Co-operation and Strategy.

In the investigation attention would be given to the institutional reforms that would be needed to implement the required Government actions.

The considerations that arise were strategic, and also the question whether a specific product because of its size or the risk attached to it, should be undertaken by private firms.

However, these considerations would receive thorough attention during the investigation.

	W M	W F	A M	A F	C M	C F	B M	B F
5–24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25–44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45–64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

ALL CAUSES

	W M	W F
0–1	21,76	16,1[illegible]
1–4	1,17	0,9[illegible]
5–24	1,05	0,4[illegible]
25–44	3,02	1,47
45–64	17,46	9,49
65+	73,62	54,55
ALL	9,44	7,40
NO.	19600	15374

11 -12- 1979

VERKLARING VRYGESTEL DEUR SY EDELE DIE EERSTE MINISTER, MNR. P.W. BOTHA, NA AANLEIDING VAN DIE DRIE-EN-VYFTIGSTE VERGADERING VAN DIE EKONOMIESE ADVIESRAAD OP 19 EN 20 NOVEMBER 1979 IN PRETORIA

19/11/79

49

RAAD SE BESPREKING STREK OOR WYE FRONT

By sy jongste vergadering het ek die Ekonomiese Adviesraad toe= gespreek oor

- die belangrike plek en rol van die ekonomie in die algemeen, en die private sektor in die besonder, in die formulering en uitvoering van ons nasionale strategie,

- die Regering se geloof in 'n markgeoriënteerde ekonomie wat die grootste moontlike ruimte bied vir die private inisiatief in ekonomiese aangeleenthede,

- die groot waarde wat die Regering heg aan intensiewe en deur= lopende oorlegpleging oor ekonomiese beleidsaangeleenthede tussen die owerheid en die private sektor,

- die erns waarmee die Regering sekere ekonomiese vraagstukke, soos die werkloosheidsvraagstuk, bejeën en

- die belangrike funksie van die Raad in die formulering van ekonomiese beleid en in die ontplooiing van ons nasionale strategie.

Teen hierdie agtergrond en met die verslae van die onderskeie instellings, werkgewers- en werknemersorganisasies en Staats= departemente en die Suid-Afrikaanse Reserwebank wat op die Ekonomiese Adviesraad verteenwoordig is, tot sy beskikking, het die Raad verskeie ekonomiese aangeleenthede breedvoerig bespreek. Die sake wat indringende aandag geniet het, het onder andere in= gesluit die algemene ekonomiese toestande en vooruitsigte oor die korter en langer termyn, werkloosheid, inflasie en die betalings= balans; en meer in die besonder ekonomiese aangeleenthede soos opleiding, produktiwiteit, laekostebehuising en die vordering met

-/

die implementering van die 99-jaarhuurpagstelsel in die Swart stede.

BEVORDERING VAN GESONDE EKONOMIESE GROEI UIT 'N POSISIE VAN KRAG VERDIEN STEEDS HOë PRIORITEIT

Tydens sy vorige vergadering, in Augustus vanjaar, het die Raad tot die gevolgtrekking gekom dat die klem in die owerheid se eko= nomiese beleid steeds op die bevordering van ekonomiese groei en indiensneming moes val, dat die inflasiekoers, hoewel onaanvaar= baar hoog, nie beduidend hierdeur geraak sou word nie, dat die betalingsbalans 'n hoër groeikoers kon akkommodeer en dat 'n voort= gesette oplewing in die ekonomie, op die korter termyn gesien, grootliks aangewese was op 'n oplewing in die private verbruiksbe= steding. In die lig hiervan het die Raad 'n pakket van maatreëls aanbeveel wat hoofsaaklik ten doel gehad het om die oplewing in die private verbruiksbesteding te onderskraag. Sedertdien het die Regering sekere toegewings gemaak wat ten opsigte van sowel die aard as die omvang daarvan, in groot mate ooreengestem het met die Raad se aanbevelings in hierdie verband.

Die jongste beskikbare inligting dui daarop dat bogenoemde bevin= dings en aanbevelings wel geregverdig was. Alhoewel die waarde van die goudproduksie aansienlik toegeneem het, danksy die verdere groot styging in die goudprys, het die groei in die uitvoervolume soos wat verwag kon word, heelwat momentum verloor. Dit blyk uit die feit dat die volume van die uitvoer, uitgeslote goud, wat in 1978 met 4,0 persent toegeneem het, volgens die jongste ramings gedurende die eerste drie kwartale vanjaar slegs ongeveer 1,5 per= sent hoër was as gedurende die ooreenstemmende tydperk verlede jaar. Die private verbruiksbesteding, daarenteen, het 'n betreklik skerp oplewing in die derde kwartaal getoon en was, in reële terme gemeet, gedurende die eerste nege maande vanjaar ongeveer 2,5 per= sent hoër as gedurende die eerste nege maande van 1978, na 'n toe= name van slegs 1,5 persent gedurende 1978 in die geheel. Dit wil dus voorkom of die aanvanklik uitvoergeleide oplewing in die eko= nomie, soos wat vroeër in die vooruitsig gestel is, geleidelik besig is om plek te maak vir 'n verbruiksgeleide oplewing.

Bogenoemde verbetering in die private verbruikersvraag het, soos

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vroeër voorsien, ook gepaard gegaan met 'n beter benutting van die bestaande produksiekapasiteit in die fabriekswese en met 'n toename in die reële vaste investering in hierdie sektor. Hier= benewens het die reële vaste investering in die mynbou- en wo= ningbousektore ook opmerklike toenames in die derde kwartaal ge= toon, wat verder bygedra het tot 'n toename in die reële vaste investering in die private sektor as geheel.

Dat die ekonomiese oplewing in Suid-Afrika tans besig is om groter momentum te kry en om wyer uit te kring, blyk ook uit die feit dat

- die volume van die fabrieksproduksie in die derde kwartaal vinniger toegeneem het as gedurende die voorafgaande twee kwartale,

- die volume van die mynbouproduksie (uitgeslote goud) toege= neem het tot 'n vlak wat ietwat hoër was as die hoë vlak wat in die eerste kwartaal bereik is,

- die bydrae van die konstruksiesektor tot die reële bruto binnelandse produk, na 'n matige styging in die tweede kwar= taal, verder toegeneem het in die derde kwartaal,

- die groot- en kleinhandelsverkope, gemeet teen konstante pryse, in die derde kwartaal vir die eerste keer 'n toename getoon het sedert die laaste kwartaal van 1978, en dat

- die bydrae van die dienssektore tot die reële bruto binne= landse produk 'n voortgesette toename getoon het in die derde kwartaal.

Ondanks die bogenoemde ontwikkelinge is daar egter nog faktore wat in die weg staan van die bereiking van 'n bevredigende eko= nomiese groeikoers in die voorsienbare toekoms. In die eerste plek neem die private vaste investering nog nie na wense toe nie en sal dit na verwagting, indien die huidige neigings voort= gesit word, oor die tydperk 1978 tot 1980 heelwat minder beloop as wat volgens die Ekonomiese Ontwikkelingsprogram nodig is vir

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die handhawing van 'n bevredigende ekonomiese groeikoers oor die langer termyn. In die tweede plek is die ekonomiese toestande in die meeste groot nywerheidslande van die wêreld besig om te verswak en dit sal ongetwyfeld met 'n tydsloering tot 'n verdere verswakking in die groei in Suid-Afrika se uitvoer lei. Die Raad was dit dus eens dat 'n verhoging van die ekonomiese groeikoers steeds die hoof= doelwit van die Regering se ekonomiese beleid oor die korter termyn moet bly. Daar is egter ook aanvaar dat daar in die nastrewing van hierdie doelwit, ook deeglik rekening gehou sal moet word met die noodsaaklikheid van die bevordering van gesonde ekonomiese groei oor die langer termyn, met die handhawing van finansiële dissipline.

Soos by sy vorige vergadering, was die Raad steeds van mening dat die betalingsbalans voldoende ruimte bied vir 'n voortgesette ople= wing in die ekonomie. Trouens, die lopende rekening van die beta= lingsbalans staan tans heelwat sterker as wat vroeër voorsien is, soos blyk uit die feit dat die oorskot op die lopende rekening gedurende die eerste nege maande vanjaar ongeveer R2 600 miljoen beloop het. Vir sover dit die kapitaalrekening betref, het die Raad by sy vorige standpunt gebly dat 'n verswakking in die lopende rekening as gevolg van 'n verdere oplewing in die binnelandse vraag, ten minste in 'n beduidende mate deur 'n verbetering in die kapitaal= rekening geneutraliseer kan word. Hierbenewens was die Raad ook steeds die mening toegedaan dat die nastrewing van 'n hoër groei= koers, om redes waarop later in meer besonderhede ingegaan sal word, nie in hierdie stadium 'n hoër inflasiekoers tot gevolg hoef te hê nie.

Vir sover dit die maatreëls betref wat nodig sal wees om die eko= nomiese groeikoers te verhoog en gesonde ekonomiese groei oor die langer termyn te verseker, is uitgegaan van die standpunt dat die klem in die owerheid se ekonomiese beleid naas die voortgesette onderskraging van verbruiksbesteding ook in groter mate op die be= vordering van die private vaste investering moet val, veral gesien in die lig van die Regering se verklaarde beleid om die private inisiatief soveel as moontlik aan te moedig. Daar is egter ook aanvaar dat 'n oplewing in die private vaste investering nog steeds in die komende aantal maande in die eerste plek afhanklik sal wees van 'n voortgesette oplewing in die private verbruiksbesteding. Uit=

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gaande van die standpunt dat die maatreëls wat sedert sy vorige vergadering geneem is, nog nie hulle volle uitwerking op die ekonomie getoon het nie, was die Raad dit eens dat dit nie in hierdie stadium nodig is om die private verbruiksbesteding verder aan te moedig nie, altans nie voor die volgende begroting nie. Daar is wel voorsien dat 'n verdere matige ondersteuning van die private verbruiksbesteding in die begroting self, moontlik nodig mag wees om te verseker dat die oplewing in die verbruikersvraag en die beter benutting van die produksiekapasiteit wat daaruit sal voortvloei, as voldoende aansporing vir ondernemers sal dien om hulle produksiekapasiteit uit te brei.

Ten einde die private sektor in staat te stel om sodanige uitbreidings te finansier, behoort daar na die mening van die Raad in die volgende begroting egter ook klem op die bevordering van die private besparing te val. Die vertroue is dus uitgespreek dat enige ruimte wat die Begroting mag bied, gedeeltelik benut sal word vir belastinghervormings wat, in ooreenstemming met die ekonomiese beleidstratègie vir die langer termyn wat in die Ekonomiese Ontwikkelingsprogram vervat is, sover as moontlik daarop ingestel moet wees om die persoonlike besparing en die interne finansieringsvermoë van ondernemings te versterk. Gesonde ekonomiese groei is egter nie net van die private investering afhanklik nie. Trouens, die inligting wat tot die Raad se beskikking was, het ook daarop gedui dat die bereiking van 'n bevredigender ekonomiese groeikoers, selfs oor die korter termyn gesien, nog steeds kritiek afhanklik is van die uitvoer. Die hoop is dus uitgespreek dat daar ook so gou as moontlik in die staatsfinansies ruimte gevind sal word vir 'n verbeterde uitvoerbevorderingsprogram, waaroor aanbevelings eersdaags aan die Regering voorgelê sal word deur die Private Sektor se Uitvoeradvieskomitee.

Daar is natuurlik besef dat daar beperkings is op die toegewings wat gemaak kan word met die oog op die bevordering van die private investering en die uitvoer. Soos by sy vorige vergadering het die Raad egter ook aanvaar dat daar voortgegaan sal word met die beleid om die owerheidsbesteding streng aan bande te lê in ooreenstemming met die owerheid se verklaarde beleid om

6/...

sy eie aandeel in die ekonomie te verminder. Trouens, die hoop is uitgespreek dat daar deur middel van die voortgesette hand=hawing van 'n streng fiskale dissipline, voldoende ruimte geskep sal kan word vir die nodige belastinghervormings en uitvoerbe=vorderingsprogramme.

Dit beteken natuurlik nie dat alle openbare projekte ingekort moet word nie. Trouens, die Raad het aanvaar dat daar sekere openbare projekte is wat steeds die deurlopende aandag van die owerheid sal moet geniet, nie alleen met die oog op die bevor=dering van ekonomiese groei nie, maar ook met die oog op die sosiale voordele daaraan verbonde. Die projekte wat hier ter sprake kom, sluit veral daardie projekte in waar daar 'n moont=likheid bestaan om in groot mate van privaatsektorfinansiering gebruik te maak, soos behuisingsprojekte. In hierdie verband is kennis geneem van die feit dat die bykomstige besteding van R250 miljoen aan laekostebehuisingsprojekte wat teen die einde van 1977 van stapel gestuur is, stadig besig is om ten einde te loop. Kennis is ook geneem van die vordering wat reeds met die 99-jaarhuurpagstelsel in die Swart stede gemaak is en van die feit dat daar reeds 25 345 persele in groter Soweto beskikbaar is vir huurpagneming, asook van die verwagting dat daar, hoof=saaklik in Transvaal, binnekort nog 'n 119 750 persele beskik=baar sal kom. Die Raad het egter weereens die dringendheid van vinnige vordering met die implementering van die stelsel en die uitbreiding daarvan na ander gebiede beklemtoon en die vertroue uitgespreek dat enige probleme wat daar nog met die stelsel mag bestaan, spoedig uit die weg geruim sal word.

Die bogenoemde beleidsrigtings behoort, na die mening van die Raad, nie net daartoe by te dra om die groeikoers op die korter termyn verder te verhoog nie, maar ook om gesonde groei oor die langer termyn te onderskraag. Gesien in die lig van die toe=nemende aanspraak wat 'n voortgesette oplewing in die ekonomiese aktiwiteite op geskoolde mannekrag sal maak, is daar egter kommer uitgespreek oor die tekort aan sekere kategorieë van geskoolde arbeid wat reeds in hierdie vroeë stadium van die ekonomiese oplewing in sekere sektore van die ekonomie ondervind word. Die noodsaaklikheid van die beskikbaarstelling van voldoende

7/...

opleidingsgeriewe van 'n bevredigende gehalte, veral vir sover dit beroepsgerigte opleiding betref, is derhalwe ook sterk deur die Raad beklemtoon. Daar is egter ook kennis geneem van die feit dat sommige van die bestaande opleidingsgeriewe tans nog onderbenut word, maar daar is ook aanvaar dat dit waarskynlik nog deels aan die onlangse slapte in die ekonomie toegeskryf kan word.

WERKLOOSHEID VEREIS SPESIALE AANDAG

Ondanks die redelik gunstige vooruitsigte vir ekonomiese groei, bly werkloosheid steeds 'n kwelpunt waarvan die erns opnuut onder die Raad se aandag gebring is deur 'n memorandum wat deur die Departement van Mannekragbenutting aan hom voorgelê is. Teen hierdie agtergrond en in ag genome die bevindings in die jongste Ekonomiese Ontwikkelingsprogram dat die werkloosheidsprobleem nie deur 'n ekonomiese groeikoers van 4,5 of selfs 5 persent per jaar ten volle opgelos kan word nie, is daar in die besprekings van die Raad heelwat aandag gegee aan die vraag hoe indiensneming, gegewe die beperkte kapitaalbronne tot ons beskikking, verder verhoog kan word.

Hoewel aanvaar is dat 'n beter benutting van die land se kapitaal- en arbeidsbronne die ekonomiese groeikoers en gevolglik ook die werkverskaffing verder kan verhoog, is daar in die besprekings self veral klem gelê op die sterk positiewe effek wat 'n verhoging in die produktiwiteit van arbeid, dit wil sê die gemiddelde opbrengs per arbeider gegewe die kapitaalvoorraad per arbeider, op werkverskaffing as sodanig kan hê. Dit het die Raad daartoe genoop om 'n beroep op alle werkgewers- en werknemersorganisasies te doen om hulle pogings om die produktiwiteit van arbeid te verhoog, verder te verskerp. Die vertroue is ook uitgespreek dat daar in die owerheid se ekonomiese beleid sterk klem gelê sal word op die verhoging van produktiwiteit.

Vir sover dit die metodes betref om produktiwiteit te verhoog, het dit weliswaar nie op die weg van die Raad gelê om in besonderhede op die saak in te gaan nie, maar daar is nogtans sterk klem gelê op die bydrae wat beter opleiding in hierdie verband kan maak. Dit het dan ook as nog 'n rede gedien vir die Raad se standpunt dat die opleiding van werkers spesiale aandag moet geniet. Hierbenewens is daar ook 'n sterk pleidooi gelewer dat werknemers deur middel van doelwitkommunikasie deur die hele organisasie, in 'n groter mate betrek moet word by die wel en weë van die ondernemings by wie hulle werk. In hierdie verband is uitgegaan van die standpunt dat werknemers op hierdie wyse gemotiveer kan word om hulle produktiwiteit te verhoog en dat dit derhalwe die moeite sal loon indien werkgewers bereid sou wees om hulle werknemers meer in hulle vertroue te neem. Hierdie ge=dagte is sterk deur die Raad gesteun en die vertroue is uitge=spreek dat dit die aandag van alle werkgewers sal geniet.

Daar is egter ook, benewens produktiwiteit, ander aspekte van die werkloosheidsprobleem wat na die mening van die Raad dringen=de aandag verg, soos werkloosheidsvergoeding, desentralisasie en die moontlikhede wat informele produksiebedrywighede bied as 'n vorm van werkverskaffing, of ten minste van selfversorging. Daar is derhalwe aanbeveel dat die nuutgestigte Nasionale Manne=kragkommissie in noue samewerking met die Kantoor van die Eko=nomiese Raadgewer die verskillende moontlike benaderings tot die oplossing van die werkloosheidsprobleem in nader besonder=hede ontleed, met die oog op die formulering van praktiese voor=stelle om hierdie probleem die hoof te bied.

INFLASIE BLY 'N KNELPUNT

Soos by sy vorige vergadering het die Raad weer eens sy kommer uitgespreek oor die las wat die hoë inflasiekoers op sekere groepe in die samelewing plaas en oor die nadelige uitwerking wat dit op die ekonomiese groei kan hê. In hierdie verband is met sorg kennis geneem van die feit dat die verbruikersprys=indeks, wat oor die eerste nege maande vanjaar gemiddeld 12,8 persent hoër was as gedurende die ooreenstemmende tydperk ver=lede jaar, van Oktober 1978 na Oktober 1979 met 14,2 persent gestyg het. Kennis is ook geneem van die feit dat die seisoens=aangesuiwerde geld- en kwasigeldvoorraad in die derde kwartaal sterker toegeneem het as in die voorafgaande tydperk.

Die Raad kon egter geen oorsaaklike verband sien tussen die skerp toenames in die inflasiekoers en die geldvoorraad in die derde kwartaal nie, en was ook die mening toegedaan dat albei bogenoemde skerp stygings van 'n buitengewone en waarskynlik tydelike aard was, en in die korrekte perspektief gesien moet word. Vir sover dit die inflasiekoers betref, het die inligting tot die Raad se beskikking daarop gedui dat dit in groot mate toegeskryf kan word aan 'n buitengewone sameloop van omstandighede in die sin dat ver= hogings in verskeie geadministreerde pryse soos die pryse van pe= troleumprodukte, openbare vervoer, steenkool, mielies, suiwelpro= dukte en margarien, asook sekere nie-geadministreerde pryse, ge= lyktydig in die derde kwartaal hulle uitwerking getoon het.

Die toename in die geldvoorraad kon op sy beurt weer grootliks toegeskryf word aan 'n aansienlike styging in die netto goud- en buitelandse reserwes, 'n afname in regeringsdeposito's en 'n toe= name in die bankkrediet aan die private sektor. Bankkrediet aan die private sektor het egter teen 'n heelwat laer koers in die derde kwartaal toegeneem as gedurende die tweede kwartaal, naamlik teen 'n seisoensaangesuiwerde jaarkoers van 9 persent vergeleke met 20 persent in die vorige kwartaal. Daar is ook kennis geneem van die feit dat, ondanks die skerp styging in die derde kwartaal, die seisoensaangesuiwerde geld- en kwasi= geldvoorraad oor die eerste nege maande van 1979 in die geheel slegs teen 'n jaarkoers van ongeveer 9 persent gestyg het ver= geleke met 12 persent in 1978. Hoewel die Raad dus nie voor= sien het dat die skerp styging in die geldvoorraad in die derde kwartaal voortgesit sal word nie, is die vertroue nogtans uit= gespreek dat die handhawing van 'n streng monetêre dissipline, met inagneming van die likwiditeitsbehoeftes van die ekonomie, steeds die deurlopende aandag van die owerhede sal geniet, nie alleen met die oog op die inflasieprobleem nie, maar ook met die oog op die handhawing van 'n gesonde betalingsbalansposisie. In hierdie verband het die Raad aanbeveel dat, vanweë die po= tensiële gevaar wat oormatige likwiditeit vir die handhawing van die monetêre dissipline inhou, daar voortgegaan moet word met die implementering van tegniese maatreëls, soos opemark= transaksies, om die oorskotlikwiditeit in die ekonomie so goed as moontlik op te ruim.

10/...

Die Raad het egter ook aanvaar dat die inflasieprobleem nie deur monetêre beleid alleen opgelos kan word nie, maar die deurlopende aandag van sowel die hele openbare sektor as die private sektor verg. Die vertroue is ook uitgespreek dat daar in die hantering van hierdie probleem deeglik kennis geneem sal word van die feit dat die huidige onaanvaarbaar hoë inflasiekoers grootliks aan kostedrukfaktore, en nie aan vraagfaktore nie, toegeskryf kan word en dat daar gevolglik nie onder die huidige omstandighede 'n konflik bestaan tussen die nastrewing van 'n hoër ekonomiese groeikoers en die bekamping van inflasie nie.

In die lig hiervan is daar in die besprekings van die inflasieprobleem hoofsaaklik klem gelê op die noodsaaklikheid van produktiwiteitsverhogings en streng dissipline by die aanpassing van geadministreerde pryse. Hoewel aanvaar is, in die lig van die groot komponent van die stygings in die koste van lewensonderhoud waaroor geen interne beheer uitgeoefen kan word nie, dat daar kwalik verwag kan word dat stygings in lone en salarisse streng verband moet hou met stygings in die produktiwiteit van arbeid, is daar ook kommer uitgespreek oor die effek wat dit op inflasie kan hê indien werknemers onder alle omstandighede sou poog om hulle reële inkomste meer te verhoog as wat deur die ekonomie se produksie van goedere en dienste geregverdig word. In hierdie verband is die vertroue uitgespreek dat werknemers in hulle loon- en salariseise ook deeglik rekening sal hou met die positiewe effek wat die belastingtoegewings wat reeds gemaak is, en moontlik nog gemaak staan te word, op hulle persoonlike beskikbare inkomste het.

KONSEPRIGLYNE VIR DIE FORMULERING VAN 'N NASIONALE EKONOMIESE STRATEGIE GENIET OOK AANDAG VAN RAAD

Soos uit die voorafgaande bespreking sal blyk, is daar in die besprekings van die Raad, heelwat aandag gegee aan die langertermynaspekte van die ekonomiese beleidsformulering. In hierdie verband het daar 'n memorandum voor die Raad gedien wat deur die

Kantoor van die Ekonomiese Raadgewer, met die Ekonomiese Ontwik= kelingsprogram as agtergrond, opgestel is om as 'n vertrekpunt te dien vir die formulering van 'n nasionale ekonomiese strategie vir die RSA. Bogenoemde dokument, waarin konsepbeleidsriglyne uiteengesit is vir die nastrewing van die volgende nasionale ekonomiese doelstellinge, naamlik

- die handhawing van 'n bevredigende ekonomiese groeikoers;
- die verskaffing van voldoende werkgeleentheid;
- 'n sosiaal aanvaarbare verdeling van die inkomste;
- 'n sosiaal aanvaarbare geografiese verspreiding van die ekono= miese bedrywigheid;
- voldoende voorsiening van gemeenskaplike goedere en dienste;
- voldoende beskerming van die ekonomie teen eksterne ekonomiese, politieke en veiligheidsbedreigings;
- die bevordering van ekonomiese ontwikkeling in, en ekonomiese samewerking tussen die lande in Suider-Afrika,
- onderhewig aan die handhawing van relatiewe prysstabiliteit en van ewewig op die betalingsbalans,

het wye bespreking uitgelok en daar is verskeie voorstelle ge= maak ter verbetering van die oorspronklike konsep. Die Raad hoop om hierdie konsepriglyne by sy volgende vergadering in Februarie 1980 te finaliseer vir voorlegging aan die Regering.

DIE REGERING SE STANDPUNT

Die Regering het kennis geneem van die Ekonomiese Adviesraad se bevinding dat die ekonomiese oplewing in Suid-Afrika tans besig is om groter momentum te kry en om wyer uit te kring. Hierdie bevinding bevestig die korrektheid van die benadering wat die owerhede oor die afgelope twee jaar tot die aanmoediging van ekonomiese groei gevolg het. Die Regering stem ook saam met die Raad se aanbeveling dat 'n verdere verhoging van die ekonomiese groeikoers steeds die hoofdoelwit van die ekonomiese beleid oor die korter termyn moet bly. By die formulering van die ekonomiese beleid in die komende maande sal die Raad se aanbeveling dat daar in die besonder aandag geskenk moet word aan maatreëls wat gesonde ekonomiese groei ook oor die langer termyn sal bevorder, deeglik in ag geneem word. Soos die Raad uitwys, is dit veral belangrik met die oog daarop om die werkloosheidsvraagstuk op die duur doeltreffend te bekamp.

Die hoë prioriteit wat steeds aan ekonomiese groei gegee word, beteken nie dat die inflasievraagstuk op die agtergrond geskuif word nie. Die Regering is, soos die Ekonomiese Adviesraad, besorg oor die volgehoue hoë koers van prysstygings. Hy stem egter saam met die Raad dat daar nie tans 'n gevaar bestaan dat 'n hoër ekonomiese groeikoers tot 'n verdere styging in die inflasiekoers sal lei nie, maar dat die oplossing vir die inflasievraagstuk hoofsaaklik gesoek moet word langs die weg van produktiwiteitsverhogings, prys- en loondissipline.

Hoewel daar ook nie tans 'n verband bestaan tussen die inflasiekoers en die ruim likwiditeitstoestand in sekere sektore van die ekonomie nie, aanvaar die regering die Raad se standpunt dat oormatige likwiditeit in die ekonomie sowel uit die oogpunt van die beheer van inflasie oor die langer termyn as van 'n gesonde betalingsbalans ongewens is. Met inagneming van die likwiditeitsbehoeftes van die ekonomie by 'n verdere verhoging in die groeikoers, sal die opruiming van die oormatige likwiditeit deur gepaste maatreëls dus die aandag van die owerhede geniet.

Patriotism — a new definition

Star 19/11/79 (4a)

On Thursday the Prime Minister, Mr P W Botha, will meet a galaxy of top South African businessmen, industrialists and academics of all races to involve them in his grand plan for change in Southern Africa. Here one of them, Dr G M E LEISTNER, Director of the Africa Institute, gives his views on what is needed to save the sub-continent.

Dr Eric Leistner

Irrespective of the outcome, Mr P W Botha's meeting with business leaders next Thursday marks a watershed in South African history.

Tying our destinies to southern Africa means that henceforth we cannot be true South African patriots unless we care as much about the fate of neighbouring countries and even of Africa well beyond, as about events in our own country.

The full implications of this have yet to be learned. But already there is fairly general agreement that peace and progress in southern Africa cannot be achieved in the long run unless South Africa succeeds in accommodating the aspirations and dispelling the fears of its diverse racial and ethnic groups within one comprehensive dispensation. Naturally, South Africa's best efforts may still be thwarted by massive interference from outside the region.

As the London Economist pointed out recently, problems of accommodating racial and ethnic divisions such as ours are worldwide and account for more "political ferocity" than class divisions. Our own approach is in line with The Economist's conclusion that "probably the paramount democratic rule should no longer be in favour of the absolute right of the majority to decide what is done within boundaries that have been decided by historical accident."

The Verwoerdian formula for ensuring racial harmony by means of radical separation has been greatly modified by his successors under pressure of practical needs. A new paradigm is evolving slowly against opposition from left and right, but despite ambiguities and hesitation, one can perceive its outlines. Hence, with the proposed constellation of states serving as a point of departure, we can here attempt to trace the outlines of the new strategy for survival.

A constellation (or whatever name one prefers) of southern African states will merely give formal expression to the actual economic infrastructural and other interdependence of countries in the region. This is most obvious in the case of the former homelands whose sovereignty is widely questioned because economically they remain integral parts of the South African economic system and are intimately affected by developments and policy decisions on which they have virtually no influence.

There is no reason whatsoever to expect international recognition for the new states, and South Africa cannot but continue to provide passport facilities for citizens of these states wishing to go abroad. Apart from the large number of blacks who still vehemently object to being deprived of their South African citizenships when their homelands become independent, it is a fact that not one of the black leaders is prepared to renounce their peoples' claims to what they call "the riches of South Africa which we have helped to create." Already the Government has indicated that it is contemplating an overarching South African citizenship with national subdivisions.

Once the new states have found their feet with regard to internal administrative affairs, they will necessarily demand a meaningful voice when decisions are taken in Pretoria or Johannesburg that directly affect the employment of their people; the provision of power, water, transport, etc to their countries from the Republic; the tax concessions they may grant to foreign investors; the interest they pay on loan capital, and so forth.

Even though the homelands do not as yet press demands for intergovernmental or supranational bodies to coordinate decisions in economic and related matters, and which give them an effective voice, it seems only prudent to create such bodies BEFORE political agitation sets in. Only institutionalised joint decision making can effectively disprove the assertion that independent homelands are mere satellites of the Republic of South Africa.

Once meaningful patterns of consultation and joint decision making have been established in South Africa, even if only in embryonic form, it will be only logical to include outside countries as well. However hard Botswana or Lesotho, to name but two, may strive to lessen their economic ties with South Africa, they simply cannot change the facts of geography and their economic implications. It will be in South Africa's interest no less than that of its neighbours that the latter share fully in the benefits of close association with the strongest and most dynamic economy in Africa.

Closer formal links between a restructured South Africa and its black neighbours should come about relatively readily once white, black and brown South Africans have shown themselves capable of creating a socio-political order in which ALL racial and ethnic groups enjoy full scope for their legitimate aspirations while sharing responsibility over matters of common concern.

The outlines of such a socio-political order are beginning to emerge: in the ECONOMIC sphere, the movement is irreversibly, if perhaps erratically, towards non-racialism and unimpeded individual effort and rewards in an economy where market forces operate freely in large sectors, and where the State — with its undoubtedly prominent share — will ignore racial considerations.

In the SOCIAL sphere, the trend is equally unmistakably towards the relegation of decisions on racial issues from the central government to local authorities, communities, congregations, clubs, etc. (This also tallies with The Economist's proposals). Racially discriminatory laws are on their way out, and individuals will increasingly demand, and have, freedom of association with persons of their own choice.

In the POLITICAL sphere, there is the recognised need to decentralise power from the all-white Parliament and Cabinet towards a number of subregional centres. This would leave the central-confederal of constellation authority with powers over order functions such as defence, foreign policy, external trade, monetary matters, and the like which are crucial for the common weal but not sufficiently charged emotionally to drive people to bloodshed.

Subregional areas should not coincide with today's provinces but would ideally represent natural "regions" for developmental and administrative purposes. Again, ideally, they would include homelands as administrative subdivisions because the present ethnic distribution of people does not necessarily bear an optimal relation to the resource potential and development needs of the various regions.

The foregoing may suggest that consolidation of the black states is of little consequence. The contrary is true: large-scale consolidation of these states is essential in order to give credibility to a policy which recognises the existence and legitimate demands of different racial and ethnic groups. Without such credibility, pressure for a unitary state under exclusive black (whatever this may mean) control may become irresistible. Furthermore, in their present shape, it is difficult for the new states to achieve efficiency in administration, infrastructural design and economic planning; nor can they inspire great confidence among foreign investors.

Since Government spokesmen insist that the South African economy as one indivisible entity is not to be broken up by homeland independence, it is only logical and prudent to acknowledge this oneness of the economy in redefining homeland boundaries: consolidation has to be understood as a mere administrative matter and not as the painful sacrifice of one sovereign state's national assets to another sovereign state.

The Government has already abandoned the principle of removing all white residents (except officials, etc) from black homelands. This, together with the proposed overarching South African citizenship, opens up opportunities for whites in the new states to exercise political rights in the area where they actually live. And corresponding arrangements could be devised for blacks living in "white" areas.

If one can go by the experience of Switzerland and other confederal states, such blurring of the congruence of ethnic boundaries on the one hand and political and economic interests on the other, is likely to diffuse many areas of tension. As part of natural development regions, homelands would lose some of their political significance but none of their emotional appeal as the traditional home areas of given ethnic groups.

Only if we are serious in pursuing our acknowledged goal of a constellation of states, can we hope to obtain an adequate measure of support from black, coloured people and Indians for a policy which takes into account the existence of distinct groups (which, of course, is not synonymous with a policy of racial discrimination).

Serious determination would be reflected, amongst others, in the creation of intergovernmental or supranational bodies to deal with matters of common interest. It would be reflected, too, in a regional development and fiscal harmonisation fund to promote progress in the less advanced regions. And it would show in administratively as well as economically meaningful consolidation.

‘The sharing of power between the different races must come. — Mr Harry Oppenheimer in an address to the Institute of Directors in London.’

The Harry Oppenheimer overview

20/11/79

44

In a recent speech, Mr Harry Oppenheimer seemed to be backing the Government's proposed Constellation of African States. But was he really? **PATRICK LAURENCE** reports.

MR Harry Oppenheimer, chairman of the Anglo-American Corporation and chief patron of the opposition Progressive Federal Party, seemed in a recent address to all but endorse the Prime Minister's proposed "Constellation of Southern African States".

His viewpoint, expressed in a speech to the University of Cape Town last month, puzzled some observers, the more so as the new leader of the PFP, Dr Frederik van Zyl Slabbert, had already expressed strong scepticism about Mr Botha's proposal.

Referring to the proposal, Mr Oppenheimer said: "(It) might point the way to wise and far-reaching action. I am prepared to believe that it is for this purpose that the Government has promoted the glowing phrase 'a Constellation of States'."

Mr Oppenheimer's words seemed to some to preface the forging of an alliance between himself and Mr Botha, or, to put it differently, to foreshadow a coup of the first order for Mr Botha's campaign to woo English-speaking business chiefs and their fiefs into the new-look National Party.

But this is too naive a view, commented a source close to Mr Oppenheimer.

"He has supported the PFP through all the thin years. He is not likely to desert them now."

The source added: "Harry Oppenheimer is a devotee of the Fabian strategy. He likes to give a bit and get his opponent ... versity of Cape Town, as well as a speech to the Institute of Race Relations in July, substantiates the "Fabian" interpretation.

Mr Oppenheimer said at Cape Town: "The Prime Minister has spoken tentatively of a Secretariate for the Southern African Constellation. To my mind some much more authoritative body will be found necessary, a forum in which . . . a common policy would be worked out, developed and implemented."

He went on to delineate some of the essential features which the constellation would have to incorporate if it were to evolve into a meaningful institution.

They included: A Southern African Free Trade area, free movement of peoples across the borders of the constitutuent parts, a common "constellation citizenship" for all people living in the member states of the constellation and a central body through which the constellation could speak to the outside world.

Mr Oppenheimer then referred to South Africa's "most intractibl[illegible]"

"If the Government is determined to press homeland citizenship on the urban black population — something which I personally would not advocate — it should surely be in addition to, *not as an alternative to*, the South African citizenship which they now hold. (Italics added)

". . . in drawing up the rules governing the constellation, full weight should be given to the numbers, the resouces, the potential and the aspirations of the black urban population within our own borders."

Mr Oppenheimer's list of essentials, especially his proposals for dual citizenship, would appear to transform the constellation from a form of economic association into a federation, a proposal which lies at the heart of PFP policy and which is, at this stage anyway, anathema to Mr Botha's National Party.

If federation is watered-down to confederation in the bargaining process, then protagonists of Fabianism have two irrelated thoughts to sooth themselves with.

First, there is Bismark's aphorism: politics is the art of the possible. Second, there are historical precedents for confederations developing federations. The United States, the most powerful federation in the world, was a confederation before it became a federation.

"What is needed," Mr Oppenheimer remarked in his address to the Institute of Ra[illegible]

80

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METHODS

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Harry Oppenheimer

"The Anglo American and De Beers sheep have long ago learnt to lie down, however irritably, with the wolf of Afrikaner Nationalism — R W Johnson in How Long will South Africa Survive?"

Politics is a business of who gets what . . .

20/1/79

from

49

The gap between the thinking of Government and the realities of business are not all they would seem to be. Deputy Political Editor PATRICK LAURENCE examines the link between the political executive and the capitalist system and Thursday's Government-Business meeting.

P W Botha

THE Prime Minister's meeting on Thursday with 250 businessmen has been hailed by some observers as the dawning of a new era of co-operation between Government and business after decades of strained relations between the two parties.

But this view is an over-simplification, some would even say a gross distortion, in that it does not take account of the long and profitable partnership which has existed between political authority and private capital.

Where National Party ideology is supposed to have hamstrung the economy and evoked the ire of capitalists, the truth is that for most of the post-1948 period South Africa's economy experienced sustained economic growth.

To quote Dr Martin Leggassick, one of the new school of "revisionist" historians: "It is clear that South African [illegible] proceeded apace — exceeded in the 1960s only by that of Japan — while at the same time the system of racial discrimination has grown more effective and pervasive."

The point which the revisionist school makes is that South Africa's race laws assisted more than they hindered the profit-making aims of business by handing over to them a tightly controlled and therefore largely docile and cheap black labour force.

Denied recognised trade unions until less than six months ago and denied freedom of movement to sell his labour to the highest bidder, the black labourer was unable to bring his potential leverage to bear to secure a better deal for himself.

Intrepid black workers who challenged the system risked "deportation to the homelands as an idle or undesirable Bantu", where they would join the vast pool of unemployed blacks waiting forlornly to be recruited for work as migrant labourers.

"Rigorous Government control of the African labour force provided cheap labour to Afrikaner and English businessmen alike," Dr Hermann Giliomee, noted in the recently published book, "The Rise and Crisis of Afrikaner Power".

But to accept the revisionist thesis is not to deny that there were tensions between Government and business, merely that these tensions prevented co-operation between white political authorities and predominantly white capitalists to the disadvantage of black workers.

Looking back to the coming to power of the National Party in 1948, several areas of tension stand out:

- Business objections to restrictions under the Environment Planning Act on the number of black workers it could employ in urban areas.
- Business criticism of obscurantist laws such as the prohibition, until 1969, of "white" capital entering "black homelands" and until recently the job reservation clause [illegible] Cor[illegible]ation Act.
- Business opposition, albeit muted for the most part, to restrictions placed on black businessmen in the townships on the grounds that their entrepreneurial talents should be channelled to the "homelands".
- Business resentment of the increase in state-controlled corporations such as Iscor, Escom, Sasol and Armscor, which were seen as state capitalism.

But in the past few years, and particularly since Mr P W Botha took over as Prime Minister in September 1978, points of friction have either diminished or are in the process of diminishing.

In a recent speech Dr Piet Koornhof, Minister of Co-operation and Development said: "The South African Government ... has done more in the last two years or so to promote free enterprise than any other country in the world."

He cited several pro-capitalist steps to prove his point, including planned reduction of Government investment spending from 70% to 40%, phasing out of exchange control, reduction of agricultural subsidies, and selling the major shareholding in Sasol to the public.

In that speech he foreshadowed an amendment to the Environment Planning Act. In another about a fortnight later he announced that the Cabinet had approved in principle the formation of white-black partnerships for the development of urban black townships.

At least as important as these announcements is the decision to accept the Wiehahn Commission's recommendation to grant recognition to black trade unions, a move advocated by some businessmen when it became apparent after the 1973 strikes that to forbid strikes and to refuse to recognise black trade unions did not guarantee industrial peace.

At one level the explanation for these shifts in official thinking lie in changes within the National Party itself.

From being a party of white workers and farmers in 1948 with a strong antipathy to "Anglo-Jewish" capitalism, it has become, in the words of Dr Giliomee, the party of the Afrikaner bourgeoisie and, it may be added, Afrikaner capitalism. All of which has turned antipathy toward capitalism in identification with it.

Dr Giliomee has chartered the economic advance of Afrikanerdom in several ways. To cite two examples:

- Between 1946 and 1976 the Afrikaner-English ratio of personal income changed from 40:60 to 50:50 and ratio of per capita income from 100:211 to 100:121.
- Between 1948 and 1975 the Afrikaner share of the private sector in the economy rose from 9,6% to 20,8% (this does not take into account the key Afrikaner role in the semi-state corporations).

More spectacular, perhaps, is the rise of the Afrikaner share in mining capital, where Federale Mynbou is the third lar[illegible]company, thanks largely to its takeover, via its General Mining subsidiary, of Union Corporation in 1976.

These developments form the backdrop to Mr Botha's meeting with the 250 businessmen, about 160 of whom are from the private sector per se and the rest from parastatals such as Iscor and Escom.

Details of the meeting have been kept secret, except for a terse statement about helping the Prime Minister set up a secretariat for his proposed constellation of Southern African states.

But, judging from recent statements made by both Government and business leaders, it requires no great acumen to anticipate some of the issues likely to engage the attention of both parties.

It is self-evident that both parties will be concerned to discuss ways and means of protecting capitalism as a philosophy and way of life, particularly in view of the alienation of a section of the black youth from capitalism as the "white man's system for enrichment at the expense of blacks".

Dr Koornhof declared recently: "(The) free enterprise system should be so advantageous that chaos and revolution would hold such risks that blacks would fight against it. Capitalism must therefore not imply slavery or exploitation, but free participation (by blacks as well as whites) with maximum progress."

In his address to the Institute of Race of Relations in June, Mr Harry Oppenheimer, chairman of Anglo American, said: "We cannot count on black support against communism unless blacks are free to share fully in the benefits of the private enterprise system."

There is likely to be little disagreement on Thursday on the need to involve blacks more fully in capitalism by accelerating the emergence not only of a black bourgeoisie generally but a class of black entrepreneurs specifically.

The Inkatha president, Chief Gatsha Buthelezi, has described this strategy as the "middle class trap". In the view of radicals, it aims primarily at dividing blacks by making the black middle class a beneficiary of the white-controlled system and therefore a bulwark against black radicalism.

But it has another clear advantage for the authorities: it de-racialises the looming struggle by converting it from one of black vs white into one of socialism against capitalism.

Another point on which there is unlikely to be much disagreement is the need to tackle the challenge of growing unemployment. Its importance in Government eyes is manifest in the stress of Mr P W Botha and his lieutenants on the urgency of tackling the problem.

According to Professor Arnt Spandau, professor of business economics at the University of the Witwatersrand, the rate of unemployment in 1976 was 14,6% of potential economically active blacks, giving a total of nearly 1,5-million.

Since then, he wrote in his book Economic Boycott against South Africa, it has risen because of retrenchment of workers in 1977, when 77 000 black workers lost their jobs

Projected unemployment rates by the official Economic Development Programme are not hopeful, varying from 21,9% in 1987 for an average growth rate of 3,6% a year to 11,5% in the same year if, through an "extraordinary export effort," the economy grows at 5% per annum between now and then.

It is virtually a betting certainty that Mr Botha, his advisers and the businessmen will agree on the need for maximum economic growth and that there will be much discussion on strategies to ensure that it is as high as possible.

As Professor Spandau has noted, apart from economic growth there will have to be an increasing switch to labour intensive production if progress is to be made in slowing down the rise of black unemployment. Labour intensive methods of production are likely, therefore to merit attention.

A related issue will be the need for foreign capital. As Dr W J de Villiers, executive chairman of General Mining, said in a recent address: "South Africa needs overseas capital for development."

In that speech, Dr De Villiers noted that foreign capital worth R1 739-million had flowed out of South Africa in the past two years or since the Soweto unrest. He then asked to what extend the loss had been due to Government critics indulging in a "break-them-at-all-costs" psychosis.

If he makes the same point on Thursday he is certain to spark fierce debate. The issue of whether greater Press restraint and/r "responsibility" will prevent loss of confidence in South Africa's investment potential is highly contentious.

A further issue certain to attract attention at the talks is the role of the private sector in helping to solve the massive black housing backlog. Dr Koornhof recently confessed that the Government was unable to meet the challenge on its own.

Finally, Mr Botha is likely to expound to the businessmen on the need to "adapt or die" — his "survival ideology" as Professor Heribert Adam has dubbed it. The struggle for survival, as the generals reiterate tirelessly is 80% political.

Since at least 80% of politics is who gets what of the country's wealth, the businessmen, as producers of wealth and appropriators of profit, are obviously in the thick of it, whatever apolitical attitudes they may lay pretence to.

ample, Sasol and Escom, which may not materialise.

If economists can't agree on the present, they're unlikely to agree on the future.

KEY INDICATORS

44

A little brighter

FM 21/9/79

Prospects are looking up in three important sectors of the economy. According to figures released last week by the Department of Statistics, sales in the wholesale, retail and manufacturing sectors are on the up.

Wholesale trade sales for August are estimated at nearly R2 000m, up 14% on August 1978. Though a portion of this increase is accounted for by higher prices (sales measured in 1970 prices are 8,8% down on August last year), the declining trend, measured in constant prices, has been arrested in the past few months.

Wholesalers expect a profitable run up to Christmas, and many are already reporting increased business. Metro Cash and Carry, for instance, report sales as much as 10% above budgeted levels in some areas. Says Gert Frank of Greenstein and Rosen: "Sales were at a low level at the beginning of the year, but things have been picking up since then. We expect good sales in the period leading up to Christmas."

The months prior to the festive season are traditionally good, although sales this year began picking up in June, when sales totalled R1 914m, some R260m higher than May.

Meanwhile, manufacturing sales continue to improve from their low 1977 level, with June sales totalling R2 500m, up 13% on June last year. Not all of this is the result of higher prices. The 12-month period ending in June this year showed that physical volume of manufacturing output is up 6,5% over the previous 12 months.

In addition, prospects for a continued increase in output look reasonable. The value of unfilled orders reported in June were generally higher than in the corresponding period last year. Iron and Steel basic industries, for instance, reported unfilled orders totalling R623m, compared with R436m in June 1978. Metal products manufacturers had unfilled orders totalling R230m, 53% more than in June last year.

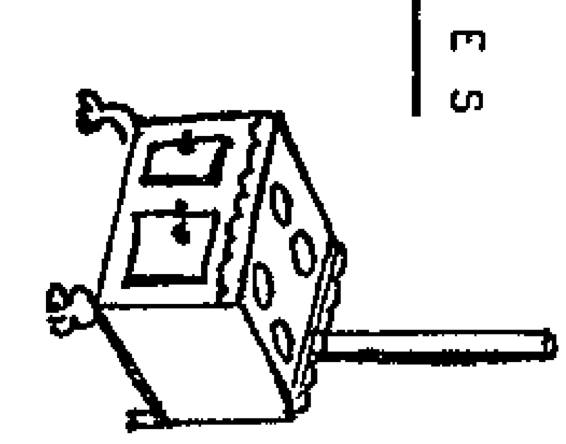
Emphasising the recovery in the manufacturing sector, is the rising level of employment. There were 3,1% more people employed in this sector in March this year than in the comparable period in 1978. Average salaries and wages also increased — up 15,2% over the same period.

Retail trade sales are expected to total around R1 000m this month, roughly the same as August sales, but R74m up on September 1978. The encouraging aspect is that, measured in constant 1970 prices, sales are marginally up on last year, indicating that there may be a turnaround in the steady decline recorded since the 1976 peak. However, the revival in retail sales is still falling short of expectations.

ONION RINGS

O L D F A M I L Y O R V I N T A G E R E C I P E S

1820 and All That!



FRENCH PANCAKES - 1902

2 eggs
2 ozs butter
2 ozs sifted flour
2 ozs flour
1/2 pt of new milk

Beat eggs thoroughly, add butter and beat to a cream, stir in sugar and flour, and when well mixed add the milk. Beat well for a couple of minutes. Pour on to buttered plates and bake in a quick oven for 20 minutes. Serve with a cut of lemon and sifted sugar, or pile on a hot plate, with a layer of preserve or marmalade between them. Time, 26 minutes, average cost, 6 d, seasonable at any time.

---oOo---

MUTTON, ROAST SHOULDER OF 1900

shoulder of mutton
dripping
salt
flour

Put the joint to a bright clear fire, floured well. Baste contin-

(49) FM 21/9/79

Back on course

No one in his right senses looks a gift horse in the mouth. The favourable reaction to Owen Horwood's latest steps towards "normalisation of the current growth policy" was, therefore, entirely predictable.

But Horwoord's use of the word "normalisation" implies considerably more than is evident at first glance. In a nutshell, Pretoria has long been concerned that the economy was running out of steam.

True, the gold price is soaring, a record current account surplus is expected this year, the liquidity dam is overflowing, interest rates have been plummeting. In fact, virtually all the key economic indicators have long pointed to growth. Except for one vital ingredient — confidence.

Nedbank MD Rob Abrahamsen succinctly sums it up: "No businessman is going to borrow and invest unless he thinks consumer demand will pick up."

That's the crunch. In the March Budget, Horwood reduced taxes and upped government's deficit before borrowing to R2 807m. This, he assumed, would naturally put more money in the hands of consumers, thus generating more demand, more investment, more employment and so on.

But very little growth actually materialised. Instead, government's coffers rapidly filled up, thanks largely to mining revenue and taxes, thus threatening to nullify completely any hopes of a government deficit-led recovery. In budgeting for a R2 807m shortfall, Pretoria was determined to see money created and pumped into productive investment.

But, confides a senior economic policy maker: "We were clearly drifting right off course." The purpose of these latest concessions, he asserts, is "to put us back on course."

Confidence booster

Whether the latest R216m package will be enough to give consumer spending and confidence the boost it needs is open to question. So far, judging by private sector comments, Horwood seems to have struck the right note.

Although many economists have been advocating repayment of the loan levy ever since the March budget — thereby pumping some R160m into consumers' pockets — most observers now think Horwood's timing is spot on. By making the money available to consumers in November, just before the Christmas binge, John Citizen is far more likely to spend than save it. (And, no doubt, Horwood's timing of the concession to coincide with the Nat party congress will not go without other rewards).

However, some economists reckon he could have done more. Further cuts in the import surcharge and cancellation of the March 1979 loan levy could have injected a lot more confidence, they charge. According to a Treasury source, however, these two items will be reviewed in next year's budget.

Treasury men tell the *FM* that Minister Horwood's announcement on Tuesday night was the first occasion that the Minister of Finance had made public additional estimates of government's revenue and expenditure during the course of the financial year. This type of information is usually made available only during parliamentary sessions.

By his unprecendented act in taking the public into his confidence, Horwood leaves no doubt of government's commitment to economic growth.

Horwood . . . giving it back

123

2 cups

---oOo---

MUTTON, ROAST SHOULDER OF 1900

shoulder of mutton
dripping
salt
flour

Put the joint to a bright clear fire, floured well. Baste contin-

124

VINTAGE RECIPES

ew milk

o a cream, stir in
e milk. Beat well for
lates and bake in a
t of lemon and sifted
of preserve or marmal-
e cost, 6 d, seasonable

Soaring potential of black spending


Motsuenyane, chairman of the African Bank.

The black consumer market is poised to climb in value from its present R4 000-million to R22 000-million by the end of the century.

Thirty-seven-million blacks will control two-thirds of the disposable income by the year 2 000 against the remaining third held by the 6,9-million whites, four-million coloureds and two-million Asians collectively.

And the imminent electrification of townships with the creation of a second television channel for the black populous will play a major part in this increase.

Not all economists and businessmen see this future in positive terms, however. Sure, say some, there will be an increase in demand for home appliances and all other such luxuries, but, say others, with the escalating inflation rates is the average black going to be able to afford any more than the essentials.

Mr Sam Motsuenyane, president of the National African Federated Chambers of Commerce, is quite definite. "Electrification will boost the consumer market and industrial growth to an appreciable degree," he said.

An indication of what he is getting at has been given by Mr Benny Slome, chairman of Tedelex who estimates there are 800 000 black households eagerly awaiting their own television service.

When one takes into account the additional 100 000 domestic servants he says could also be first-time set owners, the coming invasion of television appliance and furniture salesmen can be imagined.

Electrification, specifically that of Soweto, will have a tremendous impact on the community, says Mr Motsuenyane. "It will open a wide market for appliances, irons, kettles — everyting in fact that you can plug in.

"To meet the demand black businesses are going to have to expand. Now they have got beyond supplying the bare needs they will have to break into the distribution field."

He was a little hesitant about the effects of television. "It will depend a lot on what items are featured.

These could either win the admiration or the condemnation of the people.

"And if it is too government orientated it could go completely wrong. In any event I do not expect the number of sets purchased to be considerable."

With the state of the economy as it is, it is too much to expect the black community to afford a television and a car, or even electricity, as well, said Eugene Roelofse, South African Council of Churches consumer ombudsman, for instance.

Mr Motsuenyane stressed the improving level of education as an important factor in the changing buying habits of blacks. He said that NAFCOC projections show urbanisation of the future involving 90% whites, 90% Asians and 60% blackx.

"The older generations are not so interested in education," he said, "but the younger ones are. This means the adults of the future will be better educated and more aware of what they want to spend their money on."

The wider, slightly more nebulous, concept of a constellation of states still lies very much in the political sphere. But Mr Motsuenyane is hopeful of its economic impact if the idea is well developed.

"A community of states stretching from Lesotho to Malawi," he said, "could provide a considerable upsurge in the economic development of South Africa. It promises vast opportunities and the possibility of supplying needs in far greater quantities."

His last word was on the political level. "The uncertainty raises a big question mark, but if there is peace, ours could be the greatest market in the world."

(41) FM 21/9/79

INDUSTRIAL SHARES

Outrunning the bear

As gold heads for the wide blue yonder, attention has shifted from industrials. Even so, the industrial market could be building a head of steam to power it well beyond present levels.

Three distinct schools of thought on industrials have emerged. Bulls believe that "we ain't seen nothin' yet," while institutions are split into small scale buyers and heavy sellers.

Although the arguments and logic for the various points of view are divergent, the consensus appears to be that the market has not yet topped out. While some institutions believe that there is only about 10% or so from the top, super bulls reckon that we are only halfway through the current bull market.

One analyst believes bullion is the key to industrials' continued rise. He points out that as long as gold remains at above $300, SA's balance of trade should remain in surplus putting downward pressure on interest rates. He adds that the decline in interest rates should be reinforced by: lower State borrowing resulting from increased tax receipts; higher institutional liquidity confined to local investments; and the lag period expected to follow government's current expansionary economic policy. Investment spending could kick in only after mid-1980.

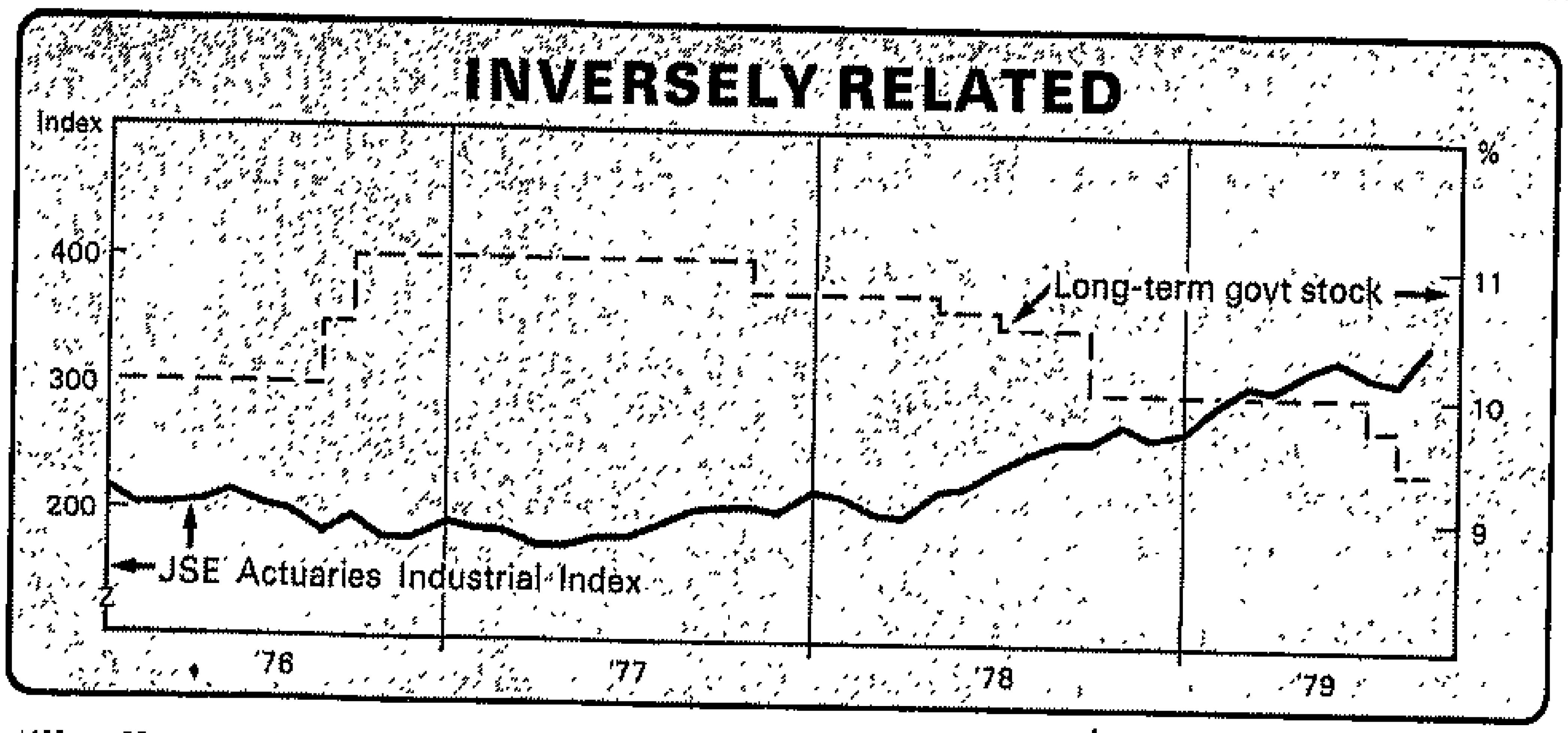
While this should reverse the trend in interest rates, another broker points out that this need not cause a decline in share prices. In past bull markets, the discrepancy between interest rates and average yields was much wider than the current gap, with the average yield at 6,0% and and Escom rate at 9,7%. In the 1973 boom, the interest rate on Escom stocks was around 8,1%, while the average dividend yield on industrials hovered around 4%. In 1969, the variance was even higher with interest rates about the same, but average industrial yields down at 3,2%.

A repeat performance of the 1969 bull market could result in the JSE Actuaries Industrial Index rising to close to 500, which would mean an average yield of around 3,5%. Although the comparison of this market with that of a decade ago could be misleading with current economic growth expectations far lower than those of 1969, it is strange that corporate profits are currently improving at tremendous rates, even after inflation, on purported economic growth rates of around 3%.

When the slack has been taken up and demand for capital goods hikes interest rates, these bulls argue that still higher corporate profit expectations could keep fanning the bull market's flames despite rising interest rates. Meantime, corporate profits still have a long way to go with consumer-spending stimulation.

Thus far, with the notable exceptions of Greatermans and Truworths, most consumer-oriented companies have announced strongly improved results. Companies such as Kohler, Edgars and Remgro, spring to mind. But, if the results of Highveld and Union Steel are anything to go by, capital goods producers are not doing so badly either.

Other bull factors are that the market



still offers relatively good value, that smaller investors could enter the market to an increasing degree pushing share prices up on small volumes, and that institutional cash flows could find a natural home in shares rather than in fixed income stocks while a decline in interest rates is anticipated.

High volumes, with daily turnover in industrials running over R3m, do not daunt the bulls. They point out that institutional cash flows alone could account for these levels, while a recent JSE survey has shown that smaller investors have recently been responsible for more than 40% of the JSE's share turnover.

The arithmetic on expected institutional cash flows alone should point to further growth in industrials. Next year, life offices could receive R2,3 billion, of which 33% must be invested in gilts. And pension funds could expect some R1,2 billion of which they have to invest 53% in gilts. Of the remaining R2 billion discretionary balances, nearly 50% could be invested in equities.

However, due to private transactions and investment in unlisted companies, the placement of a portion of this cash will not be recorded as turnover by the JSE's computer. So a realistic expectation would be that this cash flow could account for just under R3m of reflected daily turnover.

Tending to throw cold water on this bullish logic, Old Mutual investment manager Peter Bieber tells the *FM* that his group's cash flow, and probably that of other major institutions, is being reasonably well absorbed by forward commitments. He says Old Mutual, realising that interest rates were high and equities low, bought heavily last year and early this year. Consequently, it is now using cash flow to repurchase warehoused gilts which provided the cash for the share purchases in the first place. So, the JSE has already

(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) and at 45 years of age (e_{45}) for both males and females. It expresses the average number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

RESULTS

The infant mortality rates (IMR) and standardised mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst the whites have experienced a steady decline in both of these indices since 1929, the 'coloureds' after an initial decrease, show a comparatively static IMR since 1950 and an increase in their SMR since 1960.

From 1941 to 1970, the white IMR has fallen from 50,9/1 000 to 21/1 000, an improvement of 57,6%. During this period, the 'coloured' IMR has decreased from 164,8/1 000 to 132,6/1 000, a change of only 19,7%. This is of particular concern when it is appreciated that the greater the IMR, the more easily should improvements be accomplished. The decrease in SMRs between 1941 and 1970 were 28,4% and 25,7% for whites and 'coloureds' respectively.

The age specific mortality rates are summarised in Fig. 4. Since death is inevitable, it is to be expected that decreases in the mortality experience of younger age groups will give rise to a corresponding increase in mortality amongst elderly persons. Thus, although it is to be expected that for both whites and 'coloureds' the mortality rates for persons over the age of 65 years have shown a rising trend, it is of some concern that the mortality rates have also increased between 1960 and 1970 for 'coloureds' in the 25-44 and 45-64 years age groups.

The imbalance between the age specific mortality rates of whites and 'coloureds' has improved or remained constant for persons between the ages of 5 and 64. However, for children less than 5 years of age, the gap between whites and 'coloureds' is widening. In 1941, white children under one year old experienced 28,0% of the mortality of 'coloured' children;

had a large portion of these funds.

Guardian Liberty's Roy McAlpine says: "The prices of the majority of equities are no longer cheap and now we are only selective buyers." The group will use the proceeds from Fugit's R15m rights issue to repay short-term indebtedness incurred as a result of previous heavy share purchases at lower prices. He adds: "I would not like to be in the position of having to invest such a large sum in the equity market at current prices."

While these two institutions are not yet sellers, Sanlam has — since early this year when the JSE Industrial Index was around 270 — been selling off an estimated R40m of its share portfolio into the buoyant market. This raises some interesting questions, namely, whether the group did not start selling too early and how it intends getting back into the market when it starts turning down.

Sanlam's investment general manager Marinus Daling tells the *FM* that this selling has escalated as the index rose. He adds that, with the Sasol purchase, the decline in Sanlam's share investment is negligible and that, once share prices start falling, his group will be even more heavily invested in shares than before. This suggests that it will not start buying before the index has reached say 330 and that it will have both this and next year's cash flow to invest.

It is clear that this bearish expectation will result in low volumes, and a quick calculation reveals that Sanlam will have a daily R1m available for the stock market alone as it has not been investing funds in equities this year.

Acting prematurely

Some institutional fund managers feel that Sanlam acted prematurely and that it will battle to become fully invested in the market again. Certainly, Old Mutual would not be prepared to sell any shares into the current market. Bieber points out that some of Old Mutual's share investments are yielding over 20% on cost. "In any case, where would we invest the proceeds?" he asks. This suggests that he is not expecting the market to decline as far as Daling does.

Daling concedes that volumes should decline as the market declines, but believes it is more difficult to sell when prices are high than to buy when prices are low. So, Sanlam has been using the run-up to what it sees as the market peak to offload.

But how far will the market react in the face of the bullish factors? Daling avers that gold's performance is typical of a market which is nearing the final stages of a bull run and, consequently, expects the Industrial Index to move down to 250 towards end-1980. This, he expects, will follow a downturn early next year in anticipation of rising interest rates. He believes the market has already anticipated foreseeable economic growth and should react to higher interest rates.

Legal & General Volkskas' Arnie Witkin, agrees that shares should start to decline at these levels but this is likely to be in the nature of a short-term correction. This could be followed by a stronger rise he says. Something major would have to happen to bring the JSE Industrial Index back to 250. At this level, the average dividend yield would be around 11%, assuming a 12% dividend growth — the same level it was during the 1976 bear market.

He believes Escom R75m loan stock issue will be oversubscribed at 9.64%, indicating that the decline in interest rates is still on.

What is not clear from these diverse views is why the institutions are cool about the market's prospects, when they almost cut each others throats to get a slice of the Sasol action with its prospective yield of around 7%. This is equivalent to an historic yield of just over 6%. So, no matter what they say, they are still chasing growth.

Peter Pittendrigh

(49)

21/9/79

GROWTH PROSPECTS

FM 21/9/79

The guessing game

State management of the economy is once again under the spotlight in the September reviews of Standard and Barclays banks.

In the Barclays' *Business Brief*, Johan Cloete paints a gloomy picture of the current state of the economy.

Says Cloete: "It is likely the growth rate will remain at an unacceptably low level while the present high inflation rate persists and especially if the rate should accelerate further in the months ahead."

The Standard Bank economists, on the other hand, reckon that: "On balance, the news is favourable," claiming that in recent weeks the extensive attention paid to the economy's weaknesses has obscured some of its strengths and detracted from the opportunities which lie ahead.

Cloete supports his claim by drawing on US, UK and West German experiences, pointing out that the US economy, for instance, emerged from its 1974/75 recession and started to grow strongly in 1976 only after the inflation rate had come down sharply from 10,9% to 5,8%.

Stimulation not lacking

The review notes that the SA economy has "not lacked for stimulation over the past few years," pointing to the considerable receipts from gold and other mineral exports. The effects of this boost, reckons Cloete, have been largely negated by the high inflation rate and its impact on the real purchasing power of incomes, profits and the money stock, as well as on business and consumer confidence.

Both Standard and Barclays point out that the current inflation is largely imported or of the cost-push variety and, as such, is unlikely to be solved by restrictive monetary or fiscal policies. Cloete focusses his attention on raising real disposable incomes. But, he asserts, the positive impact to be derived from early repayment of loan levies, abolition of current loan levies or reduction of gst would be limited and "insufficient to make any substantial contribution towards raising real consumption expenditure."

Cloete sees one viable policy measure: "Government should step in to create the necessary additional new employment, thereby increasing real disposable incomes sufficiently to push real consumption expenditure to a level where 'effective' demand will become adequate enough to induce businessmen to undertake new investment themselves and so drive up employment and growth further."

And Cloete sees no better way of doing this than through additional expenditure on black housing." This would not only meet an urgent social need but would also be a very effective way of generating employment," he says.

TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

I INFECTIVE AND PARASITIC DISEASES

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	1,99	2,2	9,81	6,60	55,55	51,04	29,36	27,05
1-4	0,16	0,13	0,76	0,79	8,27	7,48	3,56	3,42
5-24	0,02	0,02	0,07	0,08	0,21	0,21	0,20	0,22

II NEOPLASMS

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1-4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
5-24	0,09	0,05	0,	[illegible]	[illegible]	0,04	0,05	0,04
25-44	0,26	0,33	0,	[illegible]	[illegible]	0,56	0,34	0,36
45-64	3,01	2,58	1,	[illegible]	[illegible]	2,68	2,32	1,91
65+	12,24	7,26	4,	[illegible]	[illegible]	7,51	6,16	4,10
ALL	1,41	1,21	0,	[illegible]	[illegible]	0,69	0,58	0,45
NO.	2920	2522	1	[illegible]	[illegible]	809	3472	715

III ENDOCRINE, NUTR[illegible] DISEASES

	W M	W F	A M
0-1	0,09	0,05	0
1-4	0,03	0,01	0
5-24	0,01	0,01	0
25-44	0,02	0,02	0
45-64	0,09	0,12	0,
65+	0,39	0,59	1,
ALL	0,05	0,08	0,1
No.	114	173	43

However, Cloete tells the *FM* that, if the high gold price is maintained, stimulatory measures may become unnecessary. Gold receipts could create the income and employment necessary for a higher growth rate, and instil confidence in the economy.

And plugging a familiar line, he argues for moral suasion to be exerted on wage and price setters to moderate their increases.

Standard's economists have taken a much more optimistic line. They do concede that, in the short-term, the serious obstacle to an acceptable growth rate is the very high level of price increases. But, concludes Standard, statistics indicate

Barclays' Cloete . . . plugging a familiar line

that economic activities are now, almost without exception, either increasing rapidly or recovering, and that "the economy is at last showing symptoms typical of the initial phase of a fairly strong economic revival."

Standard Bank's composite index of leading indicators, which signals changes in economic activity some nine to 12 months in advance, has been accelerating rapidly since the third quarter of last year. This, claims Standard, points to stronger revival in the second half of 1979.

Thanks to gold, the current account of the balance of payments is not at present an obstacle to growth and, the review claims "the impact of higher oil prices appears to have been absorbed with relative ease." A rise in reserves is a development which precedes all normal business revivals in SA. It contributes to internal liquidity and provides the cushion against the rapid increases in the import bill which will inevitably follow when the economy gains momentum.

That the economy is moving out of the doldrums is confirmed by the volume of imports (excluding oil) which have been rising noticeably since the beginning of the year.

Standard also points to an apparent increase in the overall ability of consumers to spend, to rising employment figures in virtually all sectors of the economy, and to a decline in the number of insolvencies of individuals and partnerships. Adds the review: "This is a highly significant indicator of the strength of small business concerns."

Standard's prescription for sound economic growth is a reduction in the wild fluctuations of the money supply. The bank claims this would reinforce the stimulatory effects of high private sector liquidity and declining interest rates present in the economy now.

But government's spending policies are not encouraging an economic upturn, asserts Standard. Some official stimulating action is needed to reinforce the positive trends in final demand.

with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the Circulatory System in men, the 'coloured' community stand to gain most from measures directed at the control of any of the selected diseases included in Fig.6. Of particular importance are the Infectious and Parasitic Diseases, diseases which are frequently amenable to the implementation of relatively simple methods of prevention.

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Life

49

21/9/79

ECONOMIC FORECASTS

24

Cracked crystal balls

21/9/79

Economic forecasting these days seems to create more planning problems than it solves. This is particularly true in a small, open economy, such as SA's, where so much depends on gold.

Rand Afrikaans University, for one, is having to take another look at its 1979-80 forecast, undertaken in May. RAU's assumed average gold price of \$240/oz is now obviously far too conservative and it also failed to accommodate the June fuel price hike. The revised forecast should be out in November.

The soaring gold price could also make nonsense of estimates in the Stellenbosch BER's "Prospects for 1980" and the Standard Bank forecast. The BER assumed a gold price for this year of \$265/oz and only \$250/oz next year. Standard Bank, perhaps a little more realistically, put the average price for this year at \$290/oz. But its \$260/oz estimate for next year could also be a little on the conservative side. If the gold price assumption is wrong, then the forecasts, particularly of the current account of the balance of payments and the money supply growth, can deviate quite drastically from the actual figures.

Standard Bank economists argue that swings in gold and oil prices need not pose too much of a problem. That is, provided the forecasts are based on a computerised econometric model — the method Standard uses. Estimated results can easily be revised by simply changing the assumptions. The BER's report, on the other hand, is a "judgemental model," argues Standard. This not only makes adjustments difficult when circumstances change, but also puts a question mark over the consistency of its results.

Both BER's and Standard's forecasts differ quite significantly on a number of points although many of their assumptions are similar. For instance, BER forsees the GDP growth rate climbing from 3.1% in 1979 to 4% in 1980, while Standard forecasts only 3.7% growth in 1980. BER estimates that total real consumer spending will climb by only 3.5%, against Standard's 4.3%. In nominal (or money) terms, the discrepancy is even greater because Standard forecasts a higher average rise in the consumer price index for 1980 (13.4%), while BER reckons it will actually drop next year from 13% to 11,5%.

Export estimates differ sharply. BER expects exports to climb by 15% this year and only 8% in 1980, against Standard's 22% and 13% respectively. This discrepancy is largely due to the differing gold price assumptions. Nonetheless, Johan van Zyl, executive director (designate) of FCI, asserts that BER's projected growth of 8% in 1980 is "a far too dismal projection for exports."

Despite expected higher real GDP growth in 1980 compared to 1979, the BER predicts that the climb in the value of imports will drop to 20,8% in 1980 from 22.4% this year. Standard Bank, on the other hand, sees imports rising by nearly 27% in both years. According to Standard, the BER's forecast of lower growth in imports next year is "puzzling because, if the economy and investment is picking up, imports will also go up."

Deficit predicted

Both forecasts predict a deficit in the current account next year. BER reckons it will be around R50m, while Standard estimates a much bigger R760m deficit. But Senbank's Louis Geldenhuys reckons a turnabout from a huge surplus in the current account this year — estimated at around R2 billion — is unlikely. Of course, the key is the gold price — if this keeps rising, the value of exports will also grow — and the extent to which SA's trading partners experience a slowdown in economic growth.

On the long-term capital account, Standard Bank reckons the net inflow next year will be as much as R500m, against BER's R200m. But Geldenhuys is sceptical of these figures. "The arguments supporting such a turnabout seem very thin."

Large discrepancies also exist in the investment figures. Standard reckons that total fixed real investment will climb by as much as 2.7% this year, against BER's 0,8%. And next year Standard foresees zero growth and BER 3.2%. However, Standard admits it has included some large capital outlays by, for example, Sasol and Escom, which may not materialise.

If economists can't agree on the present, they're unlikely to agree on the future.

86

TABLE I

...TES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

...here are no tables for divisions V, XI, XII, XIII of the small numbers in each of these categories).

INFECTIVE AND PARASITIC DISEASES

0-1								
1-4								
5-24	0,01	0,01	0,01	0,01	0,01	0,01	0,02	0,02
25-44	0,02	0,02	0,08	0,08	0,08	0,05	0,06	0,07
45-64	0,09	0,12	0,39	0,88	0,28	0,42	0,24	0,61
65+	0,39	0,59	1,61	2,59	0,81	1,28	1,04	1,44
ALL	0,05	0,08	0,12	0,18	0,28	0,26	0,22	0,33
No.	114	173	43	63	316	307	455	530

III

87

II

0- 1- 5- 25- 45- 6 ...

Recession: SA in 'stronger position'

STAR 24/9/79

South Africa is in a far stronger position to weather the impending world recession that it was in the previous recession in 1974, says the special adviser to the Minister of Finance, Dr Gerhard de Kock.

In an interview with the SABC Dr de Kock said one of the main reasons for this was that the country had better control on Government spending and on money supply than it had in the mid-70s.

Dr de Kock said the higher gold price was a reflection of serious world problems which could get worse before they improved.

It was a strange combination of inflation, unemployment and balance of payments imbalances. People had made up their minds there was little their governments could do and were moving into gold as a store of value.

The higher gold price had strengthened South Africa's position considerably. It had improved the balance of payments, was good for growth, was boosting government income and had inspired domestic confidence.

Dr de Kock, who is deputy governor of the Reserve Bank, said attempts to demonetise gold had now clearly collapsed. — Sapa.

STELLENBOSCH FORECAST

A thin silver lining

49

FM 14/9/79

SA can expect only a moderate improvement in economic conditions in 1980. That, in brief, is the view of the Stellenbosch Bureau for Economic Research in its *"Prospects for 1980"* (a survey undertaken jointly with Nedbank economists Rudolf Gouws and Piet van Schaik).

Concludes the forecast: "The prospect of only a mild further recovery, followed by a renewed slowdown in 1981, is indeed somewhat grim." As such, continues BER, "it is bound to cloud the many positive factors that are pointing to an improvement in the country's economic performance in the 1980's."

Adopting a typically cautious approach, the Bureau estimates that GDP in 1979 will grow by 3,1% in real terms and by 4% in 1980. But, it points out, total real GNP ("a more accurate indicator of the levels of living standards arising from SA economic growth") "will increase at a slightly faster rate than 3,1% in 1979 and at a somewhat lower rate than 4% in 1980."

Other key aspects of the forecast include:

- a 3,8% decline in the real value of agricultural production for 1979, due to adverse weather conditions. Next year, however, the value should rise by about 3,5%.
- real personal disposable income in 1980 is expected to rise for the first time since 1975 and "could have a positive effect on consumer demand (forecast to rise by 3,5%). The reasons for the expected increase include anticipated moderate fiscal stimulation in the March 1980 budget, larger salary and wage adjustments, the continued spillover effect from the export sector and increased company profits.
- an estimated 5,5% hike in manufacturing production for 1979 and a 4% improvement in 1980. The Bureau warns that although domestic demand is expected to revive "somewhat," a smaller export market could result in slower production growth for 1980 compared with 1978 levels. It adds ominously that "the still pessimistic business mood may limit the extent of expansion of industrial capacity."
- government's current surplus should increase in absolute terms during 1979, although more slowly than was the case during the first half of the year, while 1980 should see a "sharp" drop. Government's expenditure, however, is expected to rise only 2% (in real terms) in 1980.
- private sector fixed investment is expected to decline by 6,4% in 1979 and by 0,6% in 1980. Public authorities, on the other hand, are forecast to push up investment by 5,9% in 1980. Total fixed investment in 1980 will rise by 3,2%, compared to only 0,8% in the current year.
- the surplus account of the balance of payments is expected to "taper off rapidly" and the current account could "go into deficit" in the second quarter of 1980. While a surplus of some R2 000m is expected for 1979 as a whole, a deficit of R50m is forcast for 1980.

The Bureau assumes a moderate decline in most commodity prices and a slightly stronger dollar during 1980. It also assumes a "perhaps over-conservative" gold price of $265 for 1979 and $250 for 1980.

- declining gold and foreign reserves in the latter part of 1980, combined with stronger credit demand and "some seasonal tightening" should "put upward pressure" on short-term interest rates from mid-1980. On long-term rates the Bureau says the bottom turning point should occur early next year, adding that "further drops ... are expected to be limited."
- the CPI is expected to rise by 13% this year and by 11,5% next year.

However, it adds, since money supply is not expected to grow by much more than 12%, "we cannot foresee the present sharp increases in inflation leading to a self-sustaining inflationary spiral — taking the rate to, say, 20% and beyond." Small comfort, considering the sharp cutbacks in money growth over the past three years.

FORECAST IN A NUTSHELL

Key items		1979 % change	1980 % change
GROWTH			
Real GDP		3,1	4,0
Manufacturing production		5,5	4,0
INFLATION			
Average CPI		13,0	11,5
CONSUMER SPENDING			
Total	real	2,4	3,5
	nominal	14,2	15,1
Durables	real	1,7	3,2
Semi-durables	real	1,1	3,9
Non-durables	real	1,3	2,8
Services	real	5,1	4,4
INVESTMENT			
Total fixed	real	0,8	3,2
	nominal	12,2	18,9
Change in inventories			
	real	—R175m	R175m
	nominal	—R290m	R500m
CURRENT ACCOUNT			
Exports		15,0	8,0
Imports		22,4	20,8
Surplus/deficit on current account		R2 045m	—R50m
MONEY SUPPLY			
(Average)		8,0	12,0 to 14,0

Higher growth rate is top need—council

49

STAR 25/9/79

By Colin Campbell

Increasing the growth rate should remain the main objective of the Government's economic policy over the short to medium term, says the Prime Minister's Economic Advisory Council.

The council is still desperately worried about the continued high level of unemployment and the possibility that unemployment could increase even further.

The report, released by the Prime Minister, Mr P W Botha, last night, was drawn up after the council's meeting at the end of August. Though some of the comments may now have had the edge taken off them following the Minister of Finance's mini-budget measures of last week, the report still contains material well worth digesting.

GOOD NEWS

The good news out of the report is the estimate that the surplus on the current account of the balance of payments could well exceed R2 000 million this year — which would be the first time in South African history.

Discussing inflation, the council agreed that efforts to achieve a higher growth rate would not under present circumstances, lead to a further rise in the rate of inflation. Inflation at present was of the cost-push kind, and as such was largely connected with the sharp rises in the prices of imported goods such as oil.

UNREALISTIC

"In the light of this, the council found it would be unrealistic in the present circumstances to attempt to force down the rate of inflation in the short term to a level appreciably lower than the average rate of South Africa's most important trading partners."

The council was nonetheless concerned about the price increases of late, and the threatened price increases of 20 to 50 percent and higher which could inhibit the willingness of consumers to spend more.

Because cost backlogs have largely been eliminated, there is hope that Government - administered prices may not rise as sharply in future.

DOWNWARD

If there are no further sharp rises in the prices of imported goods in the near future, perhaps the rate of inflation will show a downward trend in time.

"The council is of the opinion that increasing productivity is the only effective way to combat inflation in the present circumstances. The council emphasised the "desirability of re-considering the most recent fuel-saving measures, especially the speed limit of 70 km/h in the larger metropolitan areas, as soon as the fuel supply position permits.

The overall message from the PM's Council is that following on the earlier measures by the Minister of Finance and the current state of the SA economy, there is hope — but also a few worries on the horizon.

25/9/79

Horwood's Christmas stocking

49 EDM 25/9/79

CHRISTMAS stockings this year should be fatter than they were last year. The Minister of Finance, Senator Owen Horwood, is reckoned by most economic commentators to have timed the repayment of the loan levy, due on November 12, exactly right.

It will be in taxpayers' hands in time for the Christmas binge and the common view is that the money will be spent, not saved.

Scrooge is as unfashionable in the Treasury corridors these days as he was popular in 1975 when the economic policymakers' thrust was at careful husbanding of South Africa's resources.

What South Africa's economic revival hinges on is the return of consumer confidence — and this means spending.

Senator Horwood had hoped that the stimulation he gave to the economy in the March Budget would be enough to stimulate consumer spending. Money, by way of downward tax adjustments and the repayment of earlier loan levies, was put into the public's hands.

But through a combination of rising prices and consumer resistance, the money did not find its way into the economy and consumer demand, the trigger which the Government's economic planners hoped would lead an economic revival, did not come through.

Now Senator Horwood is trying again and his latest injection of money into the economy is likely to stimulate demand at the retail level.

The gold price is soaring to the extent that the State's coffers will receive R2 000-million in taxes and lease payment from the gold mines if the gold price averages $320 this year. This compares with a budgeted amount of about R650-million.

There are millions of rands of excess cash swimming around in the economy and interest rates are falling.

Why then, is South Africa not booming?

The key to the economy's sluggish performance so far this year in the face of such encouraging indicators is that confidence has been lacking.

As a banker put it: "No businessman will borrow and invest unless he thinks consumer demand will pick up."

That's the crux of it.

It's not enough, as consumer spending patterns have showed so far this year, merely to put money into the hands of the consumer in the hope that demand will be generated which will lead to more investment, more employment and so on.

Confidence was, admittedly, building gradually and there were indications before the announcement of Senator Horwood's new package last week that consumer spending was picking up and that employment, particularly in the building industry, was looking up.

But it was not enough to get the economy moving.

It needed another lead from Government which Senator Horwood has, in part, now provided.

South Africa's biggest banks, Barclays and Standard, differ widely in their interpretations of the current state of the economy.

Barclays consulting economist, Johan Cloete, says it is likely that the growth rate will remain unacceptably low while the present high level of inflation persists and especially if the rate should accelerate in the coming months.

Standard's Andre Hamersma, on the other hand, is more optimistic, saying that the focus in recent weeks on the economy's shortcomings has obscured its strengths.

Cloete believes that the measures contained in last week's package will not be sufficient to push real consumption demand to a level where it will become adequate to undertake new investment themselves and so drive up employment and growth.

Senator Owen Horwood . . . kept some of his powder dry.

With extra cash swimming about in the economy, why is South Africa not booming as the economic planners had hoped? HAMISH FRASER sees it as a question of confidence that could be stimulated by Senator Horwood's Christmas package:

He sees no better way of doing this than through additional expenditure on black housing which will not only meet an urgent social need, but will effectively and substantially generate employment.

He says if the high gold price is maintained, stimulation may not be necessary.

Gold receipts could create the income and employment necessary for a higher growth rate and instil confidence in the economy.

Hamersma's confidence is based on Standard Bank's composite index of leading economic indicators which signals activity about a year in advance. This points to stronger revival in the second half of this year. But some further Government stimulation is needed to reinforce the positive trends in final demand, Standard says.

And Senator Horwood has kept some of his powder dry for just such a move should it become necessary.

It was widely believed that Senator Horwod would accompany the announcement of the early repayment of the loan levy with the abolition of the import surcharge.

This was reduced from 15% to 7,5% this year and it was generally expected that it would be removed before the next Budget. The surcharge contributes about 1% to the rate of inflation and the purpose it served when it was introduced has largely, in the view of economists, disappeared.

But the fact that Senator Horwood elected not to remove it now does not mean that it is with us for life.

It will probably be abolished in March next year when further stimulation of the economy, made possible in no small way by the burgeoning gold price, is likely.

Income tax, particularly at the top rate, will probably also be reduced, further strengthening consumer demand and adding incentive to commerce and industry's top managers.

Record gold receipts give Senator Horwood flexibility in his budgeting and he and his economic adviser, Dr Gerhard de Kock, have shown that they know how to use that flexibility.

They need only to show that inflation can be held within manageable bounds for a growth rate of between 5% and 6% next year to be attainable. This is not high enough to take care of the unemployment problem, but it is a step in the right direction.

Business Mercury

COMPANY IS SPREADING

JOHANNESBURG — The construction group is in excellent shape, Mr. W. Grinaker says in Grinaker Holdings' annual report.

In his chairman's statement, Mr. Grinaker says the company is spreading geographically into new areas this year.

"Overall, we are confident in our ability to succeed in the specialised electronics industry and look forward to expanding trends in turnover and profits in the future.

"Work on hand is at a satisfactory level throughout the group and profits should be at least maintained in this current financial year," Mr. Grinaker says.

The group recorded a trading profit during the past year of R11 524 000, an increase of 25,4 percent on the previous year. — (Sapa.)

Plea for stimulation of economy now

PRETORIA — The Economic Advisory Council concluded at its fifty-second meeting held at the end of August that there was not only an immediate need at this stage for additional stimulative measures, but that there was also now more room for further promotion of economic growth than five or six months ago.

The Prime Minister, Mr. P.W. Botha, said this in a statement here last night.

As far as the measures that could be taken to achieve this were concerned, the council was of the opinion that a general expansion of Government spending should be avoided at all costs.

This recommendation was made especially in the light of the increasing demands that might be made on the capital expenditure of the public sector in future and of the Government's general policy of restricting its demands on the available production factors. The statement said:

"As is generally known, at its previous meeting, in February this year, the Economic Advisory Council recommended that economic growth should be further encouraged by measures aimed in particular at stimulating growth in private consumption expenditure."

This point of view was supported by the Government, and the Budget presented by the Hon. Minister of Finance in March this year accordingly contained a number of concessions that both in nature and extent, were largely in line with the council's recommendations in this connection.

Some of the concessions, however, took effect only recently, so that the statistical information available to the council during its most recent meeting did not yet fully reflect the stimulative effect of these measures on the economy.

In discussing economic developments since the previous meeting of the council and the possible implications of these developments for economic policy, due account had to be taken of this, as well as of the effect that the recently-announced monetary measures could have on future economic development.

Current and expected economic conditions:

The information contained in the chairman's address of the Governor of the South African Reserve Bank and in the annual report of the bank, as well as in the various sectoral reviews at the Council's disposal, indicated that the moderate economic recovery that began towards the end of 1977 had continued during the first half of this year.

This appears from, inter alia, the fact that there was an increase of 3,5 percent in the real gross domestic product during the first six months of 1979 in comparison with the same period last year, even though the contribution of agriculture to the real product showed no change.

There are also indications that the recovery of the economy is slowly beginning to percolate to those sectors of the economy that have so far shown little or no growth, such as the building industry and the trade sector.

The improvement in domestic trading conditions is reflected, inter alia, in the fact that there was a small increase in the volume of retail sales during the past few months — (Sapa.)

Seven-point plan for growth

49
RDM 26/9/79

By HAROLD FRIDJHON

A SEVEN-POINT programme for economic growth and development "in the context of the imaginative vision of a constellation of Southern African states" was outlined by Dr W J de Villiers, chairman of General Mining, at yesterday's FCI conference in Johannesburg.

A high real economic growth rate was essential, he said, to eradicate poverty — especially among blacks and coloureds — and to provide them with job opportunities so as to achieve a significant improvement in their standard of living.

In the interests of the whole constellation a balanced regional development of the total area was necessary with a view to creating employment opportunities to give "a reasonably high quality of life" to people living in their own areas.

The third point made by Dr De villiers was that the natural factors of economic cohesion must be used to the full for the common good. This would mean, for example, that if a subsistence part of the overall economy, located near a market economy, were to be switched to a market economy, a necessary prerequisite would be suitable transport.

Shortage of skills was the single most important limiting factor which restricted economic growth in Africa. And this must be overcome, said Dr De Villiers.

"Herein lies South Africa's greatest strength when compared with her neighbouring states — and also the greatest challenge to the private sector."

The private sector must give the lead.

Dr De Villiers's fifth point was that the Government would have to establish clear priorities for the use of capital by the public sector. Plans for infrastructural creation would have to be coordinated and development must be timeous, functional and non-luxurious.

The capitalistic free enterprise system should apply throughout the constellation — "application, propagation and visible fruits of the capitalistic system are in fact the strongest weapon . . . against marxism."

"Finally, South Africa must abandon its paternalistic-socialistic approach, both with regard to its urban black population and the black states . . . Our approach must be to help the black man to help himself, thus ensuring economic progress for all members of the community."

(49)

Let op tyd en datum van
STRENG EMBARGO

0081 op 25/09/79

VERKLARING VRYGESTEL DEUR SY EDELE DIE EERSTE MINISTER, MNR. P.W. BOTHA, NA AANLEIDING VAN DIE TWEE-EN-VYFTIGSTE VERGADERING VAN DIE EKONOMIESE ADVIESRAAD OP 30 EN 31 AUGUSTUS 1979 IN PRETORIA

Soos algemeen bekend, het die Ekonomiese Adviesraad tydens sy vorige vergadering in Februarie vanjaar aanbeveel dat die ekono= miese groei verder aangemoedig moet word by wyse van maatreëls wat veral daarop toegespits is om die groei in die private verbruiks= besteding te versterk. Hierdie standpunt is deur die Regering onderskryf en die Begroting wat in Maart vanjaar deur Sy Edele die Minister van Finansies ingedien is het dan ook 'n aantal toe= gewings bevat wat ten opsigte van sowel die aard as omvang daarvan, in groot mate ooreengestem het met die Raad se aanbevelings in hierdie verband. Sommige van hierdie toegewings het egter eers onlangs in werking getree met die gevolg dat die statistiese in= ligting wat tydens die jongste vergadering van die Raad tot sy beskikking was, nog nie die stimulerende uitwerking van sodanige maatreëls op die ekonomie ten volle weerspieël het nie. In die bespreking van die ekonomiese ontwikkelinge sedert die vorige ver= gadering van die Raad en die moontlike implikasies wat dit vir die ekonomiese beleid mag inhou, moes daar dus deeglik rekening hier= mee gehou word asook met die uitwerking wat die onlangs aangekon= digde monetêre maatreëls op die toekomstige ekonomiese ontwikkeling mag hê.

<u>Heersende en verwagte ekonomiese toestande</u>

Die inligting wat vervat is in die voorsittersrede van die President van die Suid-Afrikaanse Reserwebank en in die <u>Jaarverslag</u> van die Bank, asook in die onderskeie sektorale oorsigte wat tot die Raad se beskikking was, het daarop gedui dat die matige ekonomiese op= lewing wat teen die einde van 1977 'n aanvang geneem het, voortge= duur het gedurende die eerste helfte van hierdie jaar. Dit blyk onder andere uit 'n toename van 3,5 persent in die reële bruto binnelandse produk gedurende die eerste ses maande van 1979 verge=

2/...

leke met dieselfde tydperk verlede jaar, ondanks die feit dat die bydrae van die landbou tot die reële produk geen verandering ge= toon het nie. Daar bestaan ook aanduidings dat die oplewing in die ekonomie stadigaan besig is om deur te werk na daardie sektore van die ekonomie wat tot dusver weinig of geen groei getoon het, soos die boubedryf en die handelsektor. Die verbetering in die binnelandse handelstoestande word onder meer weerspieël in 'n klein toename in die volume van die kleinhandelsverkope gedurende die afgelope paar maande, nadat verkope vir meer as twee-en-'n-halwe jaar 'n dalende neiging getoon het.

Die huidige oplewing is aanvanklik gelei deur 'n toename in sowel die volume as die waarde van die uitvoer van goedere. Vir sover dit die vraag na goedere en dienste betref, het die verbetering in die reële ekonomiese aktiwiteite tot dusver vanjaar egter grootliks op voorraadinvestering en in mindere mate op invoerver= plasing en invoervervanging gesteun. Die reële private verbruiks= besteding het, daarenteen, slegs met 1,5 persent toegeneem gedu= rende die eerste ses maande vanjaar vergeleke met dieselfde tyd= perk verlede jaar, wat 'n teleurstellende vertoning is selfs al word daar in ag geneem dat die verbruiksbesteding teen die middel van verlede jaar op 'n betreklik hoë peil was as gevolg van die instelling van die algemene verkoopbelasting en dat die persoonlike belastingtoegewings wat vroeër vanjaar aangekondig is, eers on= langs in werking getree het. In die laasgenoemde verband het die inligting wat tot die Raad se beskikking was, ook daarop gedui dat die positiewe effek van die belastingtoegewings op die private verbruiksbesteding waarskynlik in groot mate geneutraliseer is deur die nadelige uitwerking wat die onlangse skerp verhogings in brandstof- en ander pryse op die reële bestedingsvermoë van ver= bruikers en die verbruiker se gewilligheid om te bestee gehad het, met die gevolg dat die private verbruiksbesteding waarskynlik ook nie onder die huidige omstandighede 'n bevredigende toename in die voorsienbare toekoms sal toon nie.

Uitgaande van die standpunt wat reeds by die vorige vergadering ingeneem is, naamlik dat 'n voortsetting en 'n verdere verbetering

3/...

van die oplewing in die ekonomie onder die huidige omstandighede in groot mate afhanklik is van 'n oplewing in die private verbruiks=besteding, was die Raad dus van mening dat die vooruitsigte vir ekonomiese groei nog nie bevredigend is nie, ondanks die maatreëls wat sedertdien geneem is om ekonomiese groei te bevorder. In die lig hiervan het die Raad weereens sy kommer uitgespreek oor die steeds hoë vlak van werkloosheid en die moontlikheid dat [illegible] verder kan styg. Daar is egter ook aanvaar dat die werkloosheids=vraagstuk, soos ontleed in die jongste Ekonomiese Ontwikkelings=program wat eersdaags gepubliseer staan te word, nie oor die kort- tot mediumtermyn deur 'n groeikoers van 4,5 of selfs 5 persent per jaar heeltemal opgelos kan word nie en dat daar dus in 'n breër verband na hierdie probleem gekyk moet word. Sekere aspekte van die werkloosheidsprobleem, soos werkloosheidsvergoeding en die moontlikhede wat informele produksiebedrywighede bied as 'n bron van werkverskaffing of minstens van selfversorging, behoort egter na die Raad se mening dringender aandag te kry. Die werkloosheids=probleem kan egter wel oor die korter termyn beduidend verlig word deur 'n bevredigende ekonomiese groeikoers en die Raad was dit derhalwe eens dat die verhoging van die groeikoers steeds die hoofdoelwit van die Regering se ekonomiese beleid oor die kort- tot mediumtermyn moet bly. In die lig van sy siening oor die heersende en verwagte ekonomiese toestande was die Raad dus van mening dat daar ook dringende aandag geskenk behoort te word aan bykomende maatreëls om die ekonomiese groei te bevorder.

Die Betalingsbalans

Soos by sy vorige vergadering het die Raad voorts tot die gevolg=trekking gekom dat 'n verdere aanmoediging van die ekonomiese akti=witeite waarskynlik nie binne die voorsienbare toekoms tot wesen=like betalingsbalansprobleme aanleiding sal gee nie, onder meer omdat daar nog surpluskapasiteit in sekere bedryfstakke is. Trouens, soos algemeen bekend, het die lopende rekening van die betalingsbalans verder verbeter gedurende die eerste ses maande vanjaar en die waarskynlikheid is groot dat die oorskot op die lopende rekening vanjaar vir die eerste keer in die geskiedenis

R2 000 miljoen sal oorskry. Daar kan natuurlik verwag word dat die lopende rekening mettertyd sal verswak indien die huidige ekonomiese oplewing groter momentum kry. Die Raad het egter uit= gegaan van die standpunt dat die huidige groot oorskot op die lopende rekening vir Suid-Afrika 'n abnormale verskynsel is en in werklikheid 'n weerspieëling is van die feit dat ons nie ons ont= wikkelingspotensiaal ten volle benut nie, maar 'n deel van ons be= sparings aanwend vir die finansiering van 'n kapitaaluitvloeiing. Die beskikbare inligting het ook daarop g[illegible] dat die lopende rekening van die betalingsbalans waarskynlik nog steeds 'n oorskot in 1980 sal toon selfs al sou die ekonomiese groeikoers in bedui= dende mate toeneem.

Vir sover dit die kapitaalrekening betref, was die Raad dit ook eens dat enige verswakking in die lopende rekening as gevolg van 'n verdere oplewing in die binnelandse ekonomiese aktiwiteite, waar= skynlik in groot mate deur 'n verbetering in die kapitaalrekening geneutraliseer sal word. Benewens die feit dat 'n verdere verbete= ring in die binnelandse ekonomiese toestand beleggings in Suid-Afrika aantrekliker sal maak, sal dit waarskynlik ook 'n vernouing in die verskil tussen binne- en buitelandse rentekoerse tot gevolg hê wat, tesame met die huidige reëlings in verband met termynvaluta= dekking, die neiging van die afgelope jaar tot omskakeling van buite= landse na binnelandse bronne van finansiering sal teengaan of selfs omkeer. Hierbenewens sal die toename in die invoer wat onder so= danige omstandighede sal plaasvind, ook gepaard gaan met 'n toename in buitelandse handelsfinansiering. Hierdie potensiële konsolide= ring van die handelsfinansiering verteenwoordig dus 'n verskuilde reserwe.

In die laaste instansie moet daar ook in ag geneem word dat daar in die afgelope tyd heelwat korttermynskuld terugbetaal is wat vroeër aangegaan is om die reserwes te versterk, met die gevolg dat die netto goud- en ander buitelandse reserwes 'n betreklik sterk styging getoon het. Daar bestaan dus tans ook hierin 'n aan= sienlike verskuilde reserwe waarop teruggeval kan word indien die betalingsbalans miskien wel teen alle verwagtings in 'n aanmerklike verswakking sou toon.

5/...

Inflasie

Ook wat inflasie betref, was dit die algemene gevoel van die Raad dat die nastrewing van 'n hoër ekonomiese groeikoers nie onder die huidige omstandighede tot 'n verdere toename in die inflasiekoers sal lei nie, omdat die huidige prysstygings nie aan 'n oormatige vraag toegeskryf kan word nie, maar grootliks die gevolg is van kostedrukfaktore wat in groot mate verband hou met die voortgesette skerp stygings in die pryse van ingevoerde goedere soos ru-olie. In die lig hiervan het die Raad bevind dat dit nie in die huidige omstandighede realisties sal wees om op die kort termyn te poog om die inflasiekoers te probeer afdwing tot aanmerklik benede die gemiddelde vlak van ons belangrikste handelsvennote nie. Daar was derhalwe ook nie breë steun in die Raad vir maatreëls soos 'n uitgebreide stelsel van prys- en loonbeheer ter bekamping van die inflasie nie, selfs al sou dit die bedoeling wees om sodanige beheer by wyse van vrywillige ooreenkomste uit te oefen.

Daar is egter met sorg kennis geneem van die feit dat stygings in veral sekere staatsgeadministreerde en -beheerde pryse in die afgelope aantal jare 'n belangrike bydrae gemaak het tot die steeds onrusbarend hoë inflasiekoers. Die Raad het ook sy kommer uitgespreek oor die nadelige uitwerking wat die jongste aangekondigde individuele prysstygings van die orde van 20 tot 50 persent en hoër kan hê op die gewilligheid van verbruikers om meer te bestee, en dus op die ekonomiese groei. Daar is egter aanvaar dat die koste-agterstande wat in baie gevalle verantwoordelik was vir die vroeëre skerp stygings in sekere geadministreerde pryse, teen hierdie tyd grootliks ingehaal is en dat die staatsgeadministreerde pryse in die algemeen dus nie in die toekoms ewe skerp stygings as in die verlede sal toon nie. Die Raad het dit ook as raadsaam beskou dat selfs in daardie gevalle waar koste-agterstande nog nie ten volle verhaal is nie, prysaanpassings in die toekoms geleidelik sal geskied. Dieselfde beginsel moet geld vir alle prys- en tariefaanpassings in die volkshuishouding. Vir sover dit loonstygings betref, is daar kennis geneem van die feit dat die buiten gewone aanpassings oor die afgelope paar jaar in die loonstrukture van sekere sektore soos die mynbedryf, wat dikwels aanleiding ge= gee het tot skerp stygings in veral Nie-Blanke lone, grootliks voltooi is en dat loonstygings in die toekoms waarskynlik meer verband sal hou met werklike produktiwiteitsverhogings.

Teen die agtergrond van die bogenoemde ontwikkelinge vertro[illegible] [illegible] dat die inflasiekoers mettertyd 'n dalende neiging sal toon mits daar nie weer in die nabye toekoms [illegible] stygings in die [illegible] [illegible] ingevoerde goedere gaan plaasvind nie. Daar is egter ook tot die gevolgtrekking gekom dat enige sodanige neiging verder ver= sterk [illegible]an word deur produktiwiteitsverhogings indien die kostebe= sparende effek daarvan de[illegible]rgegee sou word na die finale verbrui kers. Trouens, hoewel daar nie enige illusies oor die moontlik= hede van produktiwiteitstygings oor die korter termyn moet wees nie, meen die Raad nogtans dat dit onder die huidige omstandighede die enigste effektiewe metode van inflasiebekamping is. Die hoop is derhalwe uitgespreek dat hierdie saak die dringende aandag van sowel die openbare as die private sektor sal geniet. Met die oog hierop het die Raad ook die wenslikheid daarvan beklemtoon dat die jongste brandstofbesparingsmaatreëls, veral vir sover dit die snel= heidsperk van 70 km per uur in die groter metropolitaanse gebiede betref, in heroorweging geneem sal word sodra die brandstofvoor= sieningsposisie dit toelaat. Oor die korter termyn gesien, lê die grootste moontlikheid vir produktiwiteitsverhogings egter in die beter benutting van die bestaande produksiekapasiteit en die Raad was dit derhalwe eens dat 'n verdere stimulering van die eko= nomiese aktiwiteite op hierdie stadium eerder die opwaartse druk op pryse sal verlaag as verhoog.

Beleidsaanbevelings

Alles in ag genome, het die Raad tot die slotsom gekom dat daar op hierdie stadium nie alleen 'n onmiddellike behoefte bestaan aan bykomende stimuleringsmaatreëls nie, maar dat daar ook tans meer ruimte bestaan vir 'n verdere bevordering van die ekonomiese groei as vyf of ses maande gelede.

7/...

Vir sover dit die maatreëls betref wat met die oog hierop geneem kan word, was die Raad, soos by sy vorige vergadering, van mening dat 'n algemene uitbreiding in die owerheidsbesteding sover as moontlik vermy moet word. Hierdie aanbeveling is gedoen veral in die lig van die toenemende aansprake wat in die toekoms op die kapitaalbesteding in die openbare sektor gemaak mag word en die owerheid se algemene beleid om sy aanspraak op die beskikbare produksiefaktore aan bande te lê. In hierdie verband is egter aanvaar dat daar wel minstens uitvoering gegee sal word aan die algemene bestedings- en finansieringsdoelwitte van die Maartbe= groting.

Ook wat die private vaste investering betref, was die Raad van mening dat, hoewel dit later nodig mag blyk om in die volgende be= groting voorsiening te maak vir maatreëls wat die interne finan= sieringsvermoë van ondernemings verder sal versterk, enige poging om die private vaste investering aan te moedig, nie in hierdie stadium veel vrugte sal afwerp nie, altans nie vir solank as wat daar nog 'n beduidende mate van surplusproduksiekapasiteit in die ekonomie teenwoordig is nie. Die Raad was dit dus eens dat byko= mende maatreëls om die ekonomiese groei te bevorder, in die eerste plek daarop ingestel moet wees om die besteebare inkomste van ver= bruikers te verhoog met die oog op die stimulering van die private verbruiksbesteding. Aangesien 'n oplewing in die private verbruiks= besteding tot 'n beter benutting van die bestaande produksiekapasi= teit sal lei, kan daar dan ook verwag word dat die private vaste investering mettertyd onder sodanige omstandighede 'n verbetering sal toon, wat verdere stukrag aan die ekonomiese oplewing sal gee. Die Raad was egter ook die mening toegedaan dat die groei in die private verbruiksbesteding nie voldoende bevorder sal word deur maatreëls wat slegs die posisie van die middel- en hoër inkomste= groepe sal verbeter nie. Daar is dus aanbeveel dat oorweging ge= skenk word aan 'n beleidspakket wat alle inkomstegroepe sou kon bevoordeel.

Vir sover dit die monetêre beleid betref, het die Raad in die alge= meen sy tevredenheid uitgespreek oor die verloop van die monetêre groothede, soos die geldvoorraad en bankkrediet in die afgelope tyd.

8/...

Die Regering se standpunt

Voortspruitend uit die bevindinge en aanbevelings van die Ekonomiese Adviesraad en aangesien die Regering hom daarvoor beywer om, sover moontlik, alle struikelblokke in die weg van gesonde ekonomiese groei te verwyder en terselfdertyd 'n mate van verligting te bewerkstellig sonder om egter inflasie in die hand te werk, is goedkeuring reeds verstrek vir die maatreëls wat deur die Minister van Finansies op 18 September 1979 aangekondig is, te wete -

(a) die toepassing van 'n gekoördineerde beleid teen inflasie;

(b) voortgesette toepassing van 'n ekonomiese beleid van "groei uit krag" wat ook daarop gemik is om private verbruik en investering te bevorder;

(c) voortgesette dissipline oor staatsuitgawes; en

(d) spesifieke stappe wat ook daarop gemik is om vir die maatskaplike pensioentrekkers verdere verligting te bied. Dit sluit in -

   (i) 'n eenmalige betaling aan maatskaplike pensioentrekkers gedurende November 1979;

   (ii) 'n aansienlike toekenning vir voedselprysverligting gedurende die restant van hierdie boekjaar;

   (iii) 'n addisionele toekenning in die geval van buspassasiersdienste met die doel om die verhoging van die reisgeld wat uit verhoogde brandstofpryse voortspruit, te versag; en

   (iv) terugbetaling van die 1977-leningsheffing op individue.

Bogemelde tegemoetkomings vorm deel van 'n groter totale pakket van toegewings sedert die indiening van die Begroting.

Afgesien van die aangekondigde maatreëls wat in die korttermyn toegepas kan word, skenk die Regering deurlopend aandag aan die uitskakeling van alle faktore wat die ekonomiese groei kan knel. In dié verband word geen steen onaangeroer gelaat om veral werkloosheid en inflasie doeltreffend te bekamp nie.

Involve all in economy plan — Schwarz

RDM 27/9/79

Political Staff

MR Harry Schwarz, chairman of the Progressive Federal Party's economics commission, yesterday appealed to the Government to involve all groups and parties in its major review of the country's economic system.

Declaring that economic problems had become even more urgent than political problems, Mr Schwarz, MP for Yeoville, warned that progress in finding solutions could be seriously impeded because "too many people are doing the same thing".

Mr Schwarz's appointment as chairman of a multi-racial commission responsible for developing a detailed economics policy for the PFP coincided with the announcement earlier this week that the Government had started its own review of the country's economics system.

He said yesterday that he could not fault the aims behind the Government investigation, but added that if it wanted to make the capitalist system more attractive to blacks, the country's economics system would have to be drastically modified.

The greatest danger, he said, was the division of capital and labour on racial lines "in which capital has a white face and labour is largely black".

"We have to ask ourselves whether the private enterprise system in its present form is able to meet the challenges of tomorrow," he said.

"This does not mean that we are going to reject private enterprise, but there are aspects of the system which have to be looked at to see whether they can satisfy the aspirations of all of our people."

Mr Schwarz said three major factors were inter-related — massive rural unemployment and poverty, increasing urbanisation and influx control.

"You can't solve any of them without solving them all," he said.

Mr Schwarz explained that an obvious priority was the creation of employment in rural areas and an assessment of whether this should be done through a new system of kibbutz-type communal farms or through more industrialisation.

The estimated 3% growth rate for this year had to be stepped up dramatically, but growth had to be stimulated in the right sectors.

"While it is perfectly normal in a free enterprise system for a businessman to decide to spend R100-million in a chemical project, we have to ask ourselves whether the expenditure should rather be made to satisfy some major social need," Mr Schwarz said.

"Shouldn't the Government have a right to influence where money is to be spent in terms of social needs?

"Unless we ensure that growth and development is taking place where it is needed most, the rich will just get richer.

"If you are going to have a free enterprise system you have to give the poorer sections the opportunity to accumulate wealth and so enter the capital and entrepreneurial side of the capitalist structure."

Mr Schwarz argued that the nature of capitalism was changing world-wide because power was being increasingly exercised by the managerial class which controlled capital rather than by the people who owned the capital.

"There are many examples in South Africa where managing directors excercise economic power, but have a relatively small interest in the assets of their companies," he said.

Mr Schwarz said another key avenue to explore was the granting to workers of shares in their companies and involving them in profit sharing and board decision making.

Other key areas were land ownership, adequate protection for consumers to ensure that they were receiving value for their money and vastly improved pension, medical and unemployment benefits.

Multi-racial trade unions working for economic objectives instead of uni-racial unions working for political goals had to be encouraged.

"But fundamental to all this," said Mr Schwarz, "is acceptance that there is one economy and that everyone has an equal opportunity in that economy."

Govt's new plan is far-reaching

By HELEN ZILLE
Political Correspondent

THE Government is planning far-reaching changes to South Africa's economic philosophy.

A committee chaired by the Prime Minister's economic adviser, Dr Simond Brand, is working on a plan to restructure the economy with two basic aims: To draw the rural subsistence economies into the ambit of the advanced free enterprise system and to allow the private sector more freedom from state interference.

This was made clear this week by the Minister of Economic Affairs, Dr Schalk van der Merwe.

In an interview with the Rand Daily Mail, Dr Van der Merwe said the purpose of the investigation was to bring the economy in line with the Prime Minister's concept of a "total national strategy".

According to this strategy, the Government aims to draw all sectors of South Africa into a common anti-Marxist front.

"We are working on a plan for the economy to convince people that their future welfare lies within the free enterprise economy and that Marxism is not a more attractive alternative," Dr Van der Merwe said.

The meeting in Johannesburg on November 22 between the Cabinet and business leaders should be seen against the background of the Government's "total strategy" plan and the role the Government wants the private sector to play.

Dr Van der Merwe said the work of the Brand Committee would follow five basic guidelines:

- To fuse the subsistence and mixed economies with the advanced free enterprise economies of the urban areas.
- Stimulate growth and curb unemployment and inflation.
- Revise the state's involvement in large national corporations.
- Involve the private sector in these corporations.
- Revise the compartmentalisation between the homeland development corporations.

Dr Van der Merwe said he was not insinuating that the previous economic philosophy had been wrong.

"But if it was not entirely suitable we are now working on a new economic philosphy," he said.

Overall plan is envisaged for SA economy

49 STAR 26/9/79

Political Correspondent

CAPE TOWN — An overall economic strategy for South Africa is to be planned in conjunction with the Prime Minister's plan to have a constellation of Southern African states.

This was announced last night by the Minister of Industries and Trade, Dr S W van der Merwe.

Speaking at the Cape congress of the National Party in Cape Town, Dr van der Merwe said it was essential that the economic growth should be stimulated.

He conceded that mistakes had been made in the past and said that a new total strategy in the economic field would have to be planned.

He was hopeful that recent measures announced by the Minister of Finance, Senator Horwood, would have an effect in the next few months.

The structure for a governmental committee to investigate the economy was being planned under the guidance of the Prime Minister's economic advisers.

The minister said it was important that the private sector should be drawn into this.

An investigation was needed to ascertain why the economy was not growing satisfactorily.

COMPARTMENTALISED

In the past, different parts of the economy had been too compartmentalised among various race groups. In South Africa there was a subsistence economy along with a highly-developed free enterprise system.

These systems would have to be integrated.

The investigation would have to define aims for balanced economic development, and such plans would have to fit in with the plan to form a constellation of Southern Africa states.

In the sixties the economy had shown an average growth rate of 5,5 percent, but in the late seventies this had gone down to an average of 3,5 percent.

Attempts would have to be made to reach a 6 percent growth rate in order to provide work for everyone.

49 22/9/79 RDM

Committee studies plan to restructure economy

CAPE TOWN — The government is planning far-reaching changes to South Africa's economic philosophy.

A committee chaired by the Prime Minister's economic adviser, Dr Simon Brand, is working on a plan to restructure the economy with two basic aims:

- To draw the rural subsistence economies into the ambit of the advanced free enterprise system.
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- To involve the private sector in these corporations.
- To revise the compartmentalisation between the homeland development corporations.

Dr Van der Merwe said he was not insinuating that the previous economic philosophy had been wrong . . ." but as it was not entirely suitable we are now working on a new economic philosophy," he said.

The Brand committee includes representatives from the Industrial Development Corporation and the private sector. — PS.

Financial Mail

49 FM 28/9/79

THE ECONOMY

The outlook brightens

Ask the average man what he thinks of the current state of the economy and, if he's honest, he will probably admit that he is totally confused. And well he might be.

The price of gold is soaring, which every one knows means more money for South Africa, and the trade balance is heading for a record R2 500m annual surplus.

Government is repaying large amounts of foreign debts as the international value of the rand rises, and this is improving the country's foreign credit standing in leaps and bounds.

The public loans of Sasol and other public corporations are being heavily over-subscribed and the banking system is awash with excess liquidity.

Government and leaders of commerce and industry, some of whose profits are rising fast and whose share prices are booming, are urging consumers to spend more to encourage economic growth and thus help provide jobs for blacks.

Yet the ordinary man just does not seem to have enough money to make ends meet. He has hardly enough to keep pace with rising prices, especially of petrol, let alone increase his spending. Moreover, he is being exhorted not to demand higher wages and salaries so that he does not add fuel to the rising inflation rate.

Even after the repayment of the loan levy announced last week, taxes remain relatively high, despite an abundant flow of revenue to the Exchequer.

In short, everybody — government, banks and businesses — appears to have money except the consumer, the very chap who is being exhorted to spend in order to get the long-awaited economic revival under way.

Of course, a little bit of this wealth is filtering down to him. And this can be seen in rising retail sales and a relatively buoyant manufacturing industry. But he appears to be getting no more than the crumbs.

Can he be blamed, therefore, for wondering whether government itself is doing enough in terms of fiscal and monetary policy to turn the gold bonanza to the public good?

After all, the Reserve Bank reports that hundreds of millions of rands are flowing out of the country as traders switch from expensive foreign to cheaper local bank loans. And that this is being financed from gold earnings, which would otherwise be flowing to the reserves.

Yet all Finance Minister Owen Horwood did last week was to announce that he would restore the economic stimulus he gave in his March budget. In economic terms, he merely re-established the R2 807m of deficit financing — the goverment's borrowing requirement — that had been reduced as unexpectedly higher gold taxes flowed to the Exchequer.

Finance Minister Horwood . . . taking the middle path

The question, therefore, that is on the lips of every ordinary man is, should Minister Horwood have done more? Before examining that question, it is worthwhile considering what economic policy options are open to him.

He could raise government spending immediately, and try to channel it towards such worthy projects as black housing. But he would have to bear in mind some serious possible consequences in the medium to long run.

Economically it would mean an increased government involvement in the economy and politically it would be very difficult to contain, especially in view of the special pleading that would inevitably rise for the pet projects of cabinet colleagues.

Some fear that it would also mean that, should the gold price decline sharply, government might find itself in circumstances similar to those of about five years ago when the gold price cracked and it could no longer easily pay its way. The consequences then were a huge capital outflow from the reserves, leading to a massive devaluation and a considerable boost to inflation.

An alternative would be for the Minister to introduce a mini-budget to cut taxes as soon as practically possible and abolish such emergency measures as loan levies.

That would certainly encourage consumer spending and private sector investment which is more likely to result eventually in more jobs for blacks than would arise from the type of spending that many cabinet ministers have in mind. But in practical political terms it, too, has difficulties.

First, as the Minister pointed out last week, the future holds ever increasing spending demands on the Exchequer, especially so far as defence, the provision of adequate social services, homeland development and infrastructural adjustments to the fuel situation are concerned.

Second, any hint of the lowering of taxes would encourage immediate pressures from other cabinet ministers for an increase in their own departmental budgets.

Horwood's main achievement since assuming office has been to contain the spending ambitions of his colleagues. It is an achievement of vital importance.

Therefore, any move that could heighten the pressure on him to relax departmental austerity carries with it inherent dangers that the flood gates could burst once more.

Instead, Horwood has clearly chosen a conservative and moderate middle path, by merely maintaining the budget's fiscal incentive in an unusual mid-year series of adjustments. They are ones that will take time to work through to the pockets of the ordinary man.

Within the circumstances of practicable policies, he may for the moment have chosen the right course. But matters should not be left there. As soon as possible, further tax reductions should be gradually implemented, however much this might aggravate cabinet ministers. It does not matter that this could lead to reduced income from abroad as the balance of trade deteriorates once a rising trend of business activity pushes up imports. For, as the current account surplus of the balance of payments shrinks, the capital account will automatically improve and foreign capital will flow back into the country, if only as a result of the reversal of the trade finance switching and a reduction in the repayment of other foreign loans as domestic prospects improve.

Equally important, Horwood must ensure that the stimulation of the restored government borrowing requirement is not eroded through the nature of its financing. Now is the time for government to borrow from the banks to make sure the money supply grows over the year consistently with economic growth aspirations.

As prices are rising at present not because of excess demand, this type of borrowing would certainly not add to inflationary pressure but it would stimulate bank lending and thus economic growth.

In this regard, of increasing importance is the work being done by the De Kock Commission on the implementation of monetary policy through market manipulation and participation by the authorities rather than through credit ceilings and captive markets.

Meantime, the ordinary man must either wait patiently for the budget stimulation slowly to creep through to his pay-packet or anticipate it by buying his new fridge or lawnmower on hire purchase.

The process towards economic recovery may at present of necessity be slow. But it has begun and it should, all the more surely as a result, enable the anticipated 3% growth rate this year to be met. The strength of the trade surplus, and the degree to which government spending has been controlled, not only provide a strong base from which momentum can be built up, but are enabling government to move with caution and circumspection.

The present heights to which the gold price has risen will be increasingly stimulatory. But, as the process through which the gold earnings enter the economy is slow, the real impact will be felt next year when it would not be unrealistic for growth to reach 5%.

F	B M	B F
9,02	91,30	88,18
6,21	10,23	9,93
1,25	1,64	1,12
4,96	4,78	3,70
7,87	18,06	15,57
1,79	53,38	45,89
1,00	8,77	8,13
2847	18348	13062

XVI SYMPTOMS AND ILL-DEFINED CONDITIONS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	0,78
45-64	0,44	0,18	1,73	1,04	1,73	1,02	3,80	3,64
65+	1,84	1,95	8,32	6,56	8,55	5,71	14,69	14,84
ALL	0,22	0,23	0,56	0,38	0,83	0,65	1,80	1,96
NO.	463	485	199	134	943	761	3765	3145

XVII ACCIDENTS, POISONINGS AND VIOLENCE (EXTERNAL CAUSE)

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

(49)

FM 28/9/79

RICH/POOR GAP

Wider still

Over the past half century, SA's economic development has been patchy. To speed it up and spread development to poorer regions, there must be less segregation in the developed areas and more concentration of resources in underdeveloped areas.

That, in essence, is the view expressed by University of Natal economist Jill Nattrass in a paper to the Economic Society of SA last week.

Noting that SA has grown very rapidly over the past 50 years (the annual GDP growth rate in money terms averaged 8%), she points out that "the manner in which this economic development has taken place has been highly uneven."

Manufacturing output is limited to relatively few areas of SA. In only 19 of SA's 263 magisterial districts (and the nine homelands) does manufacturing contribute more than 20% to the total district product. Indeed, 1975 estimates indicate that 81% of the sector's total output originated in the four major metropolitan regions.

The gap between the "high and low activity" areas appears to have widened, while labour productivity also varies widely between the two types of regions. Claims Nattrass: "If the market system had operated efficiently in SA, differences in productivity levels of such magnitude would not have continued to exist. However, she concedes, no market is perfect and, in SA, structural characteristics intensify market deficiencies rather than erode them. Influx control prevents many blacks from moving into the areas of high opportunity and tends to push up black wage rates in these areas, thereby encouraging further substitution of capital for labour and widening the productivity gap.

Economist Nattrass . . . increased urbanisation is needed

Nattrass found that economic development in all areas of SA was affected by the availability of skilled labour and the large number of dependants supported by each black worker. To solve these problems she argues for a higher level of investment in black education at all levels (and a lowering of the dropout rate among black pupils). There must also be a reduction in the black birth rate, she asserts, which is best achieved through increasing living standards.

In the high activity areas, Nattrass calls for increased urbanisation among blacks by encouraging the development of black towns close to these regions. This would alleviate the constraints to growth in "high activity" areas currently imposed by the lack of an adequate, settled black workforce.

Nattrass stresses that the policy implications in her paper are based on the assumption that it is possible to develop particular regions on an isolated basis.

But, in view of government's stated intention of cutting back on the level of State activity in the economy, prospects for rapid development of "low activity areas" appear gloomy. Says Nattrass: "It is essential, from the welfare viewpoint, that what State activity is undertaken is optimally allocated."

	W M	W F	A M	A F	C M	C F	B M	B F
	0,51	0,33	1,10	0,21	1,80	1,59	0,13	0,10
	0,05	0,06	0,02	0,10	0,15	0,17	0,02	0,04
	0,07	0,06	0,09	0,10	0,14	0,17	0,11	0,13
	1,09	0,44	1,31	0,70	1,54	1,27	0,73	0,78

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,52	0,18	0,50	0,41	2,02	1,56	1,26	1,20
1–4	0,05	0,05	0,02	0,07	0,45	0,26	0,23	0,18
5–24	0,03	0,01	0,05	0,04	0,09	0,06	0,09	0,07
25–44	0,03	0,01	0,04	0,05	0,23	0,09	0,13	0,06
45–64	0,07	0,07	0,21	0,11	0,36	0,13	0,26	0,07
65+	0,18	0,13	0,00	0,15	0,47	0,18	0,44	0,15
ALL	0,06	0,04	0,07	0,06	0,25	0,14	0,17	0,12
NO.	128	85	26	23	289	164	366	187

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,02	0,03	0,20	0,21	0,06	0,16	0,06	0,06
1–4	0,01	0,01	0,02	0,00	0,02	0,04	0,01	0,01
5–24	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01
25–44	0,01	0,01	0,01	0,02	0,00	0,01	0,01	0,01
45–64	0,02	0,02	0,03	0,03	0,06	0,04	0,01	0,03
								0,03
								0,01
								21

LOAN LEVIES (49) FM 28/9/79

Bureaucratic morass

It seems that Minister of Finance Owen Horwood had little choice but to repay the 1976-77 loan levy, if he was to repay any at all.

Administrative obstacles at the Department of Inland Revenue precluded the repayment of later levies or cancellation of the current levy. In fact, Revenue officials have not yet finalised assessments for the 1977-78 tax year, let alone those for 1978-79. According to a department spokesman, it can take 18 months or more to finalise assessments (and thus loan levies) for any particular year.

Regulations state that loan levies must be repaid by the end of February, seven years after the tax year in which they were collected, unless the Minister decides on earlier repayment. Moreover, legislation introduced by Horwood empowers him to increase (by a maximum of 10%) or decrease loan levies, without prior parliamentary approval. But with time-consuming administrative procedures, and the requirements of new PAYE tables, Horwood's ability to take quick action on subsequent loan levies appears limited.

Successive budgets have made the loan levy situation confused. The loan levy on individuals was abolished in the 1972-73 budget, only to be reintroduced in 1976-77. With the seven year lag in repayments, the latest repayment to individuals (apart from Horwood's recent concession) was in July last year, when the 1972-73 levy was repaid.

Thus, up to now the Treasury has in effect been taking with one hand and giving with the other. Since no loan levies were imposed between 1973 and 1976, the next repayment (of the 1977-78 levy) is due in 1985 — unless the Minister again exercises his right to make pay-backs. The current levy is due to be repaid in 1987.

The total collected on loan levies has increased considerably since the early Seventies. In November individuals will be receiving around R160m (including R21.5m interest, calculated at 5% simple interest a year) from Horwood's latest package. But companies will not be getting their 1976-77 levies back yet.

Because of the time taken in assessing tax returns at the Department of Inland Revenue, figures are not available for post-1977 levies, but successive budget estimates show the following amounts: the 1977-78 financial year, for both individuals and companies, R464m; 1978-79 R480m; and 1979-80 R444m.

Financial Mail September 28 1979

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the which appears in Fig. 2. This population shows an excess ng males and lack of elderly persons as a result of the situation.

mortality rate provides a single figure for the mortality opulation which can only be fully expressed in terms of a :ific death rates. The SMR is calculated by multiplying :ic mortality rates in the observed population by the ers in the standard population, adding the number of and dividing the total standard population. While ependent of the age structure of the observed population, standard population will affect the weighting given to various age groups. The choice of an underdeveloped andard will give great weight to infant deaths and little nong the elderly, while a developed standard population will reverse the position. The choice of standard population affects the ranking of the mortality between the observed groups. There is no 'true' answer. As the Duke of Wellington said: 'There are lies, damned lies,

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed population and Mexico 1960 for a developing one.
3. Age and Cause Specific Death Rates. Calculated mainly in five year age groups for the seventeen major divisions of the eighth revision of the International Classification of Diseases (ICD).
4. Proportions of Causes of Death.
5. Infant Mortality Rates.
6. Expectation of Life. Calculated for 1970, the last census year.
7. Competing Mortality Risks.[8] This is the mortality experience of a population under the hypothetical conditions which would exist if a particular cause of death were eliminated. It gives an indication of the relative effect of that cause on the expectation of life.

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(49) 29/9/79

4 **COMMENT**

The non-debate on our most critical issue

29/9/79 ROM

49

By ALLISTER SPARKS

FOR all that our political debate in this country is so intense and garrulous, it is, through some strange national blindness, almost completely non-existent on what is possibly the most important issue of all.

This is the fact that our racial conflict is rapidly turning into a conflict of economic ideologies.

More and more blacks — especially young blacks — are beginning to identify apartheid with the capitalist system; and to see their struggle to overthrow apartheid in terms of a struggle to overthrow the capitalist system as a whole.

It is a development which should have the alarm bells ringing throughout this country. Indeed it is a matter of the utmost seriousness to the whole Western world.

Yet we are hardly noticing it at all. There is no debate about it and no party has a policy for dealing with it.

Our politicians are so busy drawing up constitutional blueprints and getting excited about carving out new states and creating constellations, that most of them have failed to register the seriousness of what is happening right under their noses.

The only real perception has been on the part of the PFP, where Dr Van Zyl Slabbert has warned that economic policy will become the key issue of the eighties. And he has appointed a special economic policy commission under Mr Harry Schwarz, who has been a lone voice sounding this warning for some time.

On the Government side there seems to be only a vague awareness that blacks need to be given a better deal so that they won't turn to Marxism. To that end it, too, has appointed a special policy committee, under Dr Simon Brand, the Prime Minister's economic adviser.

Mr Botha has realised that political changes are urgently needed to avert the danger of a revolution, and he is acting with some boldness to do this. But on the economic front his thinking seems to be limited to the realisation that the "quality of life" for the black man needs to be improved, and that unemployment must be curbed.

To achieve this he is going for growth.

And his policy for increasing the growth rate is to give free enterprise its head. The State's involvement in the economy is being reduced, we are being moved closer to an unfettered free market system, and money is being injected into the economy to get business moving.

Not surprisingly, this policy is proving immensely popular in the business community, where Mr Botha's shares are rising by the day.

But I have my doubts about whether it is an adequate policy for winning black South Africa — the working-class of this country — over to the capitalist system.

One understands the rationale. Basically it is that of the Republican Party in the United States: give big business a boost, and the new wealth that generates will trickle down to benefit the little man.

But historically, this Big Business philosophy has not proved to be a very effective way of winning the hearts and minds of the working classes the world over.

Deprived people want social security. They want protection against the vagaries of the economic weather, with its booms and depressions.

The Big Business philosophy doesn't like social security. It interferes with the forces of the free market.

Afrikaner Nationalism has only to look into its own history to get a better appreciation of the trend in the black community today.

It had strong socialist overtones in its early years, when Afrikaners were a deprived community. It had a strong antipathy towards Big Business, the Hoggenheimer monster, which it identified with British imperialism.

It first came to power in 1924 in coalition with the Labour Party — and a pretty red Labour Party at that. Nats marched to the polls singing "The Red Flag". And once in power they went strongly for State intervention in the economy. Albert Hertzog even wanted to nationalise the mines.

Only when Afrikaners themselves began to taste the fruits of the capitalist system did they become converted to it.

Therein lies the lesson.

If we want to win blacks over to the free enterprise system — and it will be doomed if we don't — then we shall have to let them share in its fruits.

And that doesn't just mean the fruit that falls off the Big Business tree and trickles down to them as the working-class below.

It means drawing them in as participants. They should be moving into the management structures; and we should be looking at some of the worker participation and profit-sharing schemes that modern social democracies such as West Germany have.

It is no good trying to go back to Nineteenth Century capitalism, when what is needed is to give the working-class a stake in the system.

And how can you draw blacks into the capitalist system when they are not even allowed to own property?

When, indeed, they have been effectively prevented by a mass of restrictive regulations from setting up as businessmen — or even moving too far up the ladder as skilled workers?

But even if there were to be dramatic reforms here, they would not in themselves be enough. Blacks will not be attracted to any system that is not strong on social security.

Here, I suspect, lies the greatest difficulty of all. Because superimposed on the racial divide in our country is a very substantial philosophical divide.

White South Africa has a fierce antipathy towards anything smacking of socialism, Afrikaner Nationalism's early history notwithstanding. It is almost a subversive concept. And the welfare state is synonymous with decadence.

We don't believe in social welfare. We don't even look after our old people decently. We subject them to a demeaning means test and pay them a pittance in pensions. And if they've got to live alone and forgotten in squalid slum-rooms in Johannesburg until somebody discovers them days after they are dead — well, who cares?

We are a vigorous, hardworking, ambitious, acquisitive, self-centred society — each one of us bent on going places by the energy of his free enterprise, and he doesn't want to be hindered by hangers-on.

But the black community is not like that. Whites scoff at their lack of drive and ambition; the lack of "enterprise". They are "lazy". They are always late and they gossip too much.

But, by God, they look after their old people. And each other. A study at Rhodes University has just probed the remarkable phenomenon of *ubuntu*, which is the sytem of mutual assistance and sharing which has enabled black communities to survive and multipy even where earnings are way below the poverty datum line.

Such mutual assistance is the traditional way of life for black Africa.

It has its roots in aeons of subsistence economy living in a continent of severe and erratic climatic conditions, where a man might have plenty one day and nothing the next.

Traditional Africa evolved a system based upon the extended family — an intricate network of fine-spun human relationships, of shared wealth and shared poverty, which helped to cushion the people against the terrible uncertainties they faced.

Nobody starved, either of food or of human dignity, because he lacked wealth. He could always depend on the wealth possessed by the community of which he was a member.

This philosophy still permeates black society today, even in so harsh an environment as Soweto.

And elsewhere in Africa it forms the basis of attempts to develop modern political forms of "African socialism".

Exclusion and deprivation aside, it is surely self-evident that a community with such a background will not be naturally attracted to the capitalist system — particularly in its most Righwing form, almost devoid of social security features.

The system will have to be *made* attractive to them, both by making them participants in it and by backing it up with a really strong social security dimension.

Which suggests to me that we should try to overcome our antipathy and start thinking in terms of a social democracy.

This will be difficult, even for many liberal whites, to swallow.

But the alternataive, if I may coin a phrase, is too ghastly to contemplate.

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THE ROLE OF GOLD

49

Reason for optimism on long term prospects

THE DEVELOPMENTS in the South African economy during recent years had illustrated once again what an important role was played by gold, according to Dr. T. W. de Jongh, Governor of the Reserve Bank.

Dr. de Jongh warned, in his annual address that South Africa should not repeat the mistakes of the past and should look realistically at the gold price.

While there was optimism about long-term prospects for the gold price, the price might fluctuate considerably over the short term.

"The developments in the South African economy during recent years have illustrated once again what an important role is played by gold," Dr. de Jongh said.

"There is undoubtedly good reason to be grateful when it is considered what the impact on the economy of the increase in oil prices would have been if we had not been favoured with the advantages of the rise in the gold price.

GROWTH RATE

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the gold price.

GROWTH RATE

"The increased value of the country's gold production also played an important role in the fact that South Africa during the past year could pursue a fiscal and monetary policy which made an increase to 3 percent in the real growth rate of its economy possible, notwithstanding a net outflow of capital of more than R3 million during the past two years.

"From this also flows the fact, however, that we must not repeat the mistakes of the past and should look realistically at the gold price. In a world of uncertainties and increasing distrust of paper money, there is reason for optimism about the long-term prospects for the gold price, but over the short-term the price may fluctuate considerably, seeing that the sharp rise in the recent past is to a large extent related to the rise in oil prices and the weakness of the dollar.

UNCERTAINTY

"In certain respects there appears to be less reason than in 1975 for a sharp decline in the gold price.

"The U.S.A. reduced its sales gold already in May 1979 from 1 500 000 to 750 000 fine ounces per month, while the International Monetary fund's current selling programme will come to an end in May 1980.

"It is still uncertain whether the sales by the American treasury and the International Monetary Fund will be continued, but the experience of the recent past indicates that the demand for gold can absorb such sales at rising prices.

"The past year has furthermore provided clear proof that gold still has an important role to play in the International Monetary System.

"In the European Monetary System (E.M.S.) which came into operation on March 13, 1979, gold is accorded an important function. The participating countries in the E.M.S. namely each paid 20 percent of its gold reserves plus 20 percent of its dollar reserves into the European Monetary Fund (E.M.F.) in exchange for the new European currency unit (E.C.U.)

"Seeing that the E.C.U.'s are used for intra-E.M.S. settlement purposes, gold has been monetised effectively again as a settlement medium between central banks.

"The importance of this step is emphasised by the fact that the participating countries of the E.M.S. paid a total of 80 million fine ounces of gold at a market-related price into the E.M.F. in exchange for E.C.U.'s. — (Sapa)

Star 23/8/79

49

Heat of inflation evaporates optimism

By Pieter de Vos

Consumer confidence in the economy has evaporated strongly in the heat of an increasing inflation rate.

The Bureau for Economic Research at the University of Stellenbosch says in its Consumer Survey Report for August that the trust in the economy has proved of short duration.

In June and July consumers lost much of their optimistic outlook.

The current financial situation of households is poorer than last year, and the general expectation appears to be that their financial position will restrain them even further in the coming 12 months, says the report.

About 55 percent expect the rate of price increases will exceed those in the past 12 months. These expectations do not seem to be without grounds.

A sharp drop in real income 1978 can to a large extent be the cause of the poor performance of private consumption expenditure.

The average real income fell by 4,4 percent last year, against only 0,5 percent the previous year. The poor private expenditure can be particularly traced to the drop in the real income of whites, which shrunk by 4,5 percent last year. Coloured incomes took the sharpest drop at 6,3 percent.

The Bureau expects another sharp drop this year, despite the tax cuts granted by Senator Horwood, the Minister of Finance.

The tax reductions will be more beneficial to the higher income groups, the Bureau warns. The lower income groups, which have to pay more for the petrol price rises in terms of their wages, will have to spend less and switch to less expensive goods where possible.

RETAILERS

Retailers tend to be fairly optimistic about volume and value of sales in the second quarter, but they expect sales in the third quarter will be unsatisfactory, especially in the case of durables.

Wholesalers are very optimistic about business conditions, though they are expecting a levelling-off in the third quarter.

The optimism among manufacturers, however, deteriorated strongly in the second quarter. The sales results point to a poorish second quarter, and even more sluggish sales are expected during the third. Production was on a lower level than the first quarter, and no improvement is foreseen.

Orders slackened and a further decline is expected. The sluggish demand led to an accumulation of raw materials and stock.

Manufacturers see no reason why they should embark on new fixed investment in the third quarter.

Star 24/8/79

49

BUSINESS

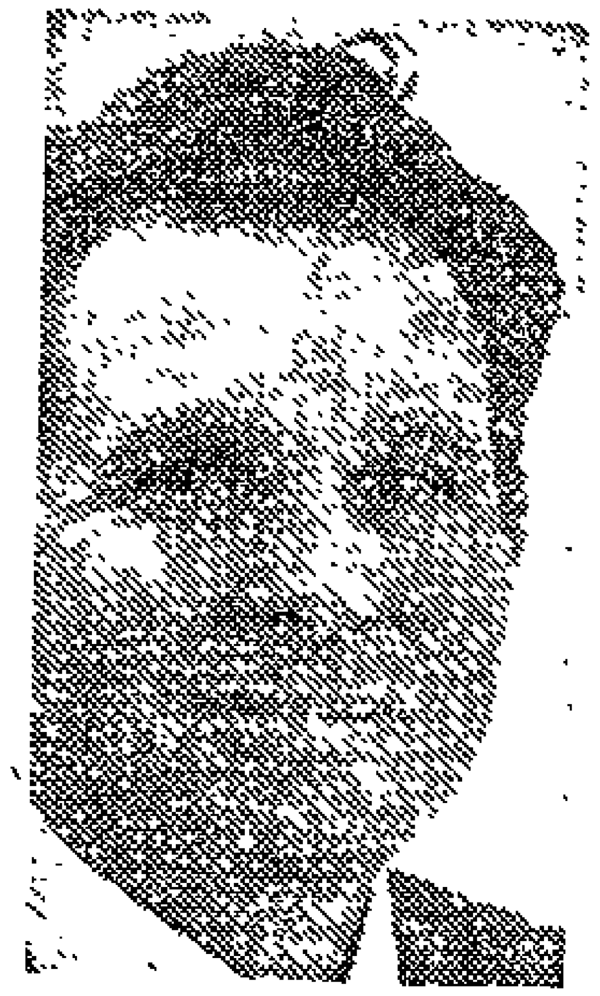
SA should be in at the finish

While South Africa sits upon a vast wealth of raw materials, plenty of energy and a huge labour force, producers continue to export raw materials which are often re-imported in the form of finished goods.

Hugh Lendrum, executive director of the SA Society for Marketers, feels South Africa is currently a trader, putting the emphasis on the buying and selling of basic commodities without any real concern for the end users' needs and desires.

He points out that the counry has slipped from 13th position in the list of international trading countries in 1970 to 22nd place.

Trading as South Africa carries it out, although profitable, does nothing to stimulate market growth. Mr Lendrum quotes the case of the US which is producing 100m tons of steel against South Africa's production of 7 m tons. A million tons of steel produced and fabricated here would create 40 000 jobs, greatly alleviating the unemployment situation. He argues that SA building costs should be lower than those in the US, the country has energy in the form of coal to power factories, and does not have America's pollution problem. Home fabricating makes sense.



What appears to be needed is a strong force of fully trained marketing men to go out into the world, find out what South African raw materials are used for and investigate the possibility of producing the items required here.

Left: Hugh Lendrum . . . "South Africa is currently a trader, putting the emphasis on the buying and selling of basic commodities without any concern for the end users' needs."

Mr Lendrum feels marketing involves accurate market analysis, consumer identification and satisfaction. "Correct use of marketing techniques and a solid understanding of the value of advertising will help to provide the badly needed employment opportunities.

Jean Moon

THE MARKETING SCENE

"When all the professions are considered, it becomes obvious it is only the marketing profession which will be able to guide South Africa into the next Industrial Revolution."

Mr Lendrum quotes the example of Plate Glass, which suddenly found no more high-rise buildings were being constructed, leaving excess capacity for the processing of safety glass.

Rather than shut down certain plant, the company's marketing team turned to the domestic market and began to educate the public on the need for safety glass in the home.

African Oxygen, AECI and Delfos Atlas Copco have also adopted new approaches to marketing.

You're not making sense, Dr De Jongh

Sun. Times Bus. 26/8/79

(49)

BY NIGEL BRUCE

THE most significant thing about the annual address this week of Reserve Bank Governor Bob de Jongh was neither its insight nor circumspection. It was the mass of contradictions it contained.

Address was marked by loose ends, contradiction

In addition, it was remarkable also for what it did not say. There was not even a passing reference to the rand's managed float.

This was one of the most important policy changes announced this year and it still awaits implementation.

Instead, the Governor said that:

- The growth rate "remains too low to combat the unemployment problem effectively".
- The present high inflation . . . "has not been the result of excessive expenditure. It is, therefore, not a demand inflation, but rather a cost-push and imported inflation which has shown up in the strong rise in administered prices".
- It is "doubtful whether a switch at this stage to a restrictive monetary and fiscal policy would in fact reduce the inflationary pressure — it may harm the growth rate instead".

However, he also said "the quantity of money and near-money has not increased excessively during the past year and has even declined more recently".

In fact, in the first half of this year the money supply declined by 1% after having risen by only 7% during 1978/79.

Of course, inflation must have played an important part in the inhibition of economic growth, despite a burgeoning trade surplus.

But who ever heard of economic growth being encouraged by a declining supply of money?

The monetarist doctrine is that the money supply should constantly grow moderately. It does not advocate the destruction of money, particularly not in the circumstances facing the country now.

Nor is it reasonable to assume that the mere 4% increase in quantitative bank lending ceilings — which, in any event, were too low — is conducive to encouraging growth.

He reported a R2 400-million surplus on the current account of the balance of payments — representing 5,5% of gross domestic product — after a deficit of R2-milliard in 1975/76.

Yet he referred to "possible balance of payments problems" and said that in recent months the "balance of payments has again shown signs of weakening".

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations ...

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

c) Ander lede:

Mnr K. Bosman
Professor A. Cupido
Mnr N. Daniels
Mnr Achmat Davids
Mnr H.W. Middelmann
Eerw. M.T.L. Moletsane
Professor A.D. Muller
Sheila ...

Led ... ska ... op ... hui ... ver ... ple ...

Gedurende die ... het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

Die hoofdoel van die Sentrum is om navorsing na die onderlinge groepsverhoudinge in Suid-Afrika te bevorder en te lei, in die besonder oor verhoudinge tussen rasse- en taalgroepe.

AKADEMIESE ADVIESKOMITEE EN RAAD VAN BEHEER

Die program van die Sentrum staan onder die toesig van 'n

Star 28/9/78

(49)

EDP looks to drop in the inflation rate

By Pieter de Vos

An inflation rate averaging eight percent between 1977 and 1987 — despite the present figure reaching for 15 percent — and average annual growth of between four and five percent are envisaged by the Government in terms of its new Economic Development Programme.

A disturbing feature is that although the unemployment rate is expected to decrease from 21,9 percent in 1977 to between 11,5 and 15 percent in 1987, the number of unemployed in the country would still rise from 0,9m in 1977 to between 1,3m and 1,6m in 1987.

Chief Planner Dr C F Scheepers outlined the programme yesterday at the University of the Witwatersrand Graduate School of Business.

Hinging on the reduction of public sector spending in comparison with private sector spending, the programme provides for a reduction of the direct tax burden on both the business and household sectors.

No change to the marginal tax rate structure is brought into account, but in the case of business undertakings a reduction in the loan levy is anticipated.

It is not considered feasible to reduce the level of indirect taxation, as this would be opposed to the stated objective of improving the household's propensity to save.

Certain conditions would have to be met:

- The reduction of indirect taxation to transfer the projected surplus supply of local capital — because of the reduced demand by the public sector — into the hands of the private sector.
- The more active use of the exchange rate for promoting higher economic growth.
- The sustaining of the long-term real rate of interest at a level around 2 percent.
- The further stimulation of exports to ensure the balance of payments does not present problems at the proposed higher rate of growth.

Research has shown South Africa's increasing dependence on foreign capital for financing a slower growth rate in the economy should largely be attributed to the tendency of the public sector continuously to increase its share in total fixed investment.

ford as tydelike klerklike assist...

Cornell, B.A. (Universiteit van Kaapstad) as deeltydse navorsingsassistente in diens geneem. Twee ere-

kampus, waar ons gedurende die laaste vyf jaar gehuisves was, ontgroei. Daarom is ek besonder dankbaar vir die ekstra ruimte wat ons nuwe kantoor in die Leslie Social Sciences Building op die Groote Schuur Campus aanbied.

Ek wil weereens die Carnegie Corporation en die Algemeen Diakonaal Bureau van die Gereformeerde Kerken van Nederland bedank vir hulle gulle ondersteuning van die Konstruktiewe Program wat ons in staat gestel het om meer personeel aan te stel en om publikasies en werkgroepe te finansier. Ek wil ook graag weereens die ondersteuning deur plaaslike skenkers, firmas en trusts noem, kort nadat die Program gestig is. Hulle hulp het dit moontlik gemaak om etlike publikasies gratis te versprei onder almal wat in die bevordering van 'n oop samelewing belangstel.

Ten slotte is dit met innige genoeë dat ek my verpligtings teenoor die ere-navorsingsbeamptes van die Sentrum vir hulle bydraes tot die navorsingsprogram, boekstaaf en teenoor die personeel vir die wyse waarop hulle hulle pligte gedurende die jaar uitgevoer het.

Hendrik W. van der Merwe
Direkteur

Desember 1978

Advisory Council meeting today

30/8/79

(49)

Mercury Correspondent

PRETORIA — The Prime Minister's Economic Advisory Council meets in Pretoria today and tomorrow against a background of an overwhelming demand from the private sector for a re-stimulation of the economy.

Its report and recommendations could play a key role in the moves expected to be announced within the next two months by the Minister of Finance, Senator Horwood, to speed up the business tempo.

Warnings have come from commerce, industry, the trade union movement and Opposition financial spokesmen that if an effective stimulation programme is not launched soon the economy could sink back into recession.

Unemployment

The biggest fear is the still-growing unemployment, which makes a gloomy economic picture even more sombre and menacing.

At the root of the country's economic problem, it is acknowledged by economists, is the lack ot consumer confidence, and consumer spending power eroded by this year's spate of price rises, which have sent the inflation rate soaring to 13 percent.

Loan levy

The president of the Afrikaanse Handelsinstituut, Dr. Martin van den Berg, stresses that more determined efforts must be made to stimulate consumer spending.

He, like other authorities, supports a repayment of the 1977/78 loan levy to individuals.

He has also recommended a speedier implementation of some of the already-announced State spending projects, like the R250 million on non-White housing, announced originally in 1977.

The AHI believes that consumer confidence has been hit by the political situation, the fuel price hike and the proposals to tax fringe benefits. These had all led to a feeling of uncertainty.

The Federated Chamber of Industries supports a repayment of the loan levy and the payment of bigger food subsidies, while the association of Chambers of Commerce pleads for the loan levy repayment.

Eerw. D. Guma — Professor R.E. van der Ross
Professor A. Paul Hare — Professor J.H. van Rooyen
Dr Gertrud Heydorn — Mev. S. Walters
Mnr F.A. Jacobs — Professor F.A.H. Wilson
Mnr H.M. Jimba

d) Twee Ere-Fellows:

Professor J.L. Boshoff
Dr Sheila T. van der Horst

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger op die Beheerraad. 'n Verkiesing is in 1978 gehou en die huidige ampsdraer is Biskop A.W. Habelgaarn. Terwyl geen verpligtinge aan lede opgelê word nie, word hulle geraadpleeg in verband met sake wat die Sentrum se program raak.

NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

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SA ekonomie het kwaai kortsluiting

Rapport 29/7/79 49

Deur Proff. J. A. LOMBARD en J. J. STADLER

DIE traagheid van die Suid-Afrikaanse ekonomie om volstoom op dreef te kom, moet niemand verbaas nie. Ons dink ook nie die traagheid moet goedgeskryf word aan allerlei sielkundige bekommernisse of politieke donker wolke nie.

Daar is heel waarskynlik sekere meganiese faktore wat, soos 'n slagyster, die groeiproses op die oomblik ernstig belemmer. En meganiese probleme is baie makliker om reg te stel as sielkundige of politieke faktore.

Soos ons in ons kommentaar in Sake-Rapport ná die Begroting opgemerk het, mag die Minister dalk te min gedoen het in sy voorstelle om die gewenste ekonomiese groeikoers van 4 persent 1979 te bewerkstellig. Ons het geen fout te vind met min. Horwood se Begrotingsbeginsels nie — finansiële dissipline by die openbare sektor en dinamiek by die private sektor.

Trouens, hierdie beginsel is niks minder as 'n oktrooi vir die nuwe orde in Suid-Afrika nie. Dit lyk egter of sy ontleding van die ekonomiese omstandighede in Suid-Afrika nie ver genoeg gegaan het nie. Die tipiese inkomevermenigvuldigers in die ekonomiese lewe is nie behoorlik aan die werk nie.

Wat na ons mening aan die gang is, is 'n groot kortsluiting tussen die mynwese as belangrikste huidige groeisektor en die res van die ekonomie. Die uitbreiding van minerale produksie, en veral natuurlik die sterk styging in die buitelandse verkoopprys van die goudproduksie, is tans die sterkste bron van groei in die inkomstroom van Suid-Afrika.

Dit word gesê dat die styging in die prys van goud eintlik vergoed vir die styging in die prys van olie, sodat Suid-Afrika die groot geluk bo byna alle ander nie-Opeclande het dat hy teen die impak van die olieprys geïsoleer word. Op balans verswak Suid-Afrika se ruilvoet met die buiteland dus nie (en die wisselkoers van die rand bly sterk).

Hierdie soort globale sienings van die ekonomiese lewe is egter dikwels meer misleidend as nuttig. In werklikheid verduur die privatesektor van Suid-Afrika buite die goudmyne die volle inflasionêre koste-impak van die olieprystygings en lek daar 'n baie groter deel van die plaaslike inkomestroom uit na die oliemaatskappye en die owerheid as vantevore.

Uit hierdie oord val die privatesektor van Suid-Afrika dus onder dieselfde soort druk as die private sektore in byvoorbeeld Wes-Duitsland, die VSA, Japan ens. Geen wonder dat koste en pryse styg en private besteding nie op dreef kom nie!

Die verskil tussen Suid-Afrika en die ander lande is egter dat die mynbou en die owerheidsektor groot surplusse uit inkomste en belasting op goudmyne en olie opbou, maar hierdie surplusse vloei nie deur na die private sektor van Suid-Afrika nie.

Die groot kostebestydende voordeel van die stygende goudprys wat, globaal gesien, die stygende olieprys neutraliseer, word dus ook nie deurgevoer na die private sektor nie. Die matige styging in die wisselkoerswaarde van die rand in 1979 het weliswaar die ingevoerde inflasie ietwat bekamp, maar, aan die ander kant weer die mededingendheid van uitvoerbedrywe ietwat belemmer.

Daar is dus 'n ernstige kortsluiting in sowel die inkomstestroom as in die kosteprysmeganisme van die Suid-Afrikaanse ekonomie.

Vir hierdie probleem is daar een soort gesonde behandeling — die verlaging van belastings of die verhoging van subsidies op so 'n manier dat die stappe twee dinge gelyk doen, naamlik die produksiekoste en die lewenskoste verlaag, asook meer inkome in omloop bring.

Die laaste ding wat die Regering in hierdie stadium behoort te oorweeg is 'n abnormale uitbreiding in openbare dienste — met die uitsondering van sekere aspekte van onderwys. Die ding wat nou gedoen moet word, is om die dinamiek van die privatesektor ook buite die mynbedryf op dreef te kry.

Dit gaan moed kos vir min. Horwood om nie alleen wal te gooi teen abnormale uitbreiding van openbare dienste nie, maar om aanpassings van belastings en subsidies drasties en vroegtydig deur te voer. Daarmee kan hy tegelyk groei bevorder en inflasie bekamp.

c) Ander lede:

... Roeman

4

...et besprekings gevoer met stigtings, trusts
...ge verenigings. As gevolg van sy besoek
het hy 'n toelae vir die Konstruktiewe Pro-
van die Algemeen Diakonaal Bureau van die
Kerken in Holland.

Boshoff, ere-Fellow van die Konstruktiewe
...et 'n aantal instansies, wat universiteite
...ansvaal insluit, en met verskeie handels-
firmas in Natal, kontak opgebou.

...ies

...het die Direkteur die volgende konferensies

...konferensie, Nasionale Uitvoerende Komitee-
vergadering van die Suid-Afrikaanse Insti-
Rasseverhoudinge, Kaapstad (Januarie).
...anse Jaarlikse Vergadering van die Religious
...f Friends, Stutterheim (April).
...eldkongres van Sosiologie, Uppsala, Swede.
...ing voorgelê in Werkgroep 6 en vergaderings
van die Raad van die Internasionale Sosio-
...ereniging as die amptelike afgevaardigde
Afrika (Augustus).

13

THE ECONOMY

(47) FM 31|8|79

Struggling for solutions

Stagflation, inflession, slumpflation — there is no lack of names for the problem of inflation coupled with unemployment which has been bugging Western countries on-and-off for the last decade. There is also no lack of suggestions on how to deal with the problem. What is evading governments and economists are the solutions.

Keynes's prescription of deficit spending by government and/or tax cuts to boost demand, pulled economies out of the Thirties depression, and continued to do a pretty good job up to the late Sixties. But since then many have become disillusioned with Keynes, and a new wave of "leave-it-to-the-market" economics is now sweeping the world's universities, banks and Treasuries. Free market protagonists, who have been shouting on the sidelines since World War 2, such as Milton Friedman and Frederich von Hayek, have been joined by a new group of American thinkers, known popularly as revisionists or incentive economists. So great has their impact been that *Time* magazine last week devoted seven pages to their ideas.

The premise on which all their views are based is the same. Limit government interference, since the market mechanism is a far better allocator of resources. The recipe for doing this, however, differs between economists and, rightly so, between countries.

In South Africa the same trend is visible, not only among private economists but also in government. But it is still in its early stages, particularly in

Nattrass . . . will the government please step forward

government where the message needs to be driven home hardest.

Professor Jan Lombard of Pretoria University asserts that "the main task of the current generation of classical liberals (protagonists of the price mechanism) is not to deny the validity of the mixed economy but to prevent it from becoming a mixed-up economy."

Public sector interference, he argues, must be confined to providing so-called collective services, such as defence. Government has a right to stop business destroying the environment and to produce goods which can only efficiently be provided with capital investments too large for individual entrepreneurs to raise. On these counts market forces fail.

Lombard claims that the SA government has by and large stuck to these rules. In 1976 only 20% of total consumption was accounted for by the state, and all this money was spent on the common good, including public health and hospital services. The remaining 80% was consumption within the market system. The split is much the same in national output and employment, with private enterprise producing 76.3% of GDP and employing about 70% of the total work force. But the balance shifts disturbingly in the area of fixed investment, with government's share in the past few years making up more than half the total. But

...clearly by encouraging competition. Lombard is all for Pretoria's new anti-monopoly law. The competition board ought to look at statutary regulations which have turned SA into a "managed economy", he adds.

Lombard, like the revisionists in America, argues that governments should concentrate on boosting production, not demand. "Demand management is pump-priming and the root of all our problems," he argues. It cannot be assumed that demand will create its own supply at a time when prices are racing ahead and discouraging new investment and higher savings.

But Keynesian economist, Professor Jill Nattrass of Natal Univerisity, asserts that the South African government should be pushing up its spending this year - both current and capital. This would not be inflationary, since there is still plenty of spare capacity in the economy.

Measures to boost consumer demand are the correct policy for the present, she asserts. Trouble is that "all efforts are pitched at the white consumer." Nattrass conservatively estimates that blacks' share of the increase in spending in 1974-75 was 41%, although their share of total spending is fairly static at just over 30% — probably because unemployment among blacks has risen fastest.

Nattrass argues that a more extreme free-market philosophy may gel with the American economy. But a greater degree of government interference is justified in SA to get rid of "uneven regional development — government must get into areas where the private sector isn't." Pretoria ought even to consider setting up a black "peace corps," to uplift black rural areas. This would not only provide

Gouws . . . a disillusioned Keynesian

chickens and eggs - production generates income which in turn generates demand and demand encourages production - government should concentrate on demand management. "Every capitalist going into a venture must know that demand is secured," he asserts.

Nedbank's Rudolf Gouws goes along with the revisionists much of the way. He agrees that government should work towards balancing its budget, provide incentives to encourage saving and investment and cut its spending. Like Nattrass, he believes that it should not neglect its social responsibilities, such as black housing and homeland development, all of which cost money. Gouws is not against quick tax cuts to boost consumer demand, although pure incentive economists argue that the authorities are unable to fine-tune the economy in this

Hamersma puts the emphasis on a properly controlled and predictable money supply. He avers that "the authorities must have a target range for money growth and everybody must know about this range so people can plan ahead intelligently." Greater co-ordination between Treasury and the Reserve Bank would curb wild swings in money supply, he reckons.

Gouws reckons that "the money supply is a very difficult number to keep within narrow bands in an economy as open as SA, and with such a large government sector."

All agree that if any policy is to succeed, Pretoria must stick to its word and implement its decisions. If it doesn't, people will stop responding to policy measures. This year, Minister of Finance, Owen Horwood, has talked about "growth from strength" and stressed the huge current account surplus, while Reserve Bank Governor, Bob de Jongh warns about the balance of payments and inflation and still talks of "growth with discipline." "Where is the credibility of policy when people hear this?" asserts Hamersma.

There is more than a smattering of free market thought in Pretoria. Prime Minister P W Botha has committed himself to tidying up the civil service and selling off some of Iscor's subsidiaries, has opened up Sasol to private enterprise and appointed businessmen to the Public Service commission. But influx control, bank credit ceilings, interest rate control, price control and foreign exchange control (and a host of other regulations) remain. They will have to be repealed before the authorities' committment to free enterprise and private initiative becomes altogether credible.

FOR FOREIGN EYES MAINLY

As part of its efforts to woo foreign investors, the Department of Finance has compiled an astonishingly comprehensive Macro Credit Analysis Data Manual.

The looseleaf manual consists of three sections totalling 400 pages. The first section, clumsily titled Macro Structural Dissection, deals with SA's topography, climate, population distribution (including such peculiarities as "ethnic diversity and political instability"), foreign policy, the economic system and so on.

The second section covers foreign economic relations and details of domestic economic and financial data. The third part concentrates on the future, both political and economic.

In an introduction to the publication, Finance Secretary Joep de Loor concedes that the manual does not include much of the "strategically sensitive" data which foreign credit analysts would find useful.

He adds that "although every endeavour will be made to provide the best available statistics to tell their own story, it is not considered appropriate that the SA authorities should embark upon a process of crystalball-gazing to project the future evolution of history."

EDP

FM 31/8/79

No booms ahead

The 1977-87 Economic Development Programme, due to be published by the end of September, will make sober reading. But at least it will be more useful to corporate and government planners than earlier EDPs.

The programme's director, Skippie Scheepers, told the Wits Business School this week that the new EDP analyses the likelihood of reaching three different annual growth rates over the next 10 years — 3,6%, 4,5%, and 5%.

The highest rate can be reached, but to do so, said Scheepers, "some way will have to be devised to divert capital from the public to the private sector." The EDP assumes cuts in direct taxes (though not in marginal tax rates), more active use of the exchange rate, further stimulation of exports and positive real interest rates.

But even a real GDP growth rate of 5% will not shorten jobless queues. Although down in percentage terms, unemployment will rise from 0,9m in 1977 to as much as 1,6m in the late 80s. "Something additional will have to be done," noted Scheepers. "We hope that the Wiehahn, Riekert and Kleu reports will make a contribution, as well as faster export growth."

SA can forget about a rapidly falling inflation rate. According to the EDP, it is unlikely to drop below 8% for the next 10 years, even at a growth rate of around 4% pa.

Unemployment . . . something additional will have to be done

A cornerstone of the new EDP is its recognition that the mainspring of future growth will have to be merchants, manufacturers and miners rather than bureaucrats. A basic assumption, said Scheepers, is the "strengthening and advancement of the private sector."

The EDP accepts that government must remain responsible for political and social stability, internal security and the fair distribution of wealth. But its share of SA's resources is bound to drop.

Because the new programme focuses on how the economy is likely to behave rather than what it is capable of, it will hopefully be more practicable than previous EDPs which, in Scheepers' words, "had come to be regarded as academic exercises."

From now on, Scheepers assured his audience, the EDP will facilitate the co-ordination of government planning, and "will contribute to reducing the uncertainty of the private sector in its investment decisions."

Another change is that the programme will no longer be revised every two years. The new EDP which extends for 10 years will be reviewed only "when circumstances demand."

HOT BUTTERSCOTCH SAUCE

Mary Snelling, Ridgeworth

1 T syrup
2 T brown sugar
squeeze lemon juice

1/2 oz butter/margarine
1/2 pt warm water
1 d custard powder mixed with
1 T water

Put butter, sugar, syrup into a pan and cook to a rich brown toffee, draw aside, add water carefully, then the lemon juice. Boil up sauce and pour onto custard powder, reboil till mixture thickens. Serve hot with ice-cream.

---oOo---

TOMATO SAUCE

Sharon Young, Rondebosch

4 tomatoes
4
4
8

salt and pepper
4 small carrots - grated

1.
2.
3.

B/
2
2
2
1 salt

3/4 cup tomato sauce

Hy sê dat eiendomsagente hul kliënte van goeie raad moet bedien pleks daarvan om net aan hul eie gewin en die omset van hul besighede te dink.

Bifsa se Hennie Van Zyl het aan Sake-Rapport gesê: „Dit is heeltemaal verkeerd en inderdaad onwaar om te wil beweer dat 'n werklike oplewing in die eiendomsbedryf as geheel al begin het. Die boubedryf staan gereed en wanneer die oplewing opdaag, sal hy sy bedrae kan lewer.

„Dit lyk asof mense nog ietwat onseker is wat die politieke toekoms van die land betref. Daar moet ook onthou word dat wat die man op straat betref, sy reële inkomste nou minder is as 'n paar jaar gelede. Enige salaris- en loonverhogings wat hy onvang, het, is deur stygings in die verbruikersprysindeks uitgewis. „Die man sukkel om die nodige deposito op 'n nuwe huis te bekom."

Intussen is die land se bouverenigings baie bedrywig met huislenings. Suid-Afrika se grootse bouvereniging, die United, staan op die oomblik huislenings van meer as R2,5 miljoen per dag toe, vergeleke by 'n gemiddelde van R1,65 miljoen per dag verlede jaar.

Mnr. Peter Richardson, besturende direkteur van die United, sê dat die UBS in Augustus huislenings van R65 miljoen goedgekeur het, ten opsigte van bestaande huise en net 35 % vir die bou van nuwe huise. Dit is nie 'n abnormale verhouding nie. Tog is die situasie verontrustend. Daar is beslis 'n oplewing in die vraag na bestaande huise maar nie 'n oplewing in die vraag na nuwe huise nie.

„Die voorraad van bestaande huise is beperk. As daar nie meer nuwe huise gebou word nie, gaan 'n tekort aan huise ontstaan."

Dit wil egter voorkom dat die prys van brandstof 'n baie wesenlike faktor in die huismark is. In al die groot stede van die land is die vraag eintlik na behuising wat naby aan die middestad

Mix all ingredients together. Simmer for 45 minutes.

---oOo---

SHERRY SAUCE (For Steamed Puddings)

K.W.V. Paarl

Warm sherry (1/4 pt) and add 2 egg yolks and whisk in a basin over a pot of nearly boiling water until thick and frothy. Serve at once, adding sugar to taste.

---oOo---

SAUCE WITH WHITE WINE
(For White Meats and Sea Foods)

K.W.V. Paarl

1 cup hot cream
1/4 cup dry white wine
3 T butter

1 T flour
salt and pepper
1 t chopped parsley

Melt butter in saucepan. Add flour; cook till brown. Beat in cream and wine. Whip very well. Boil for 5 minutes. Add salt and pepper to taste and chopped parsley.

BRANDY SAUCE
(For Steamed Puddings)

K.W.V. Paarl

Make a white sauce with 1/2 oz butter, 1 oz flour, 1/2 pt
add 1/2 oz sugar and 2 t brandy.

---oOo---

HOT CHOCOLATE SHERRY SAUCE
(For Ice-Cream)

K.W.V. Paarl

1 1/2 cups sugar
3 T butter
4 oz chocolate (melted)

1 cup cream
1/4 cup medium sherry
1 t vanilla

Mix sugar, butter, chocolate and cream in a saucepan. St
dissolved. Heat and boil for 7 minutes without stirring.
in sherry and vanilla. Remove from heat. Set pot over h

arl

ely chopped
ly chopped

over ice-

(49)

Botha: SA must be given time

The Prime Minister recently granted an interview to an editorial team from Der Spiegel, Hamburg. This is the text of that interview, abridged here for reasons of space, which appears in the West German magazine today.

Spiegel: Mr Prime Minister . . . Africa, since the appearance of Cuban troops, Russian advisers and military personnel from the DDR, is a new battleground between East and West. Has South Africa . . . become more important to the vital interests of Western Europe and United States?

Botha: I would say yes. In my opinion the Republic of South Africa is a vital strategic point on the globe for the protection of the free world's interest.

Could you elaborate?

Well, I would like to quote from a very interesting report from the Dallas Security Investment Corporation . . . The conclusion they have come to reads as follows: "The successful investor must at times be able to set himself aside from prevailing opinions and take the contrary view. It is felt that the current South African situation provides such an opportunity. The United States cannot abandon this valuable trading partner economically or militarily without losing sight of its own interest."

That refers to the economic and business side . . .

And militarily also. They say: "The base deposits of strategic minerals which are uniquely concentrated in the Soviet Union and the Cape of Africa are crucial to the continued economic survival of the Western world."

So you feel you should get credit politically for harbouring within your boundaries the richest sources of chromium, vanadium and gold?

I think it should be taken into consideration . . .

. . . because otherwise only Russia could be a supplier of these materials. In your last military staff exercise the scenario presumed the following situation on the battle ground of Africa: paratroopers from the DDR descend on Windhoek, Cuban tank regiments cross the border from Angola and push towards Ovambo, other tank forces press southward from Botswana and Mozambique. Is that what you expect to happen?

Well, I would say it could happen.

It is a realistic picture?

It is realistic in a sense that under certain circumstances it could happen, namely under the circumstances of a weakened South Africa. But under present South African conditions I don't think it would be a successful attempt.

. . . Not too long ago you said the third world war had already started.

In the sense that there is an organised and gradual process of undermining, of revolutionary forces trying to weaken . . .

. . . the African continent?

Yes, and this is being instigated and led under the supervision of what I call Russian imperialism.

Do you think the Russians are following a grand design or that Dr Kissinger is right when he [illegible] us [illegible] they [illegible] ust [illegible] when they visited South Africa and as clearly undertaken by us in our House of Parliament. But we did not deviate from the original agreement. The United Nations' Secretary General deviated — with the permission of the West or without that, I don't know.

Well, Western diplomats tell you that there were some vague parts in the agreement which were filled in with details later, and everyone subjectively could have felt that he was acting rightly. So looking at it subjectively, you might feel that you were a little outsmarted . . .

Don't say we are outsmarted. I think it's a clear case of breaking their word. It was clearly understood that there would be monitoring of bases on both sides of the border. Secondly, it was never part of the agreement that Swapo would have recognised bases inside South West Africa.

Western diplomats say there was nothing in it which prohibited it either.

Oh, don't tell me that. We are not living in a babe's world. These were genuine agreements on paper, and we quoted them . . . we provided them with all the documentary proof that they deviated from the original agreements.

In the meantime, a new compromise has been offered. Do you think there is a solution in sight now?

The solution could only be possible if we come back to the original agreements. If there are new suggestions or proposals then we claim the right to make our own new proposals.

Within what time do you foresee a solution?

Well, there is not much time left. The people of South West Africa are anxious to become independent.

Could you give us an estimate: a year, two, five?

No. I would not like to speak on behalf of the people of South West Africa, whether it's going to be a year or 15 months but surely we are going to be led by them.

So you might go alone.

If the people of South West Africa might decide to bear it alone in this sense . . .

. . . you wouldn't object . . . ?

. . . that they want a constitution, they want good, orderly government, then I can't stand in their way to create orderly government.

If a revolutionary leftist government would take over in Namibia, how great a threat would that in your view pose to South Africa?

I do not think that the revolutionary elements can take over in South West Africa. The peoples of South West Africa are not revolutionary minded. It's a small minority inspired by communist forces from outside, bluffing the world that they are the representatives of the peoples in South West Africa. I think that most of the peoples of South West Africa are inclined to have a constitutional government.

Mr Prime Minister, presently there is a strange situation: In Namibia you allow apartheid to become a punishable criminal offence but here in your own country apartheid is still alive. You must never confuse the word apartheid with what you think in your terms it is.

Well, what is it then?

Apartheid is an Afrikaans word with a definite connotation in Afrikaans, which you can't attach to it in other languages. There are certain German expressions which you can never translate in any other language. Such as "Kindergarten" and "Weltschmerz" which were taken over by other languages as we took over "apartheid"?

Yes but you did take it over without the connotation it has in Afrikaans, and you will see that I speak of good neighbourliness. Because that is more descriptive of what our policy in South Africa is. Good neighbourliness means that there is a well disposed spirit between neighbours . . . that is quite a different connotation than the hate connotation the international world has attached to apartheid. Now, the different peoples in South West Africa have a built-in traditional way of life which would always exist between them. You can't expect the Hereros to become Ovambos and you can't expect the Ovambos to become Bushmen and vice versa.

But in Switzerland no one expects the German Swiss to become Italian and the French Swiss to become German Swiss . . .

. . . and therefore they have a system of good neighbourliness. But in Switzerland they all have the same passport and they all share political responsibility.

Under my concept of a constellation of African states that would be also possible for us if we were just left alone to work out our own salvation.

We are fully aware of the South African attitude to tell all the critics of apartheid to go and mind their own business, but undoubtedly public opinion is a political factor . . .

No, no. We don't say mind your own business, I say South Africa must be left the time to develop its own systems and one of them I have in mind is the constellation of Southern African states, where we will solve some of these problems that we encounter today. Switzerland was not born in one year, it came about over many decades.

Germany in its present form is not the first creation of God. No question about it Germany surely has had a long and troubled history.

It is the sixth or seventh attempt on the part of the Germans to create a perfect state and I can't see that they have succeeded already. You have a homogenous people in West Germany, and yet you find it necessary for various reasons to have a federation. And the Bavarians will never allow you to take away the rights they have under the present situation.

But they have all the rights they want, no more, no less than the other Germans.

Next to Germany you have Holland, also a Germanic people. And if you go to Holland today and you propose to them that they must become one state, one nation with Western Germany, they will cry out to heaven.

We would, too, if seven million Dutch would make 60-million Germans work for them and put us into townships like Soweto.

Soweto is a housing project after people have been taken out of slums.

When you came to office you were pictured by many Western newspapers as a super hawk, as a man who would shoot first and ask questions later.

Yes, I read that too.

But then you raised the possibility of fitting urban Africans — those millions of blacks who live in large restricted areas, the so-called townships, near all-white cities — into a formal constitutional stucture. That would be a sharp break from the official theory that all Africans belong to some "homeland" and have to find their rights in those all-black states you have created within the borders of the Republic of South Africa.

What I said was that I believe in consolidated and national states for our different black peoples . . .

But on account of industrial development . . .

. . . millions of black urban workers are today living in their townships next to our industrial cities. We must uplift them, and allow them to uplift themselves, develop better training, better housing facilities, better local government. But for a Zulu to live in the township of Soweto does not mean that he stops being a Zulu. He remains a Zulu, so you must allow him to retain his bonds and his links with his national state. But you must also, in shaping the Southern Africa constellation of states, allow these township peoples to take part in discussions on higher levels. And that is what I have in mind.

It is really a depressing experience to visit one of the vast urban black townships.

I don't mean to question you. But did you see the squatting in the rest of Africa and compare it to what you call depressing housing schemes here? [illegible] the rest of Africa the people can move around freely . . .

. . . they can squat where they want, that is not desirable.

Here they have to move out early in the morning, go to work in the white city and be back by nightfall. We would like to ask you a personal question: What impression does the scenery of a township like Soweto make on you?

Monotonous housing is always depressing. There I quite agree with you. In our case we have spent millions to house people from bad slum conditions and it is better to house them in monotonous housing schemes than to leave them under the bush. The RSA has a bright record as far as housing is concerned. We compare very well with other countries.

So are there no plans to change the set-up where they have to leave their huts early in the morning, travel to the place of their work and are forced by law to be back by night?

But all workers all over the world travel from their living quarters to where they work. I have seen workers travelling on trains for 25km in Germany . . .

But nobody forces them to return to their homes at night.

No, no, no, don't bluff me. All over Europe the migratory labour are also being organised to live in certain quarters, I saw it myself in Holland and Germany. They were not allowed to live where they liked to.

We have to contradict you. Nobody in Germany is organising . . .

They are just kept there by other means. If you go to London, you have your Nottinghill, but they say that this is natural development. If you go to Paris you will find that they have their own Algerian quarters, but that is natural development.

In our case we provide subeconomic housing. In their own townships we are allowing them to build more expensive houses which now they can buy and which they can develop to their own taste.

But only in their townships! When whites with a special visitor's permit go to Soweto they are surprised by the friendliness of the blacks. There seems to be no visible anti-white feeling in general.

People, however, are openly against "the system" that deprives them of sharing political power and self-determination. Isn't time running out to find a settlement while the blacks are still peaceful?

My time is not running out but my country must cater reasonably for its different minorities. We are living in dangerous times right around the globe.

In October, 1973, South Africa's ambassador to the United Nations, Pik Botha, now the Foreign Minister, said: "Discrimination based solely on the colour of a man's skin cannot be defended." He said South Africa would "do everything in its power to move away from discrimination". But in the years since then not a single one of South Africa's racial laws have been changed.

That is not true, where do you get your information from?

Can we quote the laws? Not one that keeps black men apart from their families, or the one that prescribes living areas by race or the ones forbidding interracial sex and marriage.

But that is not a fair way of putting things. . . it is putting it in such a light that it is the worst picture, the most irresponsible picture of South Africa that can be painted.

. . . This week in a major policy speech you finally promised reform. What will be changed and when?

We have already started . . . For example: There was a master and servant's act that was introduced under the British colonial system to quote only one, and we have abolished that act.

That was an act under which the breach of an employment contract was a criminal offence. But it did not apply to blacks only.

It was a most cruel and discriminating act. It was scratched from our law books. Second: Certain discrimination that existed on our railway stations and public buildings were eliminated. We granted certain relief as to sport between schools and sport in general. I am quoting just a few, and we are prepared to eliminate unnecessarily hurtful discrimination. We have taken positive steps in the field of labour.

Mr Prime Minister, there have been changes, granted. Blacks can now dine with their sweethearts at so-called international hotels, but the dancing floor is out of bounds for them. They may live in these hotels, but they may not use the swimming pool.

But blacks don't want to mix in that sense with whites and other groups in South Africa. They have their own community life.

But they also like to dance.

We must normalise these things and it is not necessary for them to dance in the Burgerspark Hotel, they have their own places where they dance. We have our system of international hotels catering for such circumstances.

And it also can still happen [illegible] at three o'clock a police squad bursts into the bedroom of a white woman because someone phoned and told them that there was a black boyfriend inside.

Yes, yes in every country of the world police have certain rights.

But not because a black man is staying with a white woman.

In South Africa it is forbidden because we are against miscegenation on various grounds and for practical reasons. We don't believe that it is a sin to have a mixed marriage. I don't think so myself, but I think for practical reasons you must try and oppose miscegenation as far as possible. It is in the interests of the whole country. We don't want to create new social problems.

Under the apartheid doctrine a vast bureaucracy plays fate. Everybody is classified according to his racial status: whites, Asians, coloureds or blacks. But not only that. Sometimes people are re-classified: Coloureds become whites, blacks and Asians become coloureds.

That proves to you how difficult our internal situation is. SA has a problem of minority and diversity.

No one contests that.

Therefore we must have a registration certificate, otherwise we will have confusion and chaos. And it is only one of the methods with which we try in a human way to protect people to see that they have rights. If you allow everything to go without control, South Africa will fall into chaos.

The New York Times once asked: "Does P W Botha know how South African blacks feel?" Do you, Mr Botha?

I think I know due to the fact that I made it my job to visit not only black leaders and to discuss with them matters in my own office, but I travel thousands of kilometres to see them living under their natural conditions. So I think I know what their aspirations are, we talk to properly elected governments.

Mr Prime Minister, the EEC Council two years ago passed a code of conduct for South African branches of European companies, including German companies. According to this code these companies have to accept black unions as bargaining partners, pay the same wages and so on for the same job. What is your assessment of this code of conduct?

I welcome any company's efforts to improve the conditions of its workers . . .

But some German firms say they violate your laws if they follow that code of conduct.

. . . but we cannot allow even foreign interests to dictate to South Africa what its law should be. I think we made it quite clear that we are prepared to modernise our labour legislation where necessary without harming the stability of . . . Today South Africa and the West, we feel, find themselves in a rather paradoxical situation: While they need one another, they at the same time carry on a public feud apparently caused by the apartheid policy. How could this paradox be overcome?

Only time can tell. I personally think that the Western countries must go back to the old fundamental law: Sweep in front of your own door. At the moment we accept this policy internationally, we'll come to terms with each other.

Not long ago, the former South African Government tried to buy favourable public opinion abroad by paying money to politicians, journalists . . .

I think that was all wrong. I don't agree with those methods, I reject it in total.

What would you do to influence public opinion abroad, or do you think it's not necessary?

Pose the facts of our country before the reasonable people of other countries, and they will then accept your integrity and your motives.

Recently you have stated that you were disappointed with the West . . .

I am.

. . . and that South Africa should or could take a neutral position between the super powers. But could it really survive in such a position . . . ?

Yes.

. . . threatened by the aspirations of a black majority within its own borders and hostile black states beyond its borders?

We are not threatened by a black majority in our own borders. We have a relaxed situation in Southern Africa, more relaxed conditions than in many European countries.

For how long?

For as long as we follow a policy of correctness and acceptance of the rights of other peoples. And that's what we are doing . . . Whatever the world wishes to say, I have a right to live in this country and so do my own people.

The black Africans apparently do not dream of driving the whites into the ocean. And yet: Quite a few South Africans convey the feeling that a storm is brewing, a kind of Gotterdammerung on the horizon . . .

That is on account of propaganda.

How would you judge the mood of the country? Is it the mood of a laager, prepared to defend itself without flinching? And if so, how long could the laager hold out?

Some people in South Africa would like a laager mentality. I am not one of them. I would say we are a relaxed country with many problems, but we are idealistic enough to build a bright future and we have the will to live in a difficult world. We have the means and natural resources to make this a country of economic progress and political stability.

XVI SYMPTOMS AND ILL-DEFINED CONDITIONS

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,51	0,54	2,10	1,24	7,00	6,86	19,69	19,83
1-4	0,04	0,04	0,21	0,35	0,75	0,77	2,58	2,48
5-24	0,01	0,01	0,09	0,06	0,08	0,03	0,21	0,23
25-44	0,05	0,05	0,28	0,17	0,42	0,31	0,72	0,78
45-64	0,44	0,18	1,73	1,04	1,73	1,02	3,80	3,64
ALL	9,44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NO.	19600	15374	2828	1967	16632	12847	18348	13062

into a vacuum that was created by American political abstinence?

To a certain extent, I would say the Russians moved into vacuums created by the weakness of the West. On the other hand I think there is a grand design on the part of the Russians. They have a mission, a feeling of mission.

You think there are planners within the Kremlin who ask themselves: Now what do we do to create an atmosphere of tension and unrest, and chart a course to conquer all Africa?

Most decidedly. If they could conquer Africa they can overthrow Europe.

As Defence Minister, you pushed, within a decade, the South African defence budget from a little over 100 000-million dollars to close to 2-billion dollars, building up the most formidable fighting machinery on the African Continent . . . You built your own rockets and a broad range of sophisticated weaponry. At the same time the forces were launched on a crash programme of counter insurgency training and preparation for what you called "total onslaught". What do you mean by that?

I say there is a total strategy applied against Southern Africa. That total strategy consists of attempts in the economic field, by way of psychological methods and by way of political pressures, and military attempts to overthrow the present stable situation in South Africa . . .

Mr Prime Minister, you said in April: "We have lost confidence in the Western powers." Was this a result of your negotiations with the West for the independence of Namibia?

Yes, most decidedly yes.

Namibia certainly is a ticking time bomb on your door step, isn't it?

Namibia/South West Africa is still developing under our guidance, economically and politically, and we have set ourselves the goal of leading South West Africa into independence, and we are not going to turn back on that road. But if it's a toss between the stability of South West Africa on the one hand, economic and political stability, or international recognition, then we prefer stability.

In spring of this year your Embassy in Bonn published an advertisement in Der Spiegel on the Namibia question which caused quite some reaction because it charged that the five Western powers — the US, France, Britain, Canada and Germany — had deceived South Africa, left it in the cold and had broken their word of honour . . . Would you plan now to go it alone, if necessary?

We hope that it will still be possible for all of us to carry out the original agreement between us and the Five as stated

ALL CAUSES

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,85	0,69	0,70	0,31	1,18	1,24	0,32	0,19
1-4	0,49	0,21	0,31	0,27	0,63	0,61	0,21	0,20
5-24	0,71	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

Call to stimulate political economy

49 Argus 5/9/79

Education Reporter

THE real debate in South Africa concerning what type of political economy would best ensure the welfare of the people — and not the maximum wealth of the few — had hardly begun, Professor F A H Wilson, professor of labour economics at the University of Cape Town, said last night.

Speaking at his inaugural lecture after being awarded a personal chair, Professor Wilson said that as long as there was poverty, alienation and powerlessness in South Africa, so long would it be necessary to reach for better ways of stimulating the political economy.

Professor Wilson, only the seventh person to be awarded a personal chair at UCT, is also founder and head of the South African Labour Division Research Unit.

PASS LAWS

'At this 150th year of UCT's foundation we should remember the ordinance 50 of 1828 that abolished the pass laws for 'coloured' persons.

'The fact that 150 years later a man cannot live near his place of work with his wife and children, if he or they so wish, is the slavery of our times and it must be rooted out,' Professor Wilson said.

In his lecture entitled Choice and Understanding: The Economist in Society, Professor Wilson said there was an unequal distribution of resources.

ARMS

In 1978 the world's military and armament expenditure was 350 billion dollars — equal to the combined incomes of about half the world's popula-

The Third World countries, in spite of severe food shortages, used as much as five times as much foreign exchange for the import of arms as for agricultural machinery.

And in South Africa, where military expenditure was increasing rapidly an average of R5,4-million or one-sixth of the Government's total expenditure was spent every day.

'One could do a lot with that money. One day's military expenditure would treble UCT's total annual research expenditure, while one month's military expenditure would help to provide housing and services for 10 000 people,' Professor Wilson said.

ENERGY

Another area where economists needed to look again at their choices was in the field of energy. Fourteen times as much was spent on atomic energy research as on coal and practically nothing on the research of solar energy, he said.

Speaking of Koeberg, Professor Wilson said economists should ask themselves what price was attached to the risks and how the risk costs and social costs could be measured.

Professor Wilson criticised the bannings of publications such as the student critique of the Wiehahn report.

'If we stop seeing things in other ways and do not have the freedom to communicate ideas and read how others see things, we all become blind,' he said.

.tal war hero 'Monty' dies

DURBAN. — Colonel Leonard Montague Harris, DSO, OBE, one of Natal's best-known military personalities, died on his 84th birthday in Entabeni Hospital on Sunday after a long illness.

Known as "Monty" to fellow veterans of both world wars, Col Harris' long association with his regiment, the Natal Mounted Rifles, also earned him the appellation of "Mr NMR".

Born in Wellington, New Zealand, in 1895, he came to South Africa in 1901 and later joined his father in partnership in a wholesale enterprise in Durban.

Monty's military commitment began in 1912 when he joined the NMR as a trooper.

During 1914-15 he saw service in the Free State and then German South West Africa. In 1916 he joined the 10th SA Infantry and served with that body ...

Govt urged to act to restimulate economy

Kom

By GERALD REILLY
Pretoria Bureau

THE Prime Minister's Economic Advisory Council will recommend urgent action to restimulate the economy, according to sources in Pretoria.

The council met in Pretoria last week against a background of overwhelming support for a crash programme to get the economy moving again.

Major concerns at last week's council meeting, it is understood, were unemployment, a growth rate this year which would hardly exceed 3%, an aggravated unemployment problem and the need for raising the level of consumer spending by tax and other concessions.

The Pretoria sources are confident the Minister of Finance, Senator Owen Horwood, will announce measures to speed up the business tempo within the next six weeks.

Support for a restimulation is virtually unanimous in the private sector and comes from the Federated Chamber of Industries, the Association of Chambers of Commerce, the Afrikaanse Handelsinstituut, the banking and financial sectors and the trade unions.

The options open to Sen Horwood include:

- The repayment of the 1977 R135-million loan levy to individual taxpayers.
- The payment of bigger food subsidies — an anti-inflationary move and one said to be absolutely essential against the background of massive unemployment.
- A reduction in the current loan levy.
- The abolition of the 7½% import surcharge.

After a recent meeting of his executive committee, the president of the Handelsinstituut, Dr Martin van den Berg, called for a speedier implementation of some already-announced Government projects, like the R250-million for black housing announced in November 1977.

Perhaps the most compelling argument supporting stimulation is the need to halt the increasing numbers of workless blacks.

Economists estimate that the economy has to grow at 6½% to absorb all those available for work.

In his recent address to the AGM of the South African Reserve Bank, its governor, Dr T W de Jongh, indicated that a 3% rate was about all that could be expected for the current financial year.

RDM 5/9/79

Lg

Inflation makes a R12-billion dent in pay

Study paints a grim picture of withered buying power

BY STEPHEN ORPEN

SOMBRE messages about the impact on salaries and wages of tax and inflation abound in the results of the latest remuneration surveys from the country's leading pay researchers, including the P-E Consulting Group and Fine Spamer Associates.

Not least is the fact that, working on the figures thrown out by the main surveys, inflation has cost salary and wage earners more than R12 000-million since 1972.

Had there been no rise in the Consumer Price Index, the real purchasing power of all remuneration earned by employees over the period would have been that much higher — provided increases in pay were not affected.

The latest Reserve Bank figure for the remuneration of all employees is R20 070-million for 1978. However, more than R13 000-million of this has gone to paying for the increase in the price of consumer goods and services since 1972.

Only when this sobering medicine has been digested can one begin to reflect on the "top-line" messages from the pay surveys. These include:

- In money terms, executive pay has leapt by nearly 140% in five years.
- The salaries of white workers, especially in offices, has not risen as fast and has climbed less than half as fast as pay for unskilled Africans.
- Compared with counterparts in other world centres, whites in South Africa have trailed badly in the increment stakes (in terms of final purchasing power) in recent years but have enjoyed a sudden recovery in the past 12 months.
- There has been a glaring disparity in the increases received in certain industries, or in the floors on which the increases have been based (for instance, in publishing, with generally low pay and, recently, modest increments) compared with other industries (for instance, data processing, where both basic pay and increases have been exceptional).
- The gap between white pay and that for Coloureds and Asians has tended to narrow fast in absolute as well as percentage terms in the past 18 months.

Pay for Africans has increased about twice as much in percentage terms as that of whites in the past ...

But most of the gains enjoyed by Africans have been in the unskilled area and their wages are still only a little more than half those of whites in similar positions in industrial jobs. Office workers have fared rather better.

- Companies have tended to resort increasingly to fringe benefits to escape punitive rates of tax on salaries of their senior men.

This has provided more ammunition for the tax-benefits lobby. But companies say they will need to lean still more heavily on fringe benefits unless the authorities first — and the accent is on first — announce how and when they will reduce income tax rates and the top marginal rate (with complementary adjustments throughout the tax curve).

Inflation has swallowed more than the entire median increase in pay enjoyed by senior people in recent years, and much of the relatively huge jump in black pay.

However, this is NOT to say, as some commentators are beginning to believe, that the only answer is to attack inflation.

As argued on Page 1 of Business Times this week, the only result of traditional moves against inflation will, at this peculiar stage in the country's economic history, be to scupper growth, hammer profits and increase unemployment.

Rather, the answer is to go all out for growth while chipping away at the inflation problem as best possible without hurting economic expansion.

Gross salary progression has been in line with general market trends, according to Fine Spamer.

Thus, increases in gross salaries in the past six years, and as estimated for next year, are: 1973, 8,5% (increase in the Consumer Price Index, 8,9%); 1974, 12% (9,4%); 1975, 13% (14,7%); 1976, 12% (10,9%); 1977, 10% (11,9%); 1978, 11% (10,6%); 1979, 11% (11,7%) and estimated for 1980, 12% (13%).

The cumulative figure for the period shows 133,5% in gross salary increases compared with an increase in the CPI of 136,7%.

The executive in the current year is expected to earn a real income of no more than 85% of his "true" 1972 earnings. A man who earned R18 000 a year in 1972 would need to earn R55 000 this year to have maintained his standard of living.

Fine Spamer opines that the tax changes announced in the last Budget "perpetuate the present socialistic approach to taxation in line with the so-called 'ability-to-pay' theory.

"While any tax relief is welcome, the new measures provide far greater proportional relief for lower income earners than for top executives."

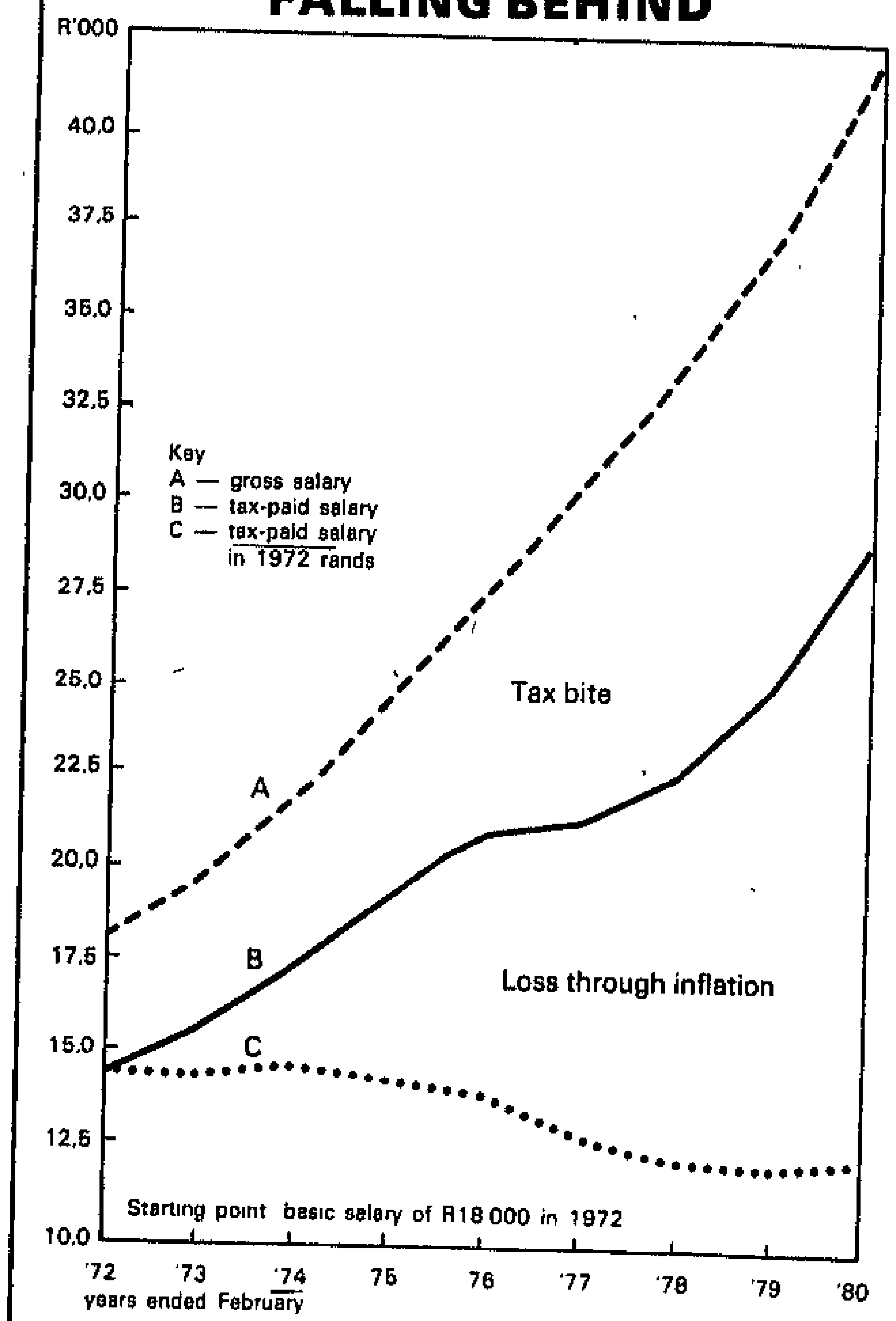
This is illustrated by tax calculations for five executives as shown in the accompanying table.

This table makes it clear that, at lower income levels, the key factor is the halving (from 20% to 10%) of the reduction in the gross abatement.

By contrast, at the other end of the scale, the lower current tax comes mainly from the reduction in tax rates, and exclusively from this source if the executive is contributing more than R1 750 to his employer's pension fund.

...al cash remuneration (i e salary, ... etc)	R20 000	R25 000	R30 000	R40 000	R50 000
... inc loan levy					
...79	R4 460	R6 580	R9 230	R15 290	R21 890
...80	3 380	5 430	7 830	13 530	19 625
...ction in tax	R1 080	R1 150	R1 400	R1 760	R2 265
...centage reduction	24,2	17,5	15,2	11,5	10,3
...ons for tax reduction					
...tion in tax rates	310	410	645	1 215	1 770
...ease in the amount gross abatements	200	250	305	330	nil
...ing of the reduction in gross abatement	570	490	450	50	nil
...ease in permissible ...tions for pension ...butions				165	495
... tax reductions as ...	R1 080	R1 150	R1 400	R1 760	R2 265
... tax (inc levy) as ...centage of total cash remuneration	16,9	21,7	26,1	33,8	39,3

FALLING BEHIND



Data on which this graph is based

	Gross	After-tax earnings	After tax adjusted for CoL movements
	R	R	R
1972	18 000	14 380	14 380
1973	19 530	15 540	14 270
1974	21 870	17 320	14 530
1975	24 720	19 300	14 120
1976	27 680	21 000	13 850
1977	30 450	21 340	12 570
1978	33 800	22 710	12 110
1979	37 520	25 270	12 080
1980	42 020	28 960	12 240

RDM (49) 11/9/79

A positive increase in SA reserves

By HAROLD FRIDJHON

THE significant feature in the R151 700 000 rise in the Reserve Bank's gold and foreign exchange reserves to R2 690-million at the end of August was the R61-million increase in the bank's holdings of foreign currency.

At the end of August, the bank's Other Assets which consist of foreign currencies totalled R332-million, compared with R271-million at the end of July and R540-million at the end of May. One month doesn't establish a trend, but from past years it is possible to assume that seasonal factors might now start to operate in favour of a building up of the reserves — provided that there is no increase in the rate of short-term debt repayments.

The gold content of the reserves were R90-million higher at the month-end figure of R2 290-million. Gold was valued at R237,97 an oz compared with R228,21 in July. In rand terms, yesterday's London closing price of gold at $336,30 is equivalent to R280 an oz.

The strong flow of liquidity into the economy as a result of the current high price of gold is clearly reflected in most of the items on the Reserve Bank's statement.

Bills Discounted, for example, stood at only R284-million in spite of the heavy drain of money from the private banking sector to meet the end of August provisional tax payments. For the past five years, Bills Discounted at this time of the year have consistently been double this figure.

This really reflects that the money market is very comfortable and that in all probabilities its position with the Reserve Bank will be square again in the very near future.

The Treasury's current accounts with the central bank have jumped from a total of R79-million last month to R412-million and it is reasonable to assume that many more millions of tax money are still in the pipeline.

And again the drop of R52-million in the central bank's holdings of government securities to R203-million is probably a direct consequence of the hyper-liquidity in the system.

The bank has apparently been selling its stock to the market to help maintain an orderly movement in gilt-edged prices. Without this Reserve Bank participation, the shortage of stock could force rates downwards at a pace which would not accurately reflect secondary market conditions.

Study predicts deficit in balance of payments

Star 13/11/79

By Michael Chester, Financial Editor

Though the pace of overall economic growth may accelerate a little more to touch four percent next year, the current account on the balance of payments will swing from strong surplus into the red.

This was the prediction made today in an analysis prepared in a joint exercise by the Bureau for Economic Research at Stellenbosch University and the Nedbank Group and delivered at a special conference in Johannesburg to view the outlook for 1980.

The forecast saw gross domestic product growing at four percent after ending 1979 at 3,1 percent, with the real growth rate gathering momentum from now to the end of next year.

SLOWDOWN

However, the manufacturing sector — the most important growth sector over the past 18 months powered by higher exports and sound progress with import replacement programmes — will show a slowdown in the pace of increased production from 5,5 percent this year to four percent.

Rather optimistically, in my opinion, the joint team expects the full-year rise in the consumer price index to register 13 percent for 1979 to be followed by a slide to 11,5 percent next year in a new downward trend.

Real increases in consumer spending, after a poor performance in the first half of this year are seen rising from 2,4 to 3,5 percent.

The forecast sees spending on durables picking up from increases of 1,7 percent to 3,2 percent next year and non-durables swinging higher by 2,8 percent compared with 1,3 percent this year.

Semi-durables may do best of all, with increases in spending jumping from 1,1 percent to 3,9 percent.

Increases in total fixed investment, likely to be only 0,8 percent in 1979, will move up to 3,2 percent in 1980, with a modest revival in private sector investment next year.

A sharp rise in commercial and manufacturing stocks in 1980 is likely to mean a R175m increase in inventories in the wake of an identical R175m decrease this year.

One problem may be a definite slowdown in the upward curve of exports — all in line with poorer world economic prospects — with a 15 percent growth in 1979 pulled down to eight percent in 1980.

Also feared as likely to be on the slide is the heavy surplus on the current account of the balance of payments.

The Stellenbosch/Nedbank team foresees a strong downturn in the surplus towards the end of 1979 on a trend line pointing to a swing from a 1979 surplus of R2 045m to a drift into the red that may leave 1980 with a R50m deficit.

Mining profits 'will decline'

By Pieter de Vos

A strong decline in gold mining profits and a slow down of profit growth in the manufacturing sector is predicted for 1980 by the Bureau for Economic Research and Nedbank.

If the assumption of a lower gold price in 1980 proves to be correct then this, along with a continued escalation in mining costs, must bring about a strong decline in gold mining profits, the economic conference in Johannesburg was told.

Contributing towards a further lowering of profits is the expected rather severe levelling-off in the demand for other mining products because of a decrease in economic activity by South Africa's major trading partners.

The net gold output, based on the gold prices assumed for 1979 and 1980 and a production increase of 0,5 percent each year, would rise by 38 percent this year but show a decline of more than 5 percent in 1980.

The real disposable income is expected to rise further in 1980 — after a modest increase this year — and could have a positive effect on consumer demand. This in turn may trigger off some fixed investment in the private manufacturing sector during the later part of 1980.

But when factories start reaching a fairly high-level of capacity utilisation, the attendant increase in costs at that stage would have an adverse effect on profits, it is forecast.

The strengthening of consumer demand by Senator Horwood is expected, possibly through the repayment of the 1976/7 loan levy or the abolition of the existing levy within the next few months.

The reason is that Nedbank and the Bureau feel the tax cuts worth about R250m are more or less neutralised by the increase in the price of goods because of the rise in the petrol price.

A slow revival in commerce can be expected, though it is anticipated growth will not yet bring turnovers up to the levels achieved in 1975.

Transport and communication is expected to show the highest growth rate in the economy because of the expected further shift to public transport.

Other interesting projections are:

- The current account of the balance of payments will move into deficit in the second quarter of 1980, especially because of high oil prices. The surplus of R2 000m on the current account at the end of this year will taper off rapidly in 1980. The deficit, however, should be small. It is estimated at about R50m.
- Even a moderate decline in the gold and foreign reserves later in 1980, stronger credit demand and some seasonal tightening should be sufficient to put upward pressure on interest rates from about the middle of the year.

49 RAPPORT 16/9/79

(49)

Politici moet uitbly

16/9/79

Deur ALPHONS DU TOIT

SUID-AFRIKA SE ekonomie sal nie oornag volkome herstel nie. Dit sal 'n tydjie neem en mense moet geduldig wees. Maar dit is noodsaaklik dat die politici nie daarmee gemoeid raak nie en dat die herstelwerk aan die private sektor oorgelaat word.

Dit is die stelling van prof. Jan Lombard, Hoof: Dept. Ekonomie, Universiteit van Pretoria en lid van die Eerste Minister se Adviesraad.

Prof. Lombard het aan Sake-Rapport gesê: „Niemand van ons moet skielike wondere, veral van politici, verwag wat die herstel van die ekonomie betref nie. Die inflasie-veraanval wat ons nou verduur, het oor 'n lang periode ontstaan.

„Dit is wel moontlik vir die Regering om matige verligting te verskaf — maar die basiese probleem moet behoorlik gediagnoseer word om te besef dat die behandeling vir die herstel *nie* in die hande van die politici is nie, maar wel in die hande van die private sektor."

Prysbeheer sal die probleem natuurlik allermins besweer. Trouens, met daardie soort maatreëls soek ons behoorlik moeilikheid.

Prysbeheer se fundamentele gebrek lê daarin dat dit produksie onderdruk, en juis dié van produkte waarna daar 'n sterk stygende vraag is. Trouens, hoe verder die prys onder ons markvlak gehou word, hoe meer is die vraag na die produk en hoe minder die aanbod — en hoe groter die tekort, sê prof. Lombard.

Een van Suid-Afrika se grootste probleme vandag is 'n gebrek aan produksiegroei.

Die bevolking groei so sterk aan, en die verstedeliking verg die bevrediging van soveel nuwe behoeftes, dat produksie sterk moet uitbrei, anders word inflasie 'n endemiese siekte in Suid-Afrika se ekonomie.

Daar is vantevore al gewys op die feit dat die opdroog van geskoolde mannekrag uit die buiteland 'n ernstiger probleem is as wat algemeen besef word en dat die alternatief — die vinnige opleiding van tienduisende swartmense per jaar vir die geskoolde werk — nou 'n saak is wat met durf en moed aangepak moet word. Die maatskaplike implikasies van dié nuwe omstandigheid moet ook helder besef en verwerk word as ons wil vorentoe gaan soos ons wel kan doen.

Wat ons produksieproses bowe-al nodig het, is om meer „elasties" te word, deur gouer, vinniger en goedkoper te reageer op veranderende omstandighede.

Die koste vir die algemene publiek van die stryd tussen die private ondernemers wat wil produseer en die burokrasie wat produksie beheer, is geweldig groot. Baie van die beheermaatreëls is natuurlik onvermydelik, maar baie ander is nie alleen onnodig nie, maar oneffektief.

Nog 'n fundamentele siekte van Suid-Afrika se ekonomiese lewe en wat inflasie sterk bevorder, is 'n lae verbruikersweerstand teen prysstygings. Ons aanvaar maar die pryse van verbruiksgoedere in die hoop dat lone en salarisse daarby aangepas sal word. Werkgewers aanvaar op hul beurt die loonstygings in die verwagting dat hulle toegelaat sal word om weer hulle pryse daarby aan te pas. En so gaan die spiraal voort.

Maar op die duur baat die verbruikers nie by hierdie spel van afwenteling nie. Die verbruikers is te ongeorganiseerd as 'n drukgroep en as werkers is hulle verdeeld in verskillende magsgroepe.

Afwentelingsinflasie is die naam van hierdie siekte, en sy bekamping lê net op een plek — 'n eweredige, ondernemende, bevoeterde verbruiker, koper, werkgewer, ens.

Mense moet waarde eis vir hulle geld, nie op politieke platforms nie, maar op die regte plek, naamlik in die mark, die winkel, die fabriek, die hotel. Huisvrouens moet kruideniersware koop waar dit werklik die goedkoopste is. Hulle moet hulle nie 'n rat voor die oë laat draai deur lokpryse vir een of twee produkte nie. En werkgewers moet weet hoe om hul mannekrag ten beste te benut.

HORWOOD'S BIG HANDOUT

47 Argus 19/9/79

Political Staff

PRETORIA. — The Minister of Finance, Senator O P F Horwood, put R216-million in the pockets of South Africans yesterday, R56-million of it for the needy.

In a move to keep economic growth going and to counter rising prices, he promised:

- A loan levy repayment to individual taxpayers of R160-million in November.
- A pensioners' bonus of R24,5-million in November.
- R12-million for black bus passengers, and
- R20-million for food price relief.

The money won't come from gold. The Minister told the National Party congress in his announcement in Pretoria that the Treasury would get R300-million more in gold taxes this year and the money had already been earmarked — in ways that benefited the man in the street.

The concessions would be financed by borrowing now that loan funds here and abroad were more available.

PENSION BONUS

The Minister also announced a co-ordinated policy against inflation that included further tight spending by the State, future discipline on administered prices such as electricity, and on price controlled goods, and a demand for closer relation between pay increases and increases in productivity.

The Minister called the pension bonus a 'unique and extraordinary' payment to social pensioners to help them in their struggle against rising prices.

The cash payments would be R30 for whites, R24 for coloured people and Indians, and R18 for blacks.

Children's allowances would from October 1 be increased on a permanent basis by R1 a month for all population groups.

The bonus for pensioners comes on top of pension increases announced in the budget of 10 percent from October 1.

The R20-million for food price relief was aimed at lessening the impact of GST on food. How the amount would be applied depended on discussions with the Minister of Agriculture and other parties. Details would be announced soon.

We'll all get cash from Horwood

Star 49 19/9/79

By Colin Campbell

Everybody stands to gain — to some degree or another — from Senator Owen Horwood's "mini-Budget" concessions announced yesterday.

They will put more money into the pocket of the man-in-the-street, bolster business confidence, and should go some way to easing the pressing problem of unemployment.

The Minister's R216,5-million handout will be spread over bigger pensions for all races, higher child allowances, food and transport subsidies and an early repayment of the 1977 loan levy.

Loan levy repayments will total R160-million, which will include R21,5-million in interest, and will be sent out to taxpayers on November 12.

The latest package, coupled with earlier concessions, will mean Senator Horwood will have given a R511,5-million handout since his March Budget.

The latest measures have been welcomed by a cross section of economists and business commentators and are expected to breathe new life into the economy.

Thanks to the soaring price of gold on world markets, the Government has lent an ear to those who have been urging it to share the spoils.

However, Senator Horwood has emphasised that, even though the gold price has given the country a boost, South Africa must still maintain financial discipline.

Yesterday's shot in the arm for the economy will trickle through to all walks of life in stages. With the loan levy repayments due one month before Christmas, retail leaders are already estimating that the country's growth rate, which was earlier forecast at a meagre three percent, could run to four

Transport

The president of Assocom, Mr J R Wood, says it is significant that no less than three steps in the Minister's package affect transport costs — and reflect the importance of these costs in the country's economic performance.

Mr Rudolf Gouws, Nedbank economist, said the package was slightly bigger than anticipated, and the psychological impact on consumers "may be quite big."

Mr A J M de Vries of the Bureau for Economic Research at Stellenbosch, said that, while loan levy repayments involved mainly the higher income group, the money would find its way into the spending stream.

Pensioners

But other business leaders point out that the number one headache now is inflation. With wholesale prices increasing by 16 percent annually and with various economic bureaus warning that we will have to lower our

To Page 3, Col 8

HOT BUTTERSCOTCH SAUCE

Mary Snelling, Ridgeworth

1 T syrup	1/2 oz butter/margarine
2 T brown sugar	1/2 pt warm water
squeeze lemon juice	1 d custard powder mixed with 1 T water

Put butter, sugar, syrup into a pan and cook to a rich brown toffee, draw aside, add water carefully, then the lemon juice. Boil up sauce and pour onto custard powder, reboil till mixture thickens. Serve hot with ice-cream.

---oOo---

TOMATO SAUCE

4 tomatoes
4 sliced onions
4 t sugar
8 level t maizena

1. Wash and cut tomat
2. Put tomatoes, onic seasoning; boil un
3. Sieve, add maizena

BARBECUE SAUCE

2 onions, chopped fine
2 T vinegar
2 T Worcester sauce
1 T salt

Mix all ingredients tc

SHERRY SAUCE (For Stea

Warm sherry (1/4 pt) a a pot of nearly boiling water until thick and frothy. Serve at once, adding sugar to taste.

---oOo---

SAUCE WITH WHITE WINE
(For White Meats and Sea Foods)

K.W.V. Paarl

1 cup hot cream	1 T flour
1/4 cup dry white wine	salt and pepper
3 T butter	1 t chopped parsley

Melt butter in saucepan. Add flour; cook till brown. Beat in cream and wine. Whip very well. Boil for 5 minutes. Add salt and pepper to taste and chopped parsley.

---oOo---

BRANDY SAUCE
(For Steamed Puddings)

K.W.V. Paarl

Make a white sauce with 1/2 oz butter, 1 oz flour, 1/2 pt milk, add 1/2 oz sugar and 2 t brandy.

---oOo---

HOT CHOCOLATE SHERRY SAUCE
(For Ice-Cream)

K.W.V. Paarl

1 1/2 cups sugar	1 cup cream
3 T butter	1/4 cup medium sherry
4 oz chocolate (melted)	1 t vanilla

cream in a saucepan. Stir until minutes without stirring. Stir rom heat. Set pot over hot water

Oo---

K.W.V. Paarl

9 cherries finely chopped
4 walnuts finely chopped

ery hot. Serve over ice-cream.

Oo---

All to gain from gold bonanza handout

Star 19/9/79

49

▶▶ From page 1

living standards as a consequence, South Africans have become depressed of late.

But, at last, something positive has been done.

Mr Alf Widman, PFP MP for Hillbrow, said the R24,5-million bonus for pensioners in November was welcome. But pensioners' plight was "so desperate that this, and the increases due next month, will not solve their problems."

He said pensions must be revised and increased in accordance with the cost of living index.

Mr Simon Chilchick, PFP MPC, pointed out that the bonus would mean that white pensioners would get 0,08c extra a day, coloureds and Indians 0,06c and blacks 0,05c — "not even enough to buy a loaf of bread."

He had been inundated with calls from white pensioners since the bonus had been announced. Many believed, wrongly, their pensions would rise by R30 a month.

"Undoubtedly this will stimulate the economy to some degree," said Mr Arthur Grobbelaar, general secretary of the 240 000-strong Trade Union Council of South Africa.

"By mopping up some surplus production capacity, it will create more jobs. But it doesn't seem enough to curb unemployment to any significant degree."

He also welcomed "some relief" for poorer people.

"The Minister has done the right thing by increasing consumer spending, but whether it is enough is another question."

Focus on the captives in a 'free' market

SA business in bid to unravel black paradox

By HOWARD PREECE, Financial Editor

49

THE fundamental paradox confronting South Africa's business community will this week be the subject of searching debate.

It is this: How free can an economy be in which the vast majority of its participants are most decidedly not free by any normally acceptable definitions?

This issue is central to the "free enterprise and the individual" conference in Johannesburg, organised by the 1820 Settlers, at which Senator Owen Horwood, the Minister of Finance, will be speaking.

It will not, perhaps, be the immediate frontline topic at Thursday's economic indaba in Pretoria between the Prime Minister, Mr P W Botha — and his financial Ministers and advisers — and the leading lights of the private sector.

But it will certainly be at least the unspoken question begged by every discussion.

"Those who deny freedom to others deserve it not for themselves and cannot under a just God long retain it", said Abraham Lincoln, possibly with more eloquence than accuracy.

But it is precisely because the overwhelming tendency among South African businessmen in the past has been to try to square that particular circle, that the free enterprise system in this country is apparently regarded with suspicion and resentment by so many blacks.

There are perhaps, however, some parallels with Afrikaner attitudes 50 years ago and their evolution since.

Many Afrikaners, a half-a-century ago, were also deeply suspicious of the workings of capitalism as expressed in South Africa.

To them the mining houses and the great industrial groupings reflected an English imperialism, something from which they had fought to break loose.

Nor in the grim days of depression and unemployment could they see any great economic benefits for them.

But the Afrikaners did not reject free enterprise outright.

What they determined instead was to use their political power to obtain what they saw as their rightful share of economic power and privilege.

To the extent that they felt it necessary they were prepared to develop State corporations — "our corporations" — and to distort and to override the market mechanism in pursuit of their place in the sun.

Mr Botha's indaba on Thursday symbolises the achievement of that goal.

The Afrikaners have secured a large and growing share of private sector economic power.

They can now embrace the free market because they see its efficiency working to their advantage and on their behalf.

Of course, one must not get carried away too much.

That huge State and semi-State apparatus, with all its political patronage, is not about to be unravelled, nor is it about to be taken out of tight Afrikaner control.

Reducing the number of civil service departments, for example, is a painless gesture as long as the number of civil servants is unaffected.

But Afrikaner and English-speaking businessmen can sit together on broad common national economic objectives.

Today it is the alienation of the black man from free enterprise in South Africa that is the issue.

The very restrictions on black freedom make it impossible for anyone to speak with certainty on black economic attitudes.

It is conceded, however, by such bodies as the Free Market Foundation, that such studies as there are suggest, for example, that most young, politically-conscious blacks favour some "marxist/socialist" approach.

Now it is true that hardly any of them will have read a word of Marx — and not just because of censorship.

But while they may not know what they want, they know they do not want of what they now have.

Free enterprise means white business power — just another manifestation of white political power.

Hence the appeal of some vaguely defined socialism.

It is easy enough to punch holes in the logic.

Even the most sympathetic student of black Africa and the developing world generally could hardly call the collective economic ethic of the past 20 years a success story.

Inefficiency, corruption, nepotism and, yes, "exploitation" have time and again proved the reality behind the high-sounding ideals.

There are among some free marketeers delusions about the purity of free enterprise in countries such as South Korea, Taiwan, Kenya, the Ivory Coast and others.

In fact, they tolerate quite a high level of allegedly paternal Governmental involvement in their economies.

However, this mix seems far more effective than the dogmatically socialist approach.

But how do you convey that message to black South Africans?

Many businessmen are fond of quoting Dr Anton Rupert's dictum: "If they (blacks) don't eat, we don't sleep."

The danger, it seems to me, of this attitude is that it implicitly assumes the reverse — that if *they* eat, we sleep.

History suggests, however, that economics is not as all-embracing a motivating force as marxists (or monetarists) sometimes argue.

The lesson is rather that when economic survival is assured, that is precisely when economic demands grow and political demands awaken.

To return to the opening paradox. It is against all experience to suppose that blacks can be integrated into South Africa's free enterprise economy without:

- Fundamental shifts in economic power, as were sought and obtained by the Afrikaners;
- Wholesale changes in the restrictions on social and political freedom which presently appear a mockery to blacks when they are exorted to rejoice in the wonders of capitalism.

If Thursday's meeting with the Prime Minister does not acknowledge these underlying strains, it will surely prove far less of a landmark than is now being widely anticipated.

processes is essential; and the division will have to be more fine the more discriminating public decisions can be.[10]

The results of programme budgeting may be valuable in themselves, although the mere procedure does not necessarily ensure that better decisions will be made. Their potential is realised only if there follows an assessment of the value of expenditure in each programme.

ing. This is partly due to a deficiency in information on the results of the programmes which can be resolved by recourse to appropriate data. Nevertheless, there will also be differences of judgement which cannot be resolved without prior agreement on the relative valuation of different benefits which have to be fed into the analysis; and in the intuitive process, these two factors may not be differentiated.

A very large proportion of decisions are now taken with no further analysis than this. Any further steps involve a way of systematically valuing the

from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

TB	+++	+++	+++	++	54
Common cold*	++++	+	+	-	0
Yaws	-	++	+++	+++	0

* Added to test scoring method

21/11/79

'There is also responsibility'

Political Staff

PROPONENTS of free enterprise have to accept the responsibilities of the system as well as its opportunities and benefits, Mr Justice J Steyn, executive director of the Urban Foundation, said yesterday.

Addressing the conference on free enterprise organised by the 1820 Settlers' National Monument Foundation, Mr Justice Steyn identified provision of houses for blacks as one area of responsibility.

"Employers must recognise the need for their involvement in the promotion of home ownership amongst blacks," he said.

"It is increasingly clear that the State cannot and should not dominate the housing scene, especially in the field of so-called economic housing. Private sector resources are needed to meet the priorities."

Although there had been problems in implementing the 99-year-leasehold scheme for home ownership in black townships, a foundation from which to launch rapid implementation of the scheme would be ready within six weeks, Judge Steyn said.

By January next year 170 000 sites for houses should be available. Surveying of sites has been one of the main factors delaying implementation of the 99-year scheme.

As the "dynamism of the private sector" had met the housing needs of the white community it would meet the challenge of the formidable backlog in black housing, Judge Steyn said.

But black thinking on housing matters would have to change from the position where, because their housing was subsidised, blacks paid "far too low" a proportion of their income on housing.

"Presently the gap between what is paid as rent and what will have to be paid by way of interest and redemption for home ownership is so great as to discourage the promotion from tenancy to ownership," Judge Steyn said.

Another area in which private enterprise should not evade its responsibilities was its need to implement "fair and equal employment practices", including equal pay for equal work, training of apprentices of all races and progress from racially separate to common work facilities.

GENERAL NEWS

PM's plan: Gatsha warns trade chiefs

By PATRICK LAURENCE
Deputy Political Editor

THE president of Inkatha, Chief Gatsha Buthelezi, yesterday advised leaders of industry and commerce to "seriously examine their options" before being drawn into the Prime Minister's plan to set up a constellation of Southern African states.

"The very fact that discussions will be held with commerce and industry before the idea has received black support is enough to arouse suspicions, however well-meaning the Prime Minister might be in pursuing his ideal of a constellation of states," Chief Buthelezi said.

Addressing businessmen and company executives in Johannesburg at the conference on free enterprise organised by the 1820 Settlers' National Monument Foundation, he asked industry and commerce to support Inkatha.

In an apparent reference to tomorrow's meeting between the Prime Minister, Mr P W Botha, and 250 business leaders, Chief Buthelezi said: "I am aware that there may be trade and business incentives to entice commerce and industry to act."

He had earlier identified poverty in the homelands as one of the challenges faced by South Africa, and expressed strong opposition to the constellation idea if it was a device to "encapsulate poverty" in these areas.

"I ask this conference to set aside time to form an opinion on whether this is the best way that free enterprise could be helpful to the developing economies (of the homelands)."

On free enterprise itself, Chief Buthelezi warned of black disenchantment with the system.

"The peasant or worker learns that hunger flows from free enterprise . . . for the black majority free enterprise has meant only that whites felt very free and enterprising in their exploitation of blacks."

He listed as another "indictment" of free enterprise the failure of industry and commerce to support Inkatha financially and morally.

"Inkatha, as a people's movement, rallies behind me as I struggle to administer the meagre funds which are thrown to use as crumbs from the rich man's table," he said.

"I am asking simply that free enterprise backs Inkatha to the hilt, as Inkatha rallies behind me . . ."

Accusing proponents of free enterprise of preferring "a lunatic fringe of black political theoreticians" to Inkatha, Chief Buthelezi added: "I find it disturbing that the collective weight of the free enterprise system (has) not curbed the excesses to which some of their liberal newspapers go in the creation of forces opposed to me."

He said these newpapers encouraged blacks who denigrated him as "an agent of the free enterprise capitalist system" because he refused to condemn unconditionally, continued foreign investment in South Africa.

Chief Buthelezi did not name the newspapers he attacked.

READING LIST - Essay No. 4

Topic 1

J. & B. Hammond : The Bleak Age
" " : The Rise of Modern Industry
" " : The Skilled Labourer
T.S. Ashton : The Industrial Revolution
P.A. Taylor : The Industrial Revolution in England: Triumph or Disaster?
A.J. Taylor : The Standard of Living in Britain in the Industrial Revolution
R.M. Hartwell : The Industrial Revolution and Economic Growth
C.R. Fay : Great Britain from Adam Smith to the Present Day
P. Mathias : The First Industrial Nation
Heilbroner : The Making of Economic Society (Ch. V)
E.K. Hunt : Property and Prophets (Ch. V)
L. Huberman : Man's Worldly Goods (Ch. XVI)
Dillard : Economic Development of the N. Atlantic Community (Ch.14)

Topic 2

T.S. Ashton : The Industrial Revolution
P. Mathias : The First Industrial Nation
R.M. Hartwell : The Industrial Revolution and Economic Growth
P. Mantoux : The Industrial Revolution

XIV CONGENITAL ANOMALIES

	W		A		C	
	M	F	M	F	M	
0-1	1,57	0,76	0,60	1,03	1,24	0
1-4	0,05	0,04	0,05	0,05	0,05	0
5-24	0,01	0,00	0,01	0,01	0,01	0
25-44	0,00	0,00	0,00	0,00	0,00	0
45-64	0,01	0,00	0,00	0,00	0,00	0
65+	0,02	0,01	0,00	0,00	0,00	0
ALL	0,04	0,02	0,03	0,04	0,04	0
NO.	87	43	9	14	50	

Mining chief sees unity of interests

ROM

By SIMON WILLSON
Financial Reporter

DR WIM de Villiers, chairman of General Mining and Finance, said yesterday the interests of all the people of South Africa had now become "identical", and its free enterprise system had become a common value.

Addressing the international Free Enterprise conference at the University of the Witwatersrand, Dr De Villiers said modern South Africa had been built on a promising partnership between its Afrikaans-speaking and English-speaking people.

"While the Afrikaner people were to concentrate their talents and energies on politics and administration and on providing the country with a sound agricultural base, our British compatriots were to pour their talents and energies into providing a sound economic base and structure for our young nation.

"It is therefore merely a matter of historical circumstance that the Afrikaner should have been governing and administering South Africa for 30 years, and that the English should have nurtured and dominated our economy up to the present," Dr De Villiers said.

He said it was understandable that English and Afrikaans speakers had at times experienced a sense of irrelevance and even impotence in the field dominated by the other.

This preoccupation had "blinded us to the fact that we have both tended to regard our black fellow South Africans as being completely irrelevant, or at most incidental, to the concerns of either the public or private sector," he said.

"This, I think, has now come to an end."

He said the Free Enterprise conference itself was a sign that people realised South Africa was now in crisis, and that historically-based divisions could not be permitted to deter anyone from doing what had to be done.

"Our crisis is a battle for survival. We are all now party to the need to place South Africa first, in the interests of all her peoples.

"Measured against the total onslaught with which we are confronted, two things are clearly necessary: our house must be put in order, and the public and private sectors must join hands in designing for South Africa an overall strategy to meet the onslaught which is being directed at our very being."

Dr De Villiers said South Africans now had two grave responsibilities:

- To broaden and develop the unacceptably small leader group of entrepreneurs, managers and professional people;
- To put this group to the fullest use in attaining for all South Africans a decent standard of living.

"Government, for its part, has made giant strides in removing the obstacles to full participation by all in the free enterprise system, and in devolving on to the private sector ever more of the responsibilities which belong there.

"But more, it has committed itself to close and constant collaboration and consultation, and has drawn the private sector increasingly into decision making," Dr De Villiers said.

XV CERTAIN CAUSES OF PERINATAL MORBIDITY AND

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	12,46	9,07	16,92	11,55	29,22	24,78	23,16	22,23
1-4	0,02	0,02	0,02	0,02	0,02	0,04	0,04	0,00
5-24	-	-	-	-	-	-	-	-
25-44	-	-	-	-	-	-	-	-
45-65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

IX DISEASES OF THE DIGESTIVE SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1-4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5-24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25-44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45-64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

X DISEASES OF THE GENITO-URINARY SYSTEM

65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

XIV CONGENITAL ANOMALIES

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	1,57	0,76	0,60	1,03	1,24	0,79	0,89	0,74
1-4	0,05	0,04	0,05	0,05	0,05	0,02	0,04	0,05
5-24	0,01	0,00	0,01	0,01	0,01	0,02	0,00	0,00
25-44	0,00	0,00	0,00	0,00	0,00	0,01	0,00	0,00
45-64	0,01	0,00	0,00	0,00	0,00	0,00	0,00	0,00
65+	0,02	0,01	0,00	0,00	0,00	0,03	0,00	0,00
ALL	0,04	0,02	0,03	0,04	0,04	0,03	0,03	0,00
NO.	87	43	9	14	50	33	54	47

XV CERTAIN CAUSES OF PERINATAL MORBIDITY AND MORTALITY

No free enterprise in SA, says US expert

49

Argus 22/11/79

Argus Correspondent

JOHANNESBURG. — A prominent black American economist has described the South African system as 'State socialism.'

Professor Walter Williams, assistant professor of economics at Temple University in Philadelphia, was addressing a conference on free enterprise in Johannesburg.

Professor Williams said free enterprise did not exist in South Africa and he defined free enterprise as private control over the use of non-human and human resources.

He warned if the South African system was wrongly called free enterprise, then blacks who did not benefit from the system would reject it and might as well opt for socialism or communism.

Mr J N Reddy, chairman of the South African Indian Council warned if blacks were not given a place in the present system they would not mind a change in the order.

SPECTATORS

'If they have nothing now, then they will have nothing in the future. Blacks are merely spectators in a grand drama, the script of which they did not write.'

Mr Reddy said a meaningful beginning must be made 'so that on the day of reckoning they will have more than their chains to lose.'

Mr Leon Louw of the Free Market Association said black aspirations had risen to heights they had never reached before but it seemed impossible at present to close the wage gap.

'You can re-distribute poverty by bringing down the income levels of whites to those of blacks but how do we close the wage gap upwards and

25-44	-	-	-	-	-	-	-	-
45-65	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

49
23/11/79

23/11/79 (49)

...LTER WILLIAMS

...mall messiah

...d more than two metres tall, Dr ... Williams, associate professor of ...es at Philadelphia's Temple Uni... is no pseud. An articulate pro... of the theory that the minimum wage law discriminates against blacks, and that affirmative action programmes achieve nothing, he is in Johannesburg to speak at the international conference on "Free enterprise and the individual."

He walks tall, patently at ease with himself, having come to terms with being black without carrying a burden of hate and hostility. "Human beings are more similar than different," he tells the *FM* during a tea break at the symposium. "If I met a truly *verkrampte* Afrikaner I would feel no hostility towards him. He is a human being. I don't like the system in SA but it's the system, not the individual. One can feel a sense of moral outrage but that does not tell us how to get from here to there."

He's no Uncle Tom. Instead he's rational and able to see black problems in perspective. "I can't come here as a little messiah and tell you to repent. It's foolhardy."

What he can tell us, is that he wants to see in this land, rich with promise and potential, a system whereby blacks can "begin to share its wealth. Share it both in consumption and production." He sees the situation here as "politically unstable for the next 20 to 30 years. You must change in the direction where blacks participate fully in the economy otherwise it would need massive resources to defend this

Williams . . . human being are more similar than different

country [illegible]. Even if it can be accomplished it will come at a very high cost. You must forestall the notion of having to defend yourself internally . . ."

He rejects punitive measures against SA. "The blacks would bear the greatest burden of sanctions. That's not the solution." He equally rejects minimum wage laws. "It causes discrimination in employment, and it always discriminates against the less preferred, the blacks." He says it is better for blacks to earn R50 than zero. "It's not acceptable but it's better."

Other Williams theories include the argument that youth employment is crucial because "early work experiences, even in the most menial of tasks, are the initial . . . in the acquisition of skills and attitudes that will make him a more valuable employee in the future." He believes firmly that third parties in welfare intercept government funds for the poor. "The bulk of poverty money is either consumed in bureaucratic machinery or is spent in ways that do not reduce poverty."

He answers the *FM* question about whom he predicts will win the 1980 presidential election with a cynical laugh. "It doesn't make a damn. We're going down the tubes as a nation so who cares who leads us there."

About SA's possible outlook this urbane Philadelphian is more positive. "SA offers on the African continent, certainly in the sub-Sahara territories, the greatest hope for multinational harmony with your riches and infrastructure. Potentially, you are a showcase for the world." He does not minimise the amount of water that has to flow under the bridge before this comes about. Equally, he does not see SA's problems as insurmountable.

FREE ENTERPRISE

In the noose of apartheid

F. M. 23/11/79

(49)

Apartheid spells death to free enterprise.

That is the stern warning KwaZulu leader Chief Gatsha Buthelezi gave delegates attending the conference on Free Enterprise and the Individual, held at the University of the Witwatersrand this week. And its theme was vigorously endorsed, publicly or privately, by most of those present.

Chief Buthelezi's address, generally regarded as the keynote of the conference, was — in contrast to some of the clichéd papers delivered — a ringing call to businessmen supporting apartheid to relent. "The industrialists and bankers who acquiesce in this climate of death for free enterprise have to rethink their responsibility," he appealed

At the same time, he rejected Prime Minister P W Botha's plan for a constellation of states adding "I will not assist the South African government to manipulate black areas of the country out of the mainstream of South African politics."

Buthelezi's views could not have come at a more appropriate time, two days before SA's top 250 businessmen (many of whom attended the Wits meeting) were due to hold discussions with the Prime Minister and full Cabinet. As the country's most powerful black leader, he provided plenty of ammunition to businessmen who are concerned that the PM's initiatives amount to palliatives or tokenism and not much more.

In short, he gave those about to be drawn into the Nationalist maw enough good reasons to hold themselves aloof from the Prime Minister, no matter how eloquently P W Botha argued at his businessman's summit.

The temptation exists, after 31 years of Nationalist rule, for people of substance to throw in their lot with the government — especially one that appears to be changing for the better It is for this reason that the executive director of the Urban Foundation, Mr Justice Jan Steyn, has had solid support. But the very fact that SA has an Urban Foundation, catering to the undoubted needs of an underprivileged community, is an indictment of government.

Speaking at the Wits conference, Judge Steyn argued that the State could not, and should not, dominate the housing scene, especially in the field of economic housing "Private sector resources are needed to meet the priorities", he reckons.

It appears government has reached the stage where it can simply rely on private enterprise to patch up its most pressing problems and provide the buffers necessary to avert disaster. Ironically, however, it steadfastly refuses to free the economy and the work force as a *quid pro quo*.

As Leon Louw, director of the Free Market Foundation, points out: socialists always argue that their system would work better for our black people; but, in SA, blacks can't own land; instead they are subject to stringent government controls; and, in this respect, they have a socialist regime already.

What Buthelezi, and others, want the PM to realise is that it is on these issues that government's real attitude towards blacks is measured — on the fact that blacks are lacking even in fundamental economic freedoms.

As the Zulu leader rightly points out, there is no black Land Bank. Nor is there cheap long-term credit available to individual farmers, syndicates, or tribal authorities who happen to be black.

More fundamentally, black leaders such as the Ciskei's Lennox Sebe and Buthelezi see that the white economic infrastructure monopolises all the "vantage points" of development. East London, Durban and Richards Bay are all cases in point, where whites are clustered around the main harbours and communications arteries. Blacks in these areas may provide labour, or they may farm. But competition with whites is out of the question, and not only because of such laws as Group Areas.

Inkatha's Buthelezi . . . where's our free enterprise?

Hardly a classic free enterprise system. And small wonder Buthelezi — referring to the constellation of states, among other things — states that the days are gone when grand and unworkable political schemes are foisted on blacks.

"The very fact that discussions will be held with commerce and industry before the idea has received black support is enough to arouse suspicions, however well-meaning the Prime Minister may be," Buthelezi argues.

A distillation of the papers delivered at the Free Enterprise conference reveals that most speakers evaded the more complex and controversial issues. Finance Minister Owen Horwood came up with some interesting ideas, such as a Southern African version of the "World Bank." But talk of "the plurality of political power" not being a deterrent to the economic advancement of all the people of the area sounded like typical government obfuscation.

Piet Koornhof's paper put the view that a further benefit of the free enterprise economy is the "attainment of a large measure of political and personal freedom." He also argues that, if the government should support the forces of the market rather than interfere with their effective operation, it would serve to lubricate the system, resulting in far smoother and more efficient economic machinery

"To this end, the government has a role to play, but it requires the assistance and co-operation of the whole private sector in identifying the problem areas," he adds.

One cannot fault Dr Koornhof's logic. His government's performance, however, is another matter. Its entire rationale seems to be one of interference — from applying influx control with hamhanded,

APARTHEID AND FREE ENTERPRISE

There is an enduring myth — first propagated by Karl Marx — that capitalism is a system whereby the few benefit at the expense of the many.

Marx argued that the owners of capital would demand more and more production from fewer and fewer workers at lower and lower wages until the proletariat revolted.

What he overlooked was Say's Law (formulated by the French economist, Jean Bapiste Say) which holds that supply creates its own demand. Quite simply, who was supposed to consume the ever-expanding output of Marx's exploited labourers, if not they themselves?

Thus, the great consumer societies of the US, Western Europe and Japan have developed with their market economies thrusting the mass of ordinary men to ever higher standards of living.

In the command economies such as Russia, East Germany and China the ordinary masses have languished, their personal freedoms as restricted as their economic development.

The myth has been propagated in SA that apartheid has enabled the white man to become rich at the expense of his black brethren. The truth of the matter is that apartheid, by denying blacks economic development, has robbed us all of vast potential growth.

Without the past decades of restriction, blacks would today be far better off than they are. And economics is not a zero sum game. It stands to reason that if we lived today in a SA in which millions of blacks were much better off than they are, then our economy would be richer and bigger than it is

As Gatsha Buthelezi said this week, apartheid is the enemy of free enterprise.

It is also the enemy of white as well as black progress. A productive black populace equals a market hungry for goods and services. Anything which stops black advance hinders the prosperity of all SA's racial groups.

(iv) Proportional Mortality, accounted for by

(v) Expectation of Life. This was calcula
d at 45 years of age (e_{45}) for both males and
erage number of additional years an individual
yond birth and 45 years.

or Africans, the proportional mortality was th

SULTS

e infant mortality rates (IMR) and standardise
or whites and 'coloureds' are provided in Fig.
he whites have experienced a steady decline in
ince 1929, the 'coloureds' after an initial dec
atic IMR since 1950 and an increase in their S

rom 1941 to 1970, the white IMR has fallen from
n improvement of 57,6%. During this period, t
ecreased from 164,8/1 000 to 132,6/1 000, a cha
his is of particular concern when it is appreci
IMR, the more easily should improvements be acc
in SMRs between 1941 and 1970 were 28,4% and 25
'coloureds' respectively.

The age specific mortality rates are summarised
is inevitable, it is to be expected that decreas
perience of younger age groups will give rise to
in mortality amongst elderly persons. Thus, a
that for both whites and 'coloureds' the mortali
the age of 65 years have shown a rising trend,
the mortality rates have also increased between
in the 25-44 and 45-64 years age groups.

The imbalance between the age specific mortality
'coloureds' has improved or remained constant fo
of 5 and 64. However, for children less than 5
between whites and 'coloureds' is widening. Ir
one year old experienced 28,0% of the mortality

DOM 23/11/79

De Jongh: World economy gloomy

A RATHER gloomy picture of the present state of the world economy emerged from the discussions at the recent annual meetings of the International Monetary Fund and the World Bank in Belgrade, the Governor of the South African Reserve Bank said last night.

Speaking at the annual dinner of the Association of General Banks and Finance Houses, Dr T W de Jongh said most of the major industrial countries now experienced — or feared for the immediate future — a combination of a high and increasing rate of inflation, a decline in economic growth, increasing unemployment and a deficit on the balance of payments.

The necessity of combating inflationary pressures wherever they appeared was the central theme throughout the fund meeting. In his opening statement the managing director of the IMF, Mr De Larosiere, had put it unequivocally that "the most troublesome aspect of the economic situation in the great majority of member countries is the persistence or worsening of inflation", he said.

Wholesale prices in the major industrial countries as a group rose at an annual rate of 11% to 13% during the first half of 1979. Consumer prices rose at average annual rates of 9% to 12% in the early months of this year, compared with 7% for 1978 as a whole.

Regarding the economic situation in South Africa, Dr De Jongh said the current account of the balance of payments had shown a deficit of R1 630-million in 1976. For the first nine months of 1979 it showed a surplus of R2 600-million. This was to a large extent due to the increase in the gold price.

The general prospects for economic growth in South Africa at present were quite favourable, Dr De Jongh said.

The strength, and especially the duration of the present economic upswing in the country, would to a large extent depend on the application of a policy of financial discipline. — Sapa.

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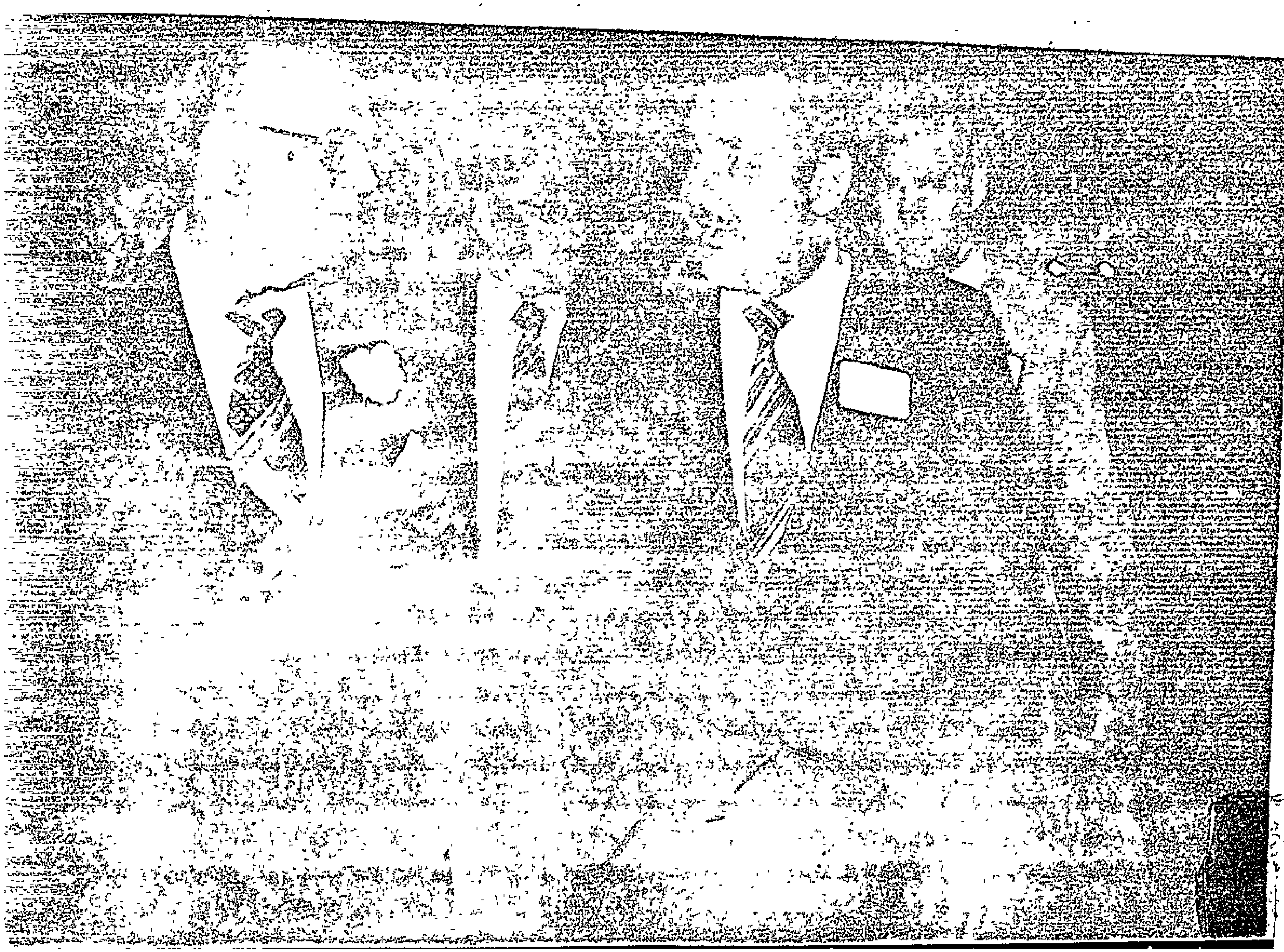

Special Correspondent

MR HARRY Oppenheimer yesterday gave his support to the Prime Minister, Mr P W Botha's plan for a constellation of Southern African states.

His backing was conditional, however, on the constellation developing into a bastion of freedom — and winning Western approval.

But it is especially significant in view of the long antagonism between the Government and the Anglo American Corporation, South Africa's largest business group.

Addressing SA's top 250 financiers and industrialists as well as the full Cabinet at the businessmen's summit in Johannesburg, Mr Oppenheimer said that Mr Botha's plan had "imagination and charm".

And he expressed his belief that all members of the private sector would want to contribute.

"I see more reason for real hope for this country now than I have seen for many years," South Afri-

Minister's initiative in calling the meeting as "imaginative", and "marking the beginning of a new relationship between Government and private enterprise", Mr Oppenheimer said a very good start had been made.

But he warned that the constellation would not succeed if it became an embattled fortress in a hostile world.

For that reason its strength and cohesion would depend on improved relations with the Western world, and he called on the Prime Minister to "mend fences with countries who are our friends"

Mr Oppenheimer also stressed his belief that if South African business was to invest in other states of the constellation, it would be necessary for guarantees to be provided against possible losses through nationalisation.

"Business people need to have a clear understanding of the terms under which they invest," he said.

Also, Mr Oppenheimer came out strongly in favour of a "free enterprise zone" — an area in which there would also be complete freedom of movement.

In his closing address Mr Botha singled out the Anglo chief for special mention, and said he had taken his remarks — particularly those on the danger of the constellation becoming a fortress — very much to heart

"South Africa must not be an isolated fortress, but a bastion of hope" he said.

The conference was marked by an absence of criticism of the Government's policies.

Crucial issues such as influx control and political rights for blacks were ignored as speaker after speaker dealt with such matters as the importance of agriculture in the rural areas, and the need for greater decentralisation incentives.

The Star

Friday November 23 1979

Seeking a growth point for freedom

THE Prime Minister sounded his theme yesterday for a total economic strategy in southern Africa. There was nothing startlingly new in the concept: Mr Botha has spoken along those lines before. His commonsense outline called for a development bank, labour intensive industries, less Government interference in development, a rationalisation of development corporations to avoid duplication of effort and a bigger slice of the economic cake for black states.

Business responded with unqualified support. To knock Mr Botha's approach would be like criticising motherhood. (Indeed there was a hint of paradisean fanfare and a choir of angels in the SABC comment this morning.) Nevertheless there will be one major reservation among the silent majority, which was avoided at the conference. Answering questions, Mr Botha said he was not seeking a new dispensation for separate development; nor was he trying to build a bastion for a white nation. He was seeking a growth point for freedom. Dramatic development of the rural areas will take some of the pressure off influx control, but, as we said yesterday, the Government must get rid of the trappings of apartheid if it hopes to have any successful development at all.

Big business has given Mr Botha much-needed moral support. What of the rest? Leaders of black and brown communities have a choice. They can take the Prime Minister at his word and co-operate wherever economic development breaks down rather than builds up apartheid — wherever there is real development for half South Africa's population (about 13-million black and brown people living in the rural areas) OR black leaders could dig in their heels and seek confrontation. There are two reasons why confrontation should be rejected by even the most bitter blacks. First, the PM's plan offers at least a chance to cure the country's ills by peaceful means. Second, the militants have not a snowball's chance of winning a confrontation at this stage in history.

We believe Mr Botha's plan, in its broad, bland projection so far, ought to be used by all South Africans to work towards a fairer society.

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Blacks note 'omission' by Botha

By AMEEN AKHALWAYA
Political Reporter

LEADING black politicians have reacted with mixed feelings to the speech by the Prime Minister, Mr P W Botha, at his indaba with businessmen and industrialists this week.

Black consciousness proponents noted that Mr Botha did not spell out his stand on three issues they considered vital — South African citizenship, ownership of land in any part of the country and influx control, especially the pass system.

The Chief Minister of KwaZulu and president of Inkatha, Chief Gatsha Buthelezi, said he would adopt a wait-and-see attitude while his opposition to apartheid would remain "undiluted".

Mr Tom Manthata, a leading black consciousness figure and member of the Soweto Committee of 10, dismissed Mr Botha's speech as "sweet talk" that had turned sour and bitter.

"The simple fact of the matter is that until blacks can be seen to be South African citizens and to have property rights — whether rural or urban — all that talk means nothing. The proposed system is to keep blacks in their own areas which are not economically viable.

"The infrastructure of separate development is based on cheap labour provided by black workers," Mr Manthata said.

The involvement of private enterprise, he added, would not help alleviate "the economic exploitation and oppression" of the workers.

Chief Buthelezi said he and Inkatha had been involved in the liberation struggle, which had taken place within a particular economic constellation of forces.

"Nothing that the Prime Minister has said indicates to me that that struggle for liberation will be worse off because of what he is now aspiring to do.

"There is a possibility that the struggle will be less costly in terms of avoiding the escalation of the violence that I have always warned against," he said.

Chief Buthelezi said Inkatha had not only been concerned with the present struggle but also with the problems that would arise in the "post-liberation era".

"There must be co-operation or total destruction. To that extent, I cannot and will not dismiss Mr Botha's moves as if they had never happened. It is not an ultimate solution, but I cannot throw these moves away and dismiss the conference as if it had never happened. That would be irresponsible."

Chief Buthelezi said he was involved and concerned with human development and had to ensure that blacks were not made "economic vassals to gold coat the system".

"I sympathise with Mr Botha's motivation. He is attempting to conscientise his own constituency who have hoarded the wealth through the so-called free enterprise system.

"I hope he is beginning to realise that the real custodians of the free enterprise system are blacks, and therefore, for it to survive, blacks need to receive much more than the crumbs they have received from it up to now."

Grandiose schemes, he warned, must not be discussed exclusively by whites.

He also said thinking South Africans realised that Mr Botha was faced with the difficult task of dismantling "Verwoerdian and Vorsterian thinking" and to provide radically alternate directions for white South Africa.

The chairman of the Soweto Committee of 10, Dr Nthato Motlana, said blacks would only be impressed that they were moving towards the free enterprise system when they were "freed of the shackles of the pass laws".

Killer's appeal plea is turned down

DURBAN. — An application by Peter Roy Barber for leave to appeal against the death sentence was rejected by Mr Justice N James in the Supreme Court yesterday.

The Judge President of Natal, who sentenced Barber to death on each of three counts of murder, found there was no reasonable possibility a court of appeal would conclude differently from the trial court.

According to Mr Justice James, the further grounds for appeal which the defence submitted yesterday were inconsistent with the original application for leave to appeal.

The judge found the circumstantial evidence against Barber in the murders of Mrs Jones and her daughter was overwhelming.

He said that even if a confession made to Colonel Venter by Barber was regarded as inadmissible, Barber would still have been found guilty of those murders.

Mr Justice James said Col Venter had been an honest and reliable witness and the evidence led by Barber was palpably false.

He said Mr Peter Combrinck, who appeared pro deo for Barber, had failed to refute the court's reasons for finding Barber guilty of the murder of his lover, Miss Cecilia Majola.

The judge was not persuaded a court of appeal would differ in its judgment and dismissed the application for leave to appeal against the conviction.

On the question of sentence, Mr Justice James felt the court of appeal would uphold the decision of the trial court to disallow Barber's application to be examined by a Government psychiatrist.

Medical evidence had not provided proof for the court to recommend such observation.

Barber's conduct during the trial did not reveal that he might be suffering from an organic brain disease, the judge said.

He accordingly dismissed the application for leave to appeal against the sentence.

In making the application the defence had argued that the Jones' deaths had only been proved circumstantially and another court might draw a different inference.

Mr Combrinck also submitted that contradictions in the testimony of Col Venter would lead a court of appeal to doubt whether Barber had in fact confessed.

Mr Combrinck said the trial court should have allowed the application for Barber to be examined by a psychiatrist.

Mr Hendrik Klem, SC, who appeared for the State, argued that the circumstantial evidence against Barber was so strong that there was little possibility that the appeal court would infer any differently from the trial court.

He said it was highly improbable Irene Jones would have left home without her clothes and her hard-earned savings.

This contradicted a suggestion by the defence that Mrs Jones had a tendency to leave home without telling anyone of her whereabouts. — Sapa

Rundown on row

London Bureau

LONDON. — Teacher Mrs Lynn Wilson ran down her husband in a car after a row, and then reversed back over him.

Husband Mr Terry Wilson, 31, was left alive — with five broken ribs, two smashed collar bones and the imprint of tyres across his chest.

Yesterday his 26-year-old wife was convicted of causing him grievous bodily harm. The judge at Hereford Crown Court put her on probation for a year. Calling it "a crime of passion" he told Mrs Wilson: "I see no reason why your teaching job should be at peril."

The court heard that the couple had quarrelled at their home in Redditch before Mrs Wilson left for school. When Mr Wilson tried to stop her going, she accelerated right at him, and as he lay helpless on the ground she slammed the car into reverse to go over him again.

The wife said that in the row Mr Wilson had threatened to feed her pet cat to a python.

is consistently worse than that of the whites. The 'coloureds' have higher mortality rates for all the major causes of death apart from cardiovascular diseases and neoplastic diseases in men over 65 years of age, neoplastic diseases in women in this group, and cardiovascular disease in men 45-64 years of age during 1960 and 1970. Clearly the rate of 5/1 000 which has been chosen is entirely arbitrary but a similar pattern of mortality emerges if lower or higher levels are selected.

Two aspects of these age-cause specific mortality rates require emphasis. Firstly, whilst being affected by the incidence of the diseases in question, these rates are also influenced by their fatality rates, for example, a decrease in the mortality related to Tuberculosis will not only be influenced by a decreasing incidence of this disease but also by improved prevention at primary, secondary and tertiary levels of intervention which will consequently decrease the fatality rate and, therefore, the associated mortality.

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Business demands more freedom

South Africa's many restrictive laws must go. This was the overwhelming view of delegates, ranging from white businessmen to black students, at a week-long conference in Johannesburg this week.

The conference, organised by the 1820 Settlers' National Monument Foundation, was held to reinforce the belief that the free enterprise system was the only solution to southern Africa's problems.

The message was amplified during the week by the summit meeting of the Prime Minister, Mr P W Botha, and business leaders.

Mr Botha's message was that the free enterprise system would have to make the "constellation of States" policy work and businessmen applauded the greater freedom—and greater profits—that this would entail.

The less-publicised 1820 Settlers conference delivered the same message to a less exalted level of business people — and potential business people — of all races.

And it is on this level of potential entrepreneurs that the future economic might of the sub-continent rests, the conference found.

Dr Anton Rupert closed the conference by stressing the importance of concentrating on the small businessman.

He said he hoped to start a revival of small business by helping to establish small factories in Soweto so that local workers need not travel far to work.

STUNTED

The conference delivered the message powerfully that black enterprise had been unjustly stunted in the past.

They all stressed that free enterprise could live only if these restrictions were removed.

The expectations of life for 'coloureds' and whites are presented in Fig. 6. Although data has been published for Africans[5], this is speculative and is not considered to be of sufficient reliability to warrant inclusion. Two different expectations of life have been included: (1) e_o - the expectation of life at birth, and (2) e_{45} - the expectation of life at 45 years of age. Characteristically women have a better expectation of life than men, and Fig. 6 indicates that this is so for both whites and 'coloureds'. In fact, so marked is this difference that at e_{45} 'coloured' females have a better expectation of life than white males. What is perhaps of some concern is that the gap between the expectation of life for males and females is widening. This trend is apparent in both the whites and the 'coloured' communities, although it is particularly marked in the latter for whom Male:Female deficit of 1,0 years in 1941 at e_o has become 6,9 years in 1970. For whites a deficit of 3,7 years in 1929 has increased to 7,0 years in 1970.

Both white and 'coloured' females have shown an increasing life expectancy at the age of 45, and although this has been small, it contrasts with the downward trend of both white and 'coloured' males.

Although it is apparent that the Expectation of Life at birth for the 'coloureds' has shown a marked improvement between 1941 and 1970, it is salutary to note that neither 'coloured' males nor females, at either e_o or e_{45}, have reached expectations of Life in 1970 which are as high as the whites were in 1929. What also gives some cause for concern is that although the expectation of Life cannot be expected to improve indefinitely, it would appear that the 'coloured' life expectancy is levelling off at a much lower age than has occurred in the white community.

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49

~~327~~

Ander lande is ook al geken

Begin van groot jaar

Rapport 25/11/79 49 327

PREMIER SKETS SY VISIE

Deur LOUIS OOSTHUIZEN

DIE reaksie van Suid-Afrikaanse sakeleiers van alle politieke oortuigings by en ná Donderdag se groot beraad tussen die Regering en die land se sakelui dui daarop dat niemand dit as 'n leë gebaar beskou om Suid-Afrika se beeld te probeer verbeter nie.

Trouens, dit word gesien as die beginpunt van 'n proses waarvan die eerste vrugte selfs binne 'n jaar gepluk sal kan word.

Die Regering se siening oor die saak is baie duidelik deur die Eerste Minister, mnr. P. W. Botha, in sy inleidende toespraak uiteengesit. En die reaksie van groot sakeleiers soos dr. Anton Rupert, mnr. Harry Oppenheimer en andere het getoon dat ook hulle die behoefte aan so 'n gekoördineerde poging raaksien.

Die Eerste Minister het dit duidelik gestel wat die beoogde konstellasie van state in Suider-Afrika nie kan wees nie, en gesê dit moet gesien word as lande wat op grond van gemeenskaplike belange verbintenisse handhaaf, terwyl almal se soewereine status behou word.

Met ander woorde, dit kan nie gesien word as 'n situasie waarin Suid-Afrika die kern vorm van 'n klomp satellietstate wat van hom afhanklik en aan hom lojaal moet wees nie, soos wat bv. geld vir Rusland en sy verhouding tot die Kommunistiese state van Oos-Europa.

Dit beteken dus nie dat die plan 'n bedekte vorm van koloniale masguitoefening op grond van 'n heerssug deur Suid-Afrika is nie. En ook nie dat dit 'n plan moet wees om die kleiner en armer state in Suider-Afrika uit te buit nie.

Mnr. Botha het die klem laat val op 'n beoogde bedeling wat geskep word tussen lande wat as vrye volke op 'n vrywillige grondslag mekaar tot voordeel kan wees. Juis omdat die agterdog teen Suid-Afrika so groot is, moet dit 'n verbintenis wees wat op grond van gemeenskaplike belange vanself vorm moet aanneem. Dit sou fataal wees as nou geprobeer sou word om vaste strukture of sekretariate te vorm om die plan 'n aanskyn van 'n identifiseerbare instelling te gee.

Dit is duidelik dat die Regering voor die beraad deeglik huiswerk gedoen het en dit kan as een van die redes vir die sukses van Donderdag se beraad aangegee word. Maar dit geld nie net die uiteensetting van die kant van die Regering nie, maar ook die feit dat voorlopige samesprekinge reeds met verteenwoordigers van verskeie lande gevoer is.

Verlede week het RAPPORT bv. berig dat verteenwoordigers van die drie onafhanklike nasionale state binne die SA geografiese grense, en ook Zambië, Zaïre, Botswana, Zimbabwe-Rhodesië, Lesotho, Malawi en Swaziland nouer bande bespreek het en tevrede teruggekeer het. Dit is dus duidelik dat ook hierdie lande die behoefte aanvoel.

Uit wat tot dusver oor die saak gesê is, blyk wat die doelstellings van so 'n konstellasie is.

Suider-Afrika is ryk aan natuurlike hulpbronne, maar dit is tog ten dele arm en onderontwikkel. Die vernaamste taak is dus om werk aan die groeiende massas te verskaf; om swartmense te help om ondernemers en dus ook werkgewers te word; om deur hoër inkomste die lewensgehalte van mense te verbeter en om meer geld te bekom vir meer gesofistikeerde ontwikkeling; om prakties die bewys te lewer dat die stelsel van vrye onderneemskap die beste waarborg teen armoede, onkunde en agterdogsaaiery is.

Juis omdat vrye ondernemerskap die grondslag van die p... die staat se kundigheid beskikbaar stel; goeie verhoudings met regerings van deelnemende lande bevorder; en waar nodig as koördineerder van projekte optree.

Om dié rede is 'n interdepartementele komitee vir ontwikkeling, samewerking en uitvoer onder beheer van die Sekretaris van Buitelandse Sake reeds gestig en is 'n opname van die ontwikkelingsbehoeftes van lande in Suider-Afrika aan die gang.

Die ondernemingsgees van die private sektor, nyweraars en sakemanne, sal egter tot die uiterste ingespan moet word om die onderneming te laat slaag. Van hul kant sal ondernemers wil verwag dat ... of verlammende beperkings aan ondernemers oplê nie.

Ondernemers wat in buurstate met ondernemings wil begin, sal van hul kant 'n bydrae moet maak wat betref die opleiding van mense, die vorming van 'n swart ondernemersklas en die terugploeg van 'n deel van die winste, afgesien van belasting, in maatskaplike projekte tot voordeel van die betrokke land se bevolking.

Omdat baie min burgers van buurstate in dié stadium in 'n posisie is om groot ondernemers soos nyweraars en mynbase te word, is die plan van dr. Anton Rupert dat 'n ontwikkelingskorporasie vir klein sakemanne gestig word ...

DIE Eerste Minister, mnr. P. W. Botha, aan die woord by dié week se belangwekkende samespreking in Johannesburg met 'n stuk of 350 sakeleiers.

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required. Raw material properties are recorded for each artefact.

6. Second Microscopic Examination

Records are made on the working diagrams of edges and surfaces which exhibit wear traces and detailed notes and drawings made of the different characteristics, including nature, position, orientation, development and severity of wear on each implement. Simple activities are relatively easy to identify, whereas complex or multiple use presents a number of problems in both recognition and interpretation. Observation at higher magnifications, up to 60... e and it is possible to continue to

more det... ing Electron Microscope. Its main advant-
ages bei... extended range of magnification and a
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7. Exper... tions

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1977; Le... Brink J. 1978) mainly using one kind
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miljoen daarvoor gevind moet word, waarvan die private sektor die helfte moet bydra — en dit in die vooruitsig gestel dat die Rembrandt-groep van maatskappye R5 miljoen tot so 'n projek sal bydra.

Dr. Rupert het dit Donderdag beklemtoon dat dit juis is wat vir 80 persent van die klein sakemanne in Japan daardie erkende nywerheidsreus se produksie verantwoordelik is.

Hy sal, soos ook die ander sakemanne wat teenwoordig was, sy plan verder ontwikkel en voorstelle aan die Regering rig. Maar daar kan nou reeds aanvaar word dat die hulpverlening in feitlik elke opsig aan klein sakemanne baie aandag sal kry.

Met die staat as koördineerder en wegbereider, waar nodig, aan die een kant, en die kollektiewe vermoë van Suid-Afrika se sakelui aan die ander kant, wat saamgesnoer word in so 'n gesamentlike projek, is die moontlikheid van sukses baie groot. Die praktyk sal die welslae hiervan bewys.

Daarom kan verwag word dat sommige lande, wat aanvanklik miskien afsydig sou staan, later ook hierby ingeskakel sal wil word. Die tekens is duidelik dat genoeg lande belangstel om 'n goeie begin te verseker sodra die hele plan op dreef kom.

... as moontlik aan die private sektor gee. Van sy kant sal die Regering help met die skepping van 'n behoorlike infrastruktuur, waar nodig; ... het Donderdag aangedui dat die Regering bereid sal wees om te help dat regerings in ander lande in die streek nie ondernemings nasionaliseer ... process. The

analogies should not be allowed to dominate the interpretation, its value lies in providing support for the primary source data. Interpretations made in this way, enable the microwear analyst to understand and reconstruct with some confidence, the activities of prehistoric societies.

Applications

These methods have been applied to 'MSA' material from Lesotho and work is currently in progress on material from sites in the Transvaal. The raw materials used range from fine cryptocrystalline forms of quartz (chert), to the courser grained quartzites, basalts and felspars, the latter being low on the resistate scale and more vulnerable to chemical weathering.

General conclusions from these studies are:

1. The modes of use, which occur most frequently, are cutting, scraping and complex, with strong evidence to suggest that the materials worked were hide, flesh and bone. The evidence that microliths, from the lower levels at Melikane were hafted, exhibiting traces of some form of complex use, is particularly interesting.
2. More than 60% of artefacts 'unmodified by intentional retouch', which would traditionally have been designated as waste, show definite wear traces detected by microscopic examination. These artefacts, forming more than 90% of many collections, have received little or no attention in the literature, but see (Evans J. 1872; and Diamond G.P. 1974)
3. Wear traces are not significantly correlated to morphology. See also (Tringham R. 1974; Kay M. 1974;).
4. Properties of the raw material used and the nature of the worked material are more significant in the formation of wear traces than the mode of use.

Stone artefacts provide the richest source of evidence indicating the presence of human activity in the past. Evidence permanently recorded on the edges and surfaces of stone implements which appear continuously and persistently throughout the archaeological record is worthy of detailed investigation.

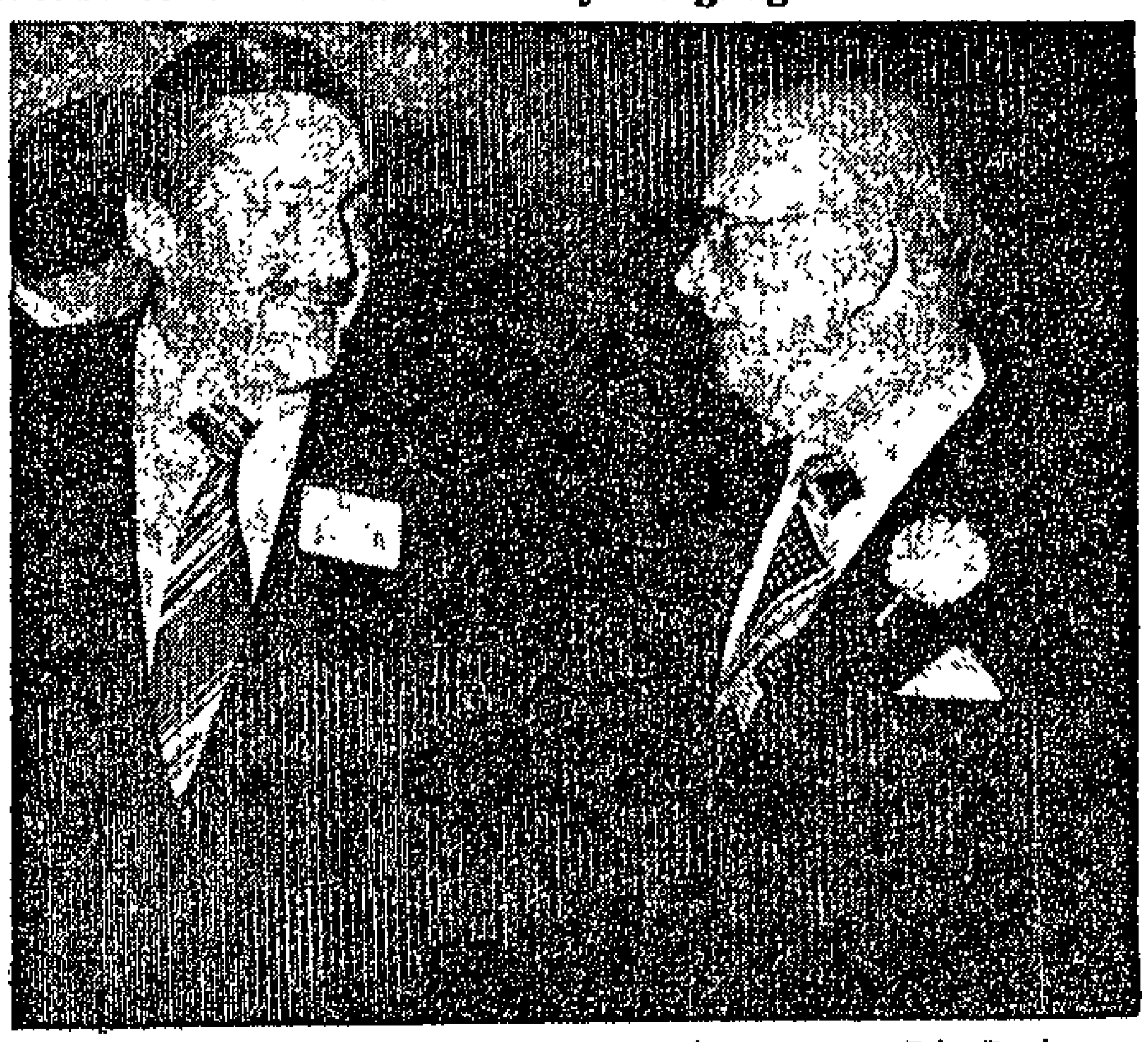
Nearly fifty years ago results from microwear studies prompted Bonch-Osmolovsky to write 'We can confirm from these examples that material from Palaeolithic sites is by no means as dead as is often thought, it is the object seeking formal typological approach, carried to the point of dogma which kills it'.(Bonch-Osmolovsky G.A. 1931)

Dr. A.D. sê hy sal nie vandag so maklik dáái boek geskryf het

RAPPORT 25/11/79 (49) (327)

Van JOHAN VOSLOO

HY sal vandag baie minder geneë wees om 'n omstrede boek soos Aanslag op die Vrye Ekonomie te skryf, sê dr. A. D. Wassenaar, voorsitter van Sanlam. Daarvoor verskil die Eerste Minister, mnr. P. W. Botha, se amptelike benadering teenoor die private sektor te veel van dié van sy voorgangers.



DIT het goed gegaan! Opgewek is min. Pik Botha en die Eerste Minister na dié week se sakeleiersberaad.

Dr. Wassenaar se boek, waarin hy striemend inklim onder staatsinmenging in die private sektor, het met sy verskyning in 1977 tot in die Parlement opslae gemaak. Dit het die destydse Eerste Minister, mnr. John Vorster, o.m. tot 'n persoonlike aanval op dr. Wassenaar beweeg.

Vandag, en veral ná Donderdag se konferensie tussen sakemanne en die Regering in Johannesburg, sê dr. Wassenaar:

„By my bestaan geen twyfel dat daar in my tyd nog nooit 'n Eerste Minister was wat so 'n positiewe benadering teenoor die sakewêreld gehad het as mnr. P. W. Botha nie."

„Sy boodskap aan die land is: „Ek wil namens die Regering my medewerking aanbied, en ek hoop die private sektor sal dieselfde doen, sodat ons kan sorg dat hierdie deel van die kontinent op die beste manier ontwikkel word met die oog op die toekoms, en met die oog op bekamping van werkloosheid en onrus en wat daarmee saamhang."

„Die Eerste Minister besef, lyk dit vir my, een ding: dat ons in hierdie land, asook die ander swart state om ons, sal staan of val by ons gesondheid, by ons ontwikkeling en by ons vooruitgang aan die ekonomiese front. Dit sal die bepalende faktor wees."

Werkloosheid is vandag veels te hoog. As iets ingrypends nie gedoen word nie, gaan dit gevaarlik toeneem. Dis die korrekte benadering dat die private sektor daadwerklik betrek word om werkloosheid te bestry, sê dr. Wassenaar.

Die private sektor sal meer kapitaal hê om werk te verskaf as die staat self minder kapitaal opslurp.

Hy wil nie projekte soos Sasol en Koeberg **per se** kritiseer nie. Hy wil net daarop wys dat die Koeberg-sentrale die staat bv. R1 500 miljoen gaan kos, terwyl die projek net aan 2 000 mense werk sal kan bied. Ons kan nie hierdie verhouding tussen openbare besteding en werkverskaffing bekostig nie, sê dr. Wassenaar.

Staatsprojekte is kapitaalintensief en nie arbeidsintensief nie, sê dr. Wassenaar. Nadat die staat die volstrek noodsaaklike gedoen het by wyse van die skepping van die infrastruktuur, moet hy die res van die kapitaal arbeidsintensief laat aanwend. Dit kan net die private sektor vermag.

Die ontwikkeling van 'n konstellasie van state kan net suksesvol verloop as redelike ontwikkeling in die swart state plaasvind. 'n Groter mate van infrastruktuur-ontwikkeling sal daar moet plaasvind om dit te verwesenlik.

Hy hou nie daarvan dat mense nou van „waarborge" praat voordat hulle in die swart state belê nie. Hy dink nie dat daar in die private sektor ruimte is vir waarborge teen verliese nie.

* Donderdag het mnr. Botha waarskynlik verwys na dr. Wassenaar en andere se vroeëre kritiek. Hy het gesê: In die verlede was daar baie kritiek dat die Suid-Afrikaanse ekonomie en veral die sakewêreld gebuk gaan onder te veel reëls, regulasies en beperkinge. Die Regering het nie die opbouende kritiek ongesiens verby laat gaan nie. Die huidige begroting en die ekonomiese ontwikkelingsprogram beklemtoon die Regering se vasbeslotenheid om besteding te beperk en so bronne aan die private sektor vry te laat.

S. Post 25/11/79..

(49)

If apartheid be dead . . .

personally speaking . . .

This week SUNDAY POST Editor Percy Qoboza takes a critical look at the Prime Minister's meeting with South African businessmen.

Then let the real leaders of South Africa be the pall-bearers at its funeral

IT WOULD take a man bordering on the fringes of insanity not to recognise the potential contained in Mr P W Botha's package given to businessmen this week.

It would, unfortunately, also take a sinful optimist to think that the plan can get off the ground without some of the sensitive issues facing this nation being tackled.

If those issues are not tackled, then what we have here is a strategy that says this nation will use its resources and technological advances to buy off mankind's conscience and growing objections to the South African political systems. It would ultimately be seen as an attempt to co-opt the business sector into buying respectability for apartheid. Indeed, one of the amazing things to my mind — and I must confess that I do not know the nature of the discussions that went on behind closed doors — is that there seemed to have been no mention at all of two fundamental factors.

- Firstly, that economic growth in South Africa can only be guaranteed under conditions of peace and stability;
- Secondly, that the entire constellation of States principles cannot be an aggressive reality as long as the partners of this constellation would rather deal with us nicodemously for fear of being seen to deal with a nation still pursuing policies that are repulsive to the entire international community.

There is no denying the tremendous advantages that can flow from a well thought out association of states in South Africa — and here I must emphasise that states to me does not imply the lunacy of the Bantustans which have been elevated to states — but states like Lesotho, Botswana, Swaziland, an Independent Namibia, Zambabwe, Zambia, Mozambique and possibly Malawi.

As a sub-continental unit, these states have much to gain in developing an economic unit that would enable our joint resources and technological facilities to make life meaningful for all of our people.

South Africa has a unique opportunity of emerging as the giant of this unit.

This is a role consistently denied her by our stubbornness to cling to policies that not only make this country the polecat of the world, but in fact inhibits her economic potential as money is poured down the drain propping up an obnoxious political system that is ruled by nothing but race.

Under the circumstances, I believe Mr P W Botha, must now follow up his highly successful meeting with the business sector, by bringing together the country's various constituencies to resolve the political issues.

The political climate must be liberated from the present tensions that stand firmly in the path of progress. The Prime Minister must realise what we have here is a political structure devised by whites, for whites and serving white interests only. Our people have not had an inkling of input into the formulation of these structures.

To counter this argument by saying that consultations continue with certain black "leaders" is to labour in a fool's paradise. The truth of the matter is that such consultations with such "leaders" is based purely within the principles of the policy of apartheid.

The tedious question will no doubt pop up from the Government and its press: who are the leaders the Government must talk to?

Around this question lies, what I believe, is the most frustrating lack of communication between the central government and some of its agencies, particularly the security police. The latter have a massive source of information about the leadership structure of the black community — as evidenced by their hourly pulse raids to their houses and jailing them without trial. But they do not seem to share this information with the Government.

Does it, therefore, surprise anyone, that when Steve Biko died, almost 75% of the Cabinet did not know who he was!

And if it is true, as has been suggested, that 98% of the white community also did not know there was a man called Steve Biko, then it is a frightening indictment of this nation revealing the deep ignorance of what is happening in our own backyard.

I will obviously be crucified for suggesting that PW take the ultimate step of releasing from Robben Island men like Nelson Mandela, Walter Sisulu and others to draw them into the negotiating processes. In any case, common decency and compassion must tell us that they need not continue punishing Mandela. He is now 60.

But the main point is that Mandela represents a real constituency within and outside this country. His impact could not only liberate us from the tensions within the country, but could well be the first step in ensuring that the billions of rands we spend on guarding our borders, be released for use in making life meaningful for our people.

Mandela remains one of the few people left in this country who can use his influence to halt hostilities within our country and on the borders. Let us use his talents in this regard.

The sheer impact of releasing him will have a massive and dramatic impact on the international community and would also have an immense influence in buying us the time to solve our problems in an atmosphere of calm and creativity.

What I am saying is that if apartheid is dead, then let the true leaders of the black community be pallbearers at its funeral — the people on Robben Island, and the leaders that are presently outside the jails. We have a tremendous and unique opportunity of making South Africa number one in Africa. But only if we can grasp our opportunities and do not let initiative slip through our fingers.

SUNDAY POST

Sunday, November 25, 1979

The worker: someone to be listened to

Judging from the nature of the trouble in the world at present, we seem to be witnessing the growing irrelevance of democracy in today's society.

It appears to have become accepted fact that "power" belongs to anyone with the guts and gumption to seize it, instead of being the natural outcome of orderly democratic processes.

And there seems to be as many people today willing to defend those who take power this way as there are to condemn them.

The very cornerstones of democracy — elections and the rule of law — appear to be in danger, especially in Africa, of coming to be regarded as outdated political niceties whose time has come to be consigned to the past.

As to whether this will necessarily prove to be in the best interests of mankind and civilisation depends very much on what there is to replace them. Judging by the systems that seem to be finding most popularity today, it is very difficult to feel optimistic about prosperity and happiness in the long term.

Wherever trouble has flared, whether between two people or two nations, it has primarily had to do with someone feeling that someone else has deprived him of something he believed was rightfully his.

At one stage, men resolved such disputes through force of arms. As mankind progressed, this method was replaced by force of reason. Laws were instituted and courts set up to resolve differences in a manner befitting the level of civilisation. Now mankind seems to be reverting to the force-of-arms method once again.

Why?

The reason seems to be that democratic institutions such as "elections", "law" and "courts" have been abused in such a way that the privileges of a few have been guaranteed at the expense of the many. Now the many are waking up.

The strikes in Port Elizabeth are one sign of this "awakening".

For too long workers in this country have been prevented from selling their labour on the open labour market — the very essence of the "free enterprise system", itself the offspring of democracy.

Now men are saying: "Enough!" They have begun to withhold their labour, and others are threatening to follow their example.

If nothing is done to prevent that (outside of tear gas, baton charges, arrests, and more restrictive laws, of course) there will be a gradual decline in the provision of goods and services, and anarchy could surely follow.

The rule of law will be the first to crumble because the "elected" authorities will be powerless to implement it, and money, property and wives will be "up for grabs".

Employers, big business and Government must realise, and realise soon, that if a man can walk off the job at this time of high unemployment he can do anything.

Whether they agree with the principle or not, the fact of industrial life today is that the worker is someone they have to listen to.

They turn their backs on him at their cost — and, regrettably, at everyone else's too.

Nothing is owed by the whites to the blacks

READERS' VIEWS

An editorial "Inviting revolution" (The Star Nov 9) refers to a statement by Mr Alwyn Schlebusch in response to an earlier remark by me that "we owe the blacks nothing."

Both Mr Schlebusch and the Editor of The Star seem to have been stung to the attack by my remark. They clearly disagree but dare not take the contrary position, and instead raise the scare of revolution.

I can appreciate their difficulty: They dare not say we are in debt to the blacks, because then they would have to say what we owe and why we owe it.

Both of them know that if the whites were to have feelings of guilt towards blacks, there would be numerous subtle ways in which to play on such feelings and make the whites accept concessions on questions of vital interest.

What is also hidden behind the suggestion of guilt towards the blacks is the idea of redistribution of income and wealth, under which the wage increases of whites are limited to below the inflation rates and those of blacks raised considerably above the inflation rates — all in the name of the good old socialist doctrine of closing the wage gap — first practised in South Africa by the "capitalist" USA companies operating here.

The policy of inflation (or as it is properly called: Inflation of the money supply) is being promoted by the Government as a method of transferring wealth and redistributing income without resorting to fiscal measures.

Those from whom are taken, are the whites and those to whom are given, are the blacks. That is precisely the reason for the outcry against my remark. For this scandalous operation could only be justified if the whites owed the blacks.

But there is more to it, as Prof Craine Brinton points out in Anatomy of Revolution. Concern for the so-called underprivileged on the part of the already rich and chief enterprising groups is but a way of shielding their own selfish ends.

"Thus," says Brinton, "we see that certain economic grievances — usually not in the form of social distress, but rather a feeling on the part of some of the chief enterprising groups that their opportunities for getting on in this world are unduly limited by political arrangement — would seem to be one of the symptoms of revolution.

These feelings must, of course, be raised to an effective social pitch by propaganda, pressure group action, public meetings and preferably a few good dramatic riots . . . the grievances, however close they are to the pocket book, must be made respectable, must touch the soul."

For those in South Africa with eyes to see and ears to hear this sounds familiar.

It is no State secret that most blacks in South Africa are less inclined to save than most whites. Wage increases for them pass quickly to the pockets of the above "chief enterprising groups" so that the blacks become an intermediary in the operation of transferring income and wealth from the whites to the already rich and super-rich. The end result is of course obvious: the difference between the rich and super-rich and the rest becomes even more accentuated; the whites are robbed of their rightful position earned through toil and pioneering; the economy becomes distorted through the breaking of economic laws in the name of "social justice" and the law of rising expectations is put into operation as far as blacks are concerned.

What we are witnessing on the part of the Government and those "chief enterprising groups" of which The Star is a part, is another exercise in the well-tried tactic of accusing their opponents of precisely the thing they are planning to do. In other words, the Government, the Hoggenheimers and other revolutionary powers are implementing a revolutionary policy in South Africa in the name of "change," but to distract attention from their iniquitous schemes, they are accusing their opponents of "inviting revolution." Exactly the opposite is true.

Mr Jaap Marais

The revolutionaries do not go about preaching revolution. They insist on "change."

Change in itself may be an ordinary phenomenon, but if the rate of change is constantly accelerated and more and more values and traditions of society are called into question along the whole line, then change becomes revolution. And revolution obviously is an act by which things are turned upside down, so that what is on top lands at the bottom and what is below, is raised to the top. But, apart from that, revolution is essentially a redistribution of wealth.

As far as that is concerned, there can be no doubt about the intent of the present policy-makers in South Africa. It was The Star itself that reported in its issue of November 4: "The standard of living of the whites would have to drop, but that of the other races could not be allowed to drop." The man who said it was Dr F J Cronje, former civil servant and ex-MP of the United Party.

There is nothing I shall enjoy more than meeting Dr Cronje on a public platform to debate this political remark.

Implied in this revelation of who and what are behind the policy of redistribution of wealth, is, of course, again the suggestion that the whites have a debt to pay the non-whites, and that, therefore, they should not object to having a part of their income taken away in order to raise that of the non-whites.

The black man must realise that his present birth rate is the main stumbling block in his own economic progress. It is wrong to raise expectations in him of economic equality with whites as long as the general economic level of the black nations are far below that of the white nation.

Just as the Afrikaners accepted that, as a result of a ruinous war in 1900, a costly rebellion in 1914, an impoverishing depression in 1933 and other factors, the general economic level of their people was well below that of others whose economic progress had not been interrupted, so blacks will also have to accept it.

The HNP, just as the National Party of Dr Malan, Mr Strijdom and Dr Verwoerd, rejects any suggestion that the white man owes the black anything. The white man owes his own position to the exertion, suffering, toiling and excellence of generations of his forebears. He owes it to them to hand to the generations to come what our generation received from those who had gone before. If Mr Schlebusch has any other debt, then let him pay it on his own.

Let me urge emphatically that revolutions are not caused by what Mr Schlebusch and Mr P W Botha try to tell South Africa.

Revolutions are not caused by the masses, but by well-financed, well-organised groups of well-to-do individuals, as witness Rivonia, and, in another era of which The Star will know, the Reform Committee and the Jameson Raid.

Let me repeat: We owe the black man nothing. We have been paying 80 percent and more of the budget for black welfare, education, health, housing and other community services.

J A Marais

Pretoria.

★ *The Star's case is simply this: The white community owes all others equal opportunity in this country. If people are forcefully or legally discriminated against because of the colour of their skin, this is likely to become cause eventually for revolution. So is the proposition that the black man is owed nothing. — Editor.*

**Write to: The Editor
PO Box 1014
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Early bid to free industry from colour handicaps

By Hugh Leggatt, Political Correspondent

In a swift sequel to the Prime Minister's "Save SA" meeting with business, a special committee today urgently considered key aspects of economic strategy.

Two far-reaching reforms are expected to flow from the work of the panel of businessmen and economists appointed by the Government.

- The scrapping of Section 3 of the Environmental Planning Act which restricts employment of black industrial workers in urban areas — long a major bone of contention in the private sector.
- The rationalisation of the several industrial development corporations for different groups into one "colour-blind" national development corporation.

The aim of the panel of 10 is to map out a more effective development strategy by identifying and removing artificial economic restraints.

"NEGATIVE"

The panel is basing its discussions on investigations undertaken by the Department of Planning and the Decentralisation Board.

The Government still backs decentralisation — which Section 3 was meant to encourage — but economists are working on greater financial and profit incentives and different forms of control.

Future forms of control will avoid the "negative" discriminatory effects of Section 3. Parliament is expected to be asked to repeal the section next year, mainly on the ground that it discriminates between white and black workers.

By then the alternatives will have been formulated.

DUPLICATION

The Prime Minister, Mr P W Botha, said on Thursday that urgent rationalisation of the development corporations was necessary. This is now taking place five days later.

The aim is to avoid duplication of functions and if possible to integrate the corporations in one development body that covers both black and white growth points.

The panel of 10, appointed under the Prime Minister's economic adviser, Dr Simon Brand, has been asked to devise an all-embracing strategy, but urgent factors are getting priority.

It is understood that many new ideas for improving South Africa's economic performance by removing ideological barriers have been doing the rounds in the bureaucracy for years.

forced into the upper parts of the space-time box by ignoring several of the original definitions. As more examples of such forcing occurred, so the original definitions of the slots were loosened and expanded to contain an ever-increasing variety of artifacts. Survival of the revised framework was soon threatened again because the boundaries between the large, block-shaped subdivisions had become too blurred. Also, quantitative analysis was beginning to permeate archaeological procedures (Mason 1957) and the urgent need arose for numerically undistorted samples, complete artifact type lists, and far more rigorous attention to provenience (Inskeep 1961). Furthermore, the concepts of culture, industry, variant, stage, period, and phase were in free and variable circulation in the literature. The framework

Oppenheimer says PM has guts, but . . .

KOM 29/11/79

CAPE TOWN. — Mr Harry Oppenheimer last night praised the Prime Minister, Mr P W Botha, for showing "remarkable courage", but added that the National Party would not be able to carry through to its logical conclusion what Mr Botha envisaged.

Speaking at a dinner organised by the Progressive Federal Party in Sea Point, Mr Oppenheimer said South Africa was undergoing remarkable changes. He was immensely impressed by what was happening, and by the courage shown by the Prime Minister.

What Mr Botha was doing, however tacitly, was to say that everything the National Party had done in more than 30 years, and everything he had played an important role in, had been wrong.

Mr Botha, he said, was displaying great courage in recognising that South Africa needed to move to the left.

He was in fact saying that the PFP had been right and that he had been wrong, Mr Oppenheimer said. Thirty years ago when he was still an MP, things were different.

Then there was no doubt in the mind of the National Party that discrimination was right.

When apartheid was introduced, the object had not been freedom in the tribal areas, although this concept was a by-product.

The idea, he said, was to deprive blacks outside the tribal areas of any rights.

While the Progressive Party of the early days was a party of protest which could not really argue with the Government, the position was now completely different.

The PFP could now change from a policy of protest to a policy of power.

The PFP had produced constitutional proposals which, although not the final solution, could provide the basis for a solution to the country's problems through negotiation.

The Government had now publicly denounced race discrimination and had pledged to support private enterprise for all, including blacks outside the tribal areas.

However, the National Party was still shackled by its past policies and prejudices.

In contrast, the PFP had a sound record of opposition to race discrimination on moral grounds.

The Leader of the Opposition, Dr Fredrik van Zyl Slabbert, told guests that the recent Edenvale by-election had brought into sharper focus the options that existed in white politics.

It had also brought into the open the dissent in the NRP, and had brought about a new unity of purpose in the PFP.

The survival of a moderate opposition party such as the PFP could ensure that polarisation among the race groups would not increase. — Sapa.

Wonderwerk, Rose Cottage, and several other miscellaneous assemblages including the long-ignored "coarse Stillbay" reported from between the Second Intermediate and LSA in the pioneer excavations at Pear's Cave (Keith 1931). Although a few categories have been tentatively isolated, such as the Robberg Industry (Deacon 1977), an increasing number of assemblages remain vaguely labelled (eg. "Early LSA") and floating uncertainl within the gross subdivisions of the Middle and Later Stone Ages.

To avoid the ambiguities inherent in even these large categories, an increasing number of authors have recently turned to terms such as Holocene and Upper Pleistocene to define broad units. Thus a third sytem is being introduced into the literature. The time-axis of the framework is clearly in the throes of its fourth major crisis.

Development of the space-axis

It is hardly surprising that the space-axis of the framework has undergone similar episodes of strain during the course of its development, but the causes were not always the same as those outlined above. W.D. Gooch (1881) was the first to recognize the need for subdivisions in South Africa, although the classifiers of his times in Europe appear to have avoided this approach. By subdividing his field observations into five geographical regions, Gooch anticipated that we should not expect the Stone Age continuum to advance in an orderly progression of contemporary phases throughout the subcontinent. However, the later accumulation of field results showed that his regional/landscape slots did not covary with "culture-areas" represented by mapped distributions of similar-looking stone artifacts. Although Goodwin (1946b) was attracted to regional subdivision, he seems to have realized this and the units known as Cultures and/or Industries became the common approach to both spatial and chronological subdivision of the three Stone Age blocks.

Inevitably, new Cultures tended to spring up wherever a pioneer archaeologist happened to be located – either because of his place of employment or because of his personal field interests. The first ones to appear in the literature tended to cluster around Cape Town, Grahamstown, the Kalkfontein dam on the Riet River, the diamond-diggings on the Vaal, and so on. By the time of the 1929 meetings of the British Association, vast uncharted regions still existed between these oases of research.

49 28/11/79

FCI director backs free market economy

EAST LONDON — South Africa's long-term economic prospects very much depend on the sort of policies the Government adopts, the executive director of the Federated Chamber of Industries, Dr J. C. van Zyl, said in an interview here yesterday.

He said if the economy was permitted to move towards a more market-orientated structure with less Government interference, but more Government inducements, the picture was relatively satisfactory, especially compared with the more slowly growing world economy.

But he warned: "The name of the game is nevertheless efficiency. Our growth potential depends on the ability of our economy to maintain its competitive edge.

"For this we need the discipline of the free market economy to distribute resources to best effect and to discipline the inefficient."

Turning to unemployment, he said that in South Africa as a whole, the economically active population was increasing at an annual rate exceeding 3,5 per cent.

That implied that more than 250 000 jobs had to be created every year, more than 70 per cent of which had to be for blacks.

"At the same time it is the unskilled nature of the bulk of these additional pairs of hands which make these people difficult to employ.

"The paradox that South Africa has to resolve is that, at one and the same time, it must increase the number of persons employed and the output of those in employment.

"In other words, the South African economy can no longer grow along the relatively inefficient path followed in the 1960s. In those years the country grew by using more resources rather than by using resources more efficiently.

"It has been shown, for instance, that in the 1950s, productivity increases accounted for less than 40 per cent of South Africa's growth.

"This compares with the contribution of productivity to growth in GDP in the countries of Western Europe of nearly 65 per cent.

"Although comparable figures are not available for later periods, productivity performance has been a characteristic of South Africa's economic progress in both the 60s and 70s.

"At the same time the National Productivity Institute has shown conclusively that productivity increases of 50 per cent and more are possible in industry.

"Part of the problem is the weakness of management, especially middle management, but a significant reason for poor productivity performance is the lack of training and a definite policy of manpower development.

"We have thus arrived at a situation where the economic growth in South Africa is being held back by a lack of the necessary skills.

"At the same time the need for higher growth is being made more critical by the rising number of unemployed and unemployable persons on the streets.

"Our task is to transform the political liability of idle hands into an economic asset."

Turning to the Border region, he said that if South Africa was a microcosm of the world then the Border area was a microcosm of Southern Africa.

He added that economic growth in the Border area in the last few years had been disappointing and insufficient to match the economic aspirations of people in the area.

"These aspirations are for more jobs and for greater prosperity."

The Border area was also a prime example of a case for economic integration within a framework of political diversity.

"The steps which are being initiated to establish a zone of co-prosperity for this region may well become a pilot for a broader constellation of states to which so much attention is currently being given.

"It is seldom, however, that grand designs and fine words are themselves enough to resolve ingrained problems. We are dealing essentially with the problem of poverty.

"And recent studies have shown that the greatest ally of poverty is the unwillingness of people to secure their own advancement.

"There are no easy solutions to this problem because what is needed is a change in underlying attitude through contact, cooperation, education and consultation.

"In a word — development with people, not development for people."

Looking ahead at the 1980s, Dr Van Zyl also outlined three growth scenarios from the recently published Economic Development Programme compiled by the Office of the Economic Adviser to the Prime Minister.

All contain elements of the good news and bad news syndrome.

The first scenario, which projects the expected actual performance of the economy from 1977 to 1987, anticipates an average economic growth rate of only 3,6 per cent per annum in the GDP will be achieved; that the unemployment situation will deteriorate markedly and will rise from about 10,6 per cent in 1977 to no less than 21,9 per cent in 1987; and that the inflation rate will drop to about 6,6 per cent per annum.

The second scenario covering strategic policy adjustments to achieve a higher growth rate foresees that one policy adjustment could be to cut taxes both to private individuals and businesses; could see the GDP achieving an annual average rate of 4,5 per cent over the ten-year period; and could see the unemployment rate in 1987 declining from 21,9 per cent to 15 per cent, though that was still unacceptably high.

In the third scenario it was assumed that exports of merchandise and non-factor services (excluding gold) would increase over the 10-year period at a rate of 5,8 per cent, which was somewhat higher than the historical growth rate of 5,6 per cent per annum achieved during the period 1957 to 1977.

Dr Van Zyl addressed the annual meeting of the Border Chamber of Industries yesterday evening.

Presenting his annual report, the president of the chamber, Mr Max Phillips, hit out at the "tiresome reiteration of no confidence in the future of this region.

"The white enclave must and will remain as the economic generator for the region," he said.

"It is a good thing for both Ciskei and Transkei to have it there, although we should work harder on assisting in building up the agricultural and manufacturing capacities of our neighbours.

"What is good for them is good for us. You can be assured that as Ciskei and Transkei develop and prosper so also will we."

Mr Phillips also referred briefly to the controversial harbour issue, saying: "Ciskei and Transkei each want their own harbour which, to me, is unnecessary economic waste.

"The East London harbour can meet all needs, but the other participants rightfully ask for a piece of the action; a fair share of control.

"I believe that once a clear understanding is reached about the nature of modern-day port traffic, a satisfactory arrangement can be agreed on," he said.

— Business Editor

VII DISEASES OF THE CIRCULATORY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,51	0,33	1,10	0,21	1,80	1,59	0,13	0,10
1-4	0,05	0,06	0,02	0,10	0,15	0,17	0,02	0,04
5-24	0,07	0,06	0,09	0,10	0,14	0,17	0,11	0,13
25-44	1,09	0,44	1,31	0,70	1,54	1,27	0,73	0,78
45-64	9,75	4,44	14,76	10,70	10,33	8,25	4,61	5,01
65	42,19	32,93	55,30	47,72	43,12	40,90	13,55	14,21
ALL	4,70	3,81	3,22	2,25	2,74	2,69	1,14	1,20
NO.	9752	7926	1135	804	3114	3140	2390	1921

VIII DISEASES OF THE RESPIRATORY SYSTEM

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	2,90	2,22	7,81	4,85	32,20	28,78	13,54	14,15
1-4	0,22	0,28	0,90	0,69	5,32	5,45	2,46	2,13
5-24	0,05	0,06	0,17	0,11	0,21	0,23	0,18	0,16
25-44	0,20	0,12	0,37	0,33	0,94	0,72	0,66	0,52
45-64	1,46	0,92	3,33	1,85	4,88	2,14	2,75	1,72
65+	11,52	7,89	16,51	13,42	20,07	10,49	9,32	6,19
ALL	1,12	0,97	1,22	0,79	2,87	2,22	1,37	1,24
NO.	2336	2019	430	282	3270	2588	2858	1951

IV DISEASES OF BLOOD AND BLOOD-FORMING ORGANS

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	0,02	0,03	0,20	0,21	0,06	0,16	0,06	0,06
1-4	0,01	0,01	0,02	0,00	0,02	0,04	0,01	0,01
5-24	0,00	0,00	0,01	0,01	0,01	0,01	0,01	0,01
25-44	0,01	0,01	0,01	0,02	0,00	0,01	0,01	0,01
45-64	0,02	0,02	0,03	0,03	0,06	0,04	0,01	0,03
65+	0,11	0,11	0,13	0,15	0,13	0,15	0,03	0,03
ALL	0,01	0,02	0,02	0,02	0,02	0,03	0,01	0,01

Star 29/4/79

NP near to socialism —Basson

49

The nearest thing to a socialist party in South Africa is the National Party, Mr Japie Basson, Progressive Federal Party MP for Bezuidenhout said in Johannesburg last night.

"There are no real socialist or leftist parties among the whites in our country. The nearest to it, in fact, was and is the NP," he said.

Mr Basson said the strong bureaucratic approach with which the NP regulated economic and social life, was socialism.

"The Verwoerdian policy which the NP followed in respect of the lives of the black people was, and still is, the purest form of State socialism.

"No black can move without a permit, work without a permit, set up shop without permission or settle, without applying to the State for a house in which to shelter," he said.

	M	F	M	F	M	F	M	F
0-1	0,52	0,18	0,50	0,41	2,02	1,56	1,26	1,20
1-4	0,05	0,05	0,02	0,07	0,45	0,26	0,23	0,18
5-24	0,03	0,01	0,05	0,04	0,09	0,06	0,09	0,07
25-44	0,03	0,01	0,04	0,05	0,23	0,09	0,13	0,06
45-64	0,07	0,07	0,21	0,11	0,36	0,13	0,26	0,07
65+	0,18	0,13	0,00	0,15	0,47	0,18	0,44	0,15
ALL	0,06	0,04	0,07	0,06	0,25	0,14	0,17	0,12
NO.	128	85	26	23	289	164	366	187

Great courage by PM says Mr O

MR HARRY Oppenheimer, this week praised the Prime Minister, Mr P W Botha, for showing "remarkable courage," but added that the National Party would not be able to carry to its logical conclusion what he was envisaging.

Speaking at a donors' dinner organised by the Progressive Federal Party in Sea Point, Mr Oppenheimer said South Africa was changing in a remarkable way.

Mr Harry Oppenheimer

He was immensely impressed by what was going on and by the remarkable courage of the Prime Minister.

What Mr Botha was doing, however tacitly, was to say that everything the National Party had done in more than 30 years and everything he had played an important role in, had been wrong.

The courage he was showing was that he was recognising that South Africa required a move to the left.

He was in fact, tacitly saying that the PFP had been right and that he was wrong.

Mr Oppenheimer said that, 30 years ago when he was still an MP, things were different.

Then there was no doubt in the mind of the National Party that discrimination was right.

When apartheid was introduced, the object was not freedom in the tribal areas, although this concept was a by-product. The idea, instead, was to deprive blacks outside the tribal areas of any rights.

contravention of subsection (1) with respect to allotment or acceptance of an offer, shall

(2) Any director or officer of a company or any offeror or, if the offeror is a company, any director or officer of that company who knowingly contravenes or permits the

after the date of registration of the prospectus.

164. Time limit as to allotment or acceptance.—(1) No company shall allot any shares offered to the public for subscription and no offeror shall accept any offer to purchase any shares offered for sale to the public unless the application concerned is received by the company or the offeror, as the case may be, before the expiration of a period of four months after the date of registration of the prospectus.

Allotment and Acceptance after Offer to the Public

163. No diminution of liability under any other law or the common law.—Nothing in this Chapter contained shall limit or diminish any liability which any person may incur under this Act apart from this Chapter, or under any other law, or under the common law.

FM 30/11/79

49

PM'S PARLEY

Time of compromise?

Businessmen — especially SA's top 250 who attended PM P W Botha's *indaba* at the Carlton Hotel last week — have a particular talent They get things done.

They are pragmatic as well as single-minded, and most of their energies are devoted to making money. In this way, they perform a vital role.

But, as was demonstrated at the Carlton, there are some things which businessmen are not.

They are not, for example, cast in the heroic mould. They are rightly cautious, protecting their interests, not to mention those of their shareholders, at all times.

They are not, with notable exceptions, of an intellectual bent. And they are generally not men of great social vision. It is not coincidental that, historically, the ranks of business do not throw up national leaders such as De Gaulle, Churchill, Roosevelt or Smuts. Such men generally come from the military, academic or political fields.

Further, like everyone else, businessmen are susceptible to flattery. Thus, this week, SA's business leaders, excluded for at least three decades from any real participation in power politics, were basking in the aftermath of Botha's skilful stroking.

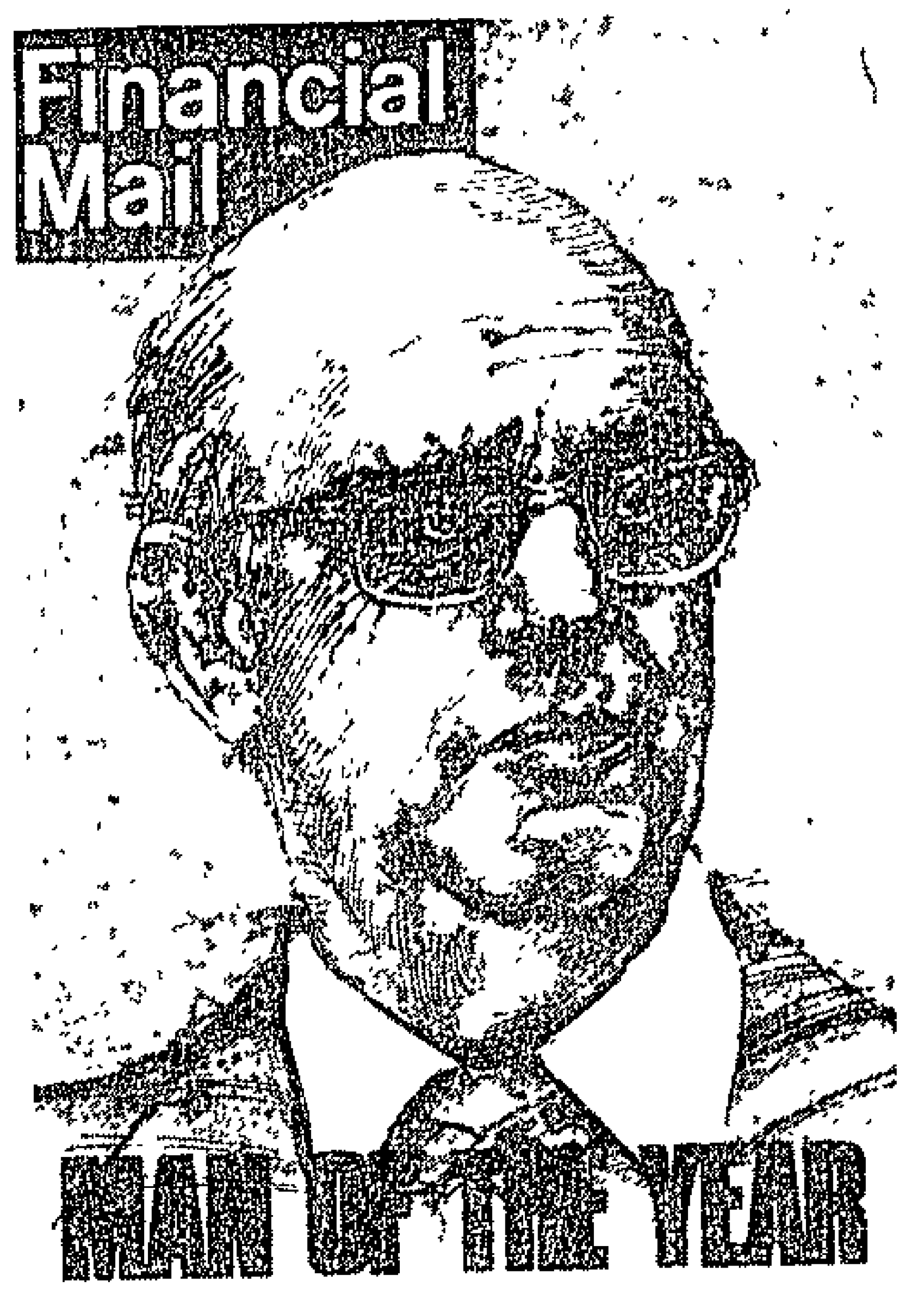
For Botha, the conference was his most spectacular coup since reaching the premiership. He now has businessmen of all persuasions and colour endorsing his leadership, as well as his plan for a constellation of southern African states. Back in Pretoria, he sleeps sound in the knowledge that whatever befalls SA, he has the nation's elite to share the burden.

Whether he has earned that confidence is another matter. For, in the harsh light of day, some of SA's coolest political analysts and leaders suspect that Botha's prime objective was to harness business support for the continuation of the policy of separate development. They are sceptical that he will achieve fundamental change in the National Party, and they are disturbed at businessmen's apparent willingness to be compromised. Indeed, some of those who attended Botha's meeting, but didn't speak, felt that lack of criticism marred the occasion.

Most of those present, however, would probably disagree with this view. They would point out that on important economic and industrial matters, speakers like Sanlam's Andreas Wassenaar, Nedbank chairman Frans Cronje, and the chairman of Barlow Rand, Mike Rosholt, made valuable contributions. Wassenaar's attitude to state disinvestment is well known. But the way he put his critical case was impressive.

Wassenaar, however, was certainly an exception. And genuine as Botha may be, businessmen may have lost an opportunity to hasten a new dispensation for blacks — and SA as a whole — by failing to assert a tough, independent stance. For Botha can hardly be blamed if he interprets the uncritical attitude of SA's leading industrialists and financiers as an endorsement of his strategy.

After all, Botha called the meeting to hear criticism. For this reason, the few pressmen invited were bound to confidentiality. Those in the know say he was expecting a rough ride. The PM was so pleased by the outcome, however, that he about-faced and gave permission for the proceedings to be reported.



While Botha may have gained their support, what have businessmen been offered or guaranteed? What has been achieved? Apart from an apparent willingness to look more tolerantly on the claims of private enterprise, it seems that SA business has received very little in exchange.

As Soweto businessman Sam Motsuenyane is reported to have said: the roof and foundations have been finished, but no-one seems to be worrying about the walls and the windows.

What fascinates observers most, however, is the game (perhaps that of the mongoose and the snake?) being played by the chairman of Anglo American, Harry Oppenheimer.

Oppenheimer's opening gambit — his qualified support of the Botha plan — surprised many. That there is a deeper motive beneath the surface approval goes without saying. But as Botha and Oppenheimer, worthy adversaries, circle each other, it is not easy to see precisely what drives SA's most powerful businessman.

Given Oppenheimer's considerable experience as a politician (he was a member of Parliament for many years), not to mention the fact that he is the "compleat" businessman, it may safely be deduced that the stakes are high. In going along with the PM, Oppenheimer is paying a top price, and one he has not been prepared to risk in the past.

Yet a number of "Oppenheimer-watchers" are optimistic that his tactics are the right ones. They maintain the Anglo boss is acquiescing to Botha's strategy in the firm belief that the Prime Minister will seek compensatory support from the ranks of English business when the National Party finally sheds its right wing.

And they argue that this will give them more clout than any political party outside the government, without necessitating an overt alignment with the Nationalists.

POST TRANSVAAL

Telephone 27-6081

The damning indictment

THE countdown for Christmas has begun. Commerce and industry are gearing themselves up for what should be a season to break all others in terms of bustling business returns. The kids no doubt are already gazing up to the heavens for the goodies that do come with the season.

For many of us, however, Christmas this year comes to a very disturbed nation. In spite of all types of excitement predicted by the Government and business community, tens of thousands of families face literal starvation with unemployment wreaking havoc among our people.

In the Eastern Cape we are treated to a disturbing spectre of industrial unrest spreading at an alarming rate. A clear warning to managements all over the country that the black worker demands of them a sensitivity such as they have never demonstrated before.

On the national political front there is unprecedented confusion — and strange signs — as our rulers continue their futile attempts to beautify the ugly face of apartheid. They do this instead of using their right option, namely, seeking with all our people, the alternative to the monstrosity they call their policy.

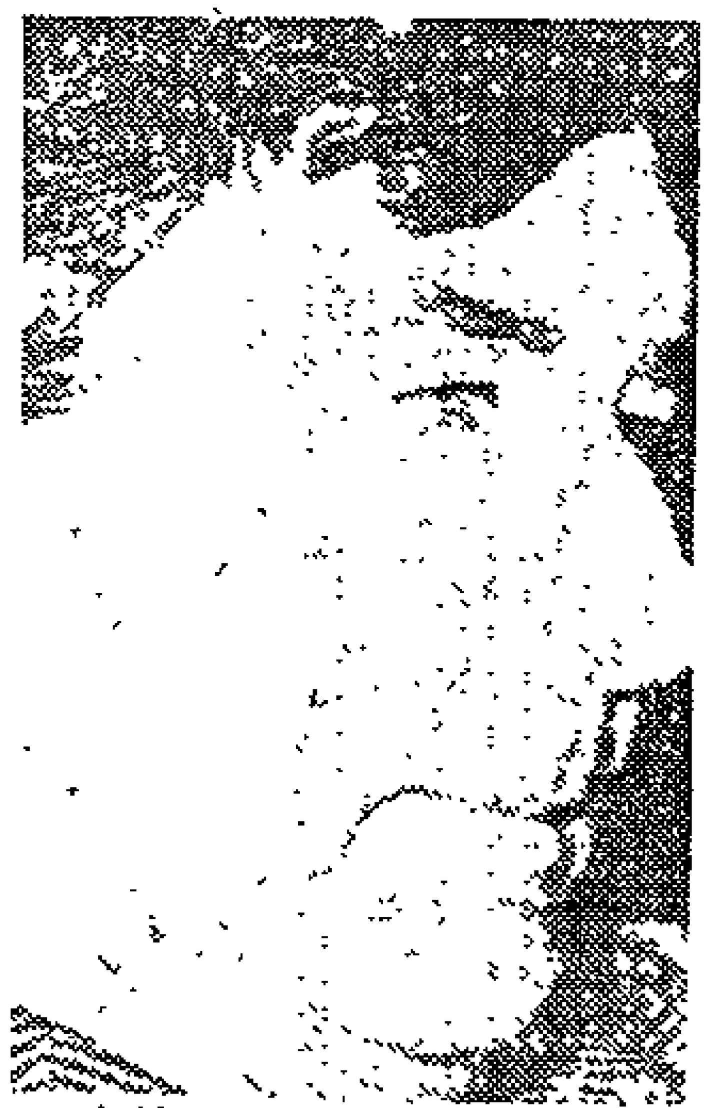
All in all, it is a Christmas where the dream of peace and goodwill continues to elude us as man's selfishness and brutal lack of compassion for their fellowmen continue to be the vices that wreak havoc with the soul of this nation.

Indeed everything that the story of Christmas and Easter represent, go overboard as conflict based on nothing else but our refusal to acknowledge that all of us — irrespective of race — have a human dignity and personality to which all resources of government and country must be employed to guard jealously.

This is done in South Africa if you are white. Never if you are black. That is the damning indictment of this nation.

5/12/79 (49) 91

Government acts on forward exchange cover



SEN HORWOOD . . . changes will help to reduce tax.

PRETORIA — In a move which will ultimately benefit the taxpayer, the Minister of Finance, Sen Horwood, has announced a number of changes in the way in which the Reserve Bank will provide forward exchange cover on foreign currency loans and long-term export credits to public sector institutions.

Making the announcement, he said they were a further step in implementing the recommendations of the commission of inquiry into the monetary system and monetary policy in South Africa.

The conditions under which the Reserve Bank provides forward exchange cover for the account of the Treasury to public corporations, the South African Railways and the Department of Posts and Telecommunications will come into effect from January 1.

The changes are:

1. The Reserve Bank will continue to provide forward exchange cover to the institutions on foreign loans and credits, including trade credits, but only in respect of the exchange risk between the rand and the US dollar.

In the case of loans and credits denominated in currencies other than the US dollar, forward cover between the dollar and the other foreign currencies involved will have to be arranged by the institutions themselves through normal banking channels.

2. In respect of trade credits, the Reserve Bank will provide Rand-dollar forward cover to the relative institutions regardless of whether the credit is obtained in the form of suppliers' credit, bank finance or in any other way, but only if the credit is extended for an uninterrupted period exceeding one year for the institutions to import capital goods.

Forward exchange cover relating to trade credits of one year or less should, as in the past, continue to be arranged through normal banking channels.

3. The rates for forward exchange contracts entered into with the Reserve Bank will be determined by the bank at the time of the conclusion of the contract and will apply for the full period of the loan or trade credit obtained by the institution involved.

4. In respect of all foreign loans and credits to the institutions established before January 1, 1980, the existing forward cover arrangements will continue to apply.

Sen Horwood added: "As the commission pointed out in its interim report on exchange rates, the then existing practice of providing inexpensive cover to public sector institutions on their foreign loans and credits, regardless of the currencies in which these loans and credits were denominated, understandably encouraged these institutions to borrow in the strongest currencies in order to obtain the advantage of lower interest rates.

"This was done without any concern over the risk of appreciation of these currencies against the rand.

"This was clearly beneficial not only to the institutions concerned, but also to their customers.

"However, as a result of the considerable appreciation of some of these currencies, particularly the German mark and the Swiss franc, this practice contributed substantially to the loss of hundreds of millions of rand sustained by the Reserve Bank over the years on its forward exchange transactions.

"These losses have been for the account of the Treasury and eventually, therefore, of the taxpayer," Sen Horwood said.

"The details of these losses have been made public from time to time. On April 10, 1978, for example, when I announced the revaluation of the Reserve Bank's gold holdings, I said the bank's total outstanding losses on foreign exchange holdings, gold transactions and forward exchange contracts at that time amounted to R1 134 million and would be set off against the gold revaluation profit of R1 690 million.

"During the rest of its financial year up to the end of March 1979, the bank sustained further gold revaluation 'profit' of R555 million and a 'profit' of R11 million on foreign exchange holdings.

"Moreover, even if the present exchange rates between the rand and other currencies were to remain unchanged in future, substantial further losses on outstanding loans denominated in currencies which have appreciated against the rand in recent years, will be realised as and when the loans are repaid.

"Over a period of years these losses already in the pipeline could amount to over R1 000 million.

"In effect, the Reserve Bank's losses on forward cover extended to public sector institutions represent a Government subsidy to these institutions and therefore increase the burden of taxation on the man in the street and on companies.

"One of the implications of this subsidisation is that the costs involved are not allocated where they belong, with adverse consequences on the allocation of scarce productive resources in the economy.

"By substantially reducing the Reserve Bank's forward exchange losses, the new arrangements should therefore assist in reducing the burden of taxation on individuals and companies, in addition to increasing the effectiveness of monetary and fiscal policy.

"The new forward cover arrangements represent a further step in the direction of market allocation of costs and the reduction of hidden subsidies constituting a burden on the taxpayer," Sen Horwood said. — SAPA.

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deaths caused by infectious diseases. The African mortality which is characteristically associated wi whilst the 'coloureds' appear to occupy an intermed. whites and Africans, although it is clearly much mo: Africans than it is to the whites.

What is of particular concern about the 'intermedia 'coloureds' is that it would appear to incorporate developed and the developing experiences. This be Table II which provides a more detailed analysis of contributing to the overall mortality of the whites form of cause specific mortality rates for defined though cardiovascular diseases are consistently res small proportion of the overall mortality of the 'c indicates that the actual rates for cardiovascular similar for both whites and 'coloureds' since 1941

Clearly, the broad diagnostic categories used in t certain amount of information. However, because classification which have taken place since 1929, examine the temporal changes of mortality rates i1 ease categories with rates greater than 5/1 000 Table II. It will be noted that the mortality e

BLACK WORKERS GAINING POWER IN BOTHA'S SA

Under the leadership of the Prime Minister, Mr P W Botha, the white worker is losing out, says the widely respected Stellenbosch University historian, Dr Hermann Giliomee. In the first of a three-part interview, he explains how white wealth is steadily being transferred to a rising black middle class.

By Hugh Roberton

WHITE workers in South Africa are losing their power and wealth to a rising black middle class and the trend will accelerate in future — with the Government's encouragement — says the noted Stellenbosch University historian, Dr Hermann Giliomee.

He believes that this will flow from the new policy direction of the Prime Minister, Mr P W Botha, and says the process could be stopped only at the risk of great turmoil and violence.

Dr Giliomee, co-author of the widely acclaimed study, The Rise and Crisis of Afrikaner Power, gave his views during an extensive interview on the background to Mr Botha's new policy initiatives and what they will mean for South African in the next decade.

'It is no longer a plank in the politics of white supremacy to accord a special position of power and privilege to the white worker. Five years ago, the Government was still in cahoots with the white trade unions, defiantly declaring that it would look after the white workers.

'Now, quite simply, the white workers have lost out. The Government is indifferent to their demands,' Dr Giliomee said.

What has led to this situation, so strikingly different from the 'blacks may not replace or supervise whites' doctrine of not long ago?

'To a large extent the Government's hand was forced by a sharp drop in immigration and a decline in the white fertility rate, which brought on a large decrease in the white labour force,' says Dr Giliomee.

'As recently as 1976 there were 27 000 whites entering the labour market each year. Now there are only 11 000 new white workers a year. This situation has made it obvious that middle class prosperity will, to an increasing extent, depend on the availability of black skilled labour.

'The Bureau for Economic Policy and Analysis has estimated that to attain a growth rate of five percent a year for the next 20 years, more than half the increase in skilled labour will have to be black.'

Dr Giliomee also believes that South Africa's changing economic profile has led to what he says has been 'a remarkable decline in the power and wealth of white workers over the past five years.'

'Manufacturing and commerce are now dominant in the economy in terms of their ideological influence and contribution to the national income.

'Not long ago the National Party gave special consideration to farmers. Now, in order to generate growth and accumulate capital it has to service the manufacturing sector and provide it with a stable and contented labour force.

'This economic need conflicts with the interests of the white working class and its inflated wage structure.

'The changes proposed by the Wiehahn Commission gave to the black worker not only increased bargaining rights, heavily qualified though these might be, but if genuine black unions were to enter the industrial councils they would substantially reduce the bargaining power of white workers.

'White workers could previously set wages for themselves — and for the black unions — but now they will have to deal with black workers in a unified system of industrial relations. It is very likely that if these black unions make any wage advance, it will be at the expense of white workers rather than at the expense of employers,' Dr Giliomee said.

'My hunch is that there will be a redistribution of income within the industrial councils from white workers to black workers. If that happens, the Government is unlikely to interfere. It has committed itself to the Wiehahn principles of maximum decentralisation of negotiation and minimum State intervention.'

He added: 'To the white workers, the Botha Government quite clearly spells bourgeois prosperity and bourgeois supremacy instead of white prosperity and white supremacy as was the case until very recently.'

Dr Giliomee says the strategy behind the Wiehahn and Riekert Commissions is to 'build up a black labour artistocracy in the urban areas, not only to meet the needs of industry, but also as allies of the whites against the unemployed in the homelands.'

The Riekert Commission's proposals, he added, spelled 'an intensification of influx control and the division between developed and undeveloped parts of the country. It aims at improving the position of urban blacks while fencing off the cities from the large number of unemployed.'

The steady economic advance of the Afrikaner had also laid the foundation for reform in the labour field. As recently as last year, the State seemed to embody the political power of the Afrikaner who could look forward to a continuing re-distribution of wealth in his favour through a network of State agencies and para State corporations.

'But the picture a month before the end of the decade looks quite different. It is now very likely that the growth in the public sector will decline over the next decade.

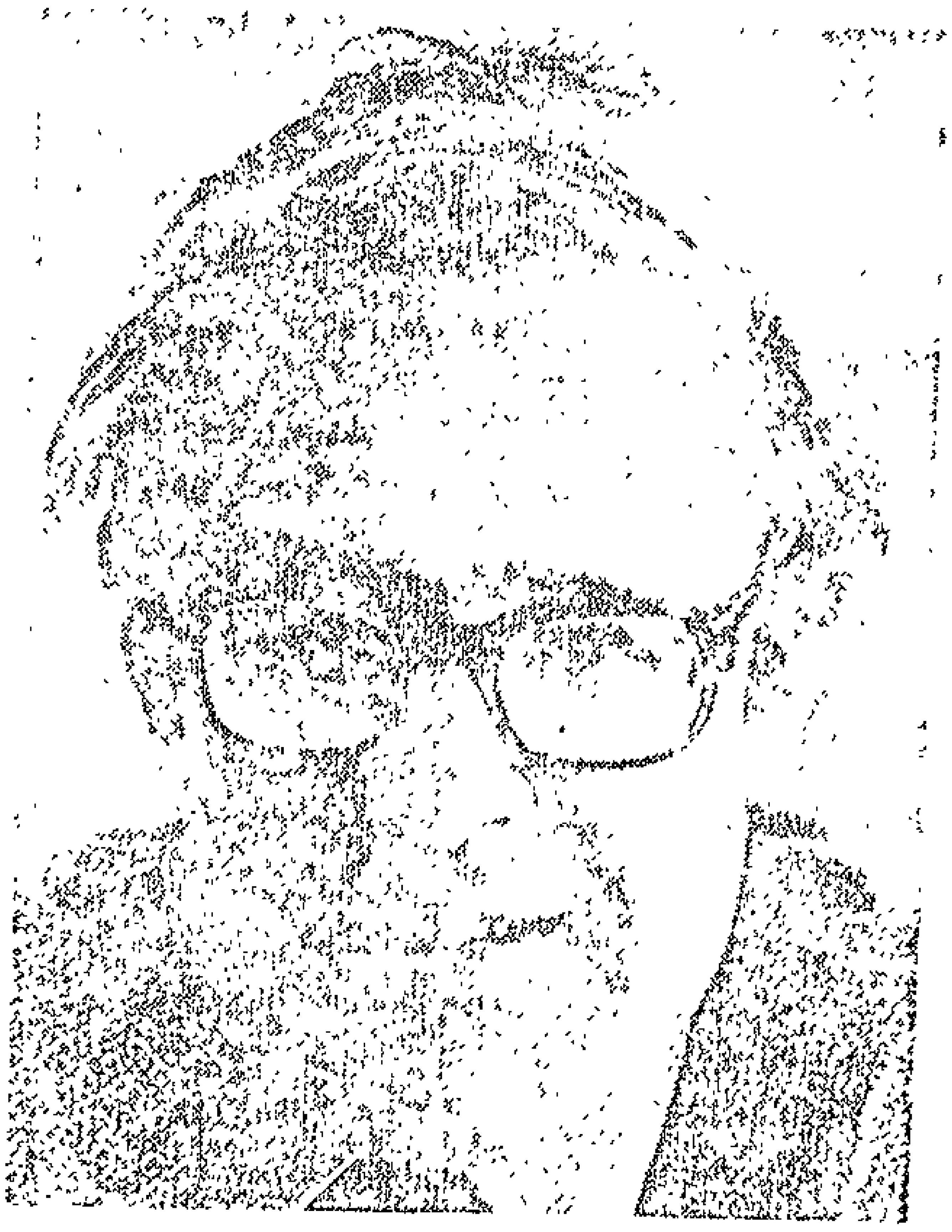
'By and large the interventionist State has cared so well for the farmers, businessmen and white workers that all but the very weakest can survive. A new order characterised by an ideology of growth is now being developed.'

Dr Giliomee says these changes were foreshadowed in The Rise and Crisis of Afrikaner Power by his co-author, Dr Heribert Adam, professor of sociology at Simon Fraser University in Vancouver.

'What neither of us foresaw was the remarkable extent to which the State, under P W Botha, has become identified less with white politics, white workers and interventionist policies and more with economic development, growth and a belief in the efficacy of market forces.'

Dr Giliomee warned that while most Afrikaners had acquired bourgeois status and values, the 'new' National Party could clearly not accommodate the Afrikaans working class and in this sense the 'demobilisation' of the Afrikaner had begun.

'A bourgeois party obviously does not remotely generate the same enthusiasm as an ethnic party. Large stay-aways at the polls will almost certainly become a permanent feature of the South African political scene, except in the face of an external threat,' he said.



Dr Hermann Giliomee

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There's lots of room still for State enterprise

South Africa is reaping the benefit of heavy State expenditure in the mid-70s. There is a danger that in the scramble to give more scope to private enterprise the need for public spending on preparing the ground will be overlooked.

By HAROLD FRIDJHON

IN THIS heady, euphoric atmosphere of up the free enterprise system, slash all Government spending and keep the State's fingers out of the capital pot, there is a grave danger of the mood being overplayed.

In many sectors of the economy the less State interference in the private sector the better. And Dr S W van der Merwe's easing of the import control restrictions is a big step in the right direction.

From a balance of payments point of view there was neither rhyme nor reason why import control should have been persisted with for the past year or more. If South African industries needed to be protected the correct course was to raise tariff barriers of the right kind, Gatt permitting.

But protection by import control is immoral and inequitable, quite apart from the enormity of delegating to public servants who have no idea of trade and commerce is all about, the right to decide who should import specific goods and who should not. It was a system which lent itself to abuse — and at times during its long history, import control was abused.

People who import goods should be at risk, the normal business risk; they should not be protected by arbitrary decisions on the issuing of permits.

Hopefully — if the gold price holds and our other merchandise exports continue to flourish — we have seen, or we are seeing, the end of import control and with it the return of free trade in business. And if someone overimports he has to answer to himself for his folly.

But in the rush to "dank die Minister", for heaven's sake let us not discourage capital expenditure by the State. We need it. The right sort of spending, of course. Not palatial town halls, or white elephant opera houses. These we can do well without, even if their loss diminishes the status of the city, town or dorp concerned.

What is needed is real honest-to-goodness infrastructural capital expenditure so that the soil is prepared for the private sector to do the ploughing, the fertilising and the seed-sowing for the industrial crops of the future.

I would like the Railways, for instance, be given the capital to develop more mineral lines and more port facilities for the export of our primary products.

Why stop at 44-million tons of coal for the export markets? In the mid-80s the world demand for steam coal will burgeon and South Africa should be right out there in the market place offering this product. Colliery owners can find tha capital and can develop their facilities, but they are entirely dependent on the State to have laid the foundations in the first place.

And it's not just a question of coal; this applies with equal emphasis to all mineral and agricultural exports.

Then, if the rural and homeland areas are to be developed and opened up as they should be, again, the soil must be prepared by the laying down of roads and the provision of power — not that Escom is laggardly. On the contrary, of all the State and quasi-State bodies, Escom is the most forward looking. It plans well ahead which is what other State departments should do.

As Mr Mike Rosholt, chairman of Barlows, said in his recent annual statement: "The public sector must continue to lead in investing in labour-intensive projects, such as urban housing, infrastructual development and agricultural schemes in the rural areas. For its part private enterprise can assist by providing finance and marketing experience."

The national accounts show that the big jump in State spending on fixed investment, particularly in 1975 and 1976, prepared the ground for the prosperity which we are just beginning to enjoy.

In the succeeding years there has been a levelling off of expenditure which really means a physical decline in the provision of resources because of the effects of inflation.

When Senator Horwood frames his Budget he should certainly use his scalpel on some of the wasteful current expenditure in many departments, but when it comes to capital expenditure, I say more, not less, money for development is needed. While the balance of payments can stand the strain, let him spend on capital necessities. If needs be, let's borrow while our credit is good.

This will lead to more employment, bigger demand and faster growth which has to be South Africa's watchword

Star 11/12/79 (49)

Economy gets more steam up

By Colin Campbell
Deputy Financial Editor

All round, it wasn't a bad quarter for the South African economy in the period ended September.

The Reserve Bank's latest Quarterly Bulletin, issued today, makes it quite clear that the pace of economic activity definitely gained steam, and that virtually every sector of the economy enjoyed a higher level of real economic activity

A distinct decrease in unemployment became evident in the third quarter; there was a substantial further surplus on the current account of the balance of payments, and Exchequer receipts during the first six months of the Government's fiscal year were well in excess of that anticipated in the Budget for the fiscal year as a whole.

Some worrying points remain, however. Inflation increased markedly, with both the consumer and wholesale price indices recording their largest quarterly increase in five years. And the terms of trade deteriorated for the second consecutive quarter.

SURPLUS

The bulletin explains that this deterioration was due to an even higher rate of increase in import prices, particularly in those of petroleum products.

The surplus on the current account of the balance of payments in the third quarter was R1 030m, bringing the surplus for the first nine months of 1979 to about R2 600m.

The Reserve Bank records that there was a further substantial net outflow of capital, the larger part of which consisted of short-term capital, partly related to repayment of short-term foreign loans, and partly related to the widening of the margin between the effective cost of trade financing in terms of the dollar and the rand.

Exchequer receipts in the period April to September were 23 percent higher against a Budget figure of four percent. The main reasons for this were a marked increase in receipts from gold mining companies.

"Whereas the 1979-80 Budget provided for an actual decline of R7m in receipts in the form of income tax and mining lease payments by gold mining companies, actual receipts during the first half of the fiscal year already exceeded those during the first half of the preceding fiscal year by R222m."

Of the JSE, the bank notes that the comprehensive share price index reached a level in September that was higher than the peak in May, 1969. Turnover, however, did not rise to the 1969 level.

The rand appreciated by 2,4 percent against the US dollar during the third quarter.

Since January this year until the end of October the rand appreciated by 4,9 percent against the US dollar, whereas the weighted average exchange rate of the rand appreciated by 5.1 percent.

Other points include:

- Supply of money and near-money increased sharply during the third quarter;
- Seasonally adjusted number of registered unemployed whites, coloureds and Asians increased from 27 263 in April to 29 547 in July, before falling to 28 408 in the three months ended October.
- The number of unemployed blacks amounted to 9,2 percent of the economically active population in August, 1979, compared with 9,8 percent a year earlier;
- Foreigners were net sellers of securities listed on the JSE;
- Unit trusts experienced a small further net outflow of funds;
- Financial shares showed the largest prices increased, followed by mining shares and the combined group of industrial and commercial shares.
- Demand for mortgage loans is increasing strongly. At the end of September the societies' excess holdings of prescribed investments amounted to R832m.
- The value of real estate transactions was 20 percent higher than in the preceding quarter. Transactions in the first nine months of 1979 exceeded those in the corresponding period of 1978 by 24 perment.
- Gross mortgage lending by building societies was 73 percent higher in the first nine months of 1979 against the previous year.

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Another growth signal

BY HAROLD FRIDJHON

ANOTHER green light signal has been given to the South African economy. The Prime Minister, Mr P W Botha, said yesterday in a statement on the November meeting of the Economic Advisory Council that a further increase in the economy's growth rate should continue to be the main objective of short-term economic policy.

And the council confirmed that the economic recovery was gaining momentum and was becoming more widespread.

Among the matters studied by the EAC were:

- Economic conditions and prospects in the shorter and long term;
- Unemployment;
- Inflation and the balance of payments;
- Training, productivity, low-cost housing and progress in implementing the 99-year leasehold system in the black cities.

At its August meeting, the EAC decided that economic policy should focus on the promotion of growth and employment and that the unacceptably high rate of inflation should not be a deterrent to this policy. The balance of payments could accommodate a higher growth rate, which depended largely on an upturn in private consumption expenditure.

Mr Botha's statement said the latest information justified these views in spite of the volume of exports losing momentum — although the value of gold production had increased considerably.

Private consumption expenditure had shown a relatively sharp upturn in the third quarter and it would appear that the earlier view that an export-led economic recovery "is gradually making way for a consumption-led recovery".

Blocking the way to a satisfactory growth rate was that private fixed investment was not increasing as desired and economic conditions abroad could lead to further deterioration in export performance.

These factors decided the EAC that growth should be the Government's economic goal, both short term and long, but at the same time financial discipline had to be maintained.

The current account of the balance of payments was stronger now than the EAC had previously envisaged, amounting to R2 600-million during the first nine months of this year. A weakening in the current account as a result of a further upswing in domestic demand "could be offset to at least a significant degree by the improvement in the capital account".

The council believed that seeking a higher growth rate need not necessarily result in a higher inflation rate at this stage.

Although it was not necessary to stimulate further private consumption expenditure at this stage the next Budget should be used for this purpose. The council proposed that in the next Budget emphasis should be placed on the promotion of private savings to finance expansion.

As exports would continue to play an important role in stimulating growth, the EAC urged more export incentives. It was hoped that through the continued maintenance of strict fiscal discipline, it would be possible to provide enough room for both tax reforms and export promotion programmes.

But, at the same time, the council said that all public projects should not be curtailed. Among these were the provision of housing, making extensive use of private sector financing. It was noted that the R250-million scheme initiated in 1977 was running out.

The council stressed the urgency of "rapid progress" in developing the 99-year leasehold scheme. It said that 25 345 plots were available in greater Soweto with the prospects of a further 119 750 plots becoming available mainly in the Transvaal. The EAC hoped that problems connected with the 99-leasehold scheme would be ironed out soon.

In some sectors of the economy a shortage of certain manpower skills was becoming apparent and the need for providing sufficient training facilities of satisfactory quality was stressed. Training should also be aimed at increasing productivity and decreasing unemployment.

Mr Botha said that the EAC recommended that the National Manpower Commission should analyse various approaches to the solution of the unemployment problem and to formulate practical proposals.

The council could see no casual relationship between the sharp increases in the rate of inflation and the money supply during the third quarter.

The increase in the money supply was largely attributable to the rise in the gold and foreign exchange reserves, a decrease in Government deposits and an increase in bank credit to the private sector.

Mr Botha said that although there was no connection at present between the rate of inflation and the easy liquidity conditions, the Government accepted the council's view that excessive liquidity in the economy was undesirable and the authorities would direct their attention to the absorbtion of this excessive liquidity "by appropriate measures."

GOVERNMENT SPENDING

Keeping the brakes on

FM 14/12/79 (49)

There are not many cabinet ministers who would fit easily into the humble image of Dickens' Oliver. Yet, by all accounts, as they line up outside Finance Minister Owen Horwood's door, that is what they have become.

Indeed, what emerges is a lucid picture of a whole cabinet of Olivers appealing to Mr Bumble. All want more in the happy knowledge that his larder is full and overflowing. But so far they have been given very little.

Judging by the figures Finance Minister Owen Horwood has, he is doing a deft job of restraining the spending appetites of his cabinet colleagues. But, according to Treasury and Reserve Bank insiders, it hasn't been an easy or pleasant task.

Financial Mail December 14 1979

Of course, every cabinet minister is bursting with new initiatives, new projects, which his department could undertake — if only he could squeeze a little more money from Treasury's bulging coffers. Think of what it would do for his prestige and public image.

Alas, it is not to be.

Expenditures from the Exchequer Account are more or less on target. While government spending in October jumped to R1 108m, compared to a monthly average of around R900m for the first six months of the fiscal year, total expenditure for the first seven months amounted to R6 452m — or roughly 57,5% of budgeted spending (R11 219m) for the full fiscal year.

Based on the approximation that government would have spent 58,3% (7/12th) of its budget by the end of October — although this ignores seasonal fluctuations in its spending patterns — the amount of R6 452m is virtually spot on.

However, Treasury's Revenue Account is running ahead of budgeted estimates. Total budgeted revenue, excluding borrowing receipts, is R8 383m. In the seven months to October, revenue has built up to R5 068m, or roughly 60,5% of total budgeted revenue for the year.

And, since the gold mines only pay taxes every six months — with the next payment due at the end of this month — revenue will be well over budget by January.

Naturally, Horwood's colleagues are acutely aware of this fact. Every day the gold price holds above $400 an ounce, it brings new knocks on his door and more special pleas for extra cash.

Of course, not all additional demands by cabinet members are motivated by their own initiatives or pet projects. Civil servants are continually clamouring for salary and wage increases. Teachers, nurses, policemen, railwaymen — to name but a few — all want more.

They know full well that government's coffers are overflowing. Many have heard that the banks have cash to spare, that interest rates are low, that the gold price remains firm; in effect that somewhere, things are looking good. But their pockets are just as empty as before.

What, therefore, is behind Horwood's intransigence? And, more to the point, for how long can he hold out?

To the first, there is a fundamental answer; one much talked about in recent weeks. It is that Pretoria is clearly determined to pay more than mere lip-service to the free enterprise concept. That means government must progressively reduce its trading activities so that the private sector may take them over. This is based on the philosophy that prosperity is best served by each individual in society spending as many of his own resources as possible in the manner he deems best.

As a senior Reserve Bank man explains: ideally, the increase in government expenditure should not exceed the rate of inflation. He says: "We must put the ball firmly back in the private sector. More private sector investment is essentially dependent on a greater proportion of expenditure being controlled by this sector."

This, in turn, should lead to an allocation of resources that reduces the likelihood of inflationary pressures building up in the economy. But it could be a long process, as tax cuts making this possible are awaited.

The alternative — which Horwood has clearly rejected — would be to increase government spending as did so many governments in the Sixties. It would certainly get cash into the pockets of the masses more quickly. But experience has shown that the dangers of stimulating demand beyond supply in this way are so great that inflation would almost inevitably quickly wipe out any short-term advantage, as experience in the mid-Seventies illustrated.

In moving towards a more market orientated economy — and consequently to a higher rate of real growth — the allocation of government spending between departments is as important as keeping the total outlays in check.

For instance, if a market economy is to be effective — and equitable — all sections of the community must be given an education that makes for equality of opportunity.

Nor should the provision of an adequate infrastructure be allowed to hinder the growth prospects which we need in the year immediately ahead.

Budgets of recent years have belatedly reorganised both these requirements. But, particularly so far as black education is concerned, much more still needs to be done very quickly if growth expectations are to be sustained.

A vastly reinforced trend in this direction in the allocation of departmental spending will also reduce the need for such large amounts of non-productive expenditure on the physical defence of the realm.

Within the next month or so, the planning for the March budget will begin and, in view of government's free enterprise stance, further tax reforms and reductions can, we believe, confidently be expected.

That, plus a reallocation of departmental spending, should go some way to reducing pressure for more spending from the civil service. But the groundswell of pressure from cabinet colleagues to up their individual budgets will, inevitably we think, remain with Horwood a long time.

The *FM* does expect, however, that he has a reasonable chance of keeping the Olivers hungry for some years yet. This is because of Horwood's special position in Parliament and in the National Party.

First, as a Senator, his seat in Parliament is not dependent on mollifying voters in any constituency. Second, the Prime Minister would be hard pressed to find another Nationalist of similar ability to do his job.

But that does not mean he deserves less support from the private sector on this question of government spending. He has a long way to go on a politically hazardous road — one on which he has just started out.

IF .... THEN

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are both invalid.

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(49) (128) FM 14/12/79

RESERVE BANK

Consumer spending

The rise in private sector consumption spending was one of the most encouraging indicators in the latest Reserve Bank *Quarterly Bulletin.*

Real gross domestic product (GDP) maintained its annual growth rate at 4% during the third quarter (also 4% in the June quarter), despite a drop in agricultural production. This is because early harvesting of crops added significantly to the value of the agricultural sector's contribution in the second quarter. With the pick-up during the third quarter in non-agricultural production, and recent indications that this momentum is increasing, GDP growth for the year looks likely to reach 4%.

The Bank draws special attention to the sharp increase in real private sector consumption expenditure during the third quarter, mainly on durables and semi-durables. During the first nine months of the year, real expenditure was up by 2,5% on the first nine months of 1978. Of course, this is good news for Pretoria which has long talked of the need for a consumer-led recovery. With the recent repayment of the loan levy coming just before the Christmas spending spree, the last quarter's private expenditure should show a much bigger jump.

Higher expenditure levels were also reflected in the substantial decline in inventories during the September quarter. Higher wholesale and retail sales also mirrored this decline.

The increase in real private sector fixed investment "was particularly evident in the cases of gold and non-gold mining, manufacturing and private residential construction." The rise in investment by public corporations was largely accounted for by Escom's outlays.

Another important indicator of the nation's overall economic strength, its balance of payments, showed a record surplus of R1 034m on current account, bringing the surplus in the first nine months to R2 600m. At an annual rate the current account surplus amounted to R3 530m.

It is encouraging to note that, although the high gold price obviously accounted for a large portion of the increase, merchandise exports also contributed significantly — jumping from R7 770m at a seasonally adjusted annual rate in the second quarter to R9 480m. Diamonds, uranium, platinum, iron ore and coal fared particularly well.

The continued sluggishness of imports is indicated by the fact that the increase in value during the third quarter was mainly due to sharply higher prices.

In view of the sharp rise in interest rates abroad, the continued net outflow of capital was entirely predictable. The outflow of R872m during the third quarter brings the total for the nine months to September to R2 299m. The Bank notes that the R149m outflow of long-term capital represented mostly repayments on foreign loans.

Among the key indicators, the sharpest reversal compared to the previous quarter occurred in money supply growth. After declining at an annual rate of 2% in the June quarter, it jumped by 30% in the third quarter. The causes were the sharp rise in net reserves (up by R279m), a marked hike in government borrowing from the banks (up R284m) and a slower rise in long-term bank deposits.

It is important to remember, however, that although the money supply fluctuates widely from quarter to quarter, its growth over the year will still in real terms be very modest.

For those who look for a better (or worse) South Africa—

Star 14/12/79

A GLIMPSE INTO THE 80s

The 80s will be a crucial decade for South Africa, in which the decisions taken by the political rulers will be felt by every man, woman and child – for better or worse. There will have to be changes in Government thinking if it is not to be worse, says Dr Frederik van Zyl Slabbert, leader of the Progressive Federal Party.

The decade ahead will be crucial

I have never really been one to believe in inevitability when it concerns social, political and economic change.

I really believe that the decisions that people take do affect the outcome of events. A decision in favour of A rather than B does make a difference — not only to the individual who takes the decision, but also to those involved and subjected to the decision.

However, it is also equally true that people never take decisions in a vacuum — that events and circumstances narrow down the options and predisposes one to consider one range of alternatives rather than another. What will the political, social and economic options be for South Africa in the 80s?

Let us begin to speculate on this by deliberately excluding external factors: ie external military intervention; big-power manipulation; OAU politics; crises in Rhodesia and Namibia, etc. What are the internal trends and forces that will narrow down the options for political, social and economic decision makers in the 80s?

One thing is certain. South Africans, whatever their race or persuasion, are going to have babies and they are going to need food, shelter and employment. This is a simple, elementary fact of life.

Because we know this, we also know that:

● For the next 20 years our population will grow to roughly 42,5 million (whites will form 12 percent of the total).

● In the same period more than 8-million workers will come on to the job market, of which 80 percent will be black.

● Annually, between 30-40 thousand skilled black workers will have to be produced to maintain a growth rate of 5 percent in the economy. (At present the growth rate hovers between 2 percent and 3 percent and a 5 percent rate is seen as essential to cope with the demands).

● Also over the next twenty years more than 4-million houses of some sort or the other will have to be built by either the Government or the people themselves.

Against the background of these basic trends one has to judge the adequacy and ability of the existing political, social and economic set-up to cope with the pressures that are going to develop. Let me highlight this with a few key questions:

1 — What is the population - land ratio in South Africa and how is this expected to change?

Concretely put: if we expect the population of Soweto to double over the next 20 years — must the people live in the same geographic area? If not, where?

Two options appear to be available either in the rural areas (a non-option on closer analysis) or in the urban or peri-urban areas. If the latter option is the one, who is going to take the decision to make more land available for residential expansion? And remember what applies to Soweto applies equally to Mdantsane, New Brighton, Garankuwa, Langa, etc, etc.

(2) — What are the social resources (schools, hospitals, housing, transport, community facilities) available to the individual in order to improve his/her life chances?

These social resources usually determine the quality and scope of the labour market available to the economy. In South Africa we still have a relatively small and restricted skilled labour force. Ideally the labour force should in terms of distribution of skills have a diamond shape rather then a triangular one. If this is to be only approximated in South Africa in the 80s it will mean a radical transformation of the availability of social resources in South Africa if conflict is to be avoided.

(3) — Who controls state and private capital in South Africa? The answer is self-evident and poses fundamental problems for the economic system of South Africa in the 80s. Already there is a growing awareness in business and Government that if the majority of the people are deliberately excluded from the rewards of the economic system, economic problems will attain major political and social significance. At the same time it is also accepted that to give the majority of the people access to the rewards of the economic system would demand major social/political/economic changes.

(4) — Who at present initiates and controls the rate/tempo and extent of economic growth and development? In short where does entrepreneurial talent come from in South Africa and why?

Again the answer is self-evident. Mainly from the whites, either through the State or through private enterprise or from foreign investment. To put it differently, what was the ratio of white to black businessmen at the Prime Minister's conference on November 22? (One must feel uncomfortable in answering that one).

These four questions were of course deliberately chosen. Why? Because they basically refer to the factors of production in a free enterprise economy: Land, labour, capital and entrepreneurial talent. To judge the adequacy of our present political, social and economic set-up to cope with the pressures and trends of the 80's take each factor, ie land, labour etc and try to group the number of laws and statutes as well as social conventions which inhibit the performance of use of any factor of production.

By 1976 we had more than 400 laws and statutes pertaining to racial affairs alone. This gives one some idea of the kind of change that will have to take place in order to cope with the problems of the 80s.

Another fact we do know is that all the right political decisions will not be taken to cope with the problems I have identified. Society is not like a computer that can be fed with information and have built-in checks to weed out mistakes. So, on the balance of probabilities, one has to say: given all this and given some bad and some good political decisions (and may the good ones be more than the bad ones) what will be the major sources of pressure most likely to shape political decision in the 80s. The following seem to me to stand out:

1 — **Urban migration on an ever increasing scale.** South Africa can try to modify, but cannot escape what the rest of the third world countries have experienced, and that is an unprecedented process of urban migration. In fact, the Homelands policy is guaranteed to escalate urban migration in the long run unless it is radically changed.

Even if one looks at the problem in terms of rural economic reform — whether labour intensive or not — it is clear that some people will have to move away from the land. One of the major problems for the 80s is going to be: How can South Africa control the social and economic consequences of urban migration?

2 — As a consequence of urban migration, problems of housing and community development will dominate in the urban areas. I have no doubt the residential face of South Africa is going to change in the 80s.

3 — Because of an almost unanimous acceptance to stimulate the economy and improve the quality of life of all population groups problems of labour and the machinery to cope with them will continually be in the forefront in the 80s. At first it will be mainly white vs black labour, but more and more it will involve labour vs Government and labour vs management.

4 — The ever increasing need for skilled labour in order to maintain a reasonable growth rate will have a profound effect on the way in which labour is trained and prepared for the economy. Consequently, a great deal of pressure is going to be exerted on the availability of training facilities as well as on problems relating to closed shop trade unionism. The 80s will see how the social infrastructure of South Africa is going to be overhauled. For whites this may very well be the most painful area of adjustment.

These sources of pressure (and of course there are more) simply underline the fact that in many senses of the word the 80s will be a crucial decade for South Africa. One way or another the manner in which our conflict situation is going to be resolved in South Africa will be determined by the political decisions taken during the 80s.

I have always maintained, and still do, the political decision makers in South Africa have the option of either involving all the leadership potential in our society in order to find a relatively peaceful and evolutionary solution to our problems or else they can try to go it alone and fan the flames of revolutionary violent change.

Political decisions create the framework within which social and economic change has to take place. For the life of me I cannot understand how peaceful, constitutional change is possible if political decisions are based on the assumption that:

● Only whites finally determine the constitutional structure for South Africa;

● No blacks can enjoy South African citizenship and

● The individual is compelled to belong to a racial/ethnic group.

It just does not make sense, does it? I can tell you one thing though in the 80s all this will be sorted out one way or the other and you and your children will [illegible] consequences [illegible] sions [illegible]

'News on free economy distorted'

By WILLIE BOKALA

THE community, blacks particularly, are fed distorted information on what free enterprise or free economy means by the Government, Mr Leon Louw, director of the Free Market Foundation, said yesterday.

Mr Louw was commenting on this week's announcement by the Minister of Community Development, Mr Marais Steyn, that owners of cafes, libraries, restaurants, halls and theatres required a once-only exemption for admitting all races.

POLICY

Criticising the new policy, he said the Government should lift the restrictions completely, rather than make petty concessions. What was needed was indication of real commitment to economic freedom.

"The most fundamental principle of free enterprise to which the Government claims to be committed is freedom of contract.

"What I mean is that it is the right of the people to decide who to do business with. Owners of clubs, restaurants, theatres and other buinesses should in accordance with free enterprise, have no regulations governing them on who to serve or refrain from serving," he said.

Mr Louw said if the Government wanted the public, particularly blacks, to take its new pro-free market policy seriously, it had to refrain from interfering with voluntary economic transactions between people of the same or different races.

SUNDAY POST, December 16, 1979

SEBE'S SOLUTION:

This is a shortened version of a speech given by the Chief Minister of the Ciskei, Mr L L Sebe at the Conference on Free Enterprise recently held in Johannesburg.

THERE is no doubt in our minds in the Ciskei that the proper stimulus to efficiency and the economy as a whole can only be achieved by the encouragement of free enterprise. The means of achieving a free enterprise situation in Ciskei does not, however, necessarily follow any pattern adopted elsewhere and initially certain practices will have to be followed which do not completely appear to embrace this philosophy.

Policy in this connection can only be stated in broad terms and because of the different nature of the various undertakings, different solutions must be sought for commerce, agriculture and industry.

Commerce

Apart from a certain amount of protection against penetration into the black areas by whites, my policies are aimed at totally freeing internal free enterprise.

A one man commission will shortly be appointed in the Ciskei to examine all the existing licensing legislation with a view to simplifying licensing procedure where licences are absolutely necessary and with a view to abolishing licences and licence fees wherever this is possible.

The objective is to achieve a free trading situation with legislation only to cover health and

Middle class farmers

of land tenure.

Certain ways of overcoming these problems have already been successfully applied. The fact remains that the Government in the Ciskei is the only source which can be looked to to supply development capital and expertise.

This forces the establishment of large commercial type enteprises where the agricultural entrepeneur is initially limited in the freedom which he as an individual can apply to his undertaking and where the state initially owns all of the infrastructure.

The free market stimuli to efficiency are substituted for by an initial system of temporary tenure on the part of the entrepreneur and the threat of loss of this tenure unless a minimum level of production is achieved.

Later it is hoped that these very successful undertakings can be run on a co-operative basis with participants gradually buying-out the Governments share. Free market participation will then take place on a co-operative basis.

Industry

The only form of white investment allowed in the Ciskei is via the agency scheme operated by the Development Corporation.

In the field of light industry where there are already many small Ciskeian industrialists operating in backyards it is my policy to establish facilities which will compensate for present shortcomings in these operations. These operations need to be given a stimulus to encourage their growth.

This is to be provided throughout the Ciskei by the erection of blocks of industrial flats where entrepreneurs can be assisted on a group basis by the Government.

The people who presently operate under trying conditions find it impossible to expand due to lack of space, lack of bookkeeping and marketing ability and non-availability of capital. It is hoped, that by grouping these activities together, these defects can be cured.

These individual policies are presently being pursued with a significant degree of success in the Ciskei.

The achievement of a new economic order in Southern Africa demands that they not only succeed but that they are expanded by the injection of massive Government capital. All of this should be aimed at one objective — the closing of the economic gap between black and white as this is the one single factor which causes the most racial discontent.

Close the economic gap and at least half of the political problems in South Africa will solve themselves.

It may seem strange to support a free enterprise system while at the same time insisting on certain protective measures for one's own peoples. Unfortunately, economics can never be wholly separated from politics and history.

The philosophy which accompanies Ciskei's policies is aimed at reconciling these features. The achievement of a free enterprise system for South Africa can never be a politically valid objective on its own. It is only a means which can be adopted towards the achievement of the greater objective which is equality for all men of whatever race or colour.

The present licensing system tends to create false monopolies and to a certain extent encourages inefficiency. It also leads to excessively tedious bureaucratic practices and the return in revenue is minimal.

Where monopolies are absolutely necessary to preserve standards for instance in the catering trade, these practices must also be very carefully examined and other methods of control sought.

Agriculture

My policy in the entrepreneural field is the creation of a large cadre of middle-class farmers.

There are certain limiting factors for the individual entrepeneur which can only be mentioned, but no time is available to examine them at length. The limiting factors are firstly the absence of capital in the form of credit to farmers and in the form of development money, secondly management abilities, thirdly marketing facilities and organisation and, fourthly the system

The Star

Thursday December 20 1979 (49)

Two sides of the golden coin

WITH the gold price poised to touch the 500-dollar an ounce mark it is time to question whether we should laugh or cry. The reasons why the price has more than doubled this year are not hard to find: there is serious concern about inflation and growth rates; there is political instability in the Middle East; there is mounting distrust of paper currencies. The world has lost the key to financial discipline.

As the world's largest producer of gold, South Africa is partially insulated against the worst of the world's troubles — but there are some danger signs in the increased price which should not go unheeded. Although the country earns more in dollar terms through a rising gold price, the other side of the coin is that it has to pay more for its imports as paper currencies lose their purchasing power. And as world depression looms, the wheels of international trade slow down — a fact of life which affects us all, and especially countries such as South Africa which have to export to live.

South Africa is blessed with the mineral riches of the world, and the Minister of Finance has not been carried away by gold's strength. Because of the stronger gold price there have been some handouts in the form of subsidies and early repayment of loan levies. But if the world economic picture blackens, Government's ability to grant more handouts will be curtailed.

Even though the high rate of inflation has effectively meant that living standards have fallen, there is still good reason for the ordinary man to practise his own form of financial discipline. If the oil price bogey is licked, paper currencies should command greater respect. Nothing keeps on rising for ever. The New Year which looms ahead could prove a tough one, but the person whose house is in order should survive.

49

Botha spells out his constellation strategy

JOHANNESBURG — The concept "constellation of states" did not primarily denote a formal organisation but rather a grouping of states with common interests and developing mutual relationships and between which a clear desire to extend areas of co-operation existed, the Prime Minister, Mr P. W. Botha, said yesterday.

Addressing businessmen at a conference here, Mr Botha said a rich diversity of cultures, ideologies and value systems which derived from the history and needs of each nation existed in Southern Africa.

"Given these factors and the existing links between countries in the region, it will not always be possible or desirable to attempt to establish uniform 'umbrella organisations. Co-operation will have to be voluntary and will have to grow naturally and organically from within," he said.

The membership of a constellation of Southern African states could include any country in the sub-continent which identified the need to expand relationships and to co-operate in a regional context.

"Firstly, the national states within South Africa's boundaries come to mind, but also those countries with which a measure of co-operation and economic exchange already exists. This naturally also includes members of the Rand Monetary area and the customs union. We must also bear in mind that in due course this area may grow and extend to other countries in the region," Mr Botha said.

"The response to my calling this meeting has been most encouraging and I am sorry we could not accommodate all those who have expressed an interest in the future of our country and Southern Africa.

"In the minds of many of you the question might have arisen of what is the purpose of this meeting. On my side there is the need to consult with you on how we can all work together to mobilise the extensive resources of our community to the benefit of our country, our region and all its inhabitants.

"It is important that we obtain the greatest possible clarity and accord about the basic principles to bring about the realisation of this ideal.

"My government is irrevocably bound to the ideal of freedom which can only be attained within a framework of order. We, therefore, strive towards an order which will guarantee maximum freedom to individuals and peoples. At the same time, order and freedom will ensure the stability in which the individual can live to the greatest benefit of the community as a whole.

"There has been much criticism in the past that the South African economy, and business in particular, labours under too many rules, regulations and restrictions. The government has not let these criticisms, inasmuch as they are constructive, pass by unnoticed.

"The current budget, as well as the current economic development programme, emphasises our determination to restrict government spending and thus release resources to the private sector;

"As a consequence, lower tax rates become possible;

"Rationalisation of the public sector resulting in more efficient decision - making and less direct involvement in the normal functions of the private sector;

"Involvement of the private sector in this rationalisation process;

"Removal of restrictions to facilitate equal access to economic opportunities, for example black enterprise in metropolitan areas and the opening of certain industrial areas to all business groups;

"Less direct interference in the market mechanism as proposed in the De Kock, Riekert and Wiehahn Commission's reports;

"The general de-regularisation of the economy as evidenced by the re-examination of price, rent and exchange control.

"Our continent is characterised today by political disorder, economic instability and a population explosion. It is faced with serious problems: upheavals in the social order, starvation, malnutrition, human and animal diseases, illiteracy, and poverty — in short, those problems which affect every individual and present a challenge to our ingenuity to find solutions.

"Very frequently these problems transcend national boundaries and can only be solved by the co-operative efforts of those concerned. However, it is too often the case that political and ideological predispositions make co-operation and therefore the finding of solutions, impossible. Ultimately, the ordinary citizen is the victim.

"Moreover, these problems are compounded by the intrusion of foreign elements into Africa who do not come to help and to heal, but to enslave and destroy. Subversion and military threats are organised to intimidate peoples.

MR BOTHA . . . any country in the sub-continent can join.

"These formidable obstacles must be overcome. I believe they can be overcome by the demonstration of a genuine sense of goodwill among nations of our continent, by the conscious pursuit of common interests and by co-operation across national boundaries to alleviate human suffering and to provide basic needs. It is also important that the countries of Africa respect one another's sovereignty and territorial integrity.

"The order which Marxism creates leaves no room for freedom. The greatest good in Southern Africa is not stability per se, or order for its own sake. A system in which freedom is dead is meaningless, and a system in which material welfare is limited to a few within a sea of poverty is not only indefensible; it is objectionable," Mr Botha said.

In the Soviet Union itself — after more than 60 years of Communist rule — grain still had to be imported despite the vast natural resources of the region.

"Nearer home, in Africa, we have examples of countries which a few years ago were exporters of foodstuffs and which now, after Marxist takeovers, have to import to avoid starvation.

"What we all seek is the promotion of a regional order within which real freedom and material welfare can be maximised and the quality of life for all can be improved.

"Our Southern African policy, if it is not to overtax our economic capability, should be designed and applied within the framework of a clearly - formulated economic strategy.

"To avoid any misunderstanding in this regard, I want to state very clearly that with the term 'economic strategy' I do not mean any form of central planning. The formation and implementation of an 'economic strategy' does not in any way imply greater government intervention in the private sector by way of measures of control. My government not only fully subscribes to the principles of free enterprise and the market mechanism, but we will apply these principles in practice to a greater extent. Had this not been the case, this meeting would not have taken place today," Mr Botha said.

"With this in mind, I have called for the clear formulation of an economic strategy for South Africa. The priorities which are dictated by the demands of our time will be taken into account.

"The first conceptual guidelines for this strategy have already been discussed earlier this week by the Economic Advisory Council with the economic development programme as point of departure. It is the intention that this task will be implemented with the greatest possible speed, but also with the widest possible consultation with all interested parties in both the public and private sectors," Mr Botha said.

Constitutional and economic developments demanded that the institutional framework of South Africa's development corporations be reconsidered. There were presently a number of development corporations which had been officially established for specific purposes, namely the Industrial Development Corporation, the Coloured Development Corporation, the Indian Industrial Development Corporation, the Corporation for Economic Development, the respective national development corporations and the Mining Corporation.

"These institutions came into being under circumstances which have since drastically changed. Although the economic development of self-governing and independent national states still enjoys the highest priority, the limitations which formally existed on commerce and service industries in the black urban areas outside those states have been abolished.

"With a view to the improvement of the quality of life in those urban areas, there exists an urgent need to develop this type of economic activity with the greatest possible participation by black entrepreneurs themselves."

In terms of a recommendation of the Riekert Commission, the government also accepted in principle that certain trading areas within the group area of one population group be opened to other population groups.

"Besides this evolution of policy, three formerly self-governing national states have already become independent. The concept of a constellation of states, however, also demands that we take note of the development needs of other states in Southern Africa," Mr Botha said.

The question, therefore, arose whether the present allocation of responsibilities among the various development corporations still served current requirements in the most effective way. It would appear urgent rationalisation was necessary to eliminate duplication.

"Here one thinks of the encouragement and support of small business concerns, general industrial financing and the development of bank functions," Mr Botha said.

The question also arose how such a rationalised framework of state development corporations could be adapted to make optimum use of the skills and abilities of the private financial sector, as far as possible not in competition with but in support of the private sector.

The formulation of a co-ordinated energy policy for Southern Africa could also be identified as an urgent need. This, and various other foundations of co-operation, should be structured to focus on objectives such as employment creation, development of rural areas and food production.

The relevant governments would have to accept that attempts to involve the private sector could not succeed if based on the expectation that business concerns would become involved on purely altruistic or even patriotic considerations.

In regard to matters of a more general economic nature, Mr Botha said his Economic Advisory Council remained the assigned forum for continuous consultation between businessmen and the government.

"The formulation of an economic strategy for South Africa by a panel of business leaders and economists under the direction of the economic adviser offers a special opportunity for individual businessmen to raise such matters," he said. — SAPA.

cancelled he need not make counter-performance, and if he has done so, he may reclaim what he has given. In addition, he may claim compensation for the loss which he has suffered because the contract was not fulfilled. Of course, where his counter-performance also consists of payment of a sum of money, the two courses will lead to the same result.

Where it is the creditor who has made performance by the debtor

(49) 23/11/79

PM calls for economic growth in rural areas

From BARRY STREEK

JOHANNESBURG — The Prime Minister, Mr P. W. Botha, yesterday called for greater economic growth in the rural areas of Southern Africa to increase the viability of the black states.

He also emphasised the role of private enterprise in the development of the rural areas, the need for common consultative bodies and the protection of investments in these areas, as well as saying there was a need in the near future for a development bank for Southern Africa.

Opening the conference between government and business leaders here, Mr Botha emphasised the role of business and economic development as a basis for co-operation in Southern Africa.

The Prime Minister hoped the discussions would "focus specifically on ways and means to achieve a more equitable regional distribution of economic development in Southern Africa."

In doing so, he clearly wanted to stimulate growth in the homelands and the rural areas with the direct involvement of private enterprise.

"Through co-operation, governments can make an important contribution to the development of the latent comparative advantages of less advanced regions," he said.

He suggested specific areas of co-operation such as co-ordination, technical and financial co-operation, the promotion of investment, the co-ordination of wage policies to avoid a brain drain and economic as well as physical planning on the basis of "functional regions" which, he said, "often transcend international boundaries".

This certainly appeared to give support in principle for regional planning in areas such as the Ciskei - Transkei - Eastern Cape region where the suggestion of sharing East London harbour has received powerful backing.

Mr Botha continued: "For the credibility and effective development of a constellation of states in Southern Africa and later in the future into a possible council of states, it is indeed more important than ever that the economic viability of the national states be enhanced."

His recent visit to these states had strongly given him the impression that steps should be taken to have closer ties with the dynamic advancement of the developing parts of the South African economy.

Following representations, the government had decided that provided the black state concerned had no objections, white employees and officials could settle there before independence.

Although greater investments would have to be made in the black states this did not mean a widescale handover of productive assets to black citizens or governments. The best use of such assets could only be ensured if they remained in the hands of private interests.

The Prime Minister said business leaders should take into account how they could contribute in the long term to the stability of the political and social environment in which they operated. At the same time, he was confident after discussions with the black states that they were pursuing an approach which was acceptable to business on issues such as nationalisation, the repatriation of profits and shareholding by their citizens.

"Where uncertainty still exists in this regard, it is the intention of the South African Government to ascertain what can be done to eliminate such uncertainty," Mr Botha said.

He also said that among the leaders of the black states it was felt there was a need to motivate and equip the young unemployed in their countries to contribute productively in the economic field.

"This is to be achieved through well-planned but voluntary youth programmes.

"They have asked us to support them and with this in mind a nucleus organisation has already been established within the Department of Co-operation and Development to study the requests of the relevant Governments," he said.

S Times 30/12/79

49

South Africa's bid to join big league

BY STEPHEN ORPEN

SOUTH AFRICA has never been better placed for an upsurge which, in the next decade, could sweep the country through the rank and file towards the Top Ten on the list of the world's most powerful economic nations.

In terms of Gross National Product (GNP), the country is at present lying around 17th in the hierachy of international economic power.

But consensus among business and Government leaders questioned on the matter this week is that it could rise into, or at least close to, the Top Ten by 1990 or shortly afterwards.

Top men in business and the public sector say they are well aware of the formidable economic, socio-economic and political obstacles still facing the country:

In particular, South Africa will have to achieve a higher average real growth rate — not least by curbing inflation — to catch and surpass nations currently ahead of it in the world economic power stakes.

But the hurricane of change in the late 70s — in official policies if not yet in grass roots implementation — has fired hopes that unprecedented strides may soon be possible in the struggle to realise the country's still towering economic potential.

New optimism

There is optimism among big company bosses (10 of whom I reached at various holiday spots) about Government's *volte face* on apartheid, its recognition of the prime importance of economic growth, its role for its own executive and for the bureaucracy.

Big business feels that these steps have at last laid the foundations for a modern-world assault on the ranks of Great Nations.

Government men are no less sanguine.

For instance, a spokesman for the Reserve Bank reiterated what the bank's senior deputy governor, Dr Gerhard de Kock, has put to me in different words.

"Recent talks with nearly 100 overseas bankers and industrialists in the US, Europe and the East have shown us just how impressive are South Africa's assets when compared with those in most countries.

More action

"Not least is the fact that we still have tremendous undeveloped natural and human resources whereas those in today's advanced economies have already been largely harnessed.

"Also, of course, our national accounts and trading figures are now exceptionally sound and can support a lot more action in the domestic economy.

"On the debit side, inflation is certainly worrying. But it's a problem shared with other countries — and not as bad as in many of them."

Fuelled by (ostensibly) more encouraging trends in neighbouring states and black Africa, such optimism has raised expectations that the end of the 80s can be reached with a less uneven and more dramatic economic expansion than in the see-saw 70s.

Thus a massive jump in GNP from this year's estimated R44 000-odd-million to more than R120 000-million seems R38 112-million in 1978.

By 1990, the country's earnings from gold could total a huge R25 000-plus million, compared with R5 600-million in 1979 and only R804-million in 1970.

This assumes a gold price of well over $1 000 an ounce. Yet this is conservative compared with the tenfold rise in the price in the 70s and likely rates of inflation in the 80s.

It means that gold is likely to become almost twice as important for the country in the next 10 years, accounting for perhaps 20% of GNP instead of the present level of around 10%.

Since 1969, merchandise imports have climbed from R2 148-million to some R7 300-million in 1979, and could top R20 000-million by 1989.

Exports have leapt from R1 485-million to about R8 800-million and could end 1989 between R24 000 and R30 000-million.

Doubled consumption

In the coming decade, electricity consumption is likely to grow above 6% a year, to enter the 90s at more than double the current level.

Other key indicators, like new car sales and cement production, could also double (to 420 000 units and more than 12-million tons a year respectively) as the population lifts from some 28-million (10-million economically active) towards 38 or 40-million.

All this will be crucially dependent, however, on the number of new jobs that can be created and the productivity of priority given to certain industries, to their location, to the re-structuring of jobs and shift-work patterns, to birth control, to fighting inflation and to the maintenance of sufficient political stability to attract new foreign investment and ensure the wheels of industry keep turning.

As many as an annual average of 300 000 new jobs must be created each year between now and the turn of the century to keep pace with the flood of new job-seekers who, it is estimated on current trends, will be looking for work in the next 20 years.

Key answers

Not even a national economic growth rate averaging a real 6% a year will be able to cope with this in an increasingly capital-intensive world.

Two key answers to the problem are:

- To find a way round the political and other pitfalls involved in containing the birth rate of blacks in island and neighbouring states as well as in South Africa itself.
- To moderate inflation without hurting the absolute growth rate. In the 70s, inflation grew by more than 160% — making items 2,64 times more expensive In other words, real growth in the past decade could have been 164% greater but for inflation.

If the average rate of inflation can be halved in the 80s without a reduction in growth, that alone will bring an enormous leap in prosperity levels.

The combatting of inflation and control of the birth rate (not least, for the greater po-

But there are others, notably the related question of foreign relations.

The job of turning South Africa from the polecat of the world (obliged to pay a premium which is sometimes exhorbitant for foreign funds, oil, skills and other vital commodities) into a respectable member of the international community has only just begun.

Similarly, if the impassioned huffing and puffing about a change of heart in race relations, in Government relations with proxy states and with the business community — and so on — is a welcome sign of a step towards the normalisation of key issues, it will nevertheless take years to bridge the gap between theory and practice.

More than 30 years of backward Government thinking have seen to that.

The De Kock, Wiehahn and Riekert commissions are examples of courageous efforts that in the past two years, and especially in 1979, have opened visions of a brave new world.

Not easy

But it will not be easy, after so many years of opposite policy, to create a political climate in which the ruling party can continue to feel reasonably safe in its new directions while continuing to push the electorate towards changes which will certainly affect the "traditional" South African way of life.

Every voter, indeed everyone in the country, will need to realise that the Promised Land that the 80s can deliver cannot be won by Government utterances and policies alone.

It can only be won with the active support of an enlightened populace prepared to interests of long-term benefits, if not of survival.

One cannot expect that the mass of voters and pressure groups will fall in line without skilled and determined persuasion by Government and business pathfinders.

It is in the nature of the so-called free enterprise, democratic system that it must allow for and understand how to handle the diverse criticism that arises whenever the immediate self-interest of any of its many components is in question — which is all the time.

Shared costs

Likewise, however, it is the nature of people who are used to being led by the nose in comfortable if wrong directions to forget that if they are to enjoy the fruits of a more "liberal" system, they must share in paying the costs of this system in their own long-term self-interest.

Thus the challenge in the 80s for many individual South Africans is to grasp that they cannot have their cake and eat it.

They, just as much as Government, are responsible for baking the new cake, which will involve major adjustments, sacrifices (and all that) as well as new and more promising horizons.

The immediate challenge, in 1980, is for those most concerned to stop experimenting and fooling with the recipes. They must get moving on the mixing and cooking.

The challenge of the coming decade is for every South African who wants to share the richer confectionery that the next 10 years can bring to work actively and personally to accept that it will mean a funda-

...here is South Africa going in the eighties? ... are the problems that we are going to have ... e and overcome if the economy is to be ... a growth phase? In order to find some ans... ...e asked Prof J. L. Sadie, head of the Uni... ... of Stellenbosch Bureau for Economic Re... to gaze into his crystal ball and tell us his ...s

S. Tribune 30/12/79

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By Prof J. L. SADIE, head of the University of Stellenbosch's Bureau of Economic Research

In terms of demographic magnitudes, ours is still a Third World country in which there is a dearth of entrepreneurial enterprise, the supply of which cannot be meaningfully expanded within a period of one decade.

It is, to all intents and purposes, provided by less than 20 percent of the total population whose members would have to be supermen to create the level of economic edevelopment and numbers of jobs required to accommodate all of the new entrants of about 319 000 a year into the labour market, and to take care of the existing backlog.

However, the prospects are good that the jobs which will be created are going to be more efficiently manned than has been the case up to now, so that growth inhibiting bottlenecks in the form of skilled labour scarcities will be reduced, hopefully to vanishing point.

One foresees the dismantling of discriminatory laws and practices followed by a steady relinquishment of the "dog-in-the-manger" attitude of some trade unions whose own members were inadequate to fill all vacancies but would not allow blacks as substitutes.

The new manpower utilisation policy cannot but effect reforms in the education-cum-training system the emphasis of which will be on the acquisition of technical qualifications rather than the relatively academic, and will make more use of the school, college and the laboratory instead of the on-the-job training systems.

Thus we shall have a redistribution of income by way of improved opportunities rather than by the dispensing of largesse through the payment of inflationary wages to unskilled workers which are divorced from productivity, and from the actual labour force supply position.

In the process faster economic growth and employment will be promoted.

One can foresee the migrant labour system being operated during the eighties much more [illegible] than [illegible] at present, with the help of the labour bureaux, the educational system and the governments of the black states.

There is no reason at all why the workers involved cannot be treated like any other worker in his economic function and become semi-skilled and skilled, returning again and again to the same job if he so desires.

Why should there be a difference in productivity between a permanently settled worker taking a usual three weeks' or a month's holiday each year, and the migrant worker who is required to leave on annual holiday to return to his place of [illegible] for political purposes to [illegible] of a certain nationality?

During the eighties, rather more so than during the past, the country will have to rely on domestic savings for the financing of capital formation. This limited amount of around 16 percent (net) of GDP from a limited source base has to accommodate some of the largest capital-intensive projects undertaken in the country at the beginning of the eighties, including Sasol, Koeberg and Escom.

This means lower employment per unit of capital input and an average rate of growth which will have difficulty exceeding 3,5 percent a year. Once this spate of capital demanding projects have been finished — say by 1984 — and the attention increasingly devoted to technology appropriate to the South African situation, an average growth rate of 4,5 to five percent a year is likely to be achieved.

Unfortunately, the eighties start off with a [illegible] handicap, namely inflation which is not rendered less counter-productive by asserting that it is the price we have to pay for growth. It is not. It inhibits growth.

In the absence of self-control on the part of producers and producer bodies, the authorities will, in all likelihood wake up to the reality that this year's price inflation is a function of last year's rounds of price raises and that the only way of tackling the problem at its roots is by means of price control accompanied perhaps, but at this stage not necessarily, by wage controls.

It is a great pity that the discovery of the much vaunted but non-existing "free" market mechanism in certain quarters as a panacea occurred when it was functioning at its worst.