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THE WORKER IN SOCIETY.

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THE WORKER IN SOCIETY

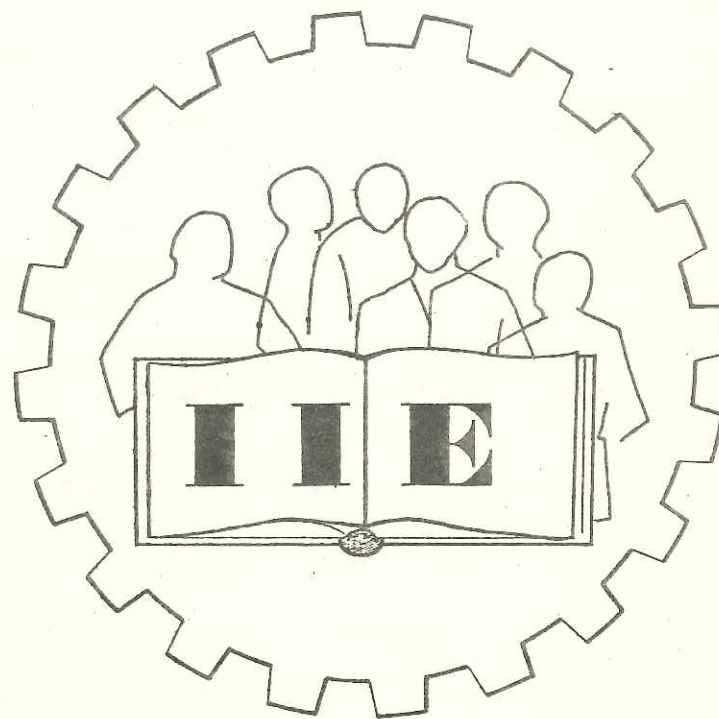
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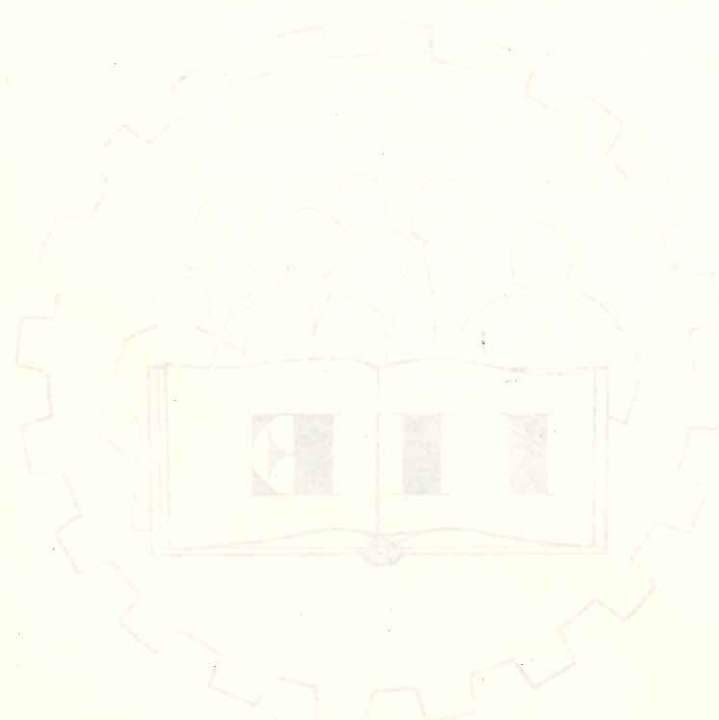
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INTRODUCTION.

"The Worker in Society" is one of a series of educational books for workers produced by the IIE. The purpose of these books is to provide workers with the knowledge that they need in order to build up strong and democratic and independent workers' organisations in South Africa.

Although workers organisation begins in the factory and deals with factory problems, it is not enough for workers only to know about their own factories. Each factory is part of the wider society, and what happens in that society affects the factory and the workers in it.

Wages are affected by whether or not there are many workers looking for jobs.

Prices, sales and profits are affected by whether or not other people have the money to buy the goods which the factory is producing.

The workers' struggle is affected by the laws about workers' rights. The struggle in the factory depends on who makes the laws and on what laws they make.

These are just three examples of the way in which what happens in the wider society affects what is happening in the factory. In this book we explain how South African society works.

Part One deals with the ECONOMY: the production and distribution of goods. It tells the history of the South African economy, and explains how industrial capitalist economy like South Africa's works.

Part 2 deals with the different groups of people who together make up the whole society. It talks about the working class and the relation between the working class and the other classes.

These different classes have different interests. Whose interests will be satisfied depends on POLITICS; on the activities of the Government and on the laws it makes. Part 3 deals with Government and politics in South Africa.

All societies change. Economic growth changes the position of the different groups in society. It creates difficulties and conflicts which have to be solved politically. South Africa has changed enormously over the last 100 years. It is likely to change even more over the next 100 years. In Part 4 we talk about how societies change, and about how workers can help in changing their society.

CHAPTER 1.

THE SOUTH AFRICAN ECONOMY.

i) AN INDUSTRIAL CAPITALIST ECONOMY.

Once South Africa had a SUBSISTENCE ECONOMY. Today we have an INDUSTRIAL CAPITALIST ECONOMY.

There are three big differences between these two forms:

1. In a subsistence economy each family produces nearly all the things which it needs for itself. People make their own simple tools, grow their own food, and make their own clothes.

In an industrial capitalist economy people make hardly any of the things that they actually use.

2. In a subsistence economy each family produces for its own use, not for exchange. There is very little buying and selling of goods, and money is not important.

In an industrial capitalist economy nearly everything which people produce is produced to be sold. Nearly everything which people use is bought. Production and consumption of goods is governed by buying and selling. It is governed by a MARKET.

3. In a subsistence economy, everybody, or nearly everybody, has the right to use the land to grow their own food. The land is the MEANS OF PRODUCTION, and this means of production is available to all.

In an industrial capitalist economy the most important means of production are machines and factories. Most machines and factories, as well

as the land, are privately owned. Some people own the means of production. Others have no means of production, and so they have to work for those who do own them.

THE DIVISION OF LABOUR AND CAPITALISM.

If a farmer had to work all the year round just to produce enough food for himself and his family to live on, he would never be able to do anything but grow food. But once he produces more food than he needs there are a number of different things that he can do.

He might spend less time on producing food, and spend the time saved making other things that he needs, like hoes and tools.

Or he might feel that he is good at growing food but not so good at making hoes and tools. So he would find somebody else who was good at making tools, and use his surplus food to feed the toolmaker.

THERE ARE TWO DIFFERENT WAYS IN WHICH THE FARMER COULD WORK WITH THE TOOL-MAKER.

1. He could say "If you make tools while I farm, then we will both be better off. I will share mealies with you so that you can make the tools, and then you can share your tools with me in return".

In this way you have DIVISION OF LABOUR between equal partners. The surplus which they produce is shared between them, and together they control the product made with the surplus.

Division of labour between different people makes it possible for people to become skilled at special jobs, and so to improve their production. It makes it possible for the surplus food of the

farmers to be used for more and more workers making other goods. In the end it makes possible an industrial society in which machines help to increase the goods available for people to use.

2. But division of labour need not only happen on a basis of cooperation and sharing. If the other man had no land or tools to begin with, the farmer could say to him:

"You have nothing. Unless I give you some food you will starve to death. But in return you must work for me. You must make ploughs, and at the end of the year you must give me all the ploughs you have made".

This time the two men are not co-operating. The one is working for the other. At the end of the year everything that the worker has made becomes the private property of the farmer. The worker again has nothing, so the following year he will again have to work for the farmer.

When some people own the means of production, and others have no means of production, those who have nothing have to work for the owners in order to live. The owners can keep the product. The owners might use the wealth that is created for their own consumption. Or they might reinvest the wealth, to finance trade or to build new factories, in order to create even more wealth. An economic system in which the surplus product is controlled by the owners, and is reinvested by them in order to create a further surplus, is called a CAPITALIST economy.

Capitalism can only come into being where there are many people who have no right to any means of production of their own. Capitalism also needs markets for the goods which it can produce.

The change from subsistence economy to an industrial capitalist economy in South Africa depend on three things:

1. The joining of South Africa to a world trade network controlled by the European colonial powers.
2. The discovery of products which could profitably be sold on this world market.
3. The creation of a large body of workers who had little or no right to use the means of production for themselves.

(ii) THE SOUTH AFRICAN ECONOMY.

The earliest people in South Africa were the Khoi Khoi and San, who lived in South Africa for thousands of years, and the Bantu-speaking Africans who began moving into South Africa over a thousand years ago, and intermarried with them. These people had basically a subsistence economy, although there was trade in goods such as salt, and in the metals such as iron, tin and gold which they mined in many parts of South Africa.

For at least a thousand years Arab and other ships traded along the East coast of Africa, and some of the metals were exported from South Africa through these traders.

After 1500 first Portugal and then Holland and finally Britain used the sea-route around the Cape to sail from Europe to India, and to capture the trading cities of India and of the east coast of Africa. In 1652 the Dutch established a settlement at Cape Town. The purpose of this settlement was to provide food for the Dutch ships sailing to India. But it soon

grew into a colony, as the Dutch took away the land of the Khoi-Khoi who had lived there before, and Dutch settlers came to live there.

Over the next 150 years the Dutch spread slowly along the coast from Cape Town, partly as farmers, and partly as traders. The descendants of the Khoi-Khoi whom they had conquered had to work on their large farms. After about 1800 they came more and more into contact with the tribes of Bantu-speaking Africans who had been living in the Eastern Cape, Natal and the inland areas for hundreds of years. It took nearly one hundred years of wars and fighting before the Dutch and the British, who later joined them, had managed to conquer these Africans, and to take much of their land.

During much of this time there was a slow increase in trade and in the production of goods for sale. But by about 1850 most farmers in South Africa, whether they were black or white, were producing goods mainly for their own use. They were still very largely subsistence farmers.

THE MINING INDUSTRY.

What changed the South African economy was the discovery of diamonds and gold. Diamonds were discovered at Kimberly in 1868. Gold was discovered on the Witwatersrand in 1886.

Until then South Africa had been a subsistence economy because there was no market in which large amounts of the South African products could be sold. The products were mainly food. Europe, where there was a big demand for food, was too far away to send the food. In South Africa nearly everybody grew their own food, so there was not a big market in South

Africa. The only farming product which could be exported in large amounts at that time was wool. But for diamonds and gold there was a market. Because small quantities were so valuable, it was possible to export them to Europe despite the cost of the long journey. So people began to develop the mines. The first diamond mines were just small holes in the ground. But soon it became necessary to make bigger mines. And on the Witwatersrand the gold mines had to be very deep. To dig deep mines and to get the necessary machinery, capital was needed. Some of the capital came from the profit from the early diamond mines. But most of the capital came from other countries, mainly from Britain. Between 1887 and 1913 £125,000,000 of foreign capital was invested in the South African gold mines. By 1913 only 15% of the shares in the gold mines were South African owned.

What was this capital need for?

South Africa did not make machinery. The capital was needed to bring machinery from Britain (to IMPORT machinery).

Capital was also needed to pay the wages of the workers while they were getting the mine ready, before it began to produce.

THE WORKERS.

Where did the workers come from?

Most of the mine workers were Africans. See "The Workers Legal Handbook". chapter 2. They came to the mines for four main reasons:

1. As trade increased, there were more things that could be bought with money. Africans wanted things like guns, which they could not make themselves. They might have got the money by growing and selling crops and some did so successfully.

But there were two reasons why most could not do that. The first reason was that by now they often did not have enough land to grow crops for sale. The second reason was that often there was nobody near enough to sell their crops to. So, if they wanted money, the easiest thing was to go out to work for a money wage for a short time.

2. The mine owners wanted as many workers as possible. They encouraged the government to make money taxes, so that Africans would have to go out to work to get enough money to pay their taxes.
3. As time went on, and there were more Africans on less land, it became difficult even to grow enough food for subsistence. So african workers had to go out to work to get money to buy food for themselves and their families.
4. Some Africans lost all their land in the conquest. Often their land was taken over by white farmers. Sometimes they would be allowed to stay on the farm in return for working for the farmer for part of the time. But sometimes they had to leave the land and go out to find a job for wages in order to live. In 1911 the Native Act forced more Africans off the land.

THE MINES AND THE GROWTH OF THE ECONOMY.

It was the mines which started the growth of the South Africa economy.

Because wages were very low, the mines were able to make very big profits. Some of these profits were sent back to Britain in dividend payments. But much of the profits could be used to reinvest in South Africa.

Because the mines were far away from the coast, it was necessary to build a good transport system. Without the mines there would not have been any railways built for a long time into the centre of South Africa. The mines made it necessary to build the railways, and the mines paid the cost of building the railways. The government could get much tax from the very high profits of the mines.

There were many people working on the mines. There was a good transport system to the mines. This meant that the farmers now had a market to sell their products. So there was a growth in farming. Because it was mainly the mines which paid for the railways, the farmers used the railways for very low prices. This meant that the inland farmers could now also afford to send their goods to the ports, from where they could be sent by ship to other countries.

The mines also needed things like explosives, machines, and pit-props. Once there were many mines it became easier to make these things in the country, instead of importing them from Britain. So the growth of the mines encouraged the growth of other industries.

ECONOMIC GROWTH.

For a long time the mines were the most important industry in South Africa. The GRAPH on page shows the very fast increase in South Africa's exports from the time when diamond exports started in about 1871.

From the graph you can see that in 1861 the value of exports was about £3 million. By 1910, exports had increased to very nearly £50 million. But of that about £30 million was the value of gold.

The value of non-mining exports was still only about

£10 million. It had not increased nearly so fast.

By 1912 there were already 325,000 workers in the mining industry.

From 1914 to 1918 there was a war in Europe. Before that South Africa used to import most of the manufactured goods from Europe. But during the war Europe was too busy making guns. Goods became scarce in South Africa, prices went up and it became profitable to manufacture goods here. So there was a growth in manufacturing industry in South Africa. By the end of the war in 1918, there were 124,000 workers in manufacturing industry in South Africa.

But throughout this time, although gold was the most important export, most people in South Africa still worked on the land. Many were still subsistence farmers. Others had begun to produce crops to sell (CASH CROPS). After 1870 both Black and White farmers increased their cash crops quickly. But later there was not enough land for the Black farmers. Also, the Government gave much more help to the White farmers. So a big gap developed between farming in the reserves, and farming in the areas owned by the Whites.

From the graph you can read the average value of yearly exports for each 5 year period from 1861-1865 to 1906-1910. Say you want to see what the value of exports was in 1891-1895. Look along the bottom line until you come to 1891-95. Above this there is a column. Look at the top of the column. Then use a ruler to find a straight line from the top of the column to the line on the left side of the graph, which shows the money value of exports. The line from the top of the 1891-1895 column reaches the money line almost exactly where it says "15". This means that the average of exports at this time was £15 million

each year.

(iii) THE GOVERNMENT AND THE ECONOMY.

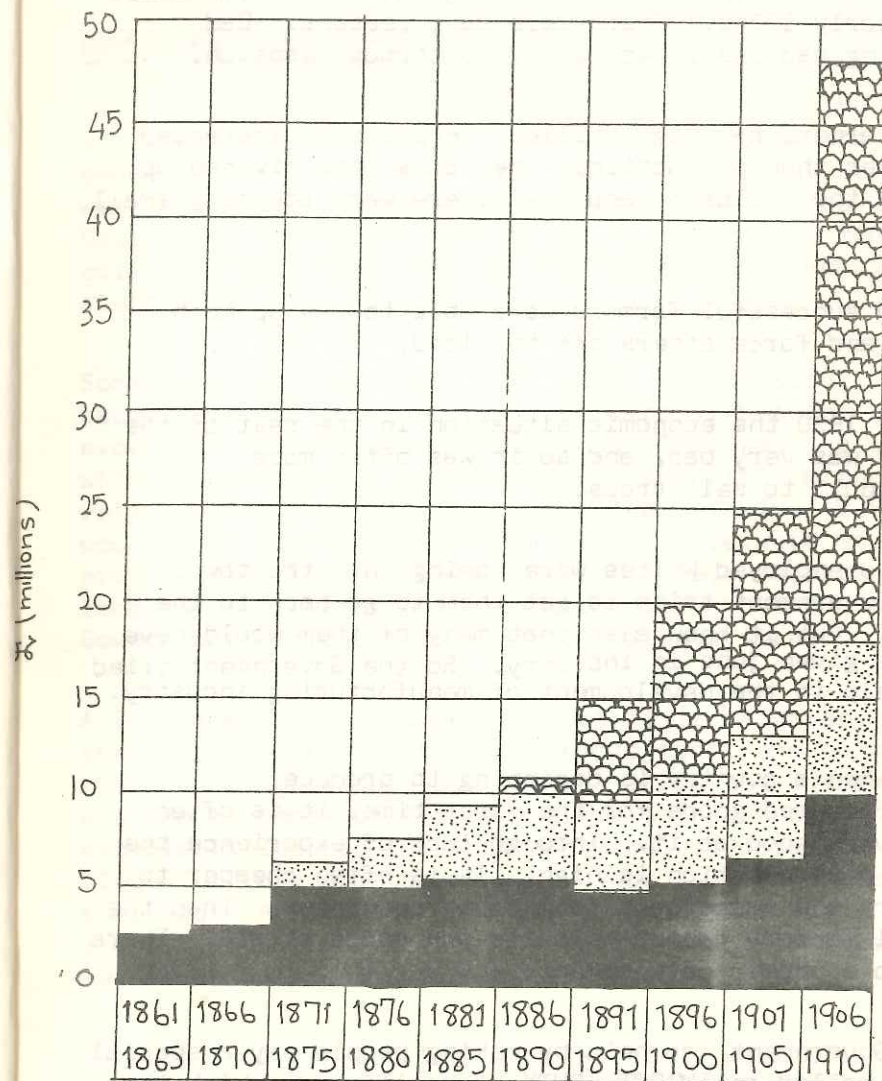
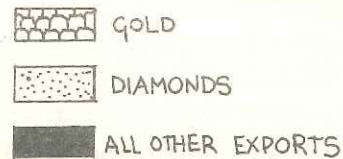
In South Africa the Government has always played an important part in helping the economy to grow.

With the money which it got from taxing the profits of the mines, it was able to spend money on improving farming in the White owned areas. To change from subsistence farming to crop farming the farmers needed capital to pay for fertiliser and machines, and for the clearing of the land. They needed knowledge about how best to farm.

The Government used wealth produced by the workers in the mines to provide the farmers with the capital which they needed, and to set up schools to teach farmers. But they did this only for the White farmers. Between 1910 and 1936 the Government spent £112 million on White agriculture, £623,821 on Black agriculture.

Also, the railways built to take goods to the mines were a great help to the farmers. The Government made the mines pay very high rail rates. With this money, they could let the farmers send their goods by rail for very low prices. This helped the farmers who lived near where the railways were built, but it did not help those who lived in reserves where there were no railways.

The PASS LAWS were used to try to steer workers. The Government used the PASS LAWS to make sure that farmers had the labour supply that they needed. The pass laws made it very difficult for workers to leave the farming districts, so the farmers could pay them low wages.



EXPORTS OF SOUTH AFRICAN PRODUCE

PROTECTION AND NEW INDUSTRIES.

In spite of the help given to farmers, the position of Whites in the farming areas got worse in the 1920s and early 1930s. There were many reasons. Bad farming had destroyed much land through erosion.

The farmers had big families. Population increased quicker than production. The farms were divided up among the children, and then there were too many small farms.

A few successful farmers were able to buy up much land and force others off the land.

After 1930 the economic situation in the rest of the world was very bad, and so it was often more difficult to sell crops.

Many unemployed Whites were coming into the towns. The Government tried to get them to go back to the land. But it knew also that many of them would have to be given jobs in industry. So the Government tried to help in the development of manufacturing industry.

1. When a country is beginning to produce manufactured goods for the first time, it is often not very good at it. Through lack of experience the cost of production is high. It is often cheaper to import the same goods from other countries. Then the local factory cannot sell its own goods at all. There is no economic development.

The Government can help by making people pay a special tax, called an IMPORT DUTY, for all goods which they import. In that way the price of the imported goods is made higher. Then people start to buy the local goods, the factory improves its method of production,

and can produce them cheaper. In the end it does not need to fear competition from imported goods. The Government helped many industries in this way.

GOVERNMENT OWNERSHIP.

2. Although South Africa is a capitalist country, not all the industries are privately owned. Some are owned by the Government. For example, the Railways were built and are owned by the Government. The Government can borrow the money, or it can use money collected in taxes. It can then invest this money to start a new industry.

Sometimes the Government will start an industry because it is important for the country, but too expensive for any private company. This was the case with the railways. The Government knew that without railways the mines would not develop quickly. But it would have taken a long time before there were any profits from the railways. It would have been too long for a private capitalist to wait. So the Government decided to build the railways itself.

A Government may also decide that it is necessary to start new industries to end unemployment, and to make the economy grow quicker. In the 1920s the Government started a number of industries for this reason. For example it started the Iron and Steel Corporation (ISCOR). This created many new jobs. It also meant that South Africa did not have to import so much steel, because now it could make its own. In this way Iscor helped the economy to grow.

From this we can see that even within a capitalist economy there are many ways in which the Government takes part in the economy.

1. It can provide capital for private industry,

as it did with the farmers.

2. It can protect new industries with taxes against foreign competition.
3. It can start its own industries which do not belong to private capitalists.

(iv) GROSS DOMESTIC PRODUCT (GDP).

The Gross Domestic Product of a country is the total of all the goods and services made inside that country in the year. ("Domestic" here means "inside the country").

By looking at the size of the GDP each year we can see how the economy is growing. The table on this page shows two things. It shows the size of the GDP in the years given.

It shows the share of some different kinds of industry in the GDP.

YEAR	GDP	FARMING
1920	R545.1 million	22.4%
1930	R541.5 million	14.4%
1940	R976.3 million	12.3%
1950	R2492.1 million	17.3%
1960	R4812.6 million	12.2%
1970	R11490.0 million	9.0%

You can see from this table that the South African economy has grown very quickly. (Although it hasn't grown quite as quickly as the figures show, because the figures in the first column do not take account of price increase. The money value of goods more than doubled between 1960 and 1970, but the actual amount of goods did not double. The money value more than doubled partly because prices went up).

The other thing that you can see from this table is the changing importance of the different industries. The importance of manufacturing has increased all the time. In 1920 Manufacturing produced 7.4% of the GDP. In 1970 it produced 23.1%. At the same time both farming and mining have become less important.

EMPLOYMENT.

As the economy has grown, so have the number of people employed as workers. Today the largest number of people still work in farming, even though farming is no longer the biggest industry. But many of these are people with small farms of their own in the reserves still mainly farming for subsistence. Their productivity is very low, and so they do not contribute very much to the GDP.

The diagram on page 28 shows how people were employed in 1960. As you can see, the largest number were in

MINING	MANUFACTURING	COMMERCE
17.4%	7.4%	15.8%
15.8%	9.4%	15.2%
18.9%	12.5%	14.0%
13.1%	16.8%	14.1%
13.6%	19.0%	13.1%
10.5%	23.1%	14.1%

agriculture. After that came service industries, including domestic service. Most African women workers were employed in domestic service. After domestic service comes manufacturing, and then, a long way behind, mining.

Since then, there has been a further increase in the number of workers in manufacturing:

The figures for 1973 were:

Farming (White-owned areas): full time	934,000
casual	627,000
Mining	674,000
Manufacturing	1,269,000
Construction	390,000
Services (estimate)	3,446,000

In manufacturing the number of African workers has increased much faster than the number of White workers. In all industries there are more Black workers than White workers. The position of African women workers has also changed. Today African women are no longer employed only in domestic work. Many have become factory workers. (Note: that these statistics do not include unemployed workers).

INCREASING SKILLS.

One of the effects of the growth of the economy has been bring African, Indian and Coloured workers into more skilled and semi-skilled jobs. When the mines started, skilled workers had to be imported from overseas. They started trade unions to protect their jobs. Also, the Government spent much money on training and education for Whites. It spent hardly any money on training and education for Blacks. For these reasons the White workers got most of the skilled jobs.

This was also one reason why it was difficult for African workers to form trade unions. Because they were unskilled they were easy to replace if they went on strike.

But now, because of the growth of the economy, there are not enough Whites to do the skilled and semi-skilled jobs. For example, this table shows what percentage of each race group of workers were doing "labourer" jobs in industries other than mining and agriculture:

	1936	1960	1970
African	89.5%	84%	68.2%
Asian	43.6%	23.0%	15.5%
Coloured	54.6%	49.4%	44.2%
White	21.8%	11.2%	3.5%

From this you can see that although in 1970 most Africans were still doing unskilled labourer jobs, the percentage doing more skilled jobs had increased from 10.5% to 31.8½%.

Here is another example from the metal industry: In 1968 Africans held 19% of the semi-skilled jobs. In 1974 they hold 29% of the semi-skilled jobs. So the percentage and the number of African workers in semi-skilled jobs is increasing fast.

(v) ECONOMIC GROWTH AND INCOMES.

If the economy grows that means that the amount of goods being produced increases. There should be more goods for the people.

If everything was shared out equally, then everybody would get richer. But this does not necessarily happen. In a capitalist economy goods are not shared out equally. So economic growth does not necessarily benefit everybody. And if it does benefit everybody, then it benefits some much more than others.

The way on which the increased wealth is distributed

depends on two things.

Firstly, it depends on how much of the wealth goes to property owners and how much goes to wage workers. Increased productivity and increased profits might mean increased wages, but it might also mean increased dividends.

Secondly, it depends on how the wealth is distributed among the different wage workers. In South Africa this depends very much on race. The White workers have more skills and stronger trade unions, so they are in a better position to get more of the increased wealth.

In fact in South Africa many people, including many workers, have benefited from the growth of the economy. But it is also true that the benefit has not been equally spread. The STANDARD OF LIVING has increased, but it has increased much faster for property owners and for skilled workers than for unskilled workers and peasants.

INCOME FROM PROPERTY.

The following table shows how income was distributed in 1973:

Money paid to employees	R9 577 million
Income from property (dividends, interest rent, profits)	R3 161 million
Saving for reinvestment by business corporations	R1 190 million

From this you can see that about 70% of income was earned by workers, and about 30% was earned by property owners, either directly or saved by the corporations which they own.

In South Africa most of the property is owned by Whites. The following table shows the relation between wage income and property incomes for the different races in 1960. It shows the amount of property income as a percentage of the amount of work income:

African property income is	19% of wage income
Asians	67%
Coloureds	12%
Whites	119%
	on the average

This table shows that Whites get more of their money from the property that they own than from the work that they do. That is, for each Rand going to Whites in wages, they get R1,19 in income from property. But for each Rand going to Africans, they get only 19 cents from property. In South Africa the average White worker has a wage between 5 and 6 times as big as the average African worker. Coloured and Indian workers come somewhere in between.

But if you include property incomes, then the average income for each White person earning income is $3\frac{1}{2}$ times that for each Indian
5 times that for each Coloured
and 10.7 times that for each African.

AVERAGE INCOME AND INEQUALITY.

One way that is often used to determine how rich people in a country are, compared with other countries, is to add up all the incomes received by people in that country and then to divide this figure by the number of people to get the average income. In 1968, the average income in South Africa was about R450. This is higher than in any other country in Africa. It is close to a number of countries in Latin America

and Asia and is far below the figures for most European and North American countries.

Of course, not every member in the society received R450 in 1968; some got more, many got less. Because property is unequally divided, and because wages are unequal. South Africa is a very unequal society. In fact, it is one of the most unequal in the world.

An economist at the University of Natal has worked out the following figures for 1970:

The top 5% of the population received 39,5% of the income

The top 10% of the population received 57% of the income

The top 20% of the population received 74% of the income

The bottom 80% of the population received 26% of the income.

So four-fifths of the population shared about one quarter of the income. The other three-quarters went to the richest one fifth.

It is also interesting to compare incomes in South Africa with incomes in other African countries. The following figures are the average incomes for each person in 1967:

South Africa (including Botswana, Lesotho and Swaziland)	375 dollars
Ghana	187 dollars
Senegal	162 dollars
Liberia	137 dollars
Zambia	137 dollars
South Africa (Africans only)	108 dollars
Tanzania	75 dollars
Mocambique	75 dollars

South Africa (Africans in reserves)	45 dollars
Malawi	25 dollars

From this we can see that, although South Africa as a whole is the richest country in Africa, the income of Africans in South Africa is lower than in some of the other countries. People sometimes say that Africans are better off in South Africa than anywhere else on the continent, but this was not true in 1967 and is not true now.

(vi) ECONOMIC RELATIONS WITH THE REST OF THE WORLD.

South Africa's economic relations with the rest of the the world can be discussed under two headings:

- (i) trade
- (ii) capital movements

1. TRADE.

The following figures show the extent of our trade with the rest of the world (in millions of Rand)

Receipts from foreigners

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Merchandise exports	1441	1556	2218	2550	3218
Net gold output	837	922	1161	1769	2565
Service receipts	559	640	730	918	1085
Merchandise imports	-2584	-2937	-2852	-3548	-5723
Service payments	-1129	-1204	-1330	-1608	-2091
Transfers	49	40	62	13	76
Balance on current account	-827	-1003	-11	94	-870

Exports are the goods we sell to foreigners; imports are the goods we buy from them. Note that the figures for imports and for services received from foreigners are all minus quantities; this is because we pay out money to buy them. Two things are particularly worth observing:

- (i) we continue to depend a great deal on gold production when trading with the rest of the world. Since the increase in the gold price in the early 1970s, that dependence has increased. In 1972, gold output was only just over 50% of our merchandise exports; two years later it was nearly 80%.
- (ii) Generally the result of our trade with other countries is that we buy more from foreigners than they do from us. This is shown by the fact that the 'balance on current account' (which is just all the earlier figures added up) is for four out of the five years from 1970 to 1974.

2. CAPITAL MOVEMENTS.

The following figures show the extent to which capital moves into South Africa (in millions of Rand).

	<u>1970</u>	<u>1971</u>
Private sector	437	568
Public sector	104	196
TOTAL	541	764

Nearly all the amounts shown are positive, which shows we import more capital than we export. In other words, foreigners still invest in our economy more

than we invest in theirs. This capital comes from the United Kingdom, other European countries, North America and Japan, and goes mainly into manufacturing industry (in the private sector). Some also goes into mining and into infrastructure (in the public sector). Infrastructure is a name for things like roads, communications, dams and buildings which are needed for the development of industry. Because we import more capital than we export, we are able to make up the amount we owe on the trading account. But although we still mainly import capital, some branches of South African industry also export it. This is particularly true of large companies which invest in mining in other African countries (diamonds in Tanzania, Botswana and Lesotho, copper in Zambia and Botswana etc.) Being able to export capital, which other African countries often want very much, puts South Africa in a position to influence some of these countries.

(vii) CAPITAL AND MARKETS.

In this chapter we have described the growth of the South African economy. But we have not really explained how a capitalist economy like South Africa's works.

<u>1972</u>	<u>1973</u>	<u>1974</u>
351	79	632
64	-189	143
415	-110	775

But here we can just mention one problem. We have seen that in the early subsistence economy most people produced everything that they needed for themselves. There was no MARKET for cash crops.

Also, there was no CAPITAL which could be invested to produce more.

The importance of the discovery of gold and diamonds was that:

1. There was a market overseas for gold and diamonds.
2. The rich mines attracted capital from overseas to South Africa.

Once this had started, new capital came from the high profits of the mines. Wages were low, and most of the product of the miners' work went in profits, which could be reinvested. So the mines were a source of new capital.

We saw that the mines also provided a market for the farmers and for new industries.

One of the main problems for a capitalist economy is providing a good balance between the growth of new investment and the growth of markets for the goods produced by the new investment. This is related to the problem of wages. The workers spend their wages. So the workers are an important market for goods. But if wages are very low, then they are only a small market, and the capitalists might have difficulty selling their goods. We will talk more about this in the next chapter.

CHAPTER 2.

ECONOMY.

You cannot consume more than you produce. If a farmer grows nine bags of mealies he cannot eat ten bags of mealies. In fact, as we have learnt in an earlier lesson, he cannot even eat nine bags of mealies. He must save some of the mealies and re-invest them by planting them in order to have another crop the next year.

The same is true for a whole society. The members of the society cannot consume more goods than they produce. They cannot even consume everything that they produce straight away. They must also replace the machines and raw materials which they have used up to produce the goods that they consume. And if they want to produce even more goods the next year, then they must save even more this year. Growth requires reinvestment.

THIS MEANS THAT THE INCOMES OF ALL THE PEOPLE LIVING IN THE COUNTRY CANNOT BE GREATER THAN THE TOTAL PRODUCT OF THAT COUNTRY. If the country does not produce much, the total of the incomes must be low.

Money is no good unless you can buy something with it. Even if you give everybody in the country twice as big as money income that will not help. There will be the same amount of goods. Because the same amount of money has been doubled, the demand for the goods will double. The sellers will put up the prices. In fact, the prices will double. Everybody will be back where they started. They will have twice as much money, but they will only be able to buy the amount of goods, because all the goods will cost twice as much.

THE TOTAL OF INCOMES CAN ONLY INCREASE IF PRODUCTION INCREASES.

This raises many important questions for workers.

1. What is it that makes the total product of a country big or small?
2. How is it decided how much of the product will be reinvested so that the economy will grow further?
3. How is it decided how the rest of the product is to be distributed between the different people in the country?
4. What can the workers do to get a bigger share of the product for themselves?
5. We also need to ask what relation there is between these different questions:
 - a) What is the relation between the amount reinvested and the size of the total product?
 - b) What is the relation between the way in which the product is distributed and the amount that is reinvested?
 - c) What is the relation between the workers' share and the shares received by other people?

i) Economics Laws.

The questions are quite difficult to answer fully. In fact, economists are still arguing about the answers. But still, we must try to give rough answers to those questions. When you are negotiating for higher wages you will find that you have to argue about these things. So you must know something about them. It would take too long to teach you everything about them here, but fortunately most employers do not know all the answers to these questions either.

One of the differences between a subsistence economy and an industrial capitalist economy is that it is very easy to see how a subsistence economy works. It is easy to see who decides what will be produced. It is easy to see how the product is divided up within each family. The decisions are made within the family, and each individual can see how the decisions are and why they are made.

But in an industrial capitalist economy like South Africa, it is not easy to see any of these things. Prices go up or down. Unemployment increases or decreases. One year the economy is going well and the next year everybody is talking about an economic crisis. And nobody seems to know exactly why these things are happening.

The economy almost seems to have a life of its own. It almost seems that the economy works according to its own laws, and that no one is responsible for what happens. This is certainly what many employers claim. For example, they say that they would like to raise wages, but that if they do so prices will go up, and then nobody will have benefitted. They say that wages are determined by the state of the economy, and that it will only do harm to try to force wages too high.

Arguments like this are false. The economy is not something with a life and laws of its own. The economy is nothing but people doing things. Because there are so many people doing different things, it is at first difficult to see who is doing what. But if we look more closely, we can see that some of those people have much more power to affect what happens in the economy. We find that the way in which the economy works depend on who has power in the society, and on what those people do with their power.

We shall begin by looking at how the economy works, and then we shall look at the question of power.

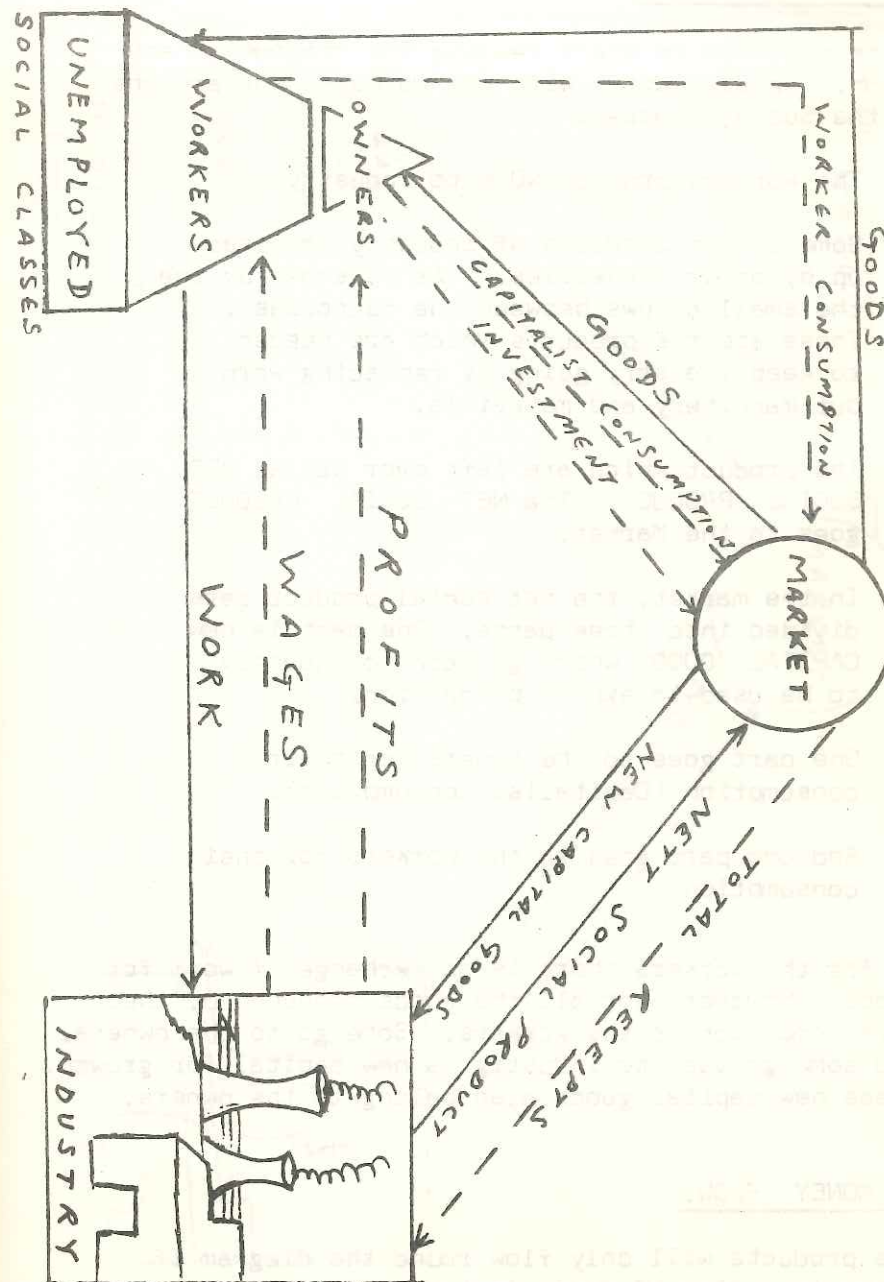
ii) THE CYCLES OF PRODUCTION AND EXCHANGE.

In an industrial capitalist economy the goods which are produced get divided up as follows:

1. Some of the goods, such as machinery, get used again to make more goods.
2. Some of the goods are consumed by the workers, who pay for them out of their wages or salaries.
3. Some of the goods are consumed by the capitalists, who pay for them out of their profits.
4. Some of the goods, like hospitals, schools, roads and the police force, are "consumed" by everybody. This money to pay for these goods is collected by the Government through taxation, or sometimes by borrowing money. These goods are "collectively consumed", which means that everybody has a share in them, although they do not always have equal shares.

The goods which are produced are not exchanged directly. They are exchanged for money in the Market. (This Market is not a real Market place. It includes every place in the country where things are bought and sold).

In this chapter we will not talk about taxation and the Government. We have put all the other things in the diagram.



THE PRODUCT FLOW.

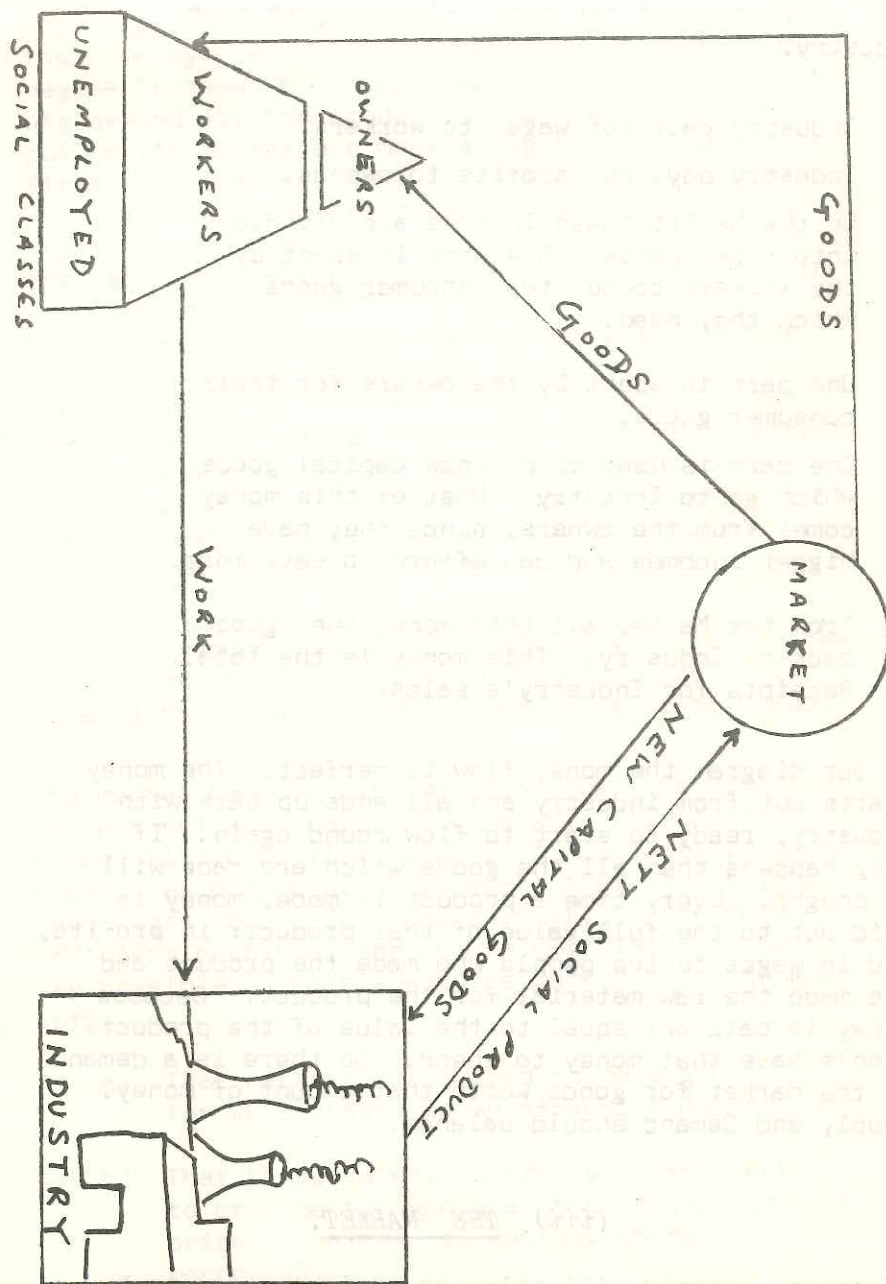
It is possible to start reading the diagram at any point. We will start with the Workers, who are one of the Social Classes.

1. The Workers provide WORK to industry.
2. Some of the products of Industry are used up by other industries. (As is shown by the small arrows between the factories). These are the products which are needed to keep industry going by replacing worn out machinery and materials.
3. The product which are left over called NET SOCIAL PRODUCT. The NET SOCIAL PRODUCT goes to the Market.
4. In the market, the net social product gets divided into three parts. One part is new CAPITAL GOODS which go back to Industry to be used to expand production.
5. One part goes to the owners for their consumption (Capitalist Consumption).
6. And one part goes to the workers for their consumption.

So for the workers there is an exchange of work for goods. However, not all the goods produced by their work come back to the workers. Some go to the owners, and some go back to industry as new capital for growth. These new capital goods also belong to the owners.

A MONEY FLOW.

The products will only flow round the diagram if there is a flow of money in the other direction. We



will start reading the money flow diagram from industry.

1. Industry pays out wages to workers.
2. Industry pays out profits to owners.
3. On the Market these Incomes are divided into three parts. One part is spent by the workers to buy the consumer goods which they need.
4. One part is spent by the owners for their consumer goods.
5. One part is used to buy new capital goods which go to Industry. Most of this money comes from the owners, since they have bigger incomes and can afford to save more.
6. From the Market all this money then goes back to Industry. This money is the Total Receipts for Industry's sales.

In our diagram the money flow is perfect. The money starts out from industry and all ends up back with industry, ready to start to flow round again. If this happens then all the goods which are made will be bought. Every time a product is made, money is paid out to the full value of that product: in profits, and in wages to the people who made the product and who made the raw material for the product. Because money is paid out equal to the value of the product, people have that money to spend. So there is a demand on the market for goods worth that amount of money. Supply and Demand should balance.

(iii) THE MARKET.

Of course, people will only use their incomes to buy what they need or want. If Industry is not producing

anything that they want, then they will not spend their money. What happens is this. If one firm begins to make what people want, then there will be a big demand for the product. The firm will be able to put up its prices and make a big profit. But other firms will then see that it is making a big profit, and will also begin to make the same product. The supply will increase, and the price will fall until the rate of profit being made is no higher than in any other industry.

So through the market it is decided what kind of products will be produced by industry.

The market makes sure that those goods for which there is an effective demand get produced. Of course, which goods are demanded depends on who is doing the demanding, and this depends on how much of the total income is wages for poorer people, and how much is profits (and salaries for richer people).

What is produced does not depend on what people need. It depends on what people can pay for, and so it depends on the way in which income is distributed.

The market has another important job. Competition between sellers keeps prices down. Because of competition each firm tries to produce its goods as cheaply as possible. This means that they try to keep wages down. But they also try to use more efficient machines, and to use materials in the best way possible. In this way the market helps to make sure;

- a) That materials are used to make good for which there is an effective demand, and
- b) That these materials are used efficiently to produce the goods at the lowest possible price. (Unless, of course, there is a monopoly).

EQUILIBRIUM.

When everything is working nicely in the system, the supply is equal to demand, the system is said to be in EQUALIBRIUM. The conditions for equilibrium are:

Firstly, total demand must balance with total supply of goods. If demand is smaller than supply, then some goods will remain unsold. The factory that made them will cut back its production. Some workers will become redundant and lose their jobs. They will no longer have money to buy goods. Demand will shrink even more. More factories will have to cut production and lay off workers. The system will get worse and worse.

Secondly, there are two different kinds of goods: CAPITAL GOODS, which are used in Industry, and CONSUMER GOODS, which are consumed by people.

The supply and the demand for each of these different kinds of goods must balance. This means that some of the total income must go to investment, and some must go to consumption.

If too much money is spent on building new factories and manufacturing capital goods then the workers who are building those factories will find that there are not enough consumer goods to buy with their wages. Because of the shortage of consumer goods prices will go up. There will be inflation.

But when all these new factories start producing, there will be a flood of new consumer goods. Factories won't be able to sell all their goods. So they will cut back on production, and lay off some of their workers. These unemployed workers will not be able to buy anything, so the total demand for consumer goods will drop even more. There will be a

danger of recession.

On the other hand, if there is not enough new investment, then there will also be problems. Some people will still be saving, but, the low level of investment means that they will not be spending that money. It will be sitting in the bank. It will no longer make a demand for goods. That is, instead of the wages and profits paid out in the production of goods being used to buy all the goods back, some of the money is not being used. The goods which that money represents are not being bought. So some goods will remain unsold, factories will cut production, and there will again be the danger of recession.

iv) INVESTMENTS.

For the economic system in our diagram to continue to work smoothly investment is very important. For investment to take place, two things must happen. Firstly, some people must be saving some of their money, not spending it on consumer goods. As we have seen, the rich property owners save much more money than the workers do. If the workers get higher wages, they are likely to spend them. But if the owners get higher profits, they are likely to save more of them, because they already have more than enough money to live on. This means that there is a relation between profits and new investment. In a capitalist economy there will be too little new investment if the profits of the owners fall too low.

Secondly, it is no good if people are saving money unless they are also investing it. As we saw, if they

just save it and do not spend it, that is bad for the economy, because it decreases the demand.

But people will only invest if they think that they are going to make a profit. If they think that they might lose their money, or at least not make any profits, they will prefer to leave it in a bank for a while, rather than use it to build a new factory. If people think that there will be no profits, then they will not invest, however much they save. But if they think that profits are going to be good, then saving will increase anyway. And if profits are good, that will increase saving even further, because profits are more likely to be saved than are wages. Again, profits are important for investment.

CHAPTER 3.

INFLATION AND DEPRESSION.

A balanced economy needs a balance between
 the supply and the effective demand
 for goods
 saving and investment
 the production of capital goods and the
 production of consumer goods.

If any or all of these balances are disturbed, then the economy may be faced with serious difficulties. And these difficulties usually affect the workers most of all.

There are two main difficulties. The first is called RECESSION, or, when it gets very bad, DEPRESSION. The second is called INFLATION.

i) DEPRESSION.

If all the money that is given out in wages and profits gets used again immediately, then there is a balance between the demand for goods and the supply of goods. Workers use most of their wages to buy consumer goods, and capitalists use some of their profits to buy consumer goods. The rest of the wages and profits get saved, and, in our model, are used to buy new capital goods.

But what happens if some of these savings are not immediately used to buy capital goods? Let us look at a numerical example. Say goods worth R100 are produced. Then at the same time R100 is paid out to workers in wages and to the capitalists in profit. This R100 can then be used to buy the R100 worth of goods. But if some of this money, say R10, is saved, and is not used to buy capital goods, then R10 worth

of goods will remain unsold. The factory that made those goods will not want to make anymore goods until it has sold them. So it will cut down on production and lay off workers.

As a result, those workers will not be able to buy goods. There will be even less demand for goods, and other factories may also have to lay off workers. Economic activity slows down. Growth slows down (RECESSION), or, if the situation is very bad, the amount of goods created gets less year by year (DEPRESSION).

If more money is saved than is invested, it can cause recession or depression. But why should this happen? Why should some money be saved but not invested? Normal capitalist investment is made with the expectation of earning a profit. When something happens which makes capitalist expect that they will not earn good profits, they often prefer to keep their money in the bank, rather than risk investing it in new factories. This drop in investors' confidence may be caused by political factors. But it may also be the result of the way in which the economy is developing.

When profit rates are high and prospects are good, capitalists will invest in new machinery and factories. They will even borrow money to invest. Because of this, the economy will be able to produce more and more goods, and finally it will produce more goods than people have the money to buy. Un-sold goods will begin to pile up. Capital goods producers will find that there is no longer a demand for their machines. Profits will begin to drop, and at the same time some factories will now begin to lay off workers. This will mean that there is even less demand for consumer goods, and will also cause capitalists to lose confidence, so that the demand

for capital goods drops even further. The recession has started.

Since the recession or depression results from lack of effective demand, it can be ended if the Government begins to create demand by spending a lot of money. Then things happen in the opposite direction. If the Government builds a school, that gives money to some builders. They spend the money, and that gives work and wages to factory workers. They spend the money and that gives work and wages to some more factory worker. Each new demand creates more new demand, and the economy begins to work properly again. This is called the MULTIPLIER EFFECT. Each drop in demand takes away more jobs, and so means a further drop in demand. Each increase in demand creates more jobs and so means a further increase in demand.

ii) INFLATION.

Inflation is when prices of most goods rise very quickly, so that people can buy less and less for their money. There are two possible causes for inflation. The first is when there is too much demand. This is called "Demand-Pull" inflation.

As the economy gets going again after a depression, profits improve. Capitalists begin to invest again. Profits get better and better, and so they begin to invest for capital goods. This is good while there are enough capital goods being made. But soon demand increases beyond the capacity of industry to produce.

This is because capitalists begin to borrow money from the banks to invest. The banks are able to lend more money than they have actually got. This is because a bank cheque is as good as money. When the bank lends a businessman some money it does not give him the actual cash, it just gives him permission to write cheques for the amount. These cheques are new

money. They do not represent money that has been saved. They represent the money that the capitalist is going to earn in the future, and which he will use to pay back the loan. Because the banks can make new money in this way, the demand for capital goods can exceed the supply. This means that the price will go up. Because the price of machines go up, so does the cost of production of consumer goods. So the price of consumer goods also goes up. Workers press for higher wages because of the increased cost of living, and this increases costs and prices even more.

The second kind of inflation is called "COST-PUSH" inflation. This comes about when, for some reason, an increase in the cost of some goods affects the price of all other goods. Let us take an example. Steel is used, directly or indirectly, in the production of nearly everything. If the cost of producing steel increases, then the cost of producing everything which uses steel, either as a raw material or as a part of the machinery used, will also increase.

If the price of steel goes up by 10% this should not, of course, make the price of everything made from steel go up by 10%. The cost of the steel is only part of the cost of production. The other costs have remained the same, so the total cost has not gone up 10%. In a competitive economy, with many producers, prices would only be raised to cover the amount of the increase in costs. No producer would raise the price more than this, because each would be afraid that if he did raise it more, then his competitors would sell their goods more cheaply, and nobody would buy from him.

But today most capitalist economies like South Africa, are not competitive. Instead of many small producers of each individual product, there are just a few large producers. These producers do not have to

worry so much about price competition. Often, when the price of steel goes up 10% such large producers of other goods using steel also put up their prices the full 10%. In this way a 10% increase in the price of one basic product may work right through the economy and increase most of the other prices.

Once this has started to happen it is likely to continue, as all the big firms try to keep their prices and their profit margin in line with those of other firms.

At the same time increases in consumer prices put up the cost of living for workers. If they are strongly organised they can demand wage increases. Because the employers treat wages as part of costs, costs increase, and these new increases in costs may be passed on in further price increases.

Then the capitalists turn round and blame the whole thing on the workers. They say that it is the trade unions and their wage increases that have put up costs and caused cost-push inflation.

Inflation in South Africa over the last few years has certainly not been caused by increased wages for Black workers. What increases there have been came after inflation, not before it. But even in other countries it is not correct to blame cost-push inflation on strong trade unions and their wage claims. Firstly, big wage demands have usually followed inflation, rather than caused inflation. Secondly, it is always the employers who put up the prices. If workers force them to pay higher wages, the employers still have the choice between putting up prices or accepting lower profits. It is the fact that the employers insist on keeping high profit rates that causes cost-push inflation.

CURING INFLATION.

When inflation is caused by demand-pull, the Government tries to cure it by cutting down the demand. It can do this in several different ways:

1. It can cut its own expenditure. It can build fewer roads or spend less money on the army. Then the resources which would have gone on roads or the army will be available to satisfy other demands instead.
2. It can cut consumer expenditure directly by increasing taxes. Money that people have to pay in taxes they obviously cannot use to buy goods with. Of course, it is no good if the Government then itself spends the money which it has collected through taxes. It must save the money, not spend it.
3. The Government can try to slow down investment by stopping the banks from lending so much money. It can do this in a number of ways. One way is to increase the rate of interest which people have to pay if they borrow money from the banks. The higher the rate of interest, the less likely are people to borrow the money. This means that the future potential for producing commodities is reduced. Another way is to tell the banks that they may not lend more than a certain amount of money.

All these measures are quite difficult to use. The danger is that they might produce the opposite effect. If the Government cuts demand too much, then it might start a depression. This means that the Government has to balance the danger of a depression against the danger of inflation. It has to find a policy which steers the economy safely between the two.

Cost-push inflation is even more difficult to cure.

In a capitalist system the Government does not usually like to interfere directly with prices. It is also of course very difficult for the Government to control the prices of all the goods which are produced.

If the Government controls prices, then the capitalists complain that wages increases are unfair. If the Government controls wage increases without controlling prices, then the workers resist.

Many Governments now try to get together with both capitalists and workers and work out a PRICES AND INCOMES POLICY which will control both prices and wages in a way which is satisfactory to both sides. But this is also very difficult, as the two sides have different interests and do not trust one another. Any policy which stops wage increases stops the workers from increasing their share of the product. Workers usually feel that their share of the product should be increased before they cooperate with capitalists. The capitalists, on the other hand, do not want to get a smaller share, and try to use the Prices and Incomes policy to make sure that their profits are not affected. Conflict results.

iii) PROBLEMS OF THE MARKET.

In theory, the play of supply and demand on the market ensures that the right things will be produced at the cheapest prices. If there is a big demand for something the price will go up, and more firms will begin producing it. If too much is produced, it will not be sold, and they will switch to producing something of which there is a greater demand. Competition between sellers will ensure that each firm keeps its prices down to a reasonable level.

But in practice it does not work like this. There

are two main problems. The first is that firms produce only what people can pay for.

The second problem is this. Let us say that there is a big demand for radios, and the prices begin to rise. Many different capitalists will see this. Each one will think that he should also produce radios. They will all build factories for making radios, and they will start producing. Suddenly there will be such a flood of new radios that they will not be able to sell them all. So many of them will have to stop making radios. Their machinery will be wasted, and their workers will lose their jobs. Supply and demand of radios will balance out, but at the cost of much waste.

Each capitalist makes his decision to invest separately, without knowing what the others are doing. It takes quite a long time for the effects of all these new investments to show. Because of this, the market is never really in equilibrium.

THE BUSINESS CYCLE.

No Government has yet found out how to manage a capitalist economy in such a way as to prevent any inflation or depression. What usually happens is that the cure for inflation brings about a small depression (called a RECESSION). The cure for the recession, by increasing demand, causes a new round of inflation.

This is called the BUSINESS CYCLE. Instead of a steady increase in production, it increases at different speeds at different times. Sometimes, if the recession is bad, or becomes a depression, total production actually falls. We can show what happens in a GRAPH. The graph on the next page shows the growth of the National Income of South Africa between 1920 and 1940.

This business cycle causes difficulties for the workers. During the inflationary period the workers may find that their real wages are falling, because they cannot buy so many goods with their wages as before.

During the recession many factories cut back their production, so workers lose their jobs and unemployment increases.

There are two important ways in which workers can protect themselves against the effects of the business cycle.

1. They can try to have a cost of living clause included in any wage agreements, so that their wages increase if the cost of living increases during a period of inflation.
2. They can try to have protection against redundancy included in their agreement. This would discourage employers from laying off workers.

Of course, the workers must also press for Government policies to help them. We will discuss this further later. (See chapter page).

STAGFLATION.

In theory, you cannot have both inflation and a depression at the same time. On a free market, inflation is caused by a shortage of goods: too little supply and too much demand, so prices go up. But in a depression there are too many goods. Factories are cutting back production and laying off workers because they cannot sell their goods. There are too many goods, and not enough effective demand for the goods. So prices should go down. If there was a free market,

with many sellers, then competition amongst the sellers would in fact force the prices down. But today, in advanced capitalist societies, there may be only three or four, or perhaps even only one firm, which control the market for a particular product. For example, in the United States the motor car market is controlled by only three firms. Under these conditions there is no real price competition. In a recession or a depression firms might be able to keep their prices up in the face of declining demand. They may even increase their prices, so that they can make the same amount of profit while selling fewer goods. This means that you get inflation at the same time as recession or stagnation; that is at a time of little or no economic growth. Economists call this STAGFLATION. Many capitalist countries are at present going through a period of stagflation. Economists do not seem to have been able to work out a way of ending it and restoring balanced growth too much inflation.

The graph shows how the national income changed from year to year. If you want to read the National Income for a given year, say 1935, you look straight up from where 1935 is written, and you find the point on the graph line which is straight above where 1935 is written on the bottom line. From that point you look straight across to the side line, and read the answer from there. It is about half way between 200 and 300 so it is about £250 million.

iv) FOREIGN TRADE.

So far we have been speaking as though everything that we produced in the country was also consumed inside the country. But in fact we know that that is not what happens.

A country like South Africa IMPORTS many goods from

other countries, and pays for them by EXPORTING many South African goods to foreign countries.

In 1973 South Africa imported goods and services to the value of about R5 000 million. The total for exports was also about R5 000 million. The total Gross Domestic Product for 1973 was R18 683 million. So you can see that exports equal more than a quarter of the total product.

Because of this, the South African economy is very dependant on the economies of other countries. If there is inflation or a depression in the other countries, then it will affect South Africa's exports and imports. In fact one of the reasons for the high rate of inflation in South Africa at the moment is that there is also inflation in most of the countries with which South Africa trades. In the last year the prices of imports have risen by about 14%.

There is another important way in which foreign trade can affect the economy. If the economy is to work well there should be a BALANCE OF TRADE. That is, the country should not spend more money on buying foreign goods than it earns from selling goods to foreigners. Other wise it will finally use up all its foreign money and all its foreign credit, and soon will not be able to buy goods it badly needs from foreign countries.

One way of improving the balance of payments is by DEVALUEING the currency. When we buy from other countries, we have to exchange our money, Rands, for foreign money, like English Pounds, or German marks, or united states dollars. We give so many rands for so many dollars. This is called the RATE OF EXCHANGE. The Government decides what the rate of exchange should be. If the balance of payments is against us, than the Government may decide to change

the rate of exchange, so that we have to give more Rands for each Pound. This is called devaluating the Rand. Devaluation does not affect the value of the Rand inside South Africa. It affects the value of the Rand in relation to other countries. The purpose of devaluating is

- a) to make foreign imports more expensive, so that people will not import so much, and
- b) to make our own goods cheaper in foreign markets, so that foreigners will buy more of our goods.

In this way it is hoped that imports will go down and exports will go up, and the balance of payments problem will be solved. It is also hoped that because foreigners will be able to get more Rands for their own money, they will be keen to invest their money in South Africa. This inflow of investment capital will also help the balance of payments.

Unfortunately devaluation does not always work. It may cause rapid inflation. If the economy is heavily dependent on imported machinery, or raw materials then devaluation will cause the cost of production of goods to rise. Prices will go up inside the country. The costs of exported goods may also go up, and so the advantage of cheapness of exports will be lost.

The question of foreign trade and the balance of payments is a very complicated one. We cannot discuss it any further here. But you must remember, when thinking about any aspect of the South African economy, economy, that South Africa is very dependent on its economic relations with other countries.

v) DISTRIBUTION.

In this chapter we have seen that there must be a balance between supply and demand in the economy. If this balance is upset, then there will be inflation if there is too much demand, or a depression if there is too much supply.

It may seem peculiar to think that there could be too many goods. But remember, this means too many goods for people to buy with the money they have. There might always be people who needed the goods, but if they had no money, they would not be able to buy them.

From this we can see that there is a relation between the problem of economic equilibrium (balance) and the question of how the product of the economy is distributed between the different people in the country.

We have seen that for the economy to grow regular savings and new investment are required. This tells us about how the total product is produced, but it does not tell us about how it is distributed.

In the next chapter we shall look at this question of distribution.

What decides how the product will be shared between the owners and the workers?

Are there any economic laws which fix the share which goes to each group?

What can be done to change the shares?

CHAPTER 4.

THE WORKER IN SOCIETY.SHARING THE WEALTH.

In the last chapter we looked at a diagram which shows how goods are produced and distributed. The two most important things in the lesson were:

1. That the working of the market play an important part in the distribution of goods.
2. That for growth to take place there must be savings and these savings must be invested in a new capital goods.

In this chapter we shall look more closely at two questions:

1. What decides exactly how much of the product each person should get?
2. Who does the saving, and why?

In a subsistence economy each family owns what it needs to produce goods for itself. The way in which the product of the family's labour is divided among the members of the family is decided by the father, or by all the older members of the family together. There is no problem about understanding why each person gets the share that they do get. But in a capitalist society it is not easy to see what happens and why it happens.

i) DISTRIBUTION OF INCOME.

In the simple family subsistence economy the product is probably distributed in accordance with the needs of the different members of the family. Another way of distributing the product would be to share it out on the basis of the amount of work done by each member of the family.

But in an economy like ours goods are not distributed on the basis of need. They are not distributed on the basis of the amount of work which each person has done.

When goods are distributed through the market, what each person gets depends on how much money each person takes to the market.

So the distribution of goods depends on the distribution of money incomes. Our diagram shows that wages go to workers and profits go to owners. But it does not show how it is decided how the money should be divided between profits and wages. Nor does it show how the differentials between different wages are decided.

A doctor might each R16 000 per year.

A sales manager might earn R10 000 a year.

A clerk might earn R3 000 a year.

A machine operator might earn R1 000 a year.

WHERE DO INCOMES COME FROM?

There are two different sources of income:

INCOMES FROM PROPERTY: profits, rent and interest.

INCOMES FROM WORK: salaries, wages and fees.

So we have two different questions to ask about the distribution of incomes:

1. How are incomes distributed between incomes from property and incomes from work?
2. How are incomes from work distributed between the different people who work, between the workers' wages, the sales manager's salary and the doctor's fees?

In an earlier chapter we said that owners want to turn a wage into a PRICE which is set by supply and demand on the LABOUR MARKET.

But the workers want to turn the wage into a SHARE which is fixed by negotiation between all the people who take part in the production of goods.

Because of this conflict between the owners and the workers, the distribution of incomes is affected by two different things:

It is partly affected by market forces, in the same way as are other prices.

But it is also partly affected by the power of the workers and the power of the owners.

MARKET FORCES.

We shall begin by looking at the way in which market forces affect the distribution of incomes. Assume that there is a certain amount of capital and a certain number of workers. The owners of the capital want to use their capital to make the biggest possible profit. They will use it to buy a certain

amount of machinery and raw material, and to pay the wages of a certain number of workers.

We will assume also that the price of the machines are fixed, but that there are different kinds of machines, some of which need many workers, and some of which need fewer workers.

Which machines will the owners buy? What they want is the cheapest combination of machines and workers. And this will depend on the wage rate. If they begin by deciding to buy expensive machines which need only a few workers, then there will be much unemployment. When there are no workers' organisations the effect of many people looking for jobs is to make the wage rate go lower.

When the wage rate goes lower, then it will be cheaper for the owners to use more workers and fewer machines.

Wages will continue to drop, and owners will continue to use cheaper workers instead of more expensive machines, until everybody has a job. Then wages will stop falling.

ii) INCOMES, SKILLS AND THE MARKET.

But the owners also need different kinds of workers with different skills. They need engineers and mechanics. They need accountants and they need clerks. They need foremen and they need machine operatives.

So they have to offer wages and salaries for all these different kind of workers. Many of them need special skills, and in a society like ours, there are often only a few people with these special skills.

Because there is a small supply of people like

engineers and accountants, their market price (their wage) will be higher.

We can say that different people have different (skills) to sell on the market. Some have only their labour power. Others have special skills. The incomes which they get will depend on the demand for these skills, and on the number of other people with the same skills (the supply).

To say this is to say that we cannot answer the question about the wage differentials until we know why different people have different skills. The main reason is obviously that different people have had different training. Somebody who has done matric and then studied engineering at a university has got skills which even the cleverest people who have not gone to school cannot have.

EDUCATION.

But how is it decided who will get the education? Even in a country like Britain, where there is free schooling for all children, the son of a doctor or an engineer nearly always gets a better education than the son of a factory worker. Why is this?

The most important reason for this is that poorer families cannot afford to keep feeding their children if they stay at school for a long time. Even if the school is free, the family still has to feed and clothe and house the one who is at school. Usually after he or she is about 16 they cannot afford to go on paying. They need their child to go out and get a job to help keep the family.

So the children of poorer families usually have to go out to work as soon as they are legally old enough to work. But richer families can keep their children at

school longer, and can let them go to university.

There are other reasons too.

The schools in the poorer areas are often not as good as the schools in the richer areas. They are overcrowded. Their equipment is not so good. They are not popular with teachers, so teachers with better training leave them to get jobs at other schools. The teachers who stay behind are often those with the least training. Often poorer children are not so well fed and so cannot work so well at school. Poorer parents cannot buy their children books and extra lessons and other things which will help them to learn. Factory workers work longer hours and have not got so much time to spend with their children to help them. Mothers in poorer families also often have to work.

UNEQUAL CHANCES.

In a country like Britain the Government spends the same amount of money for the education of each person. It is only the difference between the wealth of each family which means that some people have much better chances than others.

But in South Africa it is made even more difficult for the children of factory workers to get a good education. The Government spends more on the education of White children than on other children. The White children already come from the richer families. So the Government helps the richer people even more.

Also, not all training is done at school. Many companies run their own apprenticeship training courses, and give some of their workers other forms of training so that they can do better paid jobs. But because of job reservation, in South Africa most of this special training is given to White workers.

We can see from all this that those who are already rich have a better chance of getting the training needed for higher paid jobs. So this does not really explain why some people are rich in the first place. The market helps those people who have got a lot more to sell than it helps those people who have not got much to sell. But we still need to know why some have much to sell and some have little to sell.

Expenditure on education in South Africa:

Per African school pupil	R16,97
Per Coloured school pupil	R73,00
Per Indian school pupil	R81,02
Per White school pupil	R282,00

THE OWNERSHIP OF CAPITAL.

We have seen that people who have special skills and training can make sure that they get more skills and that their children also get skills and training.

The other thing which affects the distribution of income through the market is the ownership of capital. If we start with a certain amount of capital and a certain number of workers, we will end up with a certain wage. But why do certain people own the capital in the first place?

Many people work together in a factory to produce goods. The workers are paid wages which they have to spend in order to live. The managers are paid higher salaries, and so can save some of their income. The money which is left over, the profit, is the property of the shareholders. Some of this money is kept by the company to reinvest, thus increasing the total amount of capital owned by the shareholders. The rest of the profits are distributed to the shareholders as dividends. Shareholders, who have been able to save and invest, are usually already quite

rich. So they can often save a large part of their dividends and reinvest them.

So at the end the workers once more have nothing. They have spent their wages on food and clothes. So they have to work some more to earn more wages. But the shareholders have now got even more capital than they started with.

iii) CAPITAL AND INCOMES.

We saw that the richer people can afford a better education which will help them to stay rich or to get richer.

Now we see that the owners of capital get more capital, while the workers get none.

BUT WE STILL DO NOT KNOW WHY SOME PEOPLE OWN CAPITAL AND OTHERS DO NOT.

We have seen that SAVING is very important. Without saving and reinvestment there could be no economic growth. There could be no improvement in the standard of living. There could be no new jobs for a growing population.

But the question is: why should the new saving be owned by the people who owned the original capital? There are other ways in which saving could come about.

For example, if there was a much more equal distribution of incomes, workers would have much higher wages. Perhaps then they would be able to save enough.

Or perhaps each company could save, and the money re-invested could be owned by all the people working in the company, not only by the shareholders.

So for saving and reinvestment to occur it does not seem to be necessary for all the profit from the firm to go only to the people who bought the machines in the beginning.

PROFIT AS A REWARD FOR SAVING.

We cannot see why all the profit should go to the owners and none to the workers. But perhaps profit is a reward for past saving. Perhaps what happens is something like this:

Imagine a group of people each of whom makes things and sells them on the market. All of them spend all the money that they earn in this way. Because they spend it all, there is no saving, and no growth. But now imagine that one of them decides that he will not spend it all. He will save more of it, and use the money which he saves to buy machine. At the same time some of the other people are spending too much money. They are not even keeping enough money to buy new materials to make more things. So when they have spent all their money they can not earn any more money by making new things to sell.

The only way that they can get any money to live is by going to work for the man who has saved and bought a machine.

Because he now has more people working for him he can afford to save even more money if he wants to. Then he can employ even more of the people who have wasted all their money.

In this way the man who saves now gets profit in the future as a reward for saving now. His saving helps society as a whole, because it makes growth possible. And it helps those who have wasted all their money, because it gives them jobs. And this is why his savings deserve to be rewarded.

EQUAL CHANCES.

The idea of this argument is that everybody has an equal chance to become an owner. Those who work hard and save can become owners.

Those who are too lazy or not clever enough become workers. They do not deserve to get any share in the profit because they have not contributed to the growth of the economy by hard work and saving.

Of course SOMETIMES things do happen like that.

There are some few very rich owners who started off as workers, and managed to get rich by saving and thinking up new ideas.

There are some people who are now workers who started off with a little property of their own and were too lazy, and spent too much, until they had nothing left, and so had to become workers. But these are the exceptions.

In fact there are two main things wrong with the argument:

1. The division into workers and owners did not really happen because some people saved and some did not. For example, we have seen in South Africa that many people had their land taken from them when South Africa was conquered. They did not become workers because they had lost their land through laziness. They became workers because their land had been taken from them.

The people who got the land could then get them to work on it. Once it is accepted that some people own all the land and others work for them, there are no more equal chances.

WHO DOES THE SAVINGS.

2. The second thing wrong with the argument is this. Even if the division into owners and workers happened in that way in the beginning, that would not mean that we could say that now all owners are good people who have helped society by saving, and all workers are those people who have been too lazy or greedy to save.

If a man already owns a million rand, it is no trouble for him to save a lot of his income. His income is so big that he would have to work very hard to spend it. But a worker earning R15 a week can save very little, however careful he is about what he spends, and however many hours overtime he works.

In fact what happens is this. Somebody who owns a factory no longer needs to eat less in order to save himself. Instead, he makes the workers do the saving for him. He does this by paying them low wages. Saving is made by cutting down in the workers' consumption. But the new capital which results from the saving is the property of the owner.

This means that the size of the profit will depend on how much the employer can make the workers save. That is, it depends on how low he can keep their wages.

We have seen that this is partly a result of market conditions; of supply and demand for labour. But mainly it is a result of the power of the owners against the power of the workers.

PROFIT AND EFFICIENCY.

Of course this does not mean that all the owner has to do is to pay low wages and then he will make a profit. If he pays too low wages, then the workers

will not be strong enough to work in the first place.

But it is also important that the factory is efficiently run without waste of raw materials and without damage to machinery.

It is important that the goods which are produced are goods which people want to buy. This depends on how well the whole business has been planned. It also depends on what is happening in the rest of the economy. If the economy is in a recession people may suddenly find that they cannot buy the products even though they would like to.

It also depends on what the competitors who make the same products are doing. If they have discovered a way of making and selling better and cheaper products, then the factory will not be able to make a profit.

But the owners employ managers to make sure that the factory is run efficiently. They employ sales managers to make sure that people want the goods. They employ engineers to make sure that the factory uses the best kind of machines. All these people are paid high salaries because their skills are scarce. So they should be able to run the factory in such a way that it can make profits.

PROFITS AND POWER.

So profit is not a reward for efficiency, or for good planning, or for the design of good machines. All these things are done by people who are paid salaries for doing it. They are not done by the people who own the shares.

Sometimes shareholders are also managers or directors of the company. But then they get paid a salary for the work that they do for the company. The dividends which they get are something in addition to their salaries.

The owners get the profits as a result of the power which they have to give or not to give work. This means that a company which does not make profits will not be able to get any new capital.

It will not be able to get loans from the banks, because the banks will only lend money to profitable companies.

It will not be able to get capital by selling shares, because shareholders will only buy shares if they can be sure of getting dividends from the profits.

This means that the people who own capital have the power to make things very difficult for a company which does not make a good profit. This can also mean trouble for the workers in the company. If the company is not profitable it will close down and workers will be unemployed. If the company is not very profitable then workers may not be able to demand high wages.

These high wages may result in the company closing down, and owners transferring their capital to another industry. Owners can use this possibility as a threat against workers who want high wages.

iv) WORKERS' ORGANISATION.

If there were equal chances for anybody to become an owner and to share in the profits, then it might be

a good idea for each worker to look after himself or herself. He or she should try to save as much as possible in order to stop being a worker and become an owner instead.

But in fact the chances are very unequal. Workers cannot save themselves by acting as separate individuals. By competing with their fellows they still will not be able to earn and save enough. All they will be able to do will be to divide the workers, and to make the owners stronger.

Workers can only help themselves by helping one another. Only through solidarity can they improve the positions as individuals. They have to act together to improve their position as a group. Only through solidarity can they gain enough power to improve the position of all workers as a group.

A wage becomes a price through competition among the workers. If they combine instead of competing they can stop the market from forcing wages down. They can negotiate with the owners for a larger share of the common product.

CHAPTER 5.

i) CLASSES.

We have seen that there are two important sources of differences in income.

Firstly there is the difference which results from difference in the ownership of property.

Secondly there is the difference which results from differences in education and training.

These differences divide a society up into three separate groups, which are called CLASSES.

There is the group which owns property in the means of production: the OWNERS.

The owners pass their property on to their children when they die. So if you are born into the owning class, you will probably stay in it. If you are born outside it, it is still possible to become an owner, if you are lucky. But, as we have seen, it is very difficult and very unusual.

There is the group of people who have education and training. They can get the best paid jobs. Because they are not as rich as the big owners, but not as poor as the workers, they are often called the MIDDLE CLASS. Because they get good salaries, they can make sure that their children also become educated so that they can get the same kind of good jobs.

Then there is the group of those who have no property, and no special skills. They are the WORKERS. It is possible for a worker to see that his or her children get a better education. But it is difficult. So most people who are born in the working class stay in it.

CLASSES IN SOUTH AFRICA.

There is some movement between these classes, but it is difficult to move from the working class into one of the other two classes.

In some countries it is more difficult than in others. As we have seen, in South Africa it is especially difficult because of the difficulties about race. It is much more difficult for the child of a Black worker to get an education than it is for the child of a White worker.

But even in South Africa there is movement between the classes, and there are class differences within each "race group".

There are poor Afrikaans workers who cannot afford to let their children stay at school as they get older. We saw the problems which were faced by Afrikaans workers in the clothing industry. There are many more English factory owners than there are Afrikaans factory owners.

There are Black people who own shops and garages, and, sometimes, factories. There are middle class Black doctors and school principals and personnel managers.

But on the whole most Africans and Coloureds and Indians in South Africa are workers. Whites are more owners or members of the middle class.

ii) DIFFERENCES WITHIN CLASSES.

Of course we must not think that everybody within each class is the same. There is a big difference between somebody who owns a gold mine and somebody who

owns a small shop. We shall talk more about classes and the differences within classes and between classes in the next lesson.

For workers there is one important thing to remember. The working class is the poorest class. There are two different things which a worker can try to do about this:

1. He or she can try to stop being a worker, by learning more, getting a better job, saving up, and escaping from the working class.
2. But this would have the position of the other workers unchanged. So the second alternative is to work together with other workers to try to make the condition of all workers better.

THIS IS WHAT A TRADE UNION IS FOR. It is not to help individual workers to get ahead of their fellows. IT IS THAT ALL WORKERS CAN WORK TOGETHER TO GET A BIGGER SHARE OF THE PRODUCT, TO GET BETTER EDUCATION FOR THEIR CHILDREN, AND TO LESSEN THE INEQUALITY IN SOCIETY.

Workers who are only interested in themselves will not work hard in the trade union. And if they do so, it will be because they hope to use the trade union to get privileges for themselves.

iii) CLASS INTERESTS.

People who belong to the same class have many needs and problems in common.

For example, all or most members of the working class

want things like:

Better education for their children;
Laws protecting trade unions;
Policies which will prevent unemployment.

Members of the owning classes often want things like:

Lower taxes on high incomes;
Laws protecting employers against trade unions;
Policies which will favour high profits.

We can say that different classes have different INTERESTS. The working class has an interest in laws protecting trade unions. The owning class has an interest in higher profits.

Of course, the different classes may also have some interests in common. For example, they may all have an interest in a higher rate of growth.

Also, there may be some DIFFERENCES OF INTERESTS within each class. For example, owners of companies which deal in imported goods may have an interest in low import duties. Owners of companies which make goods may have an interest in high import duties, to keep out competition.

THE OWNING CLASS.

There are big differences between somebody who owns a factory or a gold mine, and somebody who owns a small shop, or a few tools, or just enough land for subsistence farming for his family.

To start with, the factory owner or the mine owner has a much bigger income.

But there is another even more important difference. The small shop-keeper does his own work. The mine-owner or the factory-owner employs workers to work for him.

When we have spoken of "owners" and the "owning class," we have always meant owners who are also employers of labour.

There is a conflict of interest between these owners and the workers, and that is why it is these owners that we have to learn about.

Also, in most countries the small owners who do not employ labour are becoming less and less important. Big supermarkets are replacing small shopkeepers. Big farms with expensive machinery are replacing independent subsistence farmers or independent cash-crop farmers.

Also, many of these small owners want to become big owners. For this reason they often give their political support to the big owners who employ labour. They are not part of the real owning class, but they may support it against the workers.

PEASANTS.

There is one important group of "owners" in South Africa who really have nothing in common with mine-owners or factory-owners. These are the subsistence farmers in the "reserves", the PEASANTS who each have small plots of land on which they used to try to grow enough food for their families. Because of land shortage in the reserves it became more and more difficult for these peasant-farmers to survive. Every year more of them have to find jobs in the cities in order to be able to buy extra food for their families.

Because of this system of MIGRANT LABOUR in South Africa there is a very close link between the workers and the peasants. Many workers have a small patch of

land in the reserves. Because of the laws about influx control, these workers have to leave their families on this land while they go to the city to work. Often they are city workers part of the time and peasant farmers for part of the time.

But this does not mean that the interests of peasants and of workers are exactly the same, even in South Africa. Peasants are more worried about getting more land for the reserves. Workers are more worried about conditions in the towns.

These are not big differences, but they might lead to misunderstandings. The most important thing to remember is that both peasants and workers want more jobs, whether through getting more land, or through more factories.

When we talk about the "owning class" we do not mean peasant farmers.

THE MIDDLE CLASS.

WHAT WE HAVE CALLED THE Middle Class includes many different people.

It includes:

Doctors and Lawyers, who work for themselves.

Engineers and Managers who work for the big owners, but get very high salaries.

Magistrates and Labour Inspectors and other CIVIL SERVANTS who work for the Government.

What all these people have in common is some kind of special education or training which enables them to get the best jobs. As we have seen, they are usually

able to pass this on to their children. Because they have high incomes, they can afford to make sure that their children stay at school, or go to university or technical college.

They have an interest in keeping a society in which incomes are very unequal, and education and training is very unequal. For this reason they often support the owning class.

But it is difficult for this class to be as united as either of the other classes. (The poorer and least educated members of the class are nearly in the same position as the workers). People like managing directors of big companies, and the highest paid doctors or lawyers, are as wealthy as many owners. Often they can buy shares and become owners themselves.

THE WORKING CLASS.

There are also differences of interest within the working class. The most important of these has been the difference between skilled and unskilled workers. If skilled workers are scarce, then their wages are likely to be high. So it has often been in the interest of skilled workers to stop other people from getting the same skills.

One of the most important ways of doing this has been through APPRENTICESHIP. To be APPRENTICED is to work under a skilled workman in order to be taught the job by him. Apprenticeship can be an important way of making sure that people are properly trained for their jobs. But it can also be a way of making sure that only a few people get the training.

The wages of an apprentice are often quite low, and this means that children from the poorest families,

who need money quickly, often cannot afford a long apprenticeship. Also, the skilled workers who are doing the training can make sure that they only train a few people.

CRAFT UNIONS have often been used for this purpose. The skilled craft workers can negotiate an agreement that only members of their union can do certain jobs. Then they can make sure that only a few people join the union.

In South Africa this conflict of interest between skilled and unskilled workers has been mixed up with race and with job reservation. But the same thing has happened in many other countries where all the workers are the same.

iv) SHARED INTERESTS

We have said that there are conflicts of interests between the different classes. But there are also some interests in common. What are these common interests?

For example, although owners and workers have conflict of interest over the division of the product, they have a common interest in the growth of the company.

In the same way, all the classes in society have a common interest in the growth of the economy.

BUT EVEN HERE THERE ARE IMPORTANT DIFFERENCES.

HOW is this growth to be achieved? The workers have an interest in growth which produces more jobs, makes work easier, and increases their incomes. If growth is achieved by using more machinery (capital intensive method) which create unemployment and bring about lower wages, then it is not in the interest of the workers.

WHAT is this growth for? The workers have an interest in the production of more buses to improve collective transport that everybody can use together. The owners and the middle classes have an interest in the production of more cars for them to use privately.

The workers have an interest in the production of more cheap houses and flats. The owners and the middle classes have an interest in the production of expensive luxury housing.

CHAPTER 6.

i) WORKING CLASS INTERESTS.

The interests of the working class are in conflict with those of the other classes in two ways. There is a conflict over the distribution of income. It is in the interests of the working class for them to be greater equality. It is in the interest of both the middle class and the owning class to keep society unequal.

There is also conflict over discipline and control. In each factory the management give orders and the workers are expected to do what they are told. Both owning class and middle class giver orders. The workers are the ones who receive orders.

This is a big source of conflict. Workers would like to have more control over their lives and their jobs. They would like to make decisions instead of just obeying orders. There is always a conflict in the factory as the workers try to extend the amount of control they have over what they do. On the other hand managers try to keep control over anything if they can.

So in the society as a whole workers have an interest in policies which cut down on inequality, and which increase the control which working people have over their own lives. This brings them into conflict with both the owning class and the middle class.

There are two things which separate people of different classes from one another. The first thing is the fact that they have different interests.

But even if a person from one class decides to forget

about his or her class interests, and instead to co-operate with the working class, there can still be problems. The reason for this is that people from different classes are also likely to have different experiences.

A person who has lived in a middle class home and has been to school and university may know many things. But he or she does not know what it is like to be a factory worker.

He or she does not know much about the work that is done in factories, or about which work is easy and which work is difficult.

He or she does not know about the discipline of a factory, and by out of the conflicts which can occur inside factories.

Also, coming from middle class, he or she is used to giving orders to people, rather than working with people.

For all these reasons co-operation between workers and people from other classes can be difficult. But it is not impossible. Workers should be patient with such people.

INDIVIDUAL OR GROUP.

There are two different ways in which members of the working class can try to improve their positions. The first way is to try to do it by oneself; to hope that by working hard and saving, or by going to night school to get more education, one can escape from the working class and become middle class, or even an owner.

There are two things wrong with this way. The first thing wrong with it is that it is very difficult. It is difficult to save on a workers' wage. It is difficult to work for your matric in the evening if you have to work in a factory all day. If you start as an unskilled worker, it is difficult to get the training for a better job. In fact, if it was not so difficult, then society would be much more equal, and workers would have fewer problems.

But the second thing wrong with this way of doing it is that, if you do perhaps manage to escape from the working class, you leave all your fellows behind. You do not end exploitation. Instead, you become one of the exploiters.

Even so, there are workers who think like this. These workers are not interested in their fellow workers. They just want to become rich themselves. They will not take any risks in order to increase worker solidarity. Instead, they do everything to gain the favour of the employers.

ii) SOLIDARITY.

This selfish attempt to improve one's own position without worrying about anybody else weakens the working class. It even weakens those people who ARE SELFISH. In fact they have very little chance of escaping.

Many workers dream of saving up enough money to buy a taxi or a little shop. Many workers dream of getting enough education to become a clerk. But in fact very few succeed. The only way in which they can really help to improve their own positions is by working with their fellow workers to improve the condition of the working class as a whole.

Workers can only improve their position by working together to struggle for a bigger share of the money that comes from their production, more control over their work, and better social conditions.

The most important way of combining is through the TRADE UNION. But the trade union can only affect directly what happens in the factory or the industry.

What the Government does is also very important. The Government can act in the interests of the owners or of the workers. In many countries the workers have formed political parties to try to make sure that the Government acts in the interests of the workers. We will look at the question of the Government and of political parties in the next lesson.

WORKING CLASS UNITY.

There are three difficulties which face working class organisation in South Africa. The first two face working class organisations everywhere, and the third is a special South African problem.

The first difficulty is the question of leadership. Educated members of the middle class are much more likely to have the skills which are needed to run a big organisation. They are used to books and to reading and writing. They know where to get information which is needed. They have learnt more about financial matters. They may be better at putting their ideas into words, and more confident when they have to speak to employers.

For all these reasons there is a danger that the few middle class people who want to co-operate with the workers might take over the leadership of the workers' movement.

This is dangerous for three reasons.

The first reason is that these people may in fact be more concerned with their own class interests. There are many examples in history of middle class and even owning class leaders who have used worker organisations to improve the position of their own class.

The second reason is that middle class leaders may in fact not really understand the problems of the workers.

The third reason is that, if they do things for the workers, this will prevent the workers from learning how to do these things themselves.

iii) LEADERSHIP.

The difficulties resulting from middle class leadership can be the same whether the middle class people are Black or White.

All Blacks have an interest in the ending of race prejudice and racial discrimination. But there are still big differences between them. Black middle class people may be more concerned about things like:

- * trading rights for Black businessmen
- * the right to use 5 star hotels
- * equal pay for Black and White teachers and doctors.
- * the right to own land and build houses in the urban areas.

All these things are important, but they are not of much use to Black workers. Even if they were allowed to, Black workers could not afford to stay in 5 star hotels or to buy their own houses.

Black workers are more concerned about things

like:

- * full trade union rights
- * improved pay for the worst paid
- * better cheap housing schemes, with greater security in municipal housing.

And even if members of the Black middle class want to work for the interests of the workers, they may want to make all the decisions, and to stop workers from learning how to organise themselves.

WORKING CLASS LEADERSHIP.

For all these reasons it is very important that there should be real working class leadership. This does not mean that there should be no co-operation with members of the middle class. But great care should always be taken that they really act in the interests of the working class.

For this reason one of the most important tasks for a trade union is to train working class leaders. They must be able to run their trade union properly. They must also be willing and able to play an important part in the affairs of the community. They must work to make sure that community organisations, municipal councils, homeland governments and the Government of the country act in the interests of the working class.

When there is co-operation between members of different classes, the workers must make sure that the co-operation is to satisfy their needs, and not only the needs of the other classes.

They must also remember that it is very easy for a working class leader to be "bought off" and to become

middle class himself. As soon as the leader is out of the factory and sitting in his or her own office he or she can begin to grow away from the workers. This is why it is so important for workers' movements to be democratic. Workers must keep a continuous check of their representatives.

iv) DIVISIONS AMONG THE WORKERS.

The second difficulty facing working class organisations is that there are some conflicts of interest among workers. As we have seen, the most important of these is the division between skilled and unskilled workers.

All workers have many things in common, and so it is better if they can all work together. But it sometimes happens that skilled workers will try to make an arrangement with the employers at the expense of the less skilled workers.

Many trade unions include clerical workers, skilled manual workers, some supervisors, and semi-skilled and unskilled workers. Although the semi-skilled and unskilled workers are likely to be in the majority, the leadership may fall to the other workers. This is because the clerical workers and the skilled workers are likely to be best educated, the best at speaking English, and the most confident.

But this can be just as dangerous as if the leaders are all middle class.

It is therefore very important:

- a) That all union demands should be discussed fully by all workers, to make sure that they represent the interests of all the different grades of workers.

- b) That semi-skilled and unskilled workers play an important part in the running of the workers organisation.

RACE AND CLASS.

The special South Africa difficulty is RACE. Although the majority of the workers in South Africa are African, there are also many Coloured, Indian and White workers.

The White workers have the vote, trade union rights and have been able to get special rights for themselves, as well as better education and training.

The Coloured and Indian workers also have trade union rights and can take part in Industrial Council negotiations. Also, there more schools for Coloureds and Indians than there are for Africans. This means that sometimes Coloureds and Indians can get better jobs.

These differences result from the way in which the labour force was created in South Africa. The White conquered South Africa and took much of the land. The Africans and the ancestors of the Coloureds then had to work for the Whites. In the beginning in the Cape, skilled work was done by Coloured slaves. But when the South African economy began to grow very quickly, the needed skilled workers were brought from Europe.

Today the working class is divided. Some people say that the Whites cannot even be counted as workers any more. Their main job is supervising Black workers, so they are more like middle class managers than they are like working class machine operators. But whether we call them working class or middle class, their

interests are often in conflict with the interests of other workers.

PREJUDICE.

There are two different reasons for this divisions in the working class. The first reason is that the conflict of interest between skilled and unskilled workers is joined with race differences. Most of the skilled workers are White, or else Coloured or Indian.

But many Coloured or Indian workers are only semi-skilled-or unskilled. Yet there is still sometimes trouble and conflict between Africans and Coloureds and Indians doing the same jobs. This results from RACE PREJUDICE, the belief that members of one race are better than members of another race.

In many factories African, Indian and Coloured workers cooperate together. But in other factories they are separated by prejudice. This weakens all the workers. The employers can encourage the workers to fight against one another, and so stop them from combining together against the employers.

For this reason it is important for any workers' organisation to try to bring together all workers, whatever their race. This is one reason why works committees and liaison committees are harmful. They are only for African workers and so they prevent all the workers from combining to press joint demands. This means that trade union leaders must fight against race prejudice.

When there is a conflict of interest between workers doing different jobs, they must make sure that this does not become a conflict between different races.

v) THE GOVERNMENT AND CLASS INTERESTS.

There is a conflict of interest between the working class, on one hand, and the owner class and the middle class on the other hand. The Government plays a very important part in this conflict, because the laws and the policy of the Government help one side or the other in this conflict.

It is the Government which makes the laws that say that some people may own the means of production. Their ownership is protected by the law, the police and the courts.

It is the Government which makes laws about what kind of negotiation should take place. It is the Government which makes the laws about trade unions. The Government can make laws which protect employers against trade unions, or it can make laws which protect trade unions against employers.

It is the Government which collects taxes and decides what should be done with the taxes:

It decides who should pay the taxes. It may decide that only rich people should pay an income tax. Or it may decide that everybody should pay the same poll tax.

It may decide that there should be a tax on cars, which are bought only by the richer people. Or it may decide that there should be a tax on something like salt, which is bought by everybody. So it is the Government which decides which class should pay the most taxes.

GOVERNMENT SPENDING.

The way in which the Government spends the taxes also affects the different classes in different ways.

The money is spent for three different purposes.

1. There are things which everybody needs but which they cannot pay for separately. Everybody needs roads. Everybody needs a police force to protect them. But even here there can be differences of interests. Where will the roads be built? Will the best roads serve the rich suburbs, or will there be good roads in all parts of the town? Who will the police protect? Will they spend their time enforcing the unpopular pass laws, or will they stop criminals attacking workers? Will they arrest strikers, or will they arrest employers who break the safety regulations laid down in the Factories Act.

2. Taxation can also be used to REDISTRIBUTE wealth. The rich can be made to pay higher taxes in order to provide services for the workers. The money can be spent on schools, on health services, on pensions, on unemployment payment and on housing. How and to what extent this is done will obviously affect the classes in different ways.

3. The Government can use its taxation and expenditure policy to make the economy work in different ways. It can spend more to stop a recession or it can tax more to slow down inflation. It can use taxes to protect certain industries. All these things will also affect the different classes differently.

CHAPTER 7.

THE GOVERNMENT.

i) GOVERNMENT AND THE ECONOMY.

In the last few chapters we have seen that the Government plays an important part in the working of the economy, and in the distribution of wealth.

1. The Government makes laws about the bargaining rights of workers and employers. The Government makes laws, like the pass laws, which affect the rights of workers to look for jobs.

2. The Government makes laws which deal with factory safety, hours of work and unemployment.

3. The Government builds schools and technical colleges to train workers. The Government decides who may go to these schools and technical colleges.

4. The Government uses its powers of taxation and spending to make the economy work properly:

a) It can spend more in order to create work during a depression.

b) It can make people pay higher taxes so as to cut down demand during inflation.

5. It can protect new industries by charging an import duty on imported goods.

6. The Government can help farmers and factory owners by lending them money to help them to buy machinery. In this way the Government helps in the accumulation of capital.

7. The Government can borrow money, or use tax money, to start factories itself. These factories and other industries, like the railways in South Africa, are then the property of the Government and any profits go to the Government.

8. The Government can use its powers of taxation to redistribute the wealth of the country. It can take from the owners to give to the workers, or it can take from the workers to give to the owners.

Usually Government will combine all these different measures in such a way as to achieve the aims which it has set itself. The way in which they are combined is different in each country. In some countries most of the economy is run by Government investment, and there are no owners. This is called SOCIALISM.

In other countries, like South Africa, there is a mixture between privately owned industry and Government-owned industry. But in most countries, whether they are socialist or capitalist, the Government tries to plan how the economy will work, by using all the methods which we have mentioned.

GOVERNMENT AIMS.

We saw in the last section that the Government can try to make the economy work in such a way as to help one class more than the others. Each policy affects the different classes in different ways. The Government can make policies which will mainly help the owners get higher profits, or it can make policies which will help the working class to get jobs and a bigger share of the wealth.

Because of this people try to influence the Government.

They want to make sure that the Government's policies will help them.

They can try to influence the Government in one or two ways. The first way is to form a POLITICAL PARTY. The Political Party will work out a whole set of policies, called a programme. Then the Political Party will try to become the Government party, and carry out its programme.

The second way is to act as a PRESSURE GROUP. A Pressure Group tries to make the Government accept a different policy, more in favour of the people who belong to the Pressure Group.

In this lesson we shall see how Government and law-making works in South Africa. Then we shall see how the political parties and pressure groups work. Lastly we shall talk about the kind of policies which would most help the workers.

ii) PARLIAMENT AND GOVERNMENT IN SOUTH AFRICA.

THE CONSTITUTION.

There are many different ways in which laws are made, and we put it all in a diagram, which is reprinted on Page 6.

From the diagram, you can see that the most important body is PARLIAMENT. Parliament makes the most important laws. It is Parliament that decides which other bodies are allowed to make laws, and what they are allowed to make laws about.

We have seen that any trade union must have a CONSTITUTION. A country also has a constitution. The

constitution of a country is the most important law, because it says how the other laws should be made.

In South Africa it is the Constitution which says:

- a) that Parliament shall be the most important law-making body;
- b) That the members of Parliament shall be chosen by all White citizens of South Africa who are over 18 years old.

The Constitution also says that Parliament can change the Constitution.

PARLIAMENT

The Members of Parliament are chosen through elections, which must take place at least once every 5 years.

Any voter can stand for election to Parliament. But usually a number of people with the same interests and the same policy get together to form a PARTY. The Party then nominates candidates who will try to get elected. If the members of one party win more than half the seats in Parliament, then that party will form the Government. Because it has a majority in Parliament, it can do two things:

1. It can choose the Prime Minister and the other Ministers. The Prime Minister and the other important Ministers are called the Cabinet.
2. It can be sure that any proposal it makes for a new law will be accepted by the Parliament.

So in fact it is the party which wins the elections

which makes the laws and chooses the Government.

If there are more than two parties, then it is possible that no single party will win a majority of the seats in Parliament. In that case two or more parties will decide to work together. They will form a COALITION of parties. If this coalition has a majority, then it can choose the Government and make the laws.

THE PRESIDENT.

South Africa has a President as well as a Prime Minister. In some countries the President is the most important person in the Government. Countries like Zambia, Tanzania, France and United States of America have a presidential form of Government.

But in other countries, like Britain and South Africa, the Prime Minister is the leader of the Government. In South Africa the President has no real power. It is his job to open the Parliament, and to sign all the laws passed by Parliament, so that they become proper laws. But he cannot really refuse to sign them, even if he does not like them. He must always act on the advice of the Prime Minister.

The President is chosen by a meeting of all the Members of Parliament and the Senate. The Senate is the second part of the Parliament. Its members are either appointed by the Government, or elected by the Members of Parliament and the Members of the Provincial Councils. For this reason the Senate always has a majority of members from the governing party.

This means that the President is in effect also chosen by the governing party.

iii) SEPARATE DEVELOPMENT.

In South Africa, African, Coloured and Indian people do not have the right to vote to choose Members of Parliament.

Instead there are special councils for members of the different Black groups. They are:

The various "homeland" Governments, which have the power to make laws about certain things in the homeland areas.

The Coloured People's Representative Council.

The South African Indian Council.

The homeland Governments and the councils are made up partly of representatives elected by the Black voters, and partly by chiefs or other people appointed by the South African Government.

The homeland Governments can make laws about things like education, agriculture, public works, and justice. However, these laws only apply in the homeland reserves. They cannot make laws which apply to Africans in the White-controlled areas.

Most Africans spend their working lives in the White-controlled areas, helping to create the wealth of the country by working in the factories and mines and farms. However, neither the homeland Governments nor the CPRC, nor the SAIC have any control over what happens to that wealth. They cannot tax it. They cannot do anything about the economic policy of the Government.

THE CASE FOR SEPARATE DEVELOPMENT.

We can see that all the important decisions about the production and distribution of wealth in South Africa remain in the hands of the White Parliament. Why does South Africa have this system of separate development?

Many different explanations have been offered.

1. Some people say that Black people are not as clever or as well educated as Whites. Therefore Whites must make all the important decisions. Whites do this in order to look after the Blacks.

2. The Government says that the "homeland" areas are the places where Africans originally lived. All the rest of South Africa was empty until the Whites came from Europe and settled in these places. Only then did the Blacks come into the other areas to look for jobs. They are really foreigners, who come from other countries to White South Africa. For this reason they cannot expect to have the same rights as the native White South Africans. They must have political rights in the countries from which they came. These countries are the homelands.

3. Critics say that the Government wants to keep as much wealth as possible for the White voters. For this reason it refuses to share political power with the Blacks. If they were allowed to vote in the White-White-controlled areas then they would be able to get a bigger share of the wealth, and the Whites would then get less.

So instead they are given the vote in the homeland areas, where they cannot really affect what happens to the wealth which they help to create.

CHAPTER 8.

POLITICAL PARTIES AND DEMOCRACY.

We have seen that political parties play a very important role in South Africa. At elections, voters usually vote for a political party, and it is the party which gets a majority of members of parliament which forms the Government.

The members of a political party all have similar interests and they come together in order to work out a common policy, and to get that policy accepted by the voters. So a political party has three tasks:

1. To work out a programme of policies for the country.
2. To tell people about the programme, and to organise support for its programme.
3. To try to become the governing party, by winning elections, if there are elections, or in some other way, if there are no elections in the country.

The strength of a party, and its ability to influence what happens in the country, will depend on two things:

1. the popularity of its programme
2. the efficiency of its organisation.

Good organisation is very important. It is no good having a good policy if nobody has ever heard of your party. The purpose of the organisation is to make sure that everybody knows about the policy, and to make sure that they will act in support of the policy when necessary.

In order for the political party to carry out its tasks, it needs money. The party organisation therefore also has to raise the money which the party needs. This also carries with it the danger that those who give the most money to the party will be able to control it and use it to further their own interests.

i) POLITICAL PARTIES.

In South Africa there are three main political parties which are represented in Parliament. THE NATIONAL PARTY, which has been the Government party since 1948, and has 123 seats in Parliament. THE UNITED PARTY, which was the governing party from 1932 until 1948, and has 41 seats in Parliament.

Separate Development is the policy of the governing National Party.

Both the United Party and the Progressive Party criticise the policy of separate development. They say that it involves RACIAL DISCRIMINATION, and does not treat Black people fairly.

Both the United Party and the Progressive Party are in favour of full trade union rights for Africans. The Progressive Party also thinks that some Black people should have the right to vote to choose members of parliament. However, it thinks that only educated or wealthy Black people should have the right to vote. This means that most workers would not have a vote under a Progressive Party Government.

The PROGRESSIVE-REFORM PARTY, was formed in 1975. It is made up of the PROGRESSIVES, who broke away from the United Party in 1959, and the REFORMISTS, who broke away from the United Party in 1975. The Progressive-Reform

Party now has 11 seats in Parliament.

OTHER POLITICAL PARTIES.

A number of other political parties have existed in South Africa in the last 30 years. Apart from some small Whites-only parties, these include:

THE AFRICAN NATIONAL CONGRESS (ANC), which had only African members, but was joined with other races in the Congress Alliance. The ANC organised many protest meetings and strikes against such laws as the Pass Law Laws, Bantu Education, and Group Areas. It was very active in the 1950s, but was banned by the Government in 1960.

THE PAN-AFRICAN CONGRESS (PAC), which broke away from the ANC in 1959, and was also banned in 1960. Although it lasted only a short time as a legal party, it had quite a big support at that time.

When the ANCE and the PAC no longer operated legally some of their leaders left the country. Others tried to operate the parties illegally, and many were arrested and imprisoned. Both the ANC and PAC continue to operate in exile.

THE COMMUNIST PARTY, which was banned in 1950 when it had one Member of Parliament, who had been elected by African voters, who at that time had the right to elect 3 MPs).

THE LIBERAL PARTY, which disbanded in 1968 after a law was passed which made it illegal for a political party to include members of more than one race.

Both the Liberal Party and the Communist Party were

quite small.

Inside South Africa, the BLACK PEOPLES CONVENTION has a policy of bringing all Black people together in one political organisation, with a policy of "Black Consciousness". The BPC believe that Black people should form their own organisations, and that no Whites should be allowed to work together with Blacks in the same organisation. The BPC refuses to use the institutions of separate development, and refuses to work with anybody who does use these institutions.

In KwaZulu, the cultural liberation organisation INKATHA has been established, with the aim of becoming a nationwide organisation bringing Blacks together. Inkatha is opposed to separate development, but believes that at this stage the institutions of separate development, such as the KwaZulu legislative assembly, should be used as a platform for expressing Black grievances.

Other parties include the TRANSKEI NATIONAL INDEPENDENCE PARTY, which controls toe Transkei; the LABOUR PARTY, which recects separate development and uses its control of the Coloured Peoples Representative Council to attack the Government; the Natal Indian Congress, which is also opposed to separate development; and a number of other parties which have been organised to fight elections in the various Bantustans.

ii) THE NATIONAL PARTY.

To understand how the South African political system works, it is important to understand the way in which the parties work. The National Party is the most efficient and best organised party that has ever in

existed in South Africa. If we look at how it works, we shall be able to see the main principles of political party organisation.

The present National Party came into being in 1934. In 1933, the old National Party joined up with another party, the South African Party. Together these two parties formed the United Party. Some members of the old National Party were opposed to too much co-operation with English speaking South Africans. So they broke away and formed a "purified" National Party. The new National Party wanted to bring together all the Afrikaners in one big movement. To do this, they used a lot of different organisations. These included:

DIE FEDERASIE VAN AFRIKAANSES KULTUURVERENIGINGS (FAK), which tried to organise the cultural activities of the Afrikaners. It tried to develop Afrikaans writing, and to get Afrikaners to know about the history and language of the Afrikaner people.

The Reddingsdaadbond (RDB) tried to make the Afrikaners economically independent by setting un banks and insurance companies to bring together the savings of Afrikaners and to help Afrikaans businessmen.

DIE BLANKE WERKERS BESKERMINGS BOND (the White workers' protection association), which tried to bring all Afrikaners into separate trade union organisation.

A WOMEN'S ORGANISATION, to look after the special needs of Afrikaner women.

DIE JEUGBOND (The Youth League), which was an organisation for young Afrikaners.

DIE BROEDERBOND, a secret organisation of Afrikaner leaders, who worked secretly for the Afrikaner cause.

As well as these special organisations, the Nationalists worked closely with the DUTCH REFORMED CHURCH.

They also started new NEWSPAPERS which told people of the National Party.

The purpose of all these different organisations was to bring together all sections of the Afrikaner people, to encourage them to accept the policy of the National Party, and to prepare them to act in support of the party.

But the centre of the whole movement was the National Party itself.

(iii) PARTY ORGANISATION AND ELECTIONS.

The National Party tries to make sure that it has representatives everywhere. The basic unit of the party is the Group. The Group consists of only 5-10 members. There should be a group in every street. The job of the group is to make sure that every Afrikaner on the street supports the party, and votes at election time.

The next unit is the BRANCH, which consists of a number of groups.

The Branch has an executive committee made up of the leaders of each group.

The Branch elects its own Chairman and other officials, and these represent the branch at the District Committee. The District Committee in turn sends representatives to the Provincial Congress of the party, which meets once a year, and which makes the policy of the party.

In many places the basic group organisation does not work but all the rest of the organisation does, and it is very efficient.

This organisation has four purposes:

1. To keep contact with the ideas and wishes of the membership of the party.
2. To keep members and the public informed of party policy.
3. To raise funds for the needs of the party when necessary.

PARTY DEMOCRACY.

The basic object of the National Party and of the movements connected with it is to bring together many different people in one common organisation.

To succeed, this needs DEMOCRACY within the party, just as there must be democracy within the trade union.

Democracy is necessary to ensure that the interests of all the members are taken into account. Through the structure of the group-branch-district-congress, everybody has a chance to talk about policy.

The purpose of all the separate organisations within the movement, such as the cultural organisation, the trade unions, and the youth and women's organisations, is also to make sure that all interests are represented in the final policy.

But in addition to Democracy, there has to be some

discipline. Once a decision has been taken even the members who opposed the decision should now carry it out. Otherwise the party would split, and everybody would be weaker.

For this reason the National Party's constitution includes the power to expell members who do not follow party policy. But this power is not used very much because the leaders do not want a split. On the whole the members of the National Party have usually recognised that party unity is the first key to success.

LEADERS AND PARTIES.

From this we can see that no leader, however popular he or she is, is likely to succeed in politics without a good programme and a good organisation.

The programme itself needs to come from an organisation. A programme must always combine the interests of different groups in society, and it is difficult for one person to do this. A leader needs to be in contact with representatives of the different groups, and to work out a programme in consultation with them.

A popular worker who negotiates alone with management, without consulting his fellow workers, is not likely to succeed. He will only succeed if the other workers are organised behind him, and if he fully understands all their problems. So he must consult all the different groups of workers, and prepare demands which satisfy the needs of each group. And all the workers must be organised in such a way that they can take action to support the demands which he is putting forward.

The same thing is true of a popular political leader.

His popularity may come from what he says. But his strength can only come from the organisation of the people in support of his programme.

iv) PRESSURE GROUPS.

A political party usually aims at becoming the Government. It has a full programme dealing with all aspects of the community. A PRESSURE GROUP on the other hand, does not aim at becoming the Government. Nor does it have a full programme of policies. Instead, it aims at influencing the Government. It tries to make the Government adopt a new policy or take into account the needs of a particular class of group.

Trade Unions can form a political party, like the Labour Party in England. But they can also act as a pressure group, trying to get all and any Governments to carry out policies which are in the interest of the working class.

Pressure groups act in many different ways:

1. They write letters to the Government, or have meetings with Ministers, in order to try to persuade the Government to adopt the policy that they favour.
2. They make public statements in which they try to influence all the people in the country to support their policy.

In South Africa most trade unions have used these methods at some time or other. A body like TUCSA acts as a pressure group for all the unions which belong to it. TUCSA leaders have private meetings with the Government to put their point of view. They make many public statements on matters which affect their members.

PRESSURE GROUP ACTION.

3. Pressure groups also sometimes take more direct forms of action. They may hold public meetings, mass rallies or even marches.

The aim of such meetings is, firstly, to help to publicise their policy, and, secondly, to try to show that there is a lot of support for their policy. (In South Africa, the holding of public meetings or marches is controlled by law. It is usually necessary to get permission, and permission can be refused).

A second method of more direct action is to collect signatures to a petition. All the people who agree with the policy sign a letter saying that they support it. This is designed to show the Government that the policy is supported by many people.

A third method of pressure group action is to call a strike in support of a particular policy. This method is widely used in countries like France and Italy. Trade Unions or political parties call a strike to get the Government to change its policy. Usually this is only a token strike, lasting for 24 hours. Again, it is designed to show support for the new policy.

However, in South Africa it is illegal to call a strike which has any political aim, such as trying to force the Government to change its policy.

v) DEMOCRACY.

We have talked about democracy, the importance of democracy in a trade union or in any other worker organisation. We have talked about the importance of democracy in a political party.

Democracy is designed to make sure:

1. That there is a full discussion of all problems;
2. That the policy which is adopted to deal with the problems takes into account the interests for all the different groups;
3. That the representatives or leaders who are supposed to carry out the policy really do so.

Democracy is not only important for a trade union or a political party. It is also important for a country. If the Government is not democratic, it will not be able to satisfy the interests of all the people. It will probably act in the interest of one particular group in society. Even if it tries to act in the interests of all people, without democracy, it will not really know what the people want. The result is usually conflict between the Government and the people.

POLITICAL DEMOCRACY.

For a country to be democratic it needs laws which:

1. Ensure that there can be full discussion of all problems. For this two things are necessary:
 - a) the people must have all the information that they need about what is happening in the country. The newspapers must be free to print all the important news. The radio must tell the truth about what happens in the country. There must be FREEDOM OF THE PRESS.

b) The people must be free to say what their problems are, and what policies they want the Government to adopt. They must have FREEDOM OF SPEECH.

2. Ensure that all can put their point of view. For this it is necessary that people should be able to come together to talk about their problems, and to decide on a common policy, if they have common interests. They must have FREEDOM OF ASSEMBLY.

3. Ensure that people can work together with others who share the same interests in order to defend those interests. They must be able to form trade unions, political parties, and other organisations to protect their interests. They must have FREEDOM OF ASSOCIATION.

4. Ensure that the Government carries out the policies which the people want. For this it is necessary that the people should be able to choose the Government that they want, and to choose a new Government if the present Government is not doing what it promised. They should have the RIGHT TO VOTE.

CHAPTER 9.

POLICIES FOR THE WORKING CLASS.

We have seen in this lesson that the policies of the Government will affect the different classes in different ways.

We shall end this lesson by talking about some policies which would help the working class.

i) ECONOMIC POLICIES.

You have learnt that it is important for the workers that the economy should grow in such a way as to increase the number of jobs. All classes are in favour of growth, but the workers want the kind of growth that increases employment as fast as possible. For this to happen, there must be increasing investment in the economy. The Government can help investment in many ways. It can have a taxation policy which taxes profits which are consumed more than profits which are reinvested.

The Government can invest money itself in new industries to help create new jobs. We saw that the South African Government started the ISCOR factory to help to create more jobs.

ii) TAXATION

In every country people pay tax. But there are three different ways in which tax can be collected:

a) Everybody could pay exactly the same tax. Say everybody could pay R5 per week. But if everybody pays R5 per week, the man who is earning R15 pays a third of his wage in taxes, but the man who is earning R200 per week only pays a very small part in taxes.

b) Everybody could pay the same percentage. Say everybody paid 10% of their salary. The man earning R15 would pay R1,50, and the man earning R200 would pay R20. The rich would pay more. But still this would not be fair. R1,50 means much more to the poor man than R20 means to the rich man.

c) The richer people could pay a higher percentage of their incomes. So the man earning R15 might pay 5%. The man earning R100 might pay 20%, and the man earning R200 might pay 30%. This is called PROGRESSIVE TAXATION. It is now accepted in most countries, including South Africa (except for poll tax in South Africa). Progressive taxation is obviously the best for the working class. It is in their interest that the rich should pay more and poor should pay less.

Some taxes are not paid directly out of income. They are paid indirectly, whenever you buy something which is taxed. For example, if you buy cigarettes, part of the money you pay goes to the manufacturers, and part is a tax to the Government.

The trouble with INDIRECT TAXATION of this sort is that it is not progressive. The rich man and the poor man both pay the same tax on their cigarettes. Of course it could be made progressive if indirect taxes were only charged on luxury goods which only richer people can afford to buy.

So for a taxation policy to be in the interests of

the workers:

1. It must be mainly based on direct taxes on income;
2. The taxation must be progressive, with the richer people paying a higher percentage of their income in taxes.
3. If there are indirect taxes, they must be mainly on expensive luxury goods.

iii) WELFARE POLICY.

Workers cannot afford to buy their own houses. Workers cannot afford to send their children to school. workers cannot afford expensive doctors' bills when they are sick. Workers cannot afford to save a lot of money for when they retire.

Yet a roof over your head, schooling for children, good health, and a comfortable old age are the most important things for a good life. If a society cannot offer this much to all its citizens, then it is a very bad society.

So it has now been accepted in most countries that these are basic rights. It is the job of the Government to make sure that every person in the country has these basic rights. The Government does this partly by organising schemes like medical schemes and pensions schemes, in which all workers take part, and partly by using the money collected in taxes.

Workers need:

- a) A policy of Government investment in cheap housing. Big luxury houses for the rich

should only be built once everybody has decent housing.

- b) Free and compulsory schooling for all children up to 14 or 16 years, and free higher education for all children. This is important for the workers, because it gives their children more of an equal chance. It is important for the whole economy, because a growing industrial economy needs more and more educated workers.
- c) Free medical care for all. This should concentrate on treatment which stops people getting ill. This is called preventative medicine. It stops illness spreading through dirty water, bad food, and bad living conditions. Preventative medicine makes sure that all people get examined regularly so that any illness can be found before it has got too bad. A good medical service needs many good hospitals and clinics, instead of expensive private doctors. A good health service is good for people. It is also good for the economy. Illness leads to loss of production.
- d) Big old-age pension schemes for all retired old people. A retired worker should be guaranteed an income on which he or she can live comfortably. Old people can be given other special privileges such as cheaper bus-fares.

iv) WORKERS' RIGHTS.

Workers want more control over their lives. They want to be able to decide how the product of their work should be shared out.

They do not want to be ordered around. They want to make decisions for themselves. They want to be able to take part in running the factories in which they work.

The basic idea of a capitalist society is that it is a free market society, in which people have the right to buy or not to buy, to sell or not to sell. This means that the workers also have the right to refuse to sell their labour if they are not satisfied with the price. That is, the principle of freedom in a capitalist market system implies that workers ought to have the right to withhold their labour: the right to strike. They are not slaves who have to work for their owner. They are supposed to be free men and women. To make this freedom real, workers need laws which

- a) make it possible for them to coöperate with one another in order to bargain for better conditions: laws which guarantee the right to organise trade unions;
- b) give them the legal right to withhold their labour when they are not able to reach a satisfactory agreement with the employers: the right to strike.

The right to strike and the right to organise are the basic rights which guarantee the workers freedom. But fully to exercise their freedom to participate in decision making in the factories, workers in many countries are beginning to ask for further rights.

Workers will want laws which give them the right to all the information they need to be able to take part in decisions. Employers should not have the right to hide the facts about the firm from the workers. Workers will want laws which give them the right to take part in decisions about new investment and the

future planning of the company, because these plans affect them.

So the sort of policy which is in the interests of the working class would include:

1. The planned development of the economy so as to increase employment;
2. Taxation policies to redistribute the wealth of the country in favour of the working class;
3. Welfare policies guaranteeing basic needs for housing, education, health and a comfortable old-age to all people;
4. Basic trade union rights, and increasing control by workers over their work and over their lives.

CHAPTER 10.

HOW SOCIETIES CHANGE.

South Africa and the world have changed enormously over the last hundred years. There have been vast economic changes, political changes and social changes. Some of these changes seem to have happened all by themselves. Others seem to have been brought about by conscious decisions. What is the relation between these two different kinds of change? What can the study of past changes tell us about the possibility of future changes?

i) ECONOMIC, SOCIAL AND POLITICAL CHANGE.

Let us look at an example; the development of trade unions in Europe. Trade Unions did not just develop by themselves. They came into being because specific people decided to start them, and work hard to make them succeed. But people only decided to start trade unions because they were faced with new kinds of problems, and needed new organisations to solve those problems.

How did those new problems come into existence? The problem with all such questions is that to answer them fully we need to go back almost to the beginning of history, and we cannot do that in this short book. The new problems which required the creation of trade unions came from the growth of industrial capitalism in Western Europe. Industrial capitalism started in Western Europe, rather than in China or in Africa, for very complicated reasons, including:

the nature of the "feudal" societies which came before industrial capitalism in Europe

the relative freedom of merchants resulting from the weakness of the feudal state

the particular climate and resources of Western Europe

the relative superiority of European over Asian and African navies after about 1500

the enormous wealth which Europe was able to extract from America, Asia and Africa as a result of that superiority.

Until about 1500 Western Europe was the temporary world dominance of Western Europe, lasting from about 1500 to about 1950, coincided with the development of industrial capitalism in Europe, as a result of these and other factors.

Together with the development of industrial capitalism, and as a necessary part of it, went a process of driving millions of peasant farmers off the land, so that they would be available to work in the new mines and factories.

Without their land, these peasants had to work for the owners in return for wages. But, having lost their land, they had lost:

- the right to work
 - the right to control their work
 - the right to control the product of their work
- (See "The Workers' Organisation", Ch. 1).

As they moved from the country villages into the new towns, their old communities were destroyed. They could no longer rely on their families and neighbours to help them in times of trouble. Powerless at work,

and isolated at home, they had to try to create new organisations which would bring them together with their fellow workers and help them solve their problems. One of these organisation was the trade union.

Economic change created new kinds of problems for workers. But, by bringing them together in factories and towns, it also made it possible for them to create new ways of solving those problems. As the economic system became more and more dependent on industrial workers, they were able to use their organisations, the trade union and the mads political party, in order to bring about important changes in the society.

An economic change, the growth of industrial capitalism, created a new class, the industrial working class. This new class created its own social and political organisations, and, as it increased in power, was able to use its power to bring about social political and economic changes. Politically the working class was able to achieve the right to vote. Economically it was able to improve its position through trade union bargaining, and was able to force Governments to adopt economic policies more favourable to the working class. Socially it was able to get better education, better health services, better housing, better care for the old.

None of these things came easily. There was, and still is, a continuous struggle against other powerful groups in society. And the workers are still a long way from achieving all their aims.

We can say that economic change:

- changes the size of the different groups in society
- changes the interests of the different

groups
changes the power of the different
groups.

Together these changes in turn influence the nature of the economy and of the way in which the economy changes in the future.

ii) CHANGE IN SOUTH AFRICA.

What can all this tell us about South Africa? It tells us that if we want to understand how South Africa can change in the future when we must begin by answering this question: How is economic change affecting the different groups of people, the different classes, who together make up South African society?

South Africa is not yet a fully developed industrial capitalist society, in which nearly everybody works for wages in factories or other industries. The creation of the South African labour force began with the conquest in the nineteenth century. The conquest left 87% of the land in White ownership, and meant that Blacks who had lived on that land had no rights to the means of production. But the process of turning African peasants into industrial workers has been going on ever since, and is still going on.

Many of the Africans who found themselves on White-owned farms stayed there as tenants, who were allowed to farm bits of land in return for working part of the year on the owners farm. Over the years both legislation and the interest of White farmers has put an end to this system. More and more Africans living on the farms either became full wage-paid farm workers, or else left the farms to work in the mines or the cities.

At the same time the "reserves" were able to support a smaller and smaller part of the African population. Government agricultural policy favoured the White-farmers as against the peasants in the reserves. Capital and training were given only to White farmers. Transport systems were built where it helped White farmers.

The marketing of crops from the reserves was controlled by capitalists from outside the reserves. Any money the peasants managed to save was put in White-owned banks and building societies, which lent the money to White businessmen, not to Black peasants. In this way any surplus wealth created by the peasant farmers in the reserves found its way back into the White-controlled capitalist economy of the cities.

In fact, more and more of these people had to go to the cities to find work in order to be able to live. This meant that they worked to develop the economy of the White-controlled areas. It was there that capital accumulated and that economic growth took place.

Because the reserves were getting poorer and poorer, more and more people had to leave to look for jobs. Because the other areas were getting richer and richer, they were creating more and more jobs, and so they were becoming more and more dependent on these workers from the reserves.

This is the most important single fact about the South African economy over the last 100 years. The White-controlled sector of the economy has become more and more dependent on Black workers.

Not only has the overall dependence increased. The way in which the economy is dependent on Black workers has also changed. With the growth of

manufacturing industry the need for skilled and semi-skilled workers has increased. Now many workers have training and experience. They cannot just be replaced overnight by new untrained and inexperienced workers. Also, the question of productivity becomes more important. In a complex factory, the owners cannot get people to work harder and more productively becomes more important. In a complex factory, the owners cannot get people to work harder and more productively by standing over them with a whip. They need to get the cooperation of the workers. This means that they find that they need to deal with the workers in new ways.

All this has important political and social consequences, just as the growth of the industrial work force had important social and political consequences in Europe.

Successive South African Governments have tried to prevent any such consequences happening.

1. They have tried to prevent Africans from becoming permanently established in the cities. By the use of pass laws and influx control they have created a system of migrant labour. This keeps unemployed workers in the rural areas, where they cannot cause any trouble. And it is designed to stop a Black working class from developing in the towns. By keeping Africans tied to the land it is hoped that they will not seek political and social rights in the urban areas.

In the beginning a migrant worker really was only partly a worker, and still partly a peasant. He or she might work for only a short time in the factories, and spend most of his or her life on a small farm in the country. But as the demand for labour in the cities has grown, and as the reserves have become

less and less able to provide people with good land, this has become less and less true. Today migrant "contract" workers are likely to spend most of their lives in industry, only going "home" for three weeks holiday a year.

Instead of preventing a Black working class from coming into being, the system of migrant labour has created a Black working class which is even more disconnected. Migrant workers strike and join trade unions in just the same way as do other workers.

2. The second way in which South African Governments have tried to prevent the social and political consequence of the growth of an industrial work force has been by means of political repression. By repressing Black political organisations, and by trying to prevent the formation of trade unions, the Governments have tried to keep the Black workers divided. So far they have been successful. The question is, as the African work force continues to grow in size and in importance, can a policy of repression continue to be successful?

In order to try to answer this question, we have to look at two factors. The first is the international situation. The second is the question of likely political developments and possible political strategies within South Africa.

iii) SOUTH AFRICA AND THE WORLD.

In the last 100 years, the rest of the world has changed even more than South Africa has. Less than 100 years ago, in 1885, the European powers, which already controlled much of Asia, sat down at a conference in Berlin, in Germany, to divide up Africa amongst themselves. Today this period of European colonialism is over. There are no European colonies of any importance left in Asia.

of any importance left in Asia. In Africa, most of the colonial powers left more than 10 years ago. In the last year (1975) the last major colonial power, Portugal, has had to give up its African colony as the result of the victories of African nationalist guerilla movements.

Of course, decolonisation in Africa has not been total, and has not necessarily improved the lot of the African masses. In many countries the colonial rulers have been replaced by new African ruling groups which cooperate with foreign based capitalist companies in exploiting the people. Although these countries have political independence, their economics are still controlled from outside. Replacing White ruling class with a Black ruling class does not necessarily change anything of importance.

In spite of this, decolonisation has had an important effect on South Africa. Decolonisation has been accompanied by increasing rejection of racialism, both in the old colonial countries, like England and France, and also in the newly independent countries of Africa and Asia.

The new Black ruling classes in many of these countries may not object to economic exploitation, but they do object to racial discrimination.

There are many other countries in the world in which most people have as few political rights as do people in South Africa. There are many other countries with great economic exploitation and with repression of worker organisations. There are many other countries with secret police who can put people in prison without trial.

But South Africa is different from all these countries in one important way. South Africa is (with the

exception of Rhodesia) the only country in the world in which your rights depend on your race. It is the only country in the world in which you can belong to a trade union if you are one colour, but not if you are another colour. It is the only country in the world in which a poor old person with one colour skin gets a pension of R15,00 a month, while a poor old person with another colour skin gets an old age pension of R64,00 a month (1975 figures).

It is because many of the South African Governments policies are based on race that other countries are very hostile towards the South African Government. This world hostility is an important factor in deciding what happens in South Africa. It puts pressure on the South African Government, and it may one day lead to economic or military action against White rule in South Africa.

Whether or not this ever happens will depend partly on changes that occur in the rest of the world. For example, if African countries neighbouring South Africa, like Mozambique and Angola, manage to build strong and stable societies, they will be more likely and more able to act against White rule.

The end of colonialism has not been the only development in the rest of the world which has affected the way in which people think about South Africa. As we saw earlier, the growth of industrial capitalism led to the creation of a strong working class. This working class was able to use its organisations to bring about important social, political and economic changes. One hundred years ago the idea that everybody should have equal rights was rejected by many people. Today it is taken for granted in most countries of the world.

The argument is not whether people should have equal rights. The argument is about the best way of providing equal rights. Some people argue that capitalist welfare state democracies, like the countries of Western Europe, are the best way of giving people equal rights.

These states are capitalist, because much (although not all) of the means of production are privately owned.

They are "welfare states" in the sense that the Government provides health, educational and other welfare services for the people to form organisations to look after their interests.

It is argued that, although there are rich and poor in these countries, there is still equality of opportunity. Everybody has more or less the same chance to become rich or to remain poor.

Other people argue that equal rights are not really possible when some people own the means of production. It is argued that the owners can use their economic power to force the Government to look after capitalist interests first. Instead, they want a SOCIALIST society, in which the means of production are owned in common by the people as a whole.

But there is much argument over what kind of socialism there should be. Some people want to copy the Soviet Union, where there is a strong central state which controls the economy. But many socialists say that the Soviet Union is not really a socialist society at all, because the people do not really control the state. Even most Western European communist parties reject the Soviet Union as a model.

Some socialists say that China is a better model of socialism. They say that the "commune" system in China gives people control over their own communities. The central state is not so strong, and the bureaucrats who control the state are not a privileged class drawing high salaries, as they are in the Soviet Union. Instead, they have to work among the people, and live like the people.

Other socialists say that the commune system might give people control over what happens in their villages and on their farms, but the fact that there is only one political party, the Communist Party, means that people do not really have control over the Central Government.

These socialists say that communal ownership of the means of production must be combined with full political freedom, and with the possibility of having different political parties competing for power. They say that only in this way can you be sure that bureaucrats will not take over the state and use it in their own interests.

But capitalist critics of socialism say that political democracy is impossible in a socialist society. They say that if the means of production are controlled and planned by the central state, then this central state has so much power that the people can never really fight against it.

The capitalist also argue that socialism is inefficient, and that only when factories farms and mines are privately owned are they well run. They say that only capitalism can create a strong growing economy; it is better to have unequal shares of a big cake, than equal shares of a small cake.

In one sense this is certainly not true. Man of the

countries have economies which are growing as quickly as some of the fastest capitalist countries. But in another sense it is relevant to the argument. If capitalist economies can grow in such a way as to ensure an increasing, though unequal standard of living for everybody, then even the people at the bottom are likely to be content, and not to want the risk and the bother of changing to another system. On the other hand, if the capitalist economies are seriously affected by inflation and recession, as they have been in the last few years, it is probable that many more people will be tempted to try socialism. The political struggle between socialists and capitalists will worsen. This may well also have consequences for South Africa. If Governments in Europe and North America move in a more socialist direction over the next few years, they may be more willing to support action against White minority rule in South Africa. If, on the other hand, they move in a more conservative direction, they may be more concerned about the size of their investments in South Africa. They may decide to support White rule in order to protect their investments.

It is very difficult to know which will happen. The fact that South Africa is so closely tied up with the rest of the world makes it very difficult to predict what will happen here. It is not only a question of politics. The South African economy is very independent on the export and import of goods. This means that changes in the world economy can have very serious effects on South Africa. Serious inflation in the rest of the world helps to cause inflation in South Africa. If there were a depression in the rest of the world, it would probably also cause a depression here, because South African exports would be cut, and this would, through the multiplier effect, affect the rest of the economy.

iv) POLITICS AND CHANGE INSIDE SOUTH AFRICA.

The South African economy is growing, and so it is changing the balance between the different classes in South Africa.

The rest of the world is changing, and is producing greater pressure on White rule in South Africa.

But what happens here will finally depend on what people do here. It will depend on the tactics adopted by the Government. It will depend on changes of attitudes, of interest and of power within the White group. It will depend on the growth and interests and power of the new Black middle class. And it will depend on the organisation and tactics of the Black working class.

APARTHEID AND ECONOMIC GROWTH ARGUMENTS.

The South African Government is trying to meet its problems with the policy of separate development. The idea of separate development is: To give Africans political rights in the "reserves", rather than in the towns where they live and work. If they only have rights in the reserves, then they cannot affect Government policies in the central areas of the country. They cannot get laws passed there to protect their interests. They cannot do anything to change the distribution of wealth in the central areas.

The purpose of this policy is to protect the interests of the White ruling group by:

1. Convincing international opinion that in South Africa "Everybody has equal rights in their own areas", so there is not really any racial discrimination in South Africa.

2. Giving to Blacks special privileges and prestige, so that they will support the present system.
3. Trying to focus the attention of the Black working class on what happens in the reserves, rather than on what happens in the central areas where they work. In this way it is hoped that they will not want to create their own working class organisations to fight to their interests in the central areas.

Not all the White voters support separate development. Many believe that it is wrong, or that it will not work. They believe that the main political problems facing Blacks are in the central areas, and so that it is necessary to create new institutions there, not in the reserves.

Whether the voters continue to support separate development, or whether they force the Government to change, or choose a new Government, will depend very much on whether the policy of separate development seems to be working. That is, it will depend on whether separate development seems to be solving the problem of political conflict between Black and White in South Africa.

Among the Black people in South Africa there are certain language and/or cultural differences: between Africa, Coloured and Indian; between Tswana and Zulu, Sotho and Xhosa. One purpose of separate development is to turn these differences into political divisions.

There are also class differences. The most important classes are:

The Middle class, made up of business-people, like shop keepers and personnel managers, professional people, like lawyers, doctors and teachers, and civil-

servants. These members of the Black middle class are discriminated against in the same way as are other Blacks. But they are not all exploited in the same way as are the Black workers. They have an interest in ending discrimination. But they do not necessarily have an interest in ending exploitation. Some of them might feel that they would like to copy some of the new Black groups in Africa, who have pushed out the colonialists only to exploit the mass of the people in their turn.

The Working Class, made up mainly of unskilled workers, but with a large and growing proportion of semi-skilled and skilled workers. There are possible divisions within the working class. There is a possible division between more and less skilled workers. There is a possible division between those who have permanent rights in the cities, and those who are still "migrant" workers, who have a little land in the reserves, or who are forced to be contract workers.

The Peasants who still practise a largely subsistence economy in the reserves.

The members of these classes have different experiences, and some extent they have different interests. For the workers this poses two problems.

Firstly, the workers must build unity within the working class. They must work out policies which meet the needs and interests of the different groups within the working class. And they must make sure that working class organisations remain under working class leadership, and reflect the interests of the poorest and least educated workers, as well as the interests of the more skilled and educated

Secondly, the working class must look for allied among other groups. They must decide whether they can coöperate with some of the middle class groups. They must decide how best to coöperate with the peasants in the rural areas. They must decide whether or not the chiefs in the reserves represent the peasants.

For all Black groups a big problem is to know how to treat the institutions of separate development.

Should they coöperate with these institutions? Should they reject them completely and refuse all coöperation? Or should they try to use the institutions of separate development to bring about different changes?

Some Black leaders have chosen to coöperate with separate development. They say it is better than nothing, and they do not have the power to get anything else, so they might as well accept it.

Others refuse to have anything to do within separate development. They say that these separate development "governments" have no real power. To try to make them work is to support the Government and to create divisions among the Black people.

Others agree that the institutions are useless in themselves. But they say that they at least give Black people a chance to organise, and a chance to attack the Government publicly.

For the working class there can be no interest in a policy that gives them independence in the reserves, and takes away their citizenship and their rights in

the places where they live and work. But working class organisations must decide how to react towards these institutions. Should they refuse to have anything to do with them. But if they do refuse, what other ways do they have of organising and expressing their grievances?

Or should they try to use them against the Government? But if they do, will they not further tribal division and make coöperation between all Black workers difficult?

The choice is a difficult one. It can only be made after careful consideration of all the possibilities. What have those leaders who have used separate development against the Government achieved?

What have others achieved?

Has division between groups increased as a result of this tactic?

What other possible tactics are there?

We cannot answer these questions here. We can only point out that answering these questions must be part of the process of building up a strong and united working class movement.

v) THE DISTANT FUTURE.

We began this book by looking at the distant past, at the subsistence economy out of which the South African has grown. We would like to finish by looking at some of the problems that workers will face in the perhaps distant future.

We have often spoken about economic growth and its importance. Economic growth can create new jobs and it can make possible a higher standard of living for everybody. But today more and more economists are coming to realise that growth is not everything. If there is a 10% growth in the economy that does not necessarily mean that there has been a 10% improvement in the society.

Growth may increase inequality and it may increase social tension and social conflict. If economic growth is brought about by a policy which pushed people off their land, destroys old forms of community without creating new forms, and divides the society up into the few rich and the many poor, then it is not really development. Such growth might increase the number of goods in society, but it decreases the social resources of the society.

Growth may only be achieved at the expense of the destruction of many of the societies natural resources. Growth which creates large cities with bad air and unhealthy conditions, and at the same time drives people off the land and fills the rivers and the sea with dirt and poison from factories and mines is not really development. It might increase the number of goods in the society, but at the expense of the society present will being and future existence.

Growth may be achieved by turning all human activity into work, and by organising work more and more efficiently. Other aspects of peoples lives may be forgotten. People need leisure. People need work which will itself be interesting. They would, like a society in which as much care was taken to make work creative and interesting as is taken today to make work productive and profitable for the factory owners.

The problems of inequality, of pollution, and of the meaning of work are now worrying workers more and more in some of the richest industrial capitalist countries.

Workers in South Africa are still struggling for a living wage and for the most basic rights to organise. In the future they will become more and more concerned with the problem of social inequality, the problem of pollution and the problem of the meaning of work.

Our long term aim must be a society without exploitation in which all the resources of the country are put to use to serve the people, and to permit a full and creative life for all South Africans.