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Reg No/Nr 05/20230/08

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The Voice of Business/Die Sakestem

REF : EB.1

6 March 1992

CODESA Secretariat
P O Box 307
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Dear Sirs

SUBMISSIONS TO CODESA

- 1 The future constitutional principles that are being addressed by the various CODESA Working Groups are issues of vital concern to South Africans in general and the business community in particular. The nature of any new constitution will decide how political power will be distributed and deployed. But it is important to recognise that political and social stability are interdependent with economic stability. South Africa's future prosperity requires a constitution that will reconcile in its totality the political aspirations and economic ambitions of its people. The potential for future economic growth and the extent to which it is realised will depend to large extent upon the type of economic system and constitutional model that emerges from the present political debate. SACOB as the representative of business takes a very determined interest in the quality of the political system, i.e. "the rules of the game", and believes that the views of business must be made known to CODESA.
- 2 SACOB submits that any constitution must align itself to those basic tenets on which a market-driven economy depends. Any new constitutional model for South Africa will influence the perceptions of South African businessmen, and just as importantly the perceptions of foreign investors and bankers. Both wish to see the right blend of reform and stability. This is the real challenge facing CODESA in its efforts to establish appropriate constitutional principles.
- 3 Accordingly, the Terms of Reference of the CODESA Working Groups have been studied and four selected issues on which Business has formulated views have been isolated. These are submitted for the consideration of the Working Groups specified below :-

2/...

Working Group 1

- Terms of Reference 1.1.4 [f] - Access to Media
[m] - Socio-economic conditions

Working Group 2

- First Assignment - Constitutional Principles.

4

WORKING GROUP 1

Two submissions are enclosed which focus on the following issues :-

4.1 Broadcasting Policy

This submission offers eight recommendations for incorporation into an overall Broadcasting Policy for South Africa. One of the most important of those recommendations is the establishment of a depoliticised Independent Communications Council.

4.2 Economic Options for South Africa

This submission provides an approach to the key economic issues which will have to be faced in the new socio-political environment. It is the view of business that economic growth and the employment generated from such growth can best be achieved under a market-driven system based on the principles of private ownership and freedom of choice. The submission gives emphasis to the creation of wealth together with the fair distribution of such wealth.

5

WORKING GROUP 2

5.1 A Charter of Economic, Social and Political Rights

This Charter outlines the basic essentials for promoting human rights and draws attention to the concomitant obligations on, and duties of, everyone to respect and honour the rights and freedoms of others. The Charter sets out twenty six fundamental rights and principles which cover various economic, social, civil/political and personal fields.

5.2 The Economic Aspects of a New Constitution for South Africa

Among the points made in this submission is that a constitution should -

5.2.1 promote stability

5.2.2 define and preclude authoritarian tendencies in government

5.2.3 uphold the rule of law.

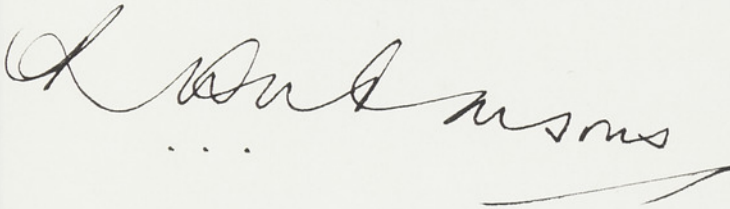
To these ends the constitution must -

- * entrench Common Law norms
- * guarantee the right to property
- * provide for a Bill of Rights.

The submission outlines certain other requirements for the attainment of good government.

6 It gives me pleasure in providing a business contribution to the deliberations of CODESA. SACOB would be prepared to enlarge on any one of the points made in these submissions should CODESA so determine.

Yours faithfully



R W K PARSONS
DIRECTOR-GENERAL

Encs
/mp



**SACOB
SABEK**

**ECONOMIC OPTIONS
FOR SOUTH AFRICA**

**A SOUTH AFRICAN CHAMBER
OF BUSINESS VIEW**

20 September 1990

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ECONOMIC OPTIONS FOR SOUTH AFRICA: A SACOB VIEW

EXECUTIVE SUMMARY

1. SACOB has identified an important need to formulate a broad approach for the business community to the key economic issues which will be faced by South Africa in this era of fundamental political and social change. A firm conviction is expressed that the market economy based on the principles of private ownership and freedom of choice will best accommodate the economic requirements of both growth and employment.
2. Due recognition must also be given to the parameters which will influence the potential of the economy to be competitive in a global environment. It is also stressed that the business sector has a primary interest in the creation of wealth and its fair distribution. A suitable economic strategy is necessary to underpin political change.
3. The business community is aware of the nature and extent of the problem of poverty, which affects mainly blacks. Because of the fact that a relatively small section of the population enjoys high standards of living, while a disproportionately large section of the population live under conditions of poverty, severe economic inequality is evident.
4. It is also recognised that apartheid contributed significantly towards the severity of the problem over and above the fact that it is a manifestation of the global development problem.
5. Given the resource base and other potential determining structures of the South African economy, attempts at redistributing income and wealth will not reduce poverty significantly, but will have a negative affect on the growth potential of the formal sector.

6. However, if programmes to facilitate economic restructuring, to increase growth and to enhance economic development are instituted as it is recommended in this and other policy documents of SACOB, the underlying causes of poverty will be removed. Economic inequality will eventually be reduced and be rid of its racial bias.
7. SACOB holds firm views on the nature and extent of economic reform aimed at all sectors of the economy including the public sector. Small entrepreneurial activity, education and training, public sector spending priorities and levels of taxation are singled out as areas that need preferential treatment. An appropriate industrial strategy is also necessary.
8. In addressing the challenge of poverty and inequality, separate though integrated roles of the state and the private sector are identified. SACOB rejects nationalisation and similar measures.
9. Recommendations pertaining to the role of the state include the following :
 - a) There is a globally recognised need for a small public sector. The capacity of the economy to generate tax revenue is also limited by international tax rates and the growth performance of the economy.
 - b) Giving regard to these limits, the state has a role to play in addressing the challenge of unemployment, extreme poverty, the lack of ownership, especially in the areas of land ownership and housing, health care and education. A prerequisite, which is supported by SACOB is the dismantling of apartheid impediments to equality in all these respects.
 - c) Although SACOB supports a national policy framework for the promotion of regional growth and development, it believes that the present approach to regional policy needs to be critically reviewed in the light of the new development challenges facing South Africa.
10. A role for business - as well as for the international community - is also identified with due recognition to the limitations imposed by global standards beyond which point the business community will obviously reconsider its willingness to continue to operate and invest in South Africa.

11. Specific SACOB recommendations pertaining to the role of business are the following :
 - a) In-house training of blacks in the areas of management and other skills to fill the existing gaps which were, inter alia, created by the apartheid system.
 - b) A private sector contribution to the housing needs of blacks in the areas through the provision of management skills and a perpetuation of the present levels of direct involvement in the housing needs of their employees.
 - c) An active role in widening black entrepreneurial participation through :
 - * small business development;
 - * privatisation of suitable functions from the ambit of big business to small operations.
 - d) Concerted and continued effort to encourage and effect the redistribution of share ownership to include the broad community. This can be obtained by participation on a wide base in share option schemes.
12. The immediate removal of all apartheid laws, together with a programme of black empowerment as suggested in this document, should eventually lead to the integration of the total economy and the disappearance of the divide between the third and first world sectors.
13. The complete opening up of the education system to all population groups combined with comprehensive action programmes both in the government and private sectors towards the alleviation of poverty and the lack of black economic ownership - of course within a framework of a free enterprise system but still maintaining an efficient but small public sector in all levels of government.
14. At all times the total economic framework must be geared towards creating a climate for private entrepreneurs, both internal and from abroad, to utilise and harness the considerable economic potential of the country to create the wealth which must eventually give rise to a more equitable society. The economic

environment must be one which maintains business confidence.

15. Escalating expectations are being fed by the current debate. The more excessive the expectations the greater the likely disappointments - unless the priorities are put into a realistic time frame. If the priorities decided upon, on the one hand, and the resources available on the other, can be matched in a ten year agreed socio-economic programme, a needed realism will be injected into expectations. It would create an overall focus and distinguish between short-, medium- and long-term goals and thus assist planning by both the public and private sectors. Such a ten-year programme could make all the difference between realisable goals and a serious breakdown in the wake of disappointed expectations.

16. The protagonists of a centrally planned economic future for South Africa may tend to argue that such a system may be necessary to provide a better dispensation for the poverty stricken black masses of the country which the dispensation of the past has failed to produce for them thus far. They have to be convinced that we are not dealing with the results of a failure of the market oriented free enterprise system but rather the results of the inhibiting of that system by apartheid. Instead of destroying the present economic base by the introduction of another system based on the restrictions of the wealth creating actions of individuals, the restrictions of the present system should be removed so that the economy and all its peoples may develop to their full potential.

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EKONOMIESE OPSIES VIR SUID-AFRIKA: DIE MENING VAN SABEK

BESTUURSOPSOMMING

1. SABEK het 'n belangrike behoefte geïdentifiseer vir die formulering van 'n breë benadering vir die sakegemeenskap tot die belangrike ekonomiese vraagstukke waarvoor die land te staan sal kom in die nuwe tydsgewrig waarin fundamentele politieke en sosiale veranderings besig is om plaas te vind. 'n Sterk mening word uitgespreek dat die markeconomie, gebaseer op die beginsels van private besit en die vryheid van keuse die beste daartoe instaat sal wees om die vereistes vir beide ekonomiese groei en die skepping van voldoende werkgeleentheid te akkomodeer.
2. Dit is ook noodsaaklik om die parameters wat die mededingingsvermoë van die Suid-Afrikaanse ekonomie in wêreldverband kan beïnvloed voortdurend by die bepaling van beleid in aanmerking te neem. Daar word verder klem gelê op die feit dat die sakegemeenskap 'n belang het in beide die skepping en billike verdeling van rykdom. 'n Toepaslike ekonomiese strategie is ook noodsaaklik om die politieke veranderings te ondersteun.
3. Die sakegemeenskap is bewus van die aard en die omvang van die armoede probleem waarin groot getalle swartes hulself bevind. 'n Belangrike mate van ekonomiese ongelykheid is aanwesig in ons samelewing as gevolg van die feit dat 'n relatief klein gedeelte van die bevolking 'n hoë lewenstandaard geniet, terwyl 'n buitengewone groot persentasie in groot armoede leef.
4. Erkenning word ook verleen aan die belangrike rol wat apartheid gespeel het in die ernstige aard van die probleem in Suid-Afrika, bo-en-behalwe die feit dat armoede ook 'n manifestasie is van die globale ontwikkelingsvraagstuk.

5. Gegewe die basis van bronne en die ander strukture wat die potensiaal van die Suid-Afrikaanse ekonomie bepaal, sal pogings tot die herverdeling van inkome en rykdom nie 'n betekenisvolle vermindering van armoede tot gevolg hê nie. Dit sal wel 'n negatiewe invloed uitoefen op die groeipotensiaal van die formele sektor.
6. Nogtans, met die instel van programme, soos dié wat deur SABEK in hierdie en ander beleidsdokumente aanbeveel word wat gerig is op die vergemakliking en aanmoediging van ekonomiese herstrukturering en verhoogde groei en ontwikkeling, sal die onderliggende oorsake van armoede verwyder word. Ekonomiese ongelykheid sal mettertyd verdwyn en die samelewing sal ontslae raak van die rassesydigheid wat tans aan die wortel van die probleem is.
7. SABEK het sterk meningsoortuigings oor die aard en omvang van ekonomiese hervorming wat gerig is op alle sektore van die ekonomie, insluitend die staatssektor. Die aktiwiteite van klein ondernemers, onderwys en opleiding, die prioriteite van staatsbesteding en die koerse van belasting word uitgesonder as gebiede wat voorkeuraandag van die beleidmakers moet ontvang. 'n Nywerheidstrategie is ook gebiedend noodsaaklik.
8. In die proses waardeur die probleem van armoede en ongelykheid aangespreek word, word afsonderlike maar tog geïntegreerde rolle vir die staat en die private sektor geïdentifiseer. SABEK verwerp nasionalisering en ander ooreenkomstige maatreëls om hierdie probleem te bestry.
9. Aanbevelings wat verband hou met die rol van die staat sluit die volgende in:
 - a) Wêreldwyd word erkenning verleen aan die noodsaak vir 'n relatief klein staatssektor. Bowendien is die kapasiteit van die ekonomie as voortbrenger van belastinginkomste beperk deur die limiete wat beperk word deur internasionale standaarde met betrekking tot belastingkoerse sowel as die groeipotensiaal van die ekonomie.

- b) Die staat het egter 'n rol te speel in die aanspreek van die die uitdagings wat geskep word deur die bestaan van werkloosheid, uiterste armoede, die gebrek aan eiendomsbesit veral met betrekking tot grond en behuising, gesondheidsorg en onderwys - dit alles binne die perke van die limiete wat in a) gestel is. Die aftakeling van apartheidbeperkings op gelyke beregting op al hierdie gebiede is 'n voorvereiste wat deur SABEK gestel word.
 - c) Hoewel SABEK 'n raamwerk vir 'n nasionale beleid vir die bevordering van streeksontwikkeling steun, is dit die sienswyse dat die huidige benadering ten opsigte van streeksbeleid krities hersien moet word in die lig van die nuwe ontwikkelings en uitdagings wat Suid-Afrika in die gesig staar.
10. Die rol van die sakegemeenskap - asook die internasionale gemeenskap - word ook geïdentifiseer gegewe die beperkings van wêreldstandaarde. Eise wat buite hierdie grense beweeg sal meebring dat lede van die sakegemeenskap hul gewilligheid om voort te gaan met investering en betrokkenheid in die Suid-Afrikaanse ekonomie, onvermydelik in heroorweging sal neem.
11. Die spesifieke aanbevelings van SABEK met betrekking tot die rol van die sakegemeenskap is die volgende :
- a) Opleiding vir swartes veral op bestuursvlak, maar ook in ander vaardighede, om die bestaande gapings te vul, wat onder andere deur die apartheidstelsel geskep is.
 - b) 'n Bydrae van die kant van die private sektor tot die behuisingsbehoefes van swart werkers veral op die gebied van die verskaffing van bestuursvaardighede en ook in die voortgesette direkte betrokkenheid in hierdie behoefte van hul werkers soos wat tans die geval is.
 - c) Deur die speel van 'n aktiewe rol in die verbreding van die deelname van swart ondernemers op die volgende gebiede:

- * die ontwikkeling van kleinsakeondernemings
 - * die privatisering van geskikte funksies vanuit die omgewing van die groot sakeondernemings na geskikte klein ondernemers.
- d) Doelgerigte en voortgesette pogings moet aangewend word om herverdeling van aandelebesit na die breë bevalling te bewerkstellig. Dit kan onder andere bereik word deur wye deelname aan aandele-opsies.
12. Die uiteindelijke verwydering van alle apartheidswette tesame met 'n positiewe program gerig op die ekonomiese bemagtiging van swartes, soos voorgestel in hierdie dokument, sal uiteindelik lei tot die integrasie van die ekonomie in sy geheel en die verdwyning van die gaping wat bestaan tussen eerste en derde wêreld.
 13. Die volledige oopstelling van die onderwysstelsel vir alle bevolkingsgroepe tesame met uitgebreide aksieprogramme, beide in die owerheidsektor en die private sektor, ter verligting van die armoede probleem en die vraagstuk wat geskep word deur die afwesigheid van swart besitreg - dit alles moet binne die raamwerk van die markstelsel en met 'n aanvaarbare relatiewe grootte vir die owerheidsektor gebeur.
 14. Die ekonomiese strukture moet ten alle tye gerig word op die skepping van 'n klimaat van vrye ondernemerskap sodanig word die volle ekonomiese potensiaal van die land deur kragte van die mark ontsluit, gerig op die skepping van werkgeleentheid. Hierdie proses sal uiteindelik lei tot groter billikheid in die verdeling van rykdom, trouens dit moet die potensiaal vir die herverdeling van rykdom skep. Die ekonomiese klimaat vir sakevertroue moet ook voortdurend gehandhaaf word.
 15. Stygende verwagtings word aangevuur deur die huidige debat. Oormatige verwagtings sal lei tot intenser teleurstelling - behalwe as prioriteite in 'n realistiese tydraamwerk geplaas word. As die prioriteite aan die een kant en die bronne wat beskikbaar is aan die ander kant, in harmonie met mekaar gebring kan word binne 'n ooreengekome tien-jaar sosio-ekonomiese program, sal 'n

noodsaklike element van realisme in die verwagtings tuisgebring word. Op hierdie wyse sal 'n breë fokus geskep word waarbinne onderskei kan word tussen kort-, medium- en langtermyn doelwitte wat aanleiding sal gee tot beter beplanning in beide die owerheids- en die private sektore. Sodanige tien jaar program kan 'n belangrike verskil teweegbring tussen haalbare doelwitte en ernstige probleme wat mag volg op verwagtings waaraan nie voldoen kan word nie.

16. Die voorstanders van 'n sentraalbeplande toekomstige ekonomiese bestel vir Suid-Afrika mag dalk redeneer dat sodanige bestel noodsaaklik mag wees ten einde 'n beter bedeling vir die armoede geteisterde swart bevolking te verseker - die huidige bestel het tog nie daarin geslaag om 'n verbetering teweeg te bring nie. Dit is noodsaaklik dat diegene wat so redeneer oortuig moet word dat ons tans te make het met die gevolge van die beperkings wat apartheid op die markstelsel geplaas het en nie verwar moet word met die resultaat van die stelsel van vrye ondernemerskap nie. Insteede van die vernietiging van die bestaande ekonomiese basis deur die instelling van 'n nuwe stelsel wat gerig is op die beperking van die rykdomskeppende aksies van markdeelnemers, moet die bestaande beperkings verwyder word sodat die ekonomie en al sy deelnemers tot hulle volle potensiaal kan ontwikkel.

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ECONOMIC OPTIONS FOR SOUTH AFRICA: A SACOB VIEW

1. INTRODUCTION

The South African Chamber of Business realises that South Africa is entering a completely new era with respect to its political, social and economic characteristics which will jointly act to change our society in a fundamental way. Because of its active involvement in the economy, but also because of its awareness of political and social change and the connection between such change and economic development, SACOB realises that the business community is bound fully to participate in the process of change upon which South Africa is presently embarked.

It is also the firm conviction of SACOB that the best results with respect to the socio economic future of South Africa will be attained only by a continued approach of dynamic interface between government, the private business sector and organised labour. Together these have responsibility towards the community at large as well as to their respective sectional interests. More than ever before, a deep commitment to the country and the needs of all its peoples is required from the business community. SACOB therefore realises that a wider concern with socio-political change necessitates a broadening of the objectives of business in a functional sense. To transcend the normal boundaries of private sector involvement in the socio-political needs of the country will require of the business community a more comprehensive vision of the changing public interest.

This said, however, it must still clearly be understood that such a broader vision can only be translated into action if a climate conducive to growth and continued liaison between all sectors of the community exists. For it to come about a new constitution will need to be negotiated, a Bill of Rights will have to be agreed upon and a new democratic government will have to commit itself to policies that are promotive of conciliation, not retribution. Political stability is a prerequisite for the creation of a climate in which economic stability and growth can be restored. Given the projected increase in the country's population and the transformation in prospect because of demographic change, economic growth and job creation assume the status of imperatives in South Africa. SACOB is convinced that the market economy based on the principles of private ownership and freedom of choice and association will best accommodate the economic requirements of both growth and employment.

Due recognition also needs to be given to the parameters which will influence our potential to be competitive in a global environment. The exigencies of the global economy and their relevance to South Africa's future economic performance should not be underestimated in deciding new economic strategies.

2. TOWARDS A COMPROMISE

It is a redeeming feature of South Africa that people seeking pragmatic solutions to political and economic inequalities agree on more than is often perceived to be the case. Stripped of its semantic overtones, the debate between supporters of the free enterprise system and "socialists" reveals a convergence of opinion on the following : apartheid is indefensible and must be eradicated; a future political system must be democratic and not authoritarian; it is in a post-apartheid society's interests not to destroy the current economic base; apartheid has been the cause of historical injustices and the redressing of these will require economic policies that go beyond the repealing of social laws and functional deregulation. This means that socio-economic infrastructure, particularly in the fields of housing and education, will receive the highest priority in future state expenditure programmes. Maybe it will be to the advantage of all concerned if it is also clearly understood that the free enterprise system is not analogous to the apartheid system. Free enterprise systems around the world have never been the cause of deprivation in the long term - to the contrary, it was rather the remedy for poverty and ensured economic growth in most countries where it flourished. Even in our own case the free enterprise system worked fairly well in spite of apartheid. The removal of these shackles will obviously allow the system to develop the economy to its full potential.

South Africa will need to avoid blind allegiance to ideological credos in the search for an appropriate development strategy. A search for all possible areas of agreement will probably reveal the paucity of the different ideological views.

3. A PROFILE OF OUR SOCIETY

3.1 Introduction

South Africa's demographic and economic characteristics lead many to conclude that we may be sliding down into the Third World where, in the words of the 1989 World Development Report of The World Bank, "poverty cannot be separated from rapid population growth" (p.14).¹ The South African population growth rate is higher than that of any industrialised country of the world while its rate of real GDP growth and its employment growth is amongst the lowest. This adds to our rating as belonging amongst the so-called non industrialised countries or countries of the Third World.

It is fully realised that the most certain way of breaking the poverty/population growth connection is by experiencing overall economic growth to the extent that per capita income increases. Nevertheless, it remains a difficult and often emotive exercise to try to distinguish between cause and effect with respect to this phenomenon.

Although not a rich country in terms of real income per capita, South Africa is a country of extraordinary growth potential. This resides essentially in the following :

- * its unique mineral base, albeit low grade;
- * its already in place First World infrastructure;
- * its proven business community;
- * its locally sourced human skills;
- * its abundant supply of unskilled and semi-skilled workers;
- * the size of its potential domestic market;

1. World Bank, *World Development Report 1989*, Oxford University Press.

- * its potential as a supplier of manufactured goods to black Africa.
- * its relatively light burden of foreign debt.

3.2 The Poverty Position in South Africa

South Africa is known to be one of the countries with a very skewed distribution of income across the different sections of the population. This point is adequately illustrated in Table 1 below. While 38 percent of the black population falls in the lowest and only 5 percent in the highest income group the reverse is true about the white population of whom only 2 percent fall in the lowest and 83 percent in the highest income group. In 1978, De Lange and Sevenster calculated a Gini Coefficient for South Africa of 0,66, which was at the time the highest for any of the 57 countries surveyed. Later studies have shown a dramatic improvement towards the 1980s which, is not reflected in Tables 1 and 2. Figure 1 is however to a certain extent supportive of this view indicating an improvement in the distribution of real personal income added in favour of blacks especially in the period 1975 - 80.

The linkage between black poverty and the high growth rate of the black population, given the fact that blacks account for nearly 75 per cent of the total South African population, is the essence of South Africa's growth crisis. The real tragedy of the situation is that South Africa has performed poorly with respect to real economic growth, especially since the middle of the 1970s.

Two aspects of the problem must, however, be cleared at an early stage of this document. *Firstly*, over and above the negative influence of apartheid on both growth and inequality, the situation in South Africa is not unique but actually an example of the universal development problem of growth with equity, or more specifically growth with redistribution of income and wealth. *Secondly*, it is also important to recognise the fact that the observed pattern of income and wealth distribution in this country, as in any other, is probably the result of the complex interaction pattern of a multitude of factors, some of which are firmly based in apartheid as a root cause of the inequality of opportunity.

others which are connected to the peculiarities of labour and capital markets and lastly, but not of the least importance, the disparity between economic growth and population growth.

In relation to this whole problem inequality receives as much attention in recent economic literature relating to the American economy as in those relating to the less developed economies. Nevertheless this is a problem which needs to be addressed with vigour and expediency.

However, before measures to counteract inequality and poverty can be considered, the problem needs to be defined more clearly.

3.3 **The Problem of Inequality and Poverty in South Africa Defined**

In SACOB's view there are different dimensions to the phenomenon of inequality in general and also as it applies to the South African situation. Inequalities and poverty of different origins and differently characteristics will naturally also need a differentiated correcting approach.

The approach in this document will be one which also recognises and accepts the existence and even persistence of inequalities which can never be eradicated. Attempts to eradicate them will most certainly lead to economic stagnation because the very foundations of the market economy rest on the acceptance and recognition of such inequalities. Under present circumstances where the country is in need of maximum growth, both from internal and external participants in the economic process, SACOB believes that the best approach would be in accordance with the acceptance of inequalities as a result of such differences in earning ability, in preference between income and leisure, and in thrift or the preference to save.

Lastly it must be quite clear that the above approach does not leave room for egalitarian approaches to equality. Given maximum tax and government expenditure efficiency, the ultimate limit to the tax revenue capacity of government is in turn determined by the inherent potential for economic growth of the country, taken together with levels of tax rates which will not discourage individuals and companies from economic effort and actions which will result in economic expansion.

In accordance with the above approach to the problem of inequality, SACOB believes that the logical way to classify and address inequality is to attempt to differentiate between the following types of inequalities as they presently exist in South African society :

- (a) Inequality which stems from differences amongst individuals in earning ability, preference for work and leisure and thrift;
- (b) Inequality which arose as a result of the limitations of the apartheid system on different groups in our society.
- (c) Extreme poverty as a result of structural defects in the social system, for instance, irreconcilable population and economic growth which contributed towards a high rate of unemployment.
- (d) Extreme poverty because of limitations on growth by apartheid.
- (e) Extreme poverty as a result of political impediments to economic growth, i.e. sanctions.

3.4 **Apartheid and Inequality**

Although South Africans are now generally aware of the role which apartheid played in the creation of poverty and inequality, it is still necessary to identify the most important areas where the system had a severe influence. Although it is accepted that apartheid was implemented as a political system, it also had a clearly defined economic framework and influence which has to be identified in order to form a basis for the restructuring of society.

The influence of apartheid stretches over a very long period of time. At a very early stage in the country's history ruling governments started the process of legalised and informal barrier building against full black participation in the economy. It was brought to its final stages from 1948 to more or less the middle of the seventies when political and economic pressures started to have their influence on these barriers. When apartheid became a serious obstacle to economic performance it had to

be compromised to improve economic growth. This became increasingly evident during the 1970s and 1980s. In the process measures like job reservation and influx control had to be lifted to allow blacks into the formal stream of activity. Although many such restrictions on blacks are still in place, eg restrictions flowing from the Group Areas Act and the limitations on freehold title on racial grounds, e.g. it is now also accepted by government that they must be removed for economic as well as political and social reasons.

Organised business has strong views on the efficiency of the market economy or the free enterprise system. In this spirit, both the former Assocom and the former FCI pleaded on many occasions for the removal of government imposed restrictions on the system on a broad front ranging from the fields of labour, trade, private ownership and the opening of educational facilities to all, especially in areas where so-called white schools were not fully utilised.

3.5 The Main Characteristics of the South African Economy

A more balanced and realistic approach to the main characteristics of the South Africa economy and its problem areas can be obtained from a summarised view of a number of its salient features.

Firstly, it is necessary to recognise the dualistic nature of the economy. This relates to the existence of the highly developed mining, agricultural, manufacturing and tertiary sectors with a large basically underdeveloped sector striving to earn a livelihood in traditional agricultural and informal activities. In terms of numbers, the developed sector is relatively small. In terms of contribution it is large. The opposite is true of the underdeveloped sector. Although the developing/underdeveloped part of the economy cuts across all races, blacks form the main part of the population found in this sector.

Secondly the economy, and also society as a whole, is characterised by a high degree of concentration of control. The developed private sector is dominated by large corporate structures which use modern capital-intensive technological processes in many cases necessitated by the need to be internationally competitive. There is general agreement

about the need to achieve a better balance between big business and small and medium sized business, and to ensure that the South African economy remains fully competitive. However, the mechanism by which we achieve this desired end should be carefully considered as we must not confuse corporate size with anti-competitive behaviour. Control on the part of government is also a prominent feature of South African society - the most obvious aspects are to be found in those areas which pertain to racial matters and which directly grew from the apartheid system. Direct government regulation of the economy as well as control over large semi-public sector corporations are also evident. Both of these areas are presently in the process of being addressed and abolished - although many would say at a too slow a rate. Privatisation and the abolition of regulatory race laws are examples of government's commitment to the relinquishing of controls relating both to the political and the economic arenas.

A third important characteristic of the South African economy is the lack of small business development which is probably closely related to the controls relating to both the race laws and the laws pertaining to the regulation of economic and business activities as well as to factors such as homelessness and unequal education.

Fourth it is a well known fact that South Africa has a very open economy, with foreign trade amounting to around 55 percent of gross domestic product. The result is that the balance of payments is a limiting growth factor. For that reason the various boycott and disinvestment actions against the country have been a significant negative influence.

In the fifth instance, it is important to note the inward orientation of the manufacturing industry which is largely the legacy of sanctions and boycotts by the international community is of importance. Exports are mainly derived from the mining and agricultural sectors with a minimum level of local beneficiation. What is needed is a new industrial strategy as an essential ingredient of any new broad socio-economic approach.

Sixth it is important to note that the economy is in a period of poor economic performance. The average growth rate of the sixties into the middle seventies of more than 5 percent came down to a mere 1,4

percent in the eighties. The result of this growth, together with a population growth rate of around 2,5 per cent, resulted in a steady decrease of per capita income.

Seventh, the government sector constitutes an important, and until recently, significant part of total economic activity in South Africa. In international perspective the country is almost on a par with industrial countries and certainly not comparing well to developing countries and the so-called NIC's like Korea. In 1988 total real government expenditures reached 28,9 per cent of GDP compared to the average of 32,9 per cent for industrial countries and 17,0 per cent in the case of Korea.

Leaving the deficit financing aside, central government expenditures are financed from the revenue of a fully developed tax system which includes the most important taxes normally found in the industrial countries. An objective analysis of the system suggests that there is little room for increased taxation, but considerable room for tax decreases and tax reforms.

Lastly, the economic growth profile and the population growth had a phenomenal influence on job opportunities and unemployment. The labour force is growing at 2,6 percent per year while employment in the formal sector increased at only 0,7 percent per year over the last fifteen years, resulting in massive unemployment and underemployment, largely amongst the blacks, estimated to be between 30 and 37 percent of the black workforce.² This aspect of the economy is graphically illustrated in Table 3 which reflects the unemployment situation as it developed between 1960 and 1985. Tables 4 and 5 provide the historical perspective on job creation, economic growth, increase in potential job seekers or economically active population and the unemployed as presented by those who are in subsistence agriculture, the informal sector and the formally unemployed (third column in Table 3). The figure for unemployment, thus defined, rose disturbingly from 1,5 million in 1960 to more than 4,5 million in 1985. Today it almost certainly exceeds 5

2. These figures include employment both in subsistence agriculture and the informal sector which are both difficult to calculate in order to separate them from those who are actually unemployed.

million or 40 percent of the economically active population. Such a trend points to escalating unemployment problems for South Africa accentuated by the fact that the subsistence agriculture sector is over extended at present.

The characteristics outlined above lead SACOB to conclude that both the South African economy and society are in desperate need of change on a wide front. A comprehensive set of economic, political and demographic reforms is desirable and necessary.

4. THE BASIC PREMISE OF SACOB WITH RESPECT TO THE FUTURE ECONOMIC SYSTEM

4.1 A General View of the Philosophy of Business

The business community has an obvious interest in the economic and political future. The restoration of strength through growth will not only provide the necessary climate and impetus for wealth creating activities by business, but will also provide the necessary jobs for those who want to enter into formal economic activity, be it as labourers or entrepreneurs.

Organised business represented in SACOB firmly believes that the best possible solution for the social and economic ills of South Africa will be found in a free and open society where all opportunities are equally accessible and where entrepreneurship is given full opportunity to thrive under the protection of a fully representative government. The belief of business in a market economy is not based on ideology and academic principles alone but on the realities and dictates of the global economy. Even socialist countries have come to acknowledge the market nature of the global economy and been forced to abandon central planning principles. It is therefore not only a question of blindly adhering to an ideal, but rather the result of the success of the country's main trading partners which reinforces the basic belief in the strengths of market directives.

The discussion of the characteristics of the South African economy in paragraph 3.5 above is an indication of the measure of recognition and

understanding on the part of SACOB for both the strengths and weaknesses of the present South African economic system and environment. It is also recognised by business that economic reform is necessary in order to address and accommodate many of the economic and social problems. Political reform alone will not be able to solve those problems at the pace required by the urgency of some of the problem areas - higher economic growth is an equally strong imperative.

It is also the firm belief of SACOB that any attempt to break down important existing economic structures in a manner implied by some socialist critics of the so-called capitalist system would result in a destruction rather than a restructuring of the present economic base. Attempts at alienation of property or nationalisation, with or without compensation, fall in the category of measures which will cause immeasurable harm.

Not only are such actions likely to destroy confidence of internal and external investors, they are also likely to cause entrepreneurs, managers and professional people to leave the country because the world has become a global unity - world standards, rather than individual country standards, have become the norms which are applied to basic investment and other business decisions.

4.2 SACOB's View of Economic Restructuring

SACOB has a wide ranging view on the necessary economic restructuring measures as part of the global approach to the problem. In SACOB's view, reform of the economy should be carried out within the framework of the market system. Full recognition must be given to the importance of private ownership and the freedom of choice of individuals. Restructuring needs then to be directed in an outward-looking manner at production, the structures of ownership as well as the public sector and the tax system. The nature of this document does not allow for detailed discussion of all the aspects of the reform programme as viewed by SACOB. The following salient features, therefore, provide only a summary :

- The development of an overall industrial strategy aimed at beneficiating raw materials as far down the line as possible, and at becoming an outward looking export country of manufactured goods. This will only be possible if the parameters of the economy, including the tax system and tax rates, the rate of inflation, the rate of interest and the external value of the rand are geared to international competitiveness and an appropriate climate to accommodate international capital and entrepreneurship.
- Creating a climate conducive to a flow of resources towards the most efficient productive areas. The obvious benefits to be gained from more investment in efficient education and health services to the poor are an indication that these areas of investment are still socially profitable in South Africa. Allocation of resources towards these areas is therefore indicated.
- Special attention to be given to make available sources of financial capital to the small entrepreneur.
- Restructuring the education system to eliminate the existing mismatching of the output of the system and the imperatives of the economy.
- A continued holistic approach to anti-inflationary policy. Restrictive monetary policy alone is not enough. It has to be combined with fiscal policy measures and an active drive to break inflationary expectations.
- Creating the necessary decentralised political structures within a unitary state to cater for the diverse public sector needs of the different communities including the national and independent black states.
- A continuation of the process of adapting the public sector with a focus on :

- * privatisation and deregulation;
- * levels of taxation which are internationally compatible;
- * Re-prioritising public sector expenditure programmes with a view to accommodating the new South Africa. However, a strong focus must be retained on the maintenance and improvement of the country's infrastructure, which is one of its strong points, especially within the context of the African continent.
- * Regular updates of the Economic Development Programme to facilitate indicative economic planning in both the public and private sectors.
- * A national wage and productivity policy which will give due regard to the necessity to maintain a relation between wages, productivity and the rate of inflation.

4.3 Approaching the Challenge of Inequality and Poverty

It is clear that the problems of poverty and inequality in South Africa can only be dealt with in the context of a growing economy. Economic growth, however, has been adversely affected by internal conflict and externally imposed sanctions for an extended time. This emphasises the need for a political settlement in the country. Only if that is achieved can the economy play its part in the fight against poverty and inequality. However, for the economy to do its job, existing rights to the ownership of productive assets and to their management must not be threatened. Those who can grow the economy by their private actions, driven by private gain and a sense of achievement, must feel themselves free and safe to do so without interference by government action which is not based on protecting society and the environment.

The results of such an approach will leave government with the maximum potential, from a tax revenue point of view, to fund a holistic programme of reconstruction which was mentioned under paragraph 3.3 above.

In addition, *the international community* must also be persuaded that it has a role to play in the process of reconstruction. Sanctions and disinvestment have exacted a price in the form of lower economic growth. The unemployment thus caused, aggravated the problem both of poverty and inequality in South Africa.

5. RESHAPING SOUTH AFRICAN SOCIETY

5.1 Introduction

SACOB would emphasise that economic restructuring of whatever kind cannot in itself eliminate poverty and inequality. To redistribute wealth without promoting growth is not to solve the problem but to make it worse. The end result would be to drive South Africa closer to sub-Saharan disaster. The importance of restructuring or reform resides, therefore, in what it determines regarding the future growth path of the economy. This means that the nature of restructuring is all important. Restructuring may mean different things to different interest groups and this is understandable. However, restructuring which implies a punitive attack on existing property rights or on the institutions of liberal democracy, can only have destructive consequences for South Africa in SACOB's view.

The process of reform with respect to the South African economy must commence immediately. There is no need to wait until the main constitutional issues are settled at the negotiating table. The problems are easily discernible and need to be addressed with vigour.

SACOB believes that even in the present intermediate stage much can and needs to be done to alleviate the most glaring areas of unequal opportunities and treatment on the part of state funded programmes. The areas of under-utilised medical care and educational facilities are probably the most obvious. The rearrangement of government spending priorities should also be regarded as one of the most urgent medium-term goals. Mild success has already been achieved with respect to the

downscaling of military expenditures in accordance with regional peace initiatives.

There is general realisation amongst the business community that poverty stands in the way of democracy in South Africa. Therefore concerted efforts will be needed to remove the most glaring areas as soon as possible.

5.2 The Medium to Long Term Approach

Although all the areas of inequality and poverty mentioned in 3.3 above contribute to the problem of poverty, logical solutions have to be found in an approach formulated more or less along the lines described above. It will be necessary, however, to differentiate between the respective roles of government, the private business sector and the international community.

5.3 The Role of the State

5.3.1 General Principles

Government activities exert aggregate effects on the economy of a country. The activities of government involve transfers from the private sector to the state sector in the form of taxes and in turn from the state sector to the private sector through the former's spending actions.

From a functional point of view government expenditures can be broadly divided between resource using expenditures with the view to providing public goods and services, and transfers between groups and levels of government which increase the disposable income of recipients.

Broadly speaking it is clear that the role of government is important in relative terms. This importance is underlined by the relative size of government in South Africa. Exchequer outlays as percentage of gross domestic expenditures increased from 19 per

cent in 1964 to 28 per cent in 1988 after having peaked at 31 per cent in 1987 - a level which was generally perceived to be too high for a developing economy in needs of a high rate of growth.

5.3.2 Why limit the role of the state?

Since the advent of a disillusionment with state intervention through Keynesian demand management, a growing concern is noticeable in economic literature not only with the failure of Keynesian orthodoxy to deal with such problems as stagflation and structural economic adjustments but also with the adverse effects of a tendency of relatively growing public sectors. Dangers such as the crowding out of the private sector, the inherent inefficiency of bureaucratic economic decision-making and the encroachment of the state on the liberty and freedom of the individual, have given rise to policies to restrain growth and the public sectors of most industrialised countries.

This concern also became evident in South Africa since the middle 1980s which resulted in a programme to reduce state involvement in the economy through privatisation, prioritising different government functions and a policy of reducing state expenditures at all levels of government. This approach was based on the belief that failure in this respect may lead to runaway inflation, economic stagnation, crowding out the private sector and eventually a depreciation of the currency.

Moreover, increased government activity needs to be financed by increased taxation which again may lead to discouragement of private initiative, entrepreneurship and investment. The end result is a lowering of the growth potential and a decrease of the tax revenue capacity of the economy. Allowing the state to grow to proportions beyond the capacity of the economy will eventually destroy all economic growth and employment creation.

Lastly, bureaucratic control of the sources of production is inherently less efficient than the free enterprise system and gives rise to structural and other economic distortions because of the

absence of the driving force of the profit motive.

5.3.3 Is state directed redistribution affordable in South Africa?

Despite the basic philosophic approach of business towards the appropriate economic system in the future South Africa, there is also no hesitation in advocating government involvement in the problem of inequality, redistribution and alleviation of poverty and homelessness. The ultimate limit to government's ability to address this problem on an aggregate, holistic basis will be the tax generating capacity of the economy, which in its turn will be determined by the sustained rate of economic growth.

Broadly speaking the democratising process will force society to be more sensitive to the needs of the poor, the unemployed, the homeless as well as equal educational facilities. Meeting all these, however, will not be immediately possible. Instead, a planned approach towards addressing challenges must to be followed. The magnitude is adequately illustrated by the numbers shown in tables 6 - 9. The immediate elimination of disparities (if at all possible in terms of the availability of resources) would require R31,5 billion in 1989/90 monetary terms to be spent on education, social pensions, health and housing. This amounts to 79,5 per cent of the total central government budget of 1989/90. Obviously, a structural replanning of state expenditures and its priorities is called for.

5.3.4 Specific SACOB recommendations

The state and Unemployment

Unemployment levels, particularly amongst blacks, will necessitate steps to alleviate the problem. It was argued above that nationalisation or overall increased government expenditures will not provide long-term solutions to the problem. However, this is a very serious challenge and a coordinated strategy will be needed to counter the dangers involved in the situation. South Africa is in a crisis situation given the level of unrest in the black townships,

while education holds the key to social upliftment in the long-term, the country urgently needs to act now and address the unemployment amongst the vast majority of young people under the age of 25 years.

The potential of inward industrialisation, using the housing provision programme of government to provide jobs and training as well as to encourage action to direct development strategies towards labour intensive development projects, need to be employed in a coordinated approach to ensure adequate employment opportunities. It must be borne in mind that South Africa has to remain globally competitive.

There are examples of systems that have worked in the past. In the 1930s in South Africa there was a drift to the towns of unskilled uneducated whites - particularly the youth. Vagrancy and petty crime became a problem. The solution was to establish the Special Services Battalion to which the unemployed young men were assigned and put to work on social infrastructure projects. The benefits of the system were that the youth were taken off the streets and were taught discipline, civic responsibility and skills they could use in later employment.

In Israel the Kibbutz system has served a useful social and economic purpose in creating cooperative self-employment opportunities. The army too was used to promote the acquisition of skills.

These systems could well be transferred to South Africa in ways modified to local circumstances. In the homelands and rural areas settlements should be drawn into cooperative agricultural or handcraft ventures to give each "village" an economic base. The key would be to build into the greater or larger family culture that is already understood in the black tribal system and getting "identification" linked to the cooperative effort. The new SSB would be employed in building, transport links, water and power resources. Redistribution would come through Government providing infrastructure.

In urban areas the creation of large sprawling cities like Soweto should be avoided. New smaller towns should be established with specific cooperative industrial activity forming the economic rationale of the village or town. Once again, the new SSB could be used to build the infrastructure, and redistribution could be through the provision of such infrastructure.

The State and Regional Policy

Although SACOB supports a national policy framework for the promotion of regional growth and development, it believes that the present approach to regional policy needs to be critically reviewed in the light of the new development challenges. SACOB agrees with recent studies by the Private Sector Council on Urbanisation that regional development must form part of a new non-racial urbanisation policy for the country as a whole. It is an important component of a national programme to alleviate poverty and unemployment.

The State and Extreme Poverty

The textbook case for the redistribution function of government is based on the presumption that society has a preference for redistribution, at least up to the point where extreme poverty is removed from its midst. The magnitude and the complexity of the problem makes it very difficult to manage. Nevertheless, it is urgent that an overall plan be developed to assist those who live beneath the breadline. This function has to be regarded as primarily state-driven and tax revenue financed. Private initiatives can only be of marginal importance. SACOB realises that even government will find it difficult to meet the resource requirements of this challenge.

It is obvious that the problem of dire poverty must be addressed on a wide front, of which direct government assistance in the form of school and other feeding schemes, underpinned by some form of food stamp programme, could be a starting point.

The State, Inequality and Ownership

There is wide spread realisation of the necessity to restructure and widen the economy in order to move towards a long term solution of the inequality problem in South Africa. Once a more acceptable distribution of wealth and ownership is obtained the problem of the unequal distribution of income will probably become normalised and lose its racial bias.

a) **Homelessness and Housebuilding**

It is now well recognised that government should play a role in the provision of houses for the poor, especially in the urban areas which have come under pressure from increased urbanisation. According to the Urban Foundation, the existing backlog is in the region of 500 000 units - at a unit price, including land, of R10 000 at least R5 billion will be needed to bring the position to par.

This area of poverty is presently partly regarded as a government responsibility which is exclusively targeted at the poor, from which very little revenue recovery can be expected on a user charge basis, although some relief may be afforded from private sector sources through more involvement in the housing needs of their workers.

However, housing standards, especially those which are determined by different levels of government should be reviewed to establish a balance between resources and the need for housing.

The actual building of houses must take place on a privatised basis with owner participation. This process in itself could naturally be an important source of job and wealth creation amongst blacks.

b) **Land Ownership**

A large proportion of the population of South Africa, especially of the black population, is still residing in the rural areas of the country. In a report to the Presidents Council (1985) it is calculated that 57 per cent of the black population was in the rural areas in 1985 and that the process of urbanisation will reduce this percentage to 25 per cent in the year 2000. A major factor in this process is the relative availability of employment opportunities in the urban areas. Urgent steps should be taken by Government to bring land ownership within the reach of potential black farmers by :

- * The removal of all legal restrictions on land ownership by blacks;
- * A reform of the different Land Acts to also accommodate ownership of small operator farmer entrepreneurs;
- * A reform of financial intermediaries, including the Land Bank, towards financial assistance to small black farmers in farming areas where they can be efficiently used;
- * The establishment of a total institutional framework with the specific goal of underpinning the programme of creating opportunities for potential black farmers to return to independent farming.
- * the creation of a new legal mechanism to resolve land conflicts.
- * More land should be made available for low-income group housing in urban areas.

The overall limit to this policy must be that the potential of the agricultural sector of South Africa to feed the indigenous population should not be impaired by a programme to re-establish black land ownership. Instead, more efficient use of resources in the agricultural sector should be ultimately achieved in the process, given the fact that efficiency has to be seen in the wider context of an increase in total welfare of the total population.

In this regard SACOB is broadly supportive of the recent research document published by the Private Sector Council on Urbanisation (Urban Foundation) emphasising that a balance between efficiency and equity is essential for successful rural development.

c) **The Removal of The Group Areas Act**

For many years the business community has realised, and often expressed the view, that the removal of the Group Areas Act needs urgent attention on the part of the government and other interested parties. This problem needs careful consideration in its wider implications including the possibility that the present base of business ownership amongst blacks in the present black areas may be destroyed in the process. It may even be necessary to introduce measures to protect present black ownership. Nevertheless, this should not be allowed to stand in the way of this form of re-democratising our system.

The State and Health Services

The upgrading of health services available to the community has to be regarded as similar to educational services because of the similarities of inequalities created by the past. Again, parity is of the utmost importance although it is not necessarily suggested that this should be aimed at the standards applied to medical services presently in place nor to be reached immediately. Van der Berg estimated that in 1986 prices parity at present levels of

supply could mean an increase of between 50 and 100 per cent in the cost of medical services or push the finance requirement up from the R4 billion to between R6 billion and R8 billion per annum (also see table 6 below). Such an upgrade would mean that the government would have to spend between 4,7 and 6,3 per cent of GDP on government-financed medical services. Thus parity may only be possible within a structured system of State provided health services within the constraints of affordability and adequacy.

The State and Education

It is SACOB's belief that equal, non-racial and uniform education systems need to be created. The problem *firstly* needs a completely new and innovative approach with the basic goal of creating an efficient system of education which will equip the individual scholar/student with a level of education from which he or she can develop to full intellectual and mental capacity. Due regard must also be given to the maintenance of standards in a global context. *Secondly*, and simultaneously, the needs of the total economy also have to be accommodated in the overall reconstruction process. The basic point of departure is that government has to continue to play an important role in the provision of an educational system including adequately qualified teachers and infrastructure at least at primary and secondary levels. There is a need to restructure the educational system and establish objectives to raise educational standards with an emphasis on technical and vocational training which will equip students and scholars to enter the formal sector both in the field of formal employment and as entrepreneurs.

Three reasons for this presumption naturally come to mind. *Firstly*, the fact that a large element of externality benefits is normally recognised by economists and educationalists to flow from education. *Secondly*, the state must be the guardian of overall standards, as well as the instrument of planning with respect to the overall need for educated citizens. *Thus, privatisation is not seen to be a primary agent in the strategy to provide an overall system*

of education for the country. Government has to accept a large measure of responsibility for the provision of education up to the secondary level. A complete re-think about affordability and financing of this important element of government expenditure will be necessary, because of the enormous requirements of such a system in terms of financing and resource requirements (See Table 6). Although there appears to be little merit in doing so, apart from the fact that it provides a basis of comparison, bringing black primary and secondary education to the present levels of expenditures of white education would push up government expenditure on this item to more than R29 billion or 47,4 per cent of this year's budget and 14,5 per cent of GDP. (Senbank Focus, July 1990). These numbers must be regarded as illustrative of the relative enormity of the problem rather than as an accurate absolute magnitude. Adding them to the financial requirements in other areas adequately illustrates the necessity for alternative strategies to be followed.

Given the extent of the nature of the problem as spelled out in the previous paragraphs, and the fact that a continued involvement of government is required for various reasons, the solution to the financing requirement for this specific area of expenditure must be sought in a progressive user-charge system which takes the taxable income of the parent into account. Nonetheless, the state must assume a financial responsibility, at least up to a level where the basic facility and minimum staff requirement are provided from that source. However, this should be accompanied by a rationalisation process taking into account the present shortage of suitably qualified teachers and building facilities. Methods such as using buildings and teachers on a shift basis may be considered, with proper attention being given to teacher remuneration in accordance with qualifications, scarcity value and effort. Rationalisation with respect to the duplication of management and administration will, needless to say, also be necessary and could bring about substantial savings. SACOB will examine the latest education "models" announced by government from these points of view.

5.4 The Role of Business

5.4.1 General Principles

At this stage it is necessary to ask the question whether an increased contribution is required by business in the effort to solve the problem of poverty and inequality in South Africa. If the answer is "yes", it has to be realised that there is a limit to that commitment - a maximum beyond which point the business community will obviously begin to reconsider its willingness to continue to operate and invest in South Africa. *Above all, the overall need for rapid economic growth and the possible impediment to growth by redistributive efforts must be considered in the structuring of policies aimed in that direction.*

SACOB also recognises the general need for consultation with directly affected groups before action is taken.

5.4.2 Specific SACOB Recommendations

Education and Training

A growing need for education and training strategies exists within the business environment in the interest of increased economic growth, business efficiency as well as black empowerment. For various historical reasons, mainly connected to the regulatory apartheid policies of the past and inadequate educational facilities, blacks are absent in management levels of the private business sector. Moreover, there is a lack of trained artisans and other skilled labour in the economy.

Removing apartheid restrictions on educational and training facilities will obviously not relieve this problem in the immediate future. In its own interest the business community will therefore need to participate actively in in-house training and education of blacks in order to fill the gap.

The Private Sector Education Council, in which SACOB plays a major role, could be used to coordinate and direct these efforts. In this respect the West German model used in technical training, may provide useful guidelines to follow.

Present private sector initiatives directed at the funding of educational institutions and the provision of educational bursaries with a positive bias towards the underprivileged should also be intensified.

Housebuilding and Home Ownership

Because of the extreme need amongst blacks in respect of housing, especially in the urban areas, continuation of the present direct involvement of business in the housing needs of their workers is necessary. *Firstly*, one could expect a major contribution from the use of the managerial and other skills of the private sector in this area could be expected. *Secondly*, the fringe benefits connected to housing subsidies can be re-directed through the tax system towards the needy rather than the higher echelons of the employee corps of the entire economy.

Widening Participation in Entrepreneurship

Part of the solution to the challenge of establishing blacks in the free enterprise system will be found in the establishment of a much wider base of black participation in entrepreneurship. The business community, and especially big business, do have an active role to play in this process. The following areas need to be considered :

a) Small Business Development

Including small operator suppliers to big business, joint ventures between the formal and informal sectors such as assistance with financial requirements and management.

b) **Privatisation or devolution of activities to small business**

"Privatisation" is not the domain only of government - business organisations can follow similar procedures of re-establishing some of their functions in the ambit and operational field of small business. Examples such as catering, cleaning and gardening - virtually the same functions privatised by government - spring to mind. No doubt the productive minds of business leaders will be able to identify many similar functions which can be "privatised" from their organisations to small operators with the aim of cultivating the development of a large and competitive small business sector in the economy. Investigating teams, established with the sole aim of identifying such areas, can be organised on a basis similar to the Privatisation Unit established by Government.

Corporate Ownership

Corporate ownership is presently not shared by all, while share ownership, by having grown substantially more widespread over recent years via mainly pension funds in particular, nevertheless still reflects the unequal distribution of wealth and income in the economy. Concerted effort to encourage the redistribution of share ownership to include the broad community can be obtained by participation on a wide base in share option schemes.

The question of corporate size and the role of conglomerate organisations is a matter of intense debate. There are both international and South African studies available on this matter. It is important to distinguish between the issue of "bigness" on the one hand, and monopolies, cartels and anti-competitive behaviour on the other.

SACOB believes that the mechanisms to promote competition through the establishment of the Competition Board, have been consonant with international trends and are appropriate to the present stage of development. However, it trusts that the wide

powers now granted to the Competition Board will be used with continued consideration to the established tests of behaviour, efficiency and international competitiveness in assessing the public interest.

5.5 Restructuring, Equity and Economic Growth - A Recapitulation

It is often said by the opponents of the private enterprise system that the market system holds no guarantees for economic growth to be accompanied by an equitable distribution of income. Supporters of the system also subscribe to this opinion, but add that a free enterprise system is a necessary condition for maximised wealth creation through economic growth. Moreover, the very existence of inequalities even facilitates this process, but a correcting mechanism is needed for the allocation of wealth already created - the proverbial addition to the "cake" which allows for redistribution of income, with due recognition of the trade-off between efficiency and equity, the absence of which will bring about economic stagnation and even degeneration.

The need for an approach based on restructuring within the constraints of adequacy and affordability with respect to providing equal services with respect to housing, health care and education instead of parity based on present standards was emphasised in SACOB's approach.

6. A TEN YEAR SOCIO-ECONOMIC PROGRAMME

Escalating expectations are being fed by the current debate. The more excessive the expectations the greater the likely disappointments - unless the priorities are put into a realistic time frame. If the priorities decided upon, on the one hand, and the resources available on the other, can be matched in a ten year agreed socio-economic programme, a needed realism will be injected into expectations. It would create an overall focus and distinguish between short-, medium- and long-term goals and thus assist planning by both the public and private sectors. Such a ten-year programme could make all the difference between realisable goals and a serious breakdown or backlash in the wake of disappointed expectations.

7. PROGNOSIS, THE ROAD TO THE FUTURE

The eventual removal of all apartheid laws, together with a programme of black empowerment as suggested in this document, would lead to the integration of the economy and the disappearance, eventually, of the divide between the third and first world sectors. The opening up of the education system to all population groups - combined with comprehensive action programmes both in the government and private sectors towards the alleviation of poverty and the lack of black economic ownership - would provide the necessary economic growth to reach such a goal.

At all times the macro-economic framework must be geared towards creating a climate for private entrepreneurs, both internal and from abroad, to utilise and harness the economic potential of the country. This will include an appropriate industrial strategy. Only thus will wealth be created to provide for the realisation of a more equitable society. The international community also has an important role to play in this process.

The protagonists of a centrally planned economic future for South Africa would argue that such a system is necessary to provide a better dispensation for the poverty stricken black masses whose upliftment has been neglected by historical development in SA. They have to be convinced that business is not in advocating a market system attempting to avoid the need to address the masses' needs. They also need to be persuaded that it has been apartheid not the market system - which has been responsible for past failures.

Instead of destroying the present economic base by the introduction of another system based on the restrictions of the wealth-creating actions of individuals, the restrictions of the present system should be removed so that the economy and all its people may develop to their full potential.

JOHANNESBURG

20 September 1990

TABLE 1

DISTRIBUTION OF INCOME BY POPULATION GROUP 1984

	<u>WHITE</u>	<u>COLOURED</u>	<u>ASIAN</u>	<u>BLACKS</u>	<u>ALL</u>
<u>INCOME CLASS</u>					
<u>(RANDS P.A.)</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
0 - 2 999	2	26	5	38	24
3 000 - 4 999	1	22	8	24	17
5 000 - 7 999	2	19	14	18	17
8 000 - 10 499	2	7	13	8	7
10 500 - 15 999	10	12	18	7	8
16 000 +	<u>83</u>	<u>14</u>	<u>42</u>	<u>5</u>	<u>30</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

TABLE 2

DISTRIBUTION OF POPULATION BY INCOME GROUP 1984

	<u>WHITE</u>	<u>COLOURED</u>	<u>ASIAN</u>	<u>BLACKS</u>	
<u>INCOME CLASS</u>					
<u>(RANDS P.A.)</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
0 - 2 999	2	12	1	85	100
3 000 - 4 999	2	16	2	80	100
5 000 - 7 999	4	17	4	75	100
8 000 - 10 499	8	12	8	72	100
10 500 - 15 999	36	18	9	38	100
16 000 +	79	6	6	10	100

TABLE 3

UNEMPLOYMENT IN SOUTH AFRICA*

	<u>FORMAL SECTOR</u>		<u>EMPLOYMENT IN</u>	
	<u>EMPLOYMENT</u>		<u>SUBSISTENCE AGRI-</u>	
	<u>SKILLED</u>	<u>UNSKILLED</u>	<u>CULTURE AND</u>	<u>ECONOMICALLY</u>
	<u>EMPLOY-</u>	<u>EMPLOY-</u>	<u>INFORMAL ACTIVITIES</u>	<u>ACTIVE</u>
	<u>MENT</u>	<u>MENT</u>	<u>AND UNEMPLOYMENT</u>	<u>POPULATION</u>
<u>AMOUNT</u>				
<u>(000s)</u>				
1960	1 655	3 027	1 576	6 258
1970	2 233	3 935	2 278	8 446
1980	2 807	4 687	3 299	10 793
1985	2 879	4 842	4 547	12 268
<u>% OF TOTAL</u>				
1960	26,4	48,4	25,2	100,0
1970	26,4	46,6	27,0	100,0
1980	26,0	43,4	30,6	100,0
1985	23,5	39,5	37,0	100,0

* Figures include both RSA and TBVC territories.

TABLE 4

RATES OF INCREASE FOR EMPLOYMENT

EAP AND GDP

	<u>EMPLOYMENT</u>		<u>EAP</u>		<u>GDP</u>
	<u>NUMBER</u>	<u>%</u>	<u>NUMBER</u>	<u>%</u>	<u>%</u>
1950-9	101 934	2,4	157 667	3,0	4,4
1960-9	148 645	2,8	215 444	3,0	5,8
1970-9	134 367	2,0	231 667	2,5	3,1
1980-9	80 949	1,0	327 000	2,7	1,5
<i>Scenarios</i>					
1990-99					
1.	0	0,0	479 111	3,0	1,0
2.	193 000	2,0	479 111	3,0	3,0
3.	479 111	4,5	479 111	3,0	5,5
4.	907 111	7,5	479 111	3,0	7,5
5.	1 062 111	8,4	479 111	3,0	8,4

TABLE 5: SCENARIOS FOR EMPLOYMENT - EAP & GDP

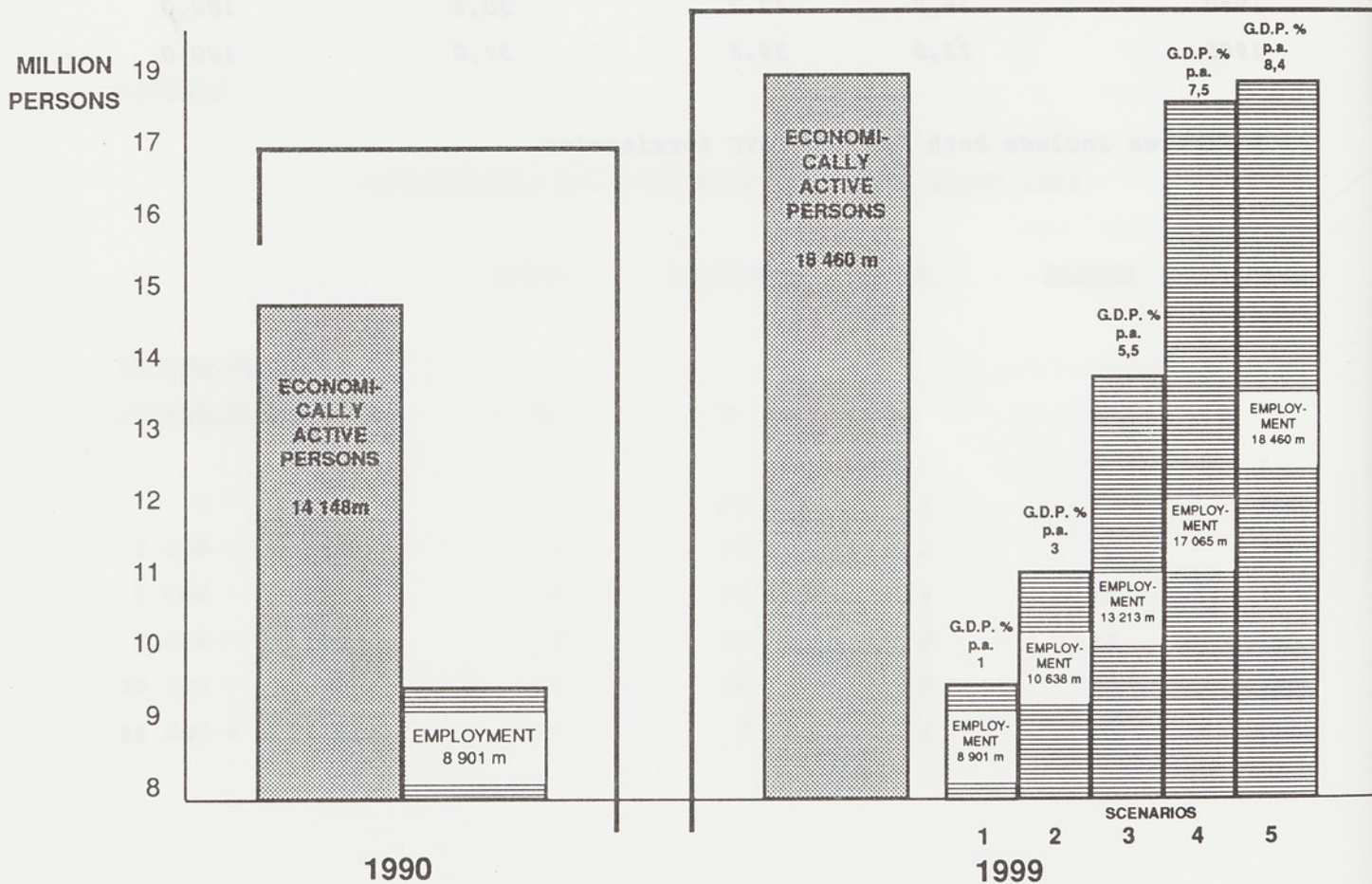


TABLE 6

EXPENDITURE ON PRIMARY AND SECONDARY EDUCATION OF GOVERNMENT DURING 89/90

	ACTUAL 1990 (1)	89/90 PARITY AT				FORECAST : YEAR 2000	
		CURRENT PUPIL DISTRIBUTION & TEACHER RATIOS (2)	(2) PLUS WHITE PUPIL DISTRIBUTION (3)	(3) PLUS WHITE PUPIL TEACHER RATIOS (4)	(4) PLUS WHITE TEACHER PAY & TRAINING LEVELS (5)	5,00% PA GDP & BUDGET GROWTH 2,00% PA POPULATION GROWTH (6)	10,00% PA GDP & BUDGET GROWTH 2,00% PA POPULATION GROWTH (7)
EXPENDITURE (Rm)							
WHITE	3873	3873	3873	3873	3873	4277	4277
BLACK	5385	16719	19438	24326	26473	32272	32272
TOTAL	9258	20592	23311	28199	30346	36549	36549
NUMBER OF PUPILS							
WHITE	1046000	1046000	1046000	1046000	1046000	1155000	1155000
BLACK	6149000	6149000	7149000	7149000	7149000	8715000	8715000
TOTAL	7195000	7195000	8195000	8195000	8195000	9870000	9870000
PER CAPITA EXPENDITURE (R)							
WHITE	3703	3703	3703	3703	3703	3703	3703
BLACK	876	2719	2719	3403	3703	3703	3703
TOTAL	1287	2862	2845	3441	3703	3703	3703
AS % OF BUDGET	14,9	33,1	37,5	45,4	48,8	36,1	22,7
AS % OF GDP	3,8	8,3	9,4	11,4	12,3	9,1	5,7

Source : Partially based on "Fokus op Economiese Kernvrae Nr. 46" June 1990

TABLE 7

HEALTH EXPENDITURE AND THE COST OF PARITY 89/90

	<u>EXPENDI- TURE (RAND MILLIONS)</u>	<u>POPULA- TION</u>	<u>EXPENDI- TURE PER CAPITA (RAND)</u>	<u>EXPENDI- TURE RE- QUIRED FOR PARITY (RAND MILLIONS)</u>
TOTAL	6 505	37 372	174	11 305
WHITES	1 527	5 048	303	1 527
OTHER (SA AND TBVC)	4 978	32 324	154	9 778
% OF GDP	2,6	-	-	4,6
% OF BUDGET	10,0	-	-	17,3

TABLE 8

SOCIAL PENSIONS : BENEFICIARIES AND VALUE OF BENEFITS, 86/87 AND 89/90

	<u>NUMBER OF BENE- FICIARIES ('000)</u>	<u>BENEFIT (RAND MILLIONS)</u>	<u>RAND PER BENE- FICIARY</u>	<u>EXPENDI- TURE RE- QUIRED FOR PARITY (RAND MILLIONS)</u>
WHITES 86/87	214	490	2 290	490
COLOURED & ASIANS 86/87	317	529	1 669	726
BLACKS (SA & TBVC) 86/87	1 036	991	957	2 372
	<u>1 567</u>	<u>2 010</u>	<u>4 916</u>	<u>3 588</u>
AS % OF GDP FOR 86/87	-	1,3	-	2,4
AS % OF BUDGET FOR 86/87	-	4,1	-	7,3
AS % OF GDP FOR 89/90	-	1,5	-	2,8
AS % OF BUDGET FOR 89/90	-	5,8	-	10,4

Source : SA Statistics 1988 and SARB Quarterly Bulletin 9001

TABLE 9 : THE COSTS OF PARITY IN HOUSING, EDUCATION, HEALTH AND SOCIAL PENSIONS - 1989/90

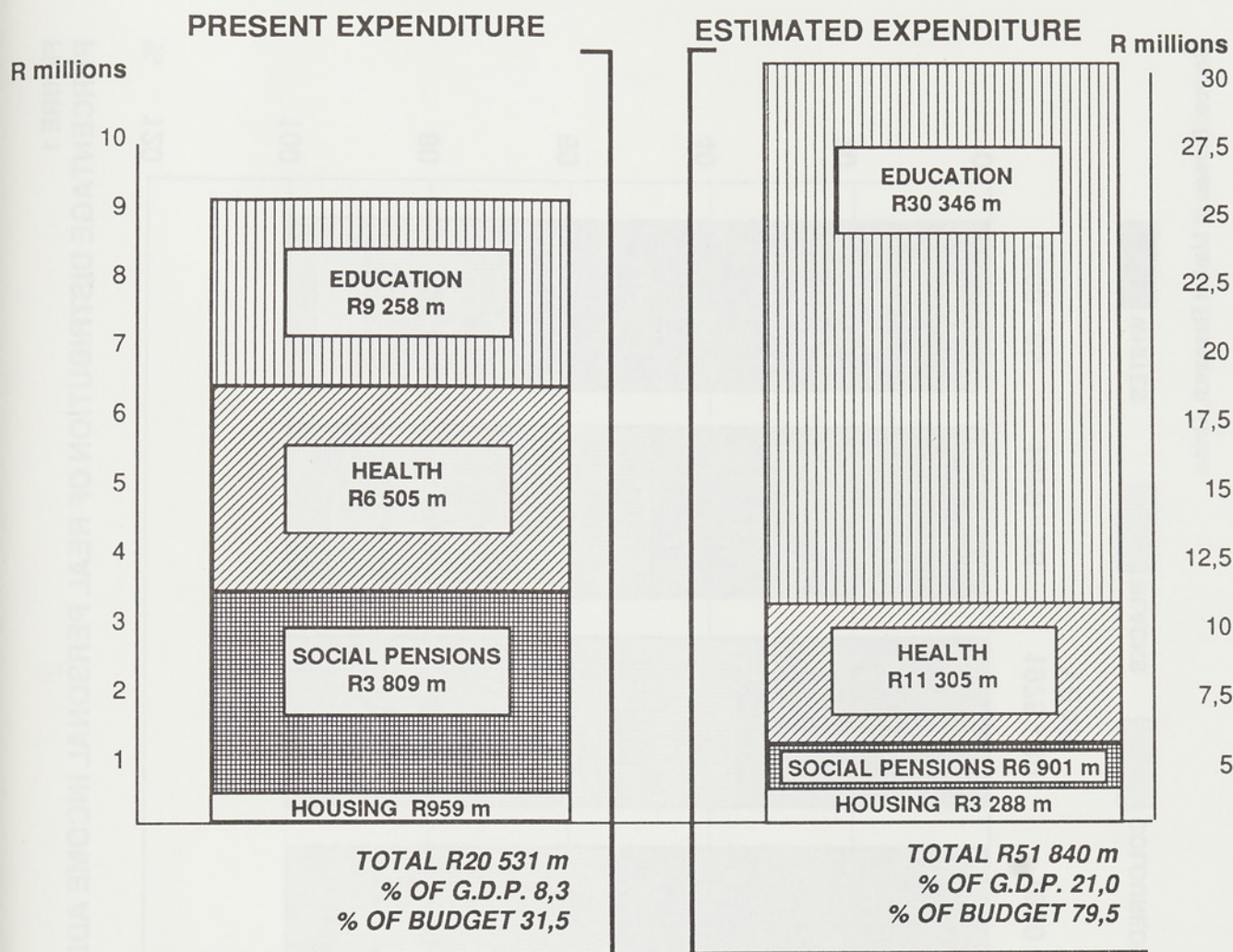
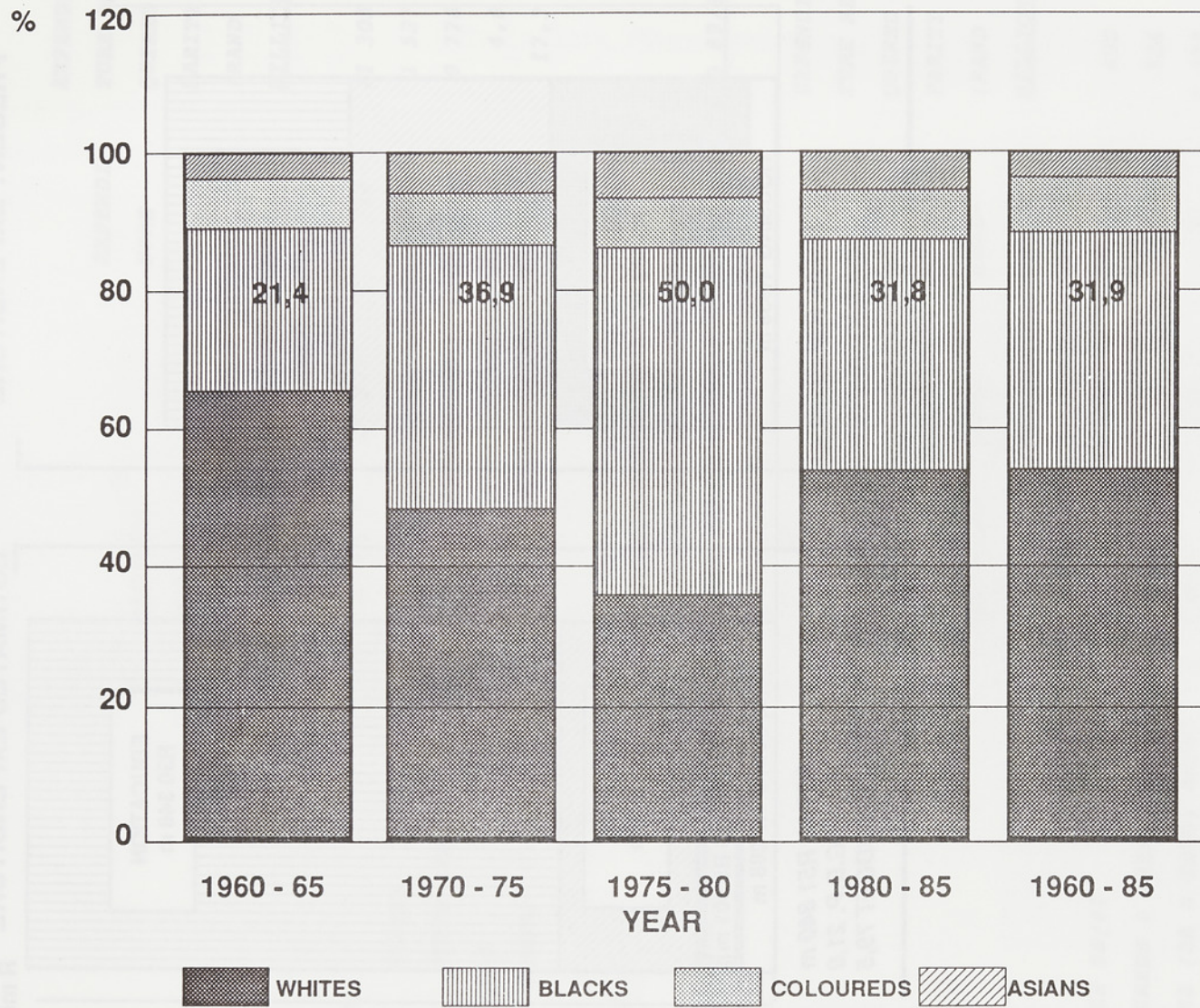


FIGURE 1
PERCENTAGE DISTRIBUTION OF REAL PERSONAL INCOME ADDED IN RSATBVC COUNTRIES



Source: Bureau of Market Research, Unisa



SACOB
SABEK

SOUTH AFRICAN CHAMBER OF BUSINESS

CHARTER OF ECONOMIC, SOCIAL AND POLITICAL RIGHTS

PREAMBLE

WHEREAS WE, members of the South African Chamber of Business and of business generally in South Africa;

Mindful of our important role in promoting human rights and the dignity of man and in acknowledging the concomitant obligations on and the duties of everyone to respect the rights and freedoms of others;

Believing that the optimal wealth creation for the benefit of all is best achieved through a market economy;

Accepting our responsibility to strive for economic growth, wealth creation and the generation of work opportunities in a market economy environment that encourages entrepreneurial endeavour;

Willing to contribute to the processes of ongoing reform and to create the necessary conditions of peace, stability and prosperity for all South Africans on the foundations of democracy and of the market economy;

Recognising the need for South Africa to take up its rightful place in the international community as a land of justice, equal rights and opportunities and to fulfill its duties in the community of free and peace-seeking nations and with a deep sense of patriotism for our country;

AGREE UPON AND SUPPORT THE FOLLOWING RIGHTS AND PRINCIPLES:

PART I : ECONOMIC RIGHTS AND PRINCIPLES

1. 1.1 Everyone has the right to own property, alone as well as in association with others, including communal ownership as found in traditional communities.
- 1.2 No one shall be deprived of his property without due process of law and compensation.
2. Everyone has the right to the rewards of his endeavours and this right shall be subject only to such limitations as are prescribed by law and are necessary in a democratic society in the public interest and the promotion of the public wealth and well-being.
3. 3.1 Everyone has the right freely to employ labour and to own or manage a business in accordance with the rights and principles set out in this Charter.
- 3.2 Everyone shall be entitled to equal work opportunities and to free choice of employment.
- 3.3 Everyone who works has the right to fair remuneration.
- 3.4 Everyone with contractual capacity shall have freedom to contract and to conclude agreements with others in the voluntary exercise of his rights and freedom and generally for the promotion of his interests.
- 3.5 Everyone, without discrimination, has the right to equal pay for equal work.
- 3.6 Everyone has the right to form or join trade unions, or commercial, industrial or other associations of his choice for the furtherance or protection of his economic interests; however, no one may be compelled to join such a union or association.

PART II : SOCIAL AND CULTURAL RIGHTS AND PRINCIPLES

4. All human beings are born free and equal in dignity and rights.
5. Everyone has the right to respect for his private and family life; and the widest possible protection and assistance should be accorded to the family, which is the natural and fundamental group in society.
6. Everyone has the right to freedom of thought, conscience, and religion; this right includes the freedom to change his religion or belief and the freedom alone or in community with others and, in public or in private, to manifest his religion or belief in worship, teaching, practice and observance.
7. Everyone has the right to equal educational opportunities and, in the exercise of any functions which the State or private institutions assume in relation to education and to teaching, the State shall respect the rights of parents to ensure such education and teaching in conformity with their own religious and philosophical convictions.
8. 8.1 A person belonging to an ethnic, religious or linguistic group shall not be denied the right to enjoy his own culture, to profess and practice his own religion or to use his own language.
8.2 Everyone shall have the right freely to participate in the cultural life of the nation, to enjoy the arts, to share in scientific advancement and its benefits, and to the free and full development of his personality.

PART III : CIVIL AND POLITICAL RIGHTS AND PRINCIPLES

9. Every human being has the right to recognition as a person before the law.
10. Everyone is equal before the law and is entitled to equal protection of the law without any discrimination on the basis of race, colour, language, sex, religion, ethnic or social origin, age, property, birth, political or other opinion and economic or other status.
11. 11.1 Everyone has the right to life, liberty and security of person.
11.2 No one shall be arbitrarily deprived of these rights.
12. No one shall be subjected to arbitrary arrest, detention or exile and everyone shall be entitled to a fair and public hearing by an independent and impartial tribunal in the determination of his rights and of any obligations and of any criminal charges against him.
13. No one shall be subjected to torture or to cruel, inhuman or degrading treatment or punishment.
14. No one shall be held in slavery or servitude and no one shall be required to perform forced or compulsory labour.
15. 15.1 Everyone has the right to freedom of movement and residence within the borders of the State.
15.2 Everyone has the freedom to leave the country and, if having the right of permanent residence, to return.
16. 16.1 Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media, regardless of frontiers.
16.2 Any advocacy of national, racial or religious hatred that constitutes incitement to discrimination, hostility or violence shall be prohibited by law.
17. Everyone has the right to freedom of association and freedom of peaceful assembly.

18. 18.1 Everyone born in South Africa or the independent or national states, or naturalised in accordance with law has the right to South African citizenship.
- 18.2 Every citizen has the right to take part in public affairs, directly or through freely chosen representatives.
- 18.3 Everyone has the right of equal access to the public service.
- 18.4 Due regard being given to the protection of the rights of individuals and minorities, the will of the people is the basis of the authority of the government and this shall be expressed by way of periodic and genuine elections which shall be by universal suffrage and shall be held by secret vote or by equivalent free voting procedures.
19. The form of any new constitution shall be the subject of negotiation between interested parties, and it is essential that any future political system in South Africa provides :
 - 19.1 the necessary checks and balances;
 - 19.2 the safeguard of basic human rights;
 - 19.3 protection for minorities against domination.
20. The State shall not be above the law, but shall, through decentralisation and devolution of state powers, be close to the people and responsive to their needs.
21. Business endorses the view that economic freedom and the private enterprise ethic - as well as the norms with which they are associated - should be entrenched in an appropriate future political system.
22. The institutions of democratic government, and in particular, the separation of state powers, the independence of the judiciary and the supremacy of the law, the freedom of the press and the free formation of political parties shall be the foundations of South African statehood.
23. South Africa, as a sovereign state, shall respect
 - 23.1 The rights and independence of all nations and shall strive to maintain world peace and the settlement of all international disputes by negotiation.
 - 23.2 The right of other peoples to independence and self- government shall be recognised and shall be the basis of close co-operation.

PART IV : PERSONAL AND PUBLIC RESPONSIBILITIES

24. Everyone is entitled to all the rights and freedoms identified in this Charter, without distinction of any kind, such as race, colour, language, sex, religion, political or other opinion, ethnic or social origin, age, property, birth and economic or other status.
25. Everyone's exercise of his rights and freedoms shall be subject to such limitations as are determined by law solely for the purpose of securing due recognition and respect for the rights and freedoms of others and for meeting the just requirements of morality, public order and the general welfare in a democratic society.
26. 26.1 Nothing in this Charter shall be interpreted as a denial of the right and duty of the State to compel anyone to desist from any activity or to refrain from any act aimed at the abrogation of any of the rights and freedoms of others as set forth herein.
- 26.2 In times of public emergency which threaten the life of the nation or the democratic institutions of the State, or when anyone acts or plans to act in a manner aimed at the abrogation or destruction of any of the rights and freedoms of others as identified herein, the State may take such measures to the extent strictly required to meet the exigencies of the situation; provided that such measures are consistent with the laws which provide for such emergency powers, as well as with other obligations under international law; and further provided that they do not involve unlawful discrimination.

WE THEREFORE UNDERTAKE TO PROMOTE, PROPAGATE AND IMPLEMENT THE ABOVE-MENTIONED RIGHTS AND PRINCIPLES BY

Urging all members of industry, commerce and business generally to adhere to these rights and principles.

Influencing government and all political parties and groups to abide by the abovementioned rights and principles and in this regard, to assume an active role in scrutinising all remaining discriminatory laws, measures and practices.

Working towards the termination of turmoil, unrest and conditions of emergency.

Exploring means of and supporting social, economic and political debate and constitutional negotiation towards the realisation of the abovementioned rights and principles.

Supporting education and training programmes as well as social welfare schemes.

Undertaking measures to abolish remaining racial discrimination and injustice within business organisations.

Launching programmes for better public understanding of human rights and freedoms.

Aiming at peace and stability in the Southern African region.

Seeking international understanding and co-operation.

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HIERDIE DOKUMENT IS OOK IN AFRIKAANS BESKIKBAAR