Recent developments in urban social policy could either be a unique opportunity with major positive consequences for urban communities, or could result in an urban restructuring process that could displace people on a scale similar to the forced removals of the 1950s and 1960s. ***Mark Swilling*** *reports. In WIP 67 Mark Swilling will outline an alternative policy proposal*

The money or the matchbox

On May 2, Beyers Naude voiced for the first time the idea that if the negotiating process between the government and ANC failed, disaffected youth might defect to the PAC.

The rapidity of the events of the past few months have demonstrated that the mass democratic movement must quickly, and seriously, begin to consider policy issues if it is to meet any of the expectations of its constituency.

If this does not happen soon, the social base and bonds of solidarity that underpin our social movements could be weakened. But if creative and effective strategies are adopted, grassroots power could be enhanced by exploiting opportunities which present themselves.

The state is rapidly formulating new policies in a number of areas. Some of these, such as its decisions around Group Areas and other legislation, can only be dealt with indirectly through protest and lobbying. But there are instances where democratic forces can directly influence the direction of future policy.

One such opportunity lies in their participation in the Special Fund President FW de Klerk announced on March 15 this year. The R2-billion destined for housing and related urban development, will be overseen by Jan Steyn, former chairman of the Urban Foundation.

As always, the cities are where the most crucial battles for state power and hegemony are fought out. In the 1960s, Grand Apartheid coincided with repressive de-urbanisation. In the late 1970s, the reformist neo-apartheid strategies were complemented by the rural-urban divide inspired by the Riekert Commission. In the early- to mid-1980s, reformist confederalism was premised on 'orderly urbanisation' and regional spatial ordering. In the mid- to late-1980s, securocratic consolidation was coupled to the WHAM ('winning-hearts-and-minds') programme that combined repression of independent social movements with the lifting of influx control, selective upgrading and privatisation.

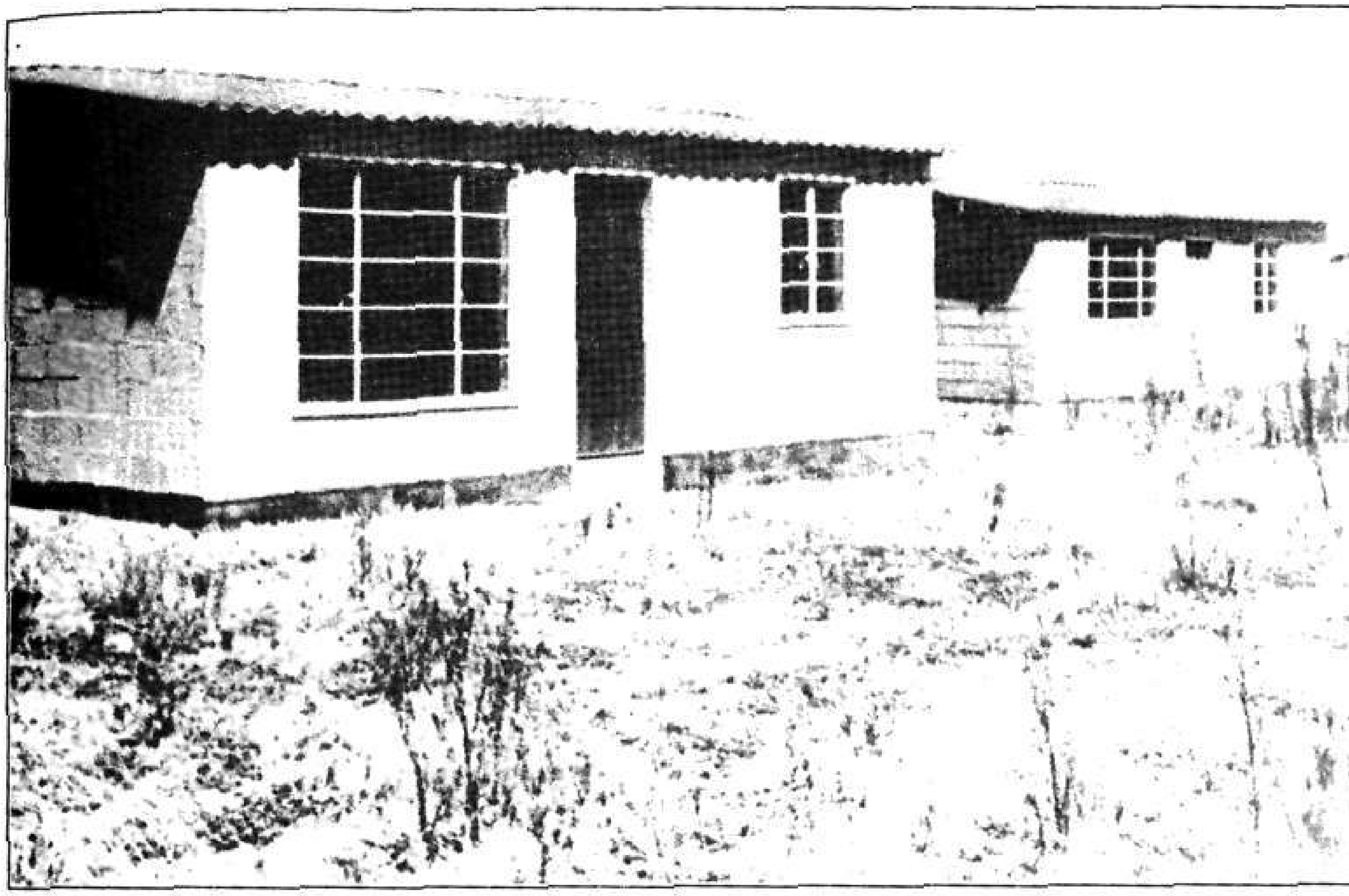
Grassroots social movements resisted all these policies and neither side achieved their original objectives. The legacy of these past struggles has resulted in a new round of battles with major class interests at stake.

The De Klerk administration wrested power from the securocrats, and replaced the WHAM programme - which was the basis for the state's urban policy - with a policy framework that has been formulated largely by the 'econocrats' - urban policy planners of big capital in the Urban Foundation (UF), liberal economic reformers in the Development Bank of South Africa (DBSA) and state officials.

The new urban policy framework coincides, in the eyes of big capital - with political transition to a post-apartheid constitutional order, and will be backed financially by the major financial institutions, big corporations, conservative foreign governments and now the state's fiscus. This policy development is, therefore, probably the most important component of the liberalisation phase that will precede the democratisation process that is to follow.

The four main components of the state and capital's new policy of deracialised urbanisation proceed from the same starting point - that racial discrimination is dysfunctional. And all four envisage a similar outcome - deracialised capitalism. These initiatives are:

* the UF Urbanisation Unit's new ideological vision of the city;
* the October 1989 UF announcement of its Loan Guarantee Initiative - involving approximately R1-bn;
* De Klerk's 1990 announcement of the R2-billion Special Fund initiative;



* the Development Bank's new municipal finance system developed in response to the Soweto Rent Boycott.

These initiatives clearly contain the ideological parameters of the new urban policy, its financial mechanisms and possible decision-making system. Understanding these initiatives will make it possible to identify the effects of this emerging policy framework on ordinary people's lives and will enable popular organisations to generate some alternative responses.

Certainly, new urban policy will not be implemented exactly as its designers intend - popular struggle will play its part too.

These initiatives could either be a unique opportunity with major positive consequences for urban communities; or, if left unchecked, could result in an urban restructuring process that could displace people on a scale similar to the forced removals of the 1950s and 1960s.

Both the state and capital base their policy on the assumption that racially-based state interventionist urban policies can be replaced by market-based, non-statist urban policies that will allocate resources according to class rather than racial cleavages.

Mass-based organisations must then

Special Trust Fund

The Special Trust Fund will be headed by former Urban Foundation chairman, Jan Steyn, who accepted the job on condition that:

*** the government abolishes all race laws which inhibit development;**

*** the trust will be independent of the state.**

The areas which have been targetted for intervention include: education and training, health and welfare, job creation and small business development. How this will be done and what fiscal policy will be applied still has to be negotiated. But Steyn has indicated his support for two things:

*** that money will not be in the form of outright grants - resources will have to be re-circulated to sustain the fund;**

*** the resources could be used to gear up additional finance via schemes similar to the Loan Guarantee Initiative.**

Steyn has also been given the freedom to set up his own board of trustees. How this trust will intervene clearly depends on the response of mass-based formations.

If they boycott the trust, the funds will most probably be used to finance and subsidise the accumulation strategies of finance capital, the construction industry and black business.

At the same time, it would be fatal for the ANC and other mass-based formations in the liberation movement to participate at board level without first stipulating how the fund should dispense development funds and how it should interact with local communities. If they fail to do this, then they may well find themselves party to decisions about the allocation of resources that could easily divide and disempower local communities.

develop and adopt an alternative democratic urban policy framework that could result in a socially just outcome for the oppressed urban communities.

The clearest public presentation of the urban policy vision of the UF and South African big capital - whose views the Urban Foundation often reflects - appears under Anne Bernstein's name in an article entitled *'Focus on the Cities - Towards a New National Agenda'* in the June edition of Social Dynamics.

The theory underlying UF policy is the liberal thesis that, as Bernstein says 'apartheid ideology has come into conflict with ... the reality of a single interdependent economy'. From this comes the fundamental principle at the heart of the deracialised urbanisation: remove all apartheid controls so that rational economic forces can determine the form and function of the city.

This is expressed as a commitment to a 'new urbanisation strategy' based on 'freedom of movement' and 'full citizenship for all'. Freedom from racial controls rather than economic redistribution, therefore, is the thrust of this policy.

Bernstein says South African cities face two obstacles: 'the negative consequences of apartheid'; and how the millions of urbanised blacks can be 'integrated into our urban society, economy and service networks'.

Economic exploitation is not identified as a 'serious obstacle'.

She identifies ten 'key policy issues' that should constitute the new 'national agenda'. These include focusing on providing jobs, services and facilities, and planning integrated urban regions, giving cities 'functionally derived' rather than racially defined boundaries and divisions

The old conception of colonial town must be done away with, says Bernstein, in favour of a vision of 'thriving urban entities' which attract investment from national and international sources.

And any city planning must allow for massive growth in population as a result of deracialisation, with integrated urban development as it is not enough to have a 'few good projects that create islands of privilege in a sea of poverty', says Bernstein.

She argues that the poor should be included, not excluded, through the legalisation of informal unregulated residential areas - because it is in these areas where the new 'city builders' are building 'prolific and affordable shelter'.

Lastly, Bernstein says, all leaders at local and national level 'must seek to develop popularly accepted and effective processes, and ultimately institutions, that will develop and then communicate a shared vision of the future'.

Bernstein's ten policy issues present five basic themes: de-racialisation; functionality, ie technical rather than political criteria should be the basis of planning; economic growth; effective management; and integrated development.

The UF framework is a step forward because it commits big business to a far-reaching anti-apartheid deracialisation programme. Indeed, some concerns of the union and civic movement are implicit in this rather general and abstract vision. But the omissions in the UF agenda are so serious that it is unlikely to become the basis for a 'shared vision of the future'. Ultimately the UF framework does not deal adequately with the root cause of our urban crisis.

Most importantly it fails to deal with the role of the market; the nature of ownership; access to and control over development capital; and the central role of community participation in planning.

Clearly, in the UF's view there is no need to spell out the connections between economic growth, urban development planning and the market. The UF assumes market-based, unregulated allocation of resources.

Also, the UF view assumes private individual ownership as the juridical basis of the development process. This becomes more apparent when seen in the light of the UF's development finance proposals.

The UF vision also takes for granted that the state and capital will be the dominant interests in the decision-making process, with institutions like the UF, SAHT and DBSA to be the conduits for channelling development capital into the communities.

Nor does the UF vision see community participation in planning as a key issue in its own right. Instead, it is referred to as one of a number of other 'new methods' of management or 'participatory processes'.

The UF's final assumption is that racial controls rather than economic constraints are the greatest obstacles the urban poor faces in securing access to services, facilities, shelter and land.

Until these assumptions are defined exactly, it will be difficult to achieve a 'shared vision' between capital, the state

On October 5 1989, the Urban Foundation announced it had 'linked major Western countries and international business with a South African private sector-led venture that will mobilise more than R1-billion in home loans for low-income families - money which could be enough to house no less than 250 000 people in 40 000 homes. A further R2-billion could be made available by banks and building societies.

This new package will enable financial institutions to give loans to low income home owners without reducing their profit margins or increasing their risk. Instead, the costs of risk, profit security and loan administration will be transferred to the individual home owner.

To date, banks and building societies have refused to provide loans for less than R35 000. This excluded 90% of those who require homes. The new package will provide loans of between R12 500 and R35 000, making it possible for the top 40% of those who require housing to get a loan.

For banks and building societies, giving loans to poor people is riskier than giving loans to rich people as it is assumed poor people are more likely to fail to meet their commitments.

Traditionally, the banks and building societies provide home loans for 80% to 95% of the value of the property. If the owner stops paying, the property is sold and proceeds cover the debt.

To reduce their risk in the small-loans sector, banks and building societies want to limit their loans to cover only 60% of the value of the property.

The institutions would therefore give 80% loans, but 20% of the loan will be covered by a special new insurance designed by a consortium of insurance companies. This insurance will be a compulsory policy on bonds of R35 000 or less.

A second, optional, policy equal to 15% of the property value can be taken out by those who cannot afford the 20% deposit normally required by banks and building societies. People taking this

The Loan Guarantee Initiative

option will then only pay a 5% deposit, and the bank or building society will still be guaranteed its full 20% deposit.

But insurance companies would not issue these insurance policies if they did not have their own guarantees. This comes in the form of the Loan Guarantee Fund: R20-million in direct contributions from the British, German and Swiss governments, BP South Africa, Caltex Oil, Japan South Africa Fund, Toyota, Anglo-American, Anglovaal, Barlow Rand, First National Bank, Gencor, Liberty Life, Nedcor, Rembrandt, Sanlam, Southern Life, Standard Bank, Tongaat-Hulett, United Building Society, Nedperm Bank, Saambou, Santambank, Standard Bank and Volkskas.

The Loan Guarantee Fund was necessary to convince insurance companies to come into the deal and to reduce their risk so that they would be prepared to allow a low premium on the two policies.

The premiums for all the insurance guarantees are paid by the home buyer. So, to get a loan for less than R35 000, the home buyer must pay the premiums for the compulsory 20% insurance policy and the optional 15% deposit insurance. These costs are not carried in any way by the financial institutions, the Loan Guarantee Fund or the state.

So-called 'small loans' are also not profitable for banks and building societies. The LGI scheme, however, has devised a way to resolve the profitability from small loans problem.

Banks and building societies make their profit from the interest paid on the loan which is repayable over 20 or 30 years. The insurance scheme which covers 15% of the loan means home buyers will be paying back a 95% loan rather than the usual 80% loan. And the two insurance policies provide cover for a total of 35% of the value of the property in the event of non-payment and repossession.

Collateral, therefore, is no longer primarily a cash deposit, it has been turned into an additional source of profit.

The banks and building societies have always argued that small loans are unprofitable because they cost more to administer than large loans. While the administrative cost for every loan is identical - you need personnel, stationery, postage, computer time, legal advice - the cost as a percentage of the total profit is higher for small loans.

This problem has been resolved via amendments to the Usury Act which regulates what costs the banks and building societies can charge to the home buyer and what costs should be carried by the banks and building societies.

Business has convinced the state to include an 'initiation fee' of R175 (to cover the costs of approving the loan); a 'security variation fee' of R100 to help cover paperwork costs incurred when home buyers change jobs - documenting the name of the new employer who stands security for the bond; and a 'monthly ledger fee' of R5 to cover expenses.

The UF argues this additional R280 must be measured against the reduction of the existing 'valuation fee' from R250 to R100.

The biggest constraint on how much a bank or building society can lend out is the size of their capital reserves. By law, the smaller the capital reserves, the less a bank may lend out. But banks and the government now have a common political and financial interest: how to get profitable loans to poor black home buyers. The government has thus re-negotiated the capital-lending ratio enabling banks and building societies to lend out more money.

The solution lies in, literally, manufacturing a new class of capital. Capital can be created - without acquiring more fixed assets or investments - by issuing a certificate with a set value that can be sold on the financial market to any investor. The money from this sale becomes a form of capital.

The banks and building societies are going to issue a ten-year, non-redeemable, variable, convertible debenture. After ten years it will become a preference share. It is defined as a debenture because it is a fixed interest-bearing security.

The Reserve Bank's approval for this new class of capital is required and it has been given.

The new special loans for less than R35 000 will be issued against this new class of capital and not against traditional capital reserves.

This means that each bank and building society will have two 'loans books', one for traditional loans against traditional capital reserves and one for special loans against this new class of capital.

Special lending criteria to regulate the special loans book have been devised:

* only loans of R35 000 and under apply;
* the property value may not exceed R45 000;
* the average loan size must equal R25 000, to ensure that most loans are not in the upper range.

The number of special loans a bank or building society can grant will depend on the number of debentures it issues. All special loans will be at normal interest rates.

Finance capital has praised this whole deal with all its various components because it provides a way of locking millions of black families into privatised individual contracts with financial institutions without increasing risk or reducing profit margins.

It is not surprising, therefore, that the UF has received undertakings from banks and building societies and that collectively these institutions will be able to make available R3-billion in special loans on the terms outlined above.

The UF would also like trade unions to direct the major pension and provident funds to buy the debentures. The UF argues that by doing so, the unions will be making a direct investment in workers' housing while simultaneously investing pension or provident fund money at market rates.

and the urban poor.

But when it comes to building hegemony, capital's trick is to avoid raising contentious issues. Instead, it discusses policy principles generally and abstractly, backing this up with vast lists of commissioned research material - that will take a long time to read - hoping to hide conflictual issues in an over-arching statement of goodwill that hides more than it reveals. Alliances built on these generalisations however, increase the risk of a conflict of interests emerging later.

The scenario that emerges from the state and capital's new policy framework has far-reaching implications for the unions, civics and all other mass organisations concerned with the future of the oppressed communities.

This framework has a clear-cut ideological vision for the future of our cities premised primarily on deracialisation, up to R3-billion in loan money for home buyers, a R2-billion Special Fund from the central fiscus for (let us assume) infrastructural development and a new racially-neutral market-based municipal financing system.

To put it bluntly, around R5-billion is to be pumped into housing construction and urban development over the next five to ten years. This could provide nearly two million people with shelter of one sort or another, going some way to alleviate the current housing crisis.

If unions and civics do not develop a policy response, this will be done on terms determined by finance capital, construction capital and the state. It will be racially neutral and couched in the language of deracialisation and the market: freedom of movement, choice, association and residence. The result, however, will be to restructure our cities and communities along class lines.

Why is this so? Largely because the common glaring theme that pervades all policies that state and business agencies are putting together is deracialisation. Deracialisation is a good thing. However it is being used to mask privatisation and deregulation measures that could have disastrous consequences.

The Loan Guarantee Initiative (See separate box) will subordinate low-income home owners to the interests of financial capital through a complex package of deracialised financial transactions, private ownership and a secondary housing market.

New municipal financing system

The *Report on Finances and Economy of Soweto*, which was written by Dr Simon Brand of the Development Bank and released late last year, addresses the financial crisis in Soweto, caused in part by the township's three-year-old rent boycott.

The report is significant because it maps out a municipal financing system that is clearly designed to deracialise control and market mechanisms to effect the restructuring of the composition of the Soweto community. According to the report, this can be achieved by privatising the housing stock and increasing the cost of municipal services. But this will result in the exclusion of the poor and the inclusion of the house-hungry upwardly mobile sectors of the black population.

The principles that underlie Brand's urban development framework are privatisation and deregulation. He argues forcefully for the transfer of houses to the registered tenants at minimal or no cost. But he says that this should be coupled to the following measures:

- **the stimulation of the secondary housing market;**
- **tariffs for trading services (electricity, water and refuse) to recover costs;**
- **the privatisation of services;**
- **the abolition of site rent and its replacement with an assessment rate high enough to cover the non-recovered cost on trading and non-trading services;**
- **transfer the cost of maintaining the housing stock to the residents.**

These measures will increase the economic burdens of the poorer sections of the community which, in turn will increase the pressure on them to seek 'cheaper' residential areas.

It will also greatly strengthen the black middle class in the following sectors:

- **the transport sector: further deregulation coupled to a strengthening of commuter links with Johannesburg will consolidate the market for black transport businesses;**
- **the black construction sector: the deregulation of building standards and control will enable black construction businesses to exploit the huge housing construction market in Soweto;**
- **black commerce and industry: the opening up of new commercial and industrial business areas will help consolidate Soweto's commercial and industrial sector.**

If the financing mechanisms succeed in squeezing out the poorer sections of the community and higher income groups are attracted into Soweto, there will be a corresponding rise in the average disposable income of the community as a whole.

In short, Brand's municipal economic paradigm could, by way of various complex inter-linked measures, exclude the poor and include the wealthy. The result could be increasing inter-class tensions within the community and the gradual breakdown of the bonds of solidarity that currently underpin the civic movement in the townships.

The Special Trust Fund of R2-billion (See separate box) has been handed to the private sector to manage, on the understanding that all racial laws that prohibit development will be abolished.

And the Development Bank's proposed new de-racialised municipal financing systems (See separate box) will restructure the urban tax base and divide urban communities along class lines.

There are two issues at stake: the geographical consequences created by market-based urban development; and the class consequences of the dominant role of financial capital in the urban development process.

In cities around the world an unregulated urban economy usually works against the urban poor. There are many and complex reasons, but the basic causes are:

* land becomes increasingly expensive as the population increases and more land is needed by commercial, indus-

trial and finance capital for investment and development;
* houses become more expensive as the cost of materials increases and the demand for houses outgrows the supply;
* certain areas inhabited by the urban poor are targetted for urban improvement or 'gentrification'. This is done by using municipal finance charges (such as service charges and rates) to make it increasingly expensive for the urban poor to remain in a particular area. As they move out, commercial development is encouraged to attract a higher income group.

The result is poor people are forced to move from one area to another for reasons related to their lack of wealth.

This is already happening in our communities. But this is still limited because the state still owns the bulk of the existing housing stock.

Deregulation, privatisation and the free market - all created under the guise of deracialisation - will turn land, services and houses into commodities that will be exchanged on the market irrespective of the social consequences. The bottom-line is simple: when poor people live on land and in houses that have become more 'valuable' in market terms than what these people can afford, they will slowly but surely get pushed out by the relentless pressure of better off owner-occupiers and by various forms of investment capital that require the properties for a range of purposes. This is extremely difficult to resist collectively, because the process involves hundreds of thousands of individual market transactions and not a single act by some outside agency on the community as a whole.

If all the various schemes work out as intended, the role of finance capital will change from being a minor element in a state-dominated urban power structure, to being the dominant force in a new deracialised urban system. This has major implications for power relations within communities and between communities and capital.

The role of capital in society cannot be understood purely in terms of an individual contract between the financial institution and the home buyer. The small handful of banks and building societies lend money out to millions of people in similar material circumstances. These institutions, in turn, are part of think tanks like the UF who have a certain pre-conception of how society should be organised and what constitutes rational and acceptable behaviour. They can also afford, through the mass media, to promote the notion of nuclear families in privately-owned dwellings.

Financial institutions - through their control of the finances and the publicised notions of how homes should be organised into communities - are in positions of great power over communities.

Previously the white state controlled these ideas, now they will be generated by a self-portrayed 'non-racial' economic power that will relate to the communities via the apparently non-racial and neutral market. The power relations that the deracialised market hides, however, are class rather than racially based.

If the state and capital implement their urban planning vision, communities will become divided along class lines and the urban poor will soon be subordinated to finance capital and its partners.

A very different outcome, however, is possible if the mass-based organisations decisively and quickly seize the moment and intervene with clear-cut policies and proposals. ●

Homelessness: an issue of priority for the MDM