

**BLACK VIEWS ON FREE ENTERPRISE AND HOW THESE RELATE
TO SOUTH AFRICA'S ECONOMIC DEVELOPMENT
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1. INTRODUCTION AND GENERAL CONSIDERATION

The views I am going to share with you stem from personal observations, active involvement with black leadership groupings of various socio-political leanings as well as knowledge gleaned from issues research carried out for some of our clients.

To give you a sense of my perspective on the subject of 'Black Views on Free Enterprise and how these relate to South Africa's Economic Development', may I start by narrating a parable told by an associate, Professor James Leatt of UCT's Graduate School of Business Administration, during his inaugural address in 1984. The essence of the parable is that Free Enterprise is what Free Enterprise does – not what its exponents say it is.

'Once upon a time a lamb with a love for objective knowledge decided to find out the truth about wolves. He had heard so many nasty stories about them. Were they true? He decided to get a first-hand report on the matter. So he wrote a letter to a philosopher-wolf with a simple and direct question. What are wolves? The philosopher-wolf wrote a letter back explaining what wolves were; shapes, sizes, colours, social habits, but thought, however, that it was irrelevant to speak about the wolves' eating habits since these habits, according to his own philosophy, did not belong to the essence of wolves. Well, the lamb was so delighted with the letter that he decided to pay a visit to his new friend, the wolf. And only then he learned that wolves are very fond of barbecued lamb.'

1.1 *First Lesson*

If you want to learn about wolves, be a little suspicious of what they say they are. This is a basic principle of social scientific analysis and the main point of the parable. If one wants to have an objective understanding of the behaviour of institutions or individuals, do not rely only on the individual explanations and collective ideologies of those whose behaviour is to be explained. Why? Because these explanations, for obvious reasons, are not objective knowledge in themselves. They are frequently attempts to legitimise what people are doing.

So, if you want to know about religion or politics, be a little wary of what religious people or politicians say about themselves. And if you want to know about Free Enterprise as experienced by blacks in modern capitalism in South Africa, be careful not to base your knowledge only on what the business leaders say. They are usually skilled in public relations and corporate camouflage and they may only be interested in persuading the sceptics that Free Enterprise is good for them.

1.2 *Second lesson*

In some important ways 'lambs know more about wolves than wolves do'. A wolf is, to a lamb, what a wolf does to the lamb and not what the wolf says he is. As Ruben Alves says: 'If you ask any dictatorial regime to describe itself, the answer will be a marvellous one – benevolent, democratic, committed to the welfare of the people. But if you go to the jails of political prisoners and ask the same question, the answer will be totally different.'

It is not my wish to imply a correlation between South African Free Enterprise and dictatorial regimes! Only that free enterprise is what free enterprise does – its legitimacy depends not only on what its corporate leaders say about it, but on praxis. As Reinhold Niebuhr reminds us: 'Those who benefit from social injustices are naturally less capable of understanding its real character than those who suffer from it'. (Moral Man and Immoral Society, 1932)

2. PERCEPTIONS OF FREE ENTERPRISE BY CORPORATE EMPLOYEES AS REPORTED BY PROJECT FREE ENTERPRISE

The study title 'Free Enterprise in South Africa: Strategy for Survival and Growth', conducted by UNISA's School of Business leadership in 1985, brought to the fore some significant black perceptions of Free Enterprise. The following are some of the highlights of the findings :

- 2.1 *Perceptions reflect a high level of resistance towards business and the free market which is perceived as being exploiting by nature. These perceptions also include the broader socio-economic and socio-political environment.*
- 2.2 *The perceptions exist that the free market has very little for the worker and is mainly conducted for the benefit of (whites) management, who are also viewed as being the owners of business.*
- 2.3 *The perceptions reflect a feeling that the outputs and benefits of business have very little direct benefit for the worker as supplier of labour inputs. For this reason there is very little motivation for the worker to improve his labour inputs, since the perception is that this would really only benefit management and government who are already the major beneficiaries of the business system.*
- 2.4 *Particularly the semi-skilled and unskilled workers feel that they are being severely discriminated against.*
- 2.5 *The vast majority of the worker group is black, which has important implications regarding white-black relationships. It causes a definite perception of exploitation of black workers by whites.*
- 2.6 *Productivity is hampered by perceptions which cause the workers to have a very low commitment to the welfare of business in particular and the economy in general.*
- 2.7 *The economic goals of stability, productivity and development cannot be*

successfully pursued, unless the perceptions of exploitation and discrimination are corrected.

- 2.8 *These perceptions make the development of an environment for constructive negotiation and the pursuing of all participants' benefits impossible, unless corrective strategy and action is taken as a matter of urgency.*

In essence then, black corporate employees have great difficulty identifying themselves with corporate business and free enterprise as practised in corporate South Africa. There is a ubiquitous feeling that corporate business is giving blacks less than a fair share of the fruits of free enterprise – in fact worse – a raw deal.

3. FREE ENTERPRISE AS PERCEIVED BY BLACK LEADERSHIP GROUPINGS

Black leadership groupings across the spectrum have in keeping with the currency of the time, expressed strong antipathy towards the capitalist or free enterprise system.

Most black leaders, even the intellectually inclined, find it difficult to isolate the 'exploitative' nature of capitalism from the 'oppressive' practices of the regime which private capital it is perceived helps to prop up. Capitalism is seen as compatible with if not indistinguishable from racism or apartheid. Capitalism is therefore regarded as the economic aspect of a total ideology of exploitation and oppression. Therefore capitalism is part of the baggage that would necessarily be thrown out with the rejected apartheid system.

Those of a historical bent are not tardy in employing imperialist conspiracy theories. They assert that what they call the motive force of capitalism, 'exploitation and greed' are responsible for much of the condition Africa and the Third World in general find themselves in. They point to the colonial exploits and the neo-colonial situation that they perceive still obtains in much of the Third World.

Blacks, it is often asserted, will have little, if anything to lose with the demise of the capitalist system. For this reason, black leaders are particularly wary of any efforts at this stage to extend the benefits of capitalism to blacks, especially if it appears to be only to a small selected group. They perceive such efforts as attempts to create a privileged leadership strata that will use its influence and resources to retard the overthrow of capitalism and apartheid.

The arguments for capitalism are regarded as specious and hollow as blacks have yet to experience the benefits of capitalism. Further, it is often pointed out that very little of the Afrikaner's economic ascendancy to economic power and domination is ascribable to market forces. It has become accepted wisdom that Afrikaner business or economic might is directly consequent to state patronage and largesse. Indeed there are those who find it difficult to distinguish between Afrikaner-dominated and English-dominated business on that aspect. The argument therefore goes that the principle has been demonstrated that state power can be effected to direct economic activity and to benefit certain communities ... perhaps this power should in the future be harnessed to benefit the larger society rather than exclusive, especially racial/ethnic groupings.

Those who are coy or are more mindful of their democratic pretensions prefer to 'defer to the will of the people' as to what socio-economic system they would like to see in the

future. The majority accepts as a matter of course socialism's ascendancy in a future South Africa and are rendered by their own admission working for the establishment of this system.

A very small minority of black leaders will opt upfront, for a mixed economy as a preferred system. Most leaders express a preference for socialism, if not as an immediate goal, then as an ultimate goal. These attitudes harden along generational lines. The younger educated elite regard a mixed economy and even socialism only as a practical starting point on the long march to 'scientific socialism' or communism.

For all the attributes and qualities they perceive as lacking in capitalism, most of the leadership in the black community feel socialism is particularly attractive. It is important to note that a great majority of black leaders are hard-put or are disinclined to identify any shortcomings or disadvantages of socialism. A sizeable minority in fact would flatly assert that socialism has no disadvantages – any shortcomings being ascribable to extrinsic factors such as sabotage, 'capitalist imperialist conspiracy or otherwise failure in implementation'.

A paramount consideration identified by blacks in any system to be implemented is the need to redistribute wealth and opportunity. At present, the state is seen as the only custodian of resources that belong to 'the people'. Redistribution of wealth implies nationalisation to most which is a manifestation of the state role in the economy. Socialism has therefore commended itself for the above consideration and in addition for the following apparent benefits that are evidently important to black leaders:

'Control of the means of production by the people/state'

Equality in the workplace, especially in regard to opportunities and reward

Primacy of national or community interests over the individualist ethic

A less skewed redistribution of resources

Primacy of co-operation over competition

State provided and user-free welfare, medical and educational services

4. BLACK MANAGEMENT VIEWS

Both government and corporate South Africa by now appreciate that if the country is to adequately man its commerce and industry, by the year 2000, 62% of all executive/professional and 85% of all white collar jobs will have to be filled by blacks.

That up to 94% of South Africa's current management is drawn from the white sector of the population – a sector that constitutes less than 15% of the total population – is a major indictment against that glaring awareness of the human resources requirements of the country.

Black managers perceive pre-occupation with the use of whites only as managers as having gone beyond the point of diminishing returns; and consider it imperative for corporate South Africa to tap and develop the virtually untapped management potential of people

other than whites. Black managers also opine that the apartheid system in the private sector, just as in the public sector, has thrust a substantial proportion of white managers to their levels of incompetence (in terms of The Peter Principle). Thus making a mockery of free enterprise's claim to meritocracy.

Black managers also perceive within corporate South Africa a managerial closed shop. Up to the 1960's black managers were unheard of. From then on very few blacks have succeeded in joining the managerial ranks. This has led to much talk among the few black managers, of the managerial closed shop; from utter exclusion to rigorously controlled entry!

Corporate South Africa is also accused of tokenism. Of creating gilded cages or establishing velvet ghettos for a few black managers, i.e, giving such managers nice titles without commensurate authority and responsibilities. Allied to this, black managers cry foul to what they perceive as the Bantustanisation of South African commerce and industry, that is, the all-too-frequent incidence of black managers managing only fellow blacks in jobs which do not directly impact the bottom-line. This is seen as corporate business picking an evil leaf from the government's discredited homeland system.

5. BLACK ORGANISED LABOUR VIEWS

Black organised labour is so strongly opposed to free enterprise/capitalism that it counters or strives to neutralise even seemingly positive forces such as the drive for productivity; as long as this is perceived to be motivated by capitalism.

Both COSATU and CUSA-AZACTU are opposed to the drive for productivity. The drive for productivity within the present system of capitalism is seen as designed to further enrich those who own the means of production. Since blacks have no share in surplus production there is no moral justification for them to help produce more. As long as there is exploitation there is no justification for heightened productivity. In a non-exploitative socio-economic system the drive for productivity would be vital for raising the standard of living of the entire community.

Both trade union federations are vehemently opposed to free enterprise in all its guises; whether it manifests itself as racial capitalism as in the case in South Africa, or 'quintessential capitalism'; as in the USA. The system is opposed because it is viewed as having a built-in mechanism to make the rich richer and the poor poorer – it maximises the exploitation of workers and benefits capitalists. Unemployment is almost invariably one of its by-products.

Both trade union federations prefer a system where workers are in control of the means of production, ie land, capital, human resources and the power to distribute income. A system where wages are commensurate to the blood and sweat put into the company, where wealth is shared equitably.

Their ideal is worker controlled enterprises which they consider achievable only in circumstances devoid of exploitation and oppression.

6. THE VIEWS OF BLACK ENTREPRENEURS

Black businesspeople, that is, those who emerged against formidable odds, find themselves uncomfortably sandwiched between the rock and the hard place.

As entrepreneurs, blacks are on the periphery of the economic mainstream. White South Africa – both corporate and state – has not done much to develop black businesspeople as an ally in safeguarding and promoting the free enterprise system. On the contrary, the state has, through the imposition and ruthless enforcement of a complex network of statutes, rules and regulations, ensured that blacks remain aliens to the system. Corporate South Africa too, out of what blacks perceive as lethargy, sheer racism and poor vision, has done very little by way of developing black managers of substance. Black entrepreneurs thus feel utterly rejected where entering that system is concerned.

Blacks in the main progressive movements and the black youth in particular, perceive black businesspeople as misguided little capitalists without capital who need radical re-education.

The two forces of rejection; the state and big business on the one hand; black progressive political movements on the other, thrust black business leaders into a marginal position – between the rock and the hard place.

White South Africa and proponents of free enterprise or the market economy the world over, must realise that there are essentially two revolutions currently raging in South Africa – both initiated by members of the black sector :

A revolution to overthrow the status quo, largely political but heavily backed by black organised labour

A revolution for inclusion in the market economy, largely socio-economic and waged by black managers and entrepreneurs

What is likely to save the country is for those in the citadels of economic and political power to aid and abet the Black Revolution for inclusion in the mainstream of the market economy. In this regard corporate business is exhorted to be a friend and not a Philistine. Business corporations can demonstrate their genuine friendship by devising and implementing :

Equity participation schemes to give blacks a substantial slice of the economic cake

Venture capital schemes for black initiated business ventures

Training and management development programmes geared to producing black managers in large numbers

7. SOUTH AFRICAN FREE ENTERPRISE AND THE INTERESTS OF GOVERNMENT AND BIG BUSINESS

Free enterprise as represented by and embodied in corporate business is viewed in a negative light because it is seen as being in cahoots with the government – an apartheid based government. As seen and experienced by blacks, apartheid is not simply a matter

of racial discrimination. It is an economic system, legitimised by law and enforced by a powerful police state. Its primary purpose is to concentrate the nation's wealth and power in the hands of the white minority. Black impoverishment is not incidental to the system. The creation of a vast reservoir of cheap powerless labour, through the economic dispossession of the majority of the South African population is the foundation upon which the structure of apartheid is built.

Statements declaring apartheid outmoded whilst continuing to do business as usual are perceived by blacks as a charade. There is more to dismantling and destroying the system than making statements. South African society is perceived by blacks as and seems set to remain painfully skewed in favour of whites. In the scramble for jobs, investment capital, education and political power, whites in South Africa continue to hold a virtually unassailable position of strategic superiority. They preside over all economic and political power and have a secure lock on the ability to decide who gets what.

Both government and corporate business need blacks who are skilled – but not too skilled – who are educated, but only enough to do their jobs.

They need a black labour force that feels it has a stake in the system; too much to lose if something went wrong, but not enough to forget that they have it by privilege and not by right. They need a class of blacks who will serve as a buffer between white interests and the impoverished millions in the townships and homelands – a small group of elites who will not protest present conditions for fear of being pushed back into the reservoir of the unemployed and underprivileged.

By and large blacks perceive the interests of government and big business as going hand-in-hand. Corporate South Africa stand accused of massive and ubiquitous camouflage; well-articulated ostensible opposition to government perpetrated injustices stand in stark contrast to corporate behavioural and practical support for the status quo. The black cry is: government oppresses and big business exploits! And the perception hardens that big business is as big business does and not what it says it is.

8. IDEOLOGY AND BELIEFS ABOUT WORK

Free enterprise is reputed to be the most productive economic system devised by man – but not so in South Africa.

One of the major forces undermining labour force stability and productivity is ideological differences between managers (who are virtually all white) and the managed (who are predominantly black). Such ideological differences often masquerade as cultural differences.

Following Harvard Business School's Professor George Lodge, we shall define ideology as quite simply 'the collection of ideas that a community uses to make values explicit in some relevant context'. In a sense, ideology serves as a kind of conceptual bridge. It links general and non-controversial social values such as 'survival' or 'justice', 'a strong economy', or 'national self-determination' with concrete realities (such as demographic, geographic, geopolitical, and economic forces which, Lodge says, shape the 'relevant context'. Ideology provides values with institutional vitality. And particular ideologies give birth to specific social institutions – forms of government, legal frameworks, management styles, human

resources and policies and systems of labour relations, and the like. Put differently, ideology is how a community explains itself to itself, how it justifies what it does and the choices it makes. Ideology is, as Lodge perceives it, 'the hymns a community sings to justify and make legitimate what it is doing, or, perhaps, what it would like to do'.

Viewed in this light South African corporate management and those they manage sing discordant choruses. Management sings capitalism and free enterprise. Labour which is predominantly African, asks the rather revealing question: What is free about your free enterprise? And then proceed to sing a chorus akin to socialism. The incompatibility of the ideologies of the managers and the managed in this country generates a great deal of tension and in many instances leads to reduced productivity and the loss of a myriad man hours.

9. IMPLICATIONS FOR BLACK DEVELOPMENT

A number of issues crystallise from the foregoing discourse. The following to wit :

Free enterprise in south Africa means one thing to its exponents and beneficiaries in government and corporate business; and quite another to those on the receiving end of its ugly side. To white South Africans generally speaking, free enterprise is a laudable socio-economic system because they do indeed enjoy its fruits. Blacks experience the South African brand of free enterprise as racial capitalism which has subjected them to a perpetual economic drought. Remember, free enterprise is not necessarily what its exponents say it is, but what it does.

Black corporate employees have great difficulty identifying themselves with corporate business and free enterprise as they experience it in the South African corporate environment. This is partly due to the adversarial (as against consensual) relationship between managers and the managed, compounded by the fact that the division between the two groups is along racial lines.

Black leadership groupings are disgusted with free enterprise as experienced by blacks in this country; and they are now actively seeking alternatives.

Black managers are disgruntled with what they perceive to be corporate South Africa's insincerity in their declared intention to incorporate and integrate blacks into the managerial class. They perceive a white managerial closed shop at work.

Black organised labour is the most vehemently opposed to free enterprise in all its guises, particularly the racial capitalism brand manifest in South Africa. Organised labour's ideal is worker control of the means of production.

Black entrepreneurs are marginalised by corporate rejection in their quest for inclusion in the mainstream of the economy, and derision by progressive black movements who view them as misguided little capitalists.

South African corporate business is viewed as being in cahoots with the South African government which is regarded by blacks as devoid of legitimacy. In black eyes nothing could do more to discredit big business and free enterprise in general than that association.

In general white and black south Africans do not share a common ideology and belief about work. As discussed above, managers (virtually all white) and the managed (predominantly black) sing discordant economic anthems: the Protestant Work Ethic versus African Humanism-cum-Socialism.

The following implications which affect black development and overall economic prosperity flow from the above:

9.1 *Alienation*

The black labour force and would-be black managers are alienated from the mainstream of the economy and free enterprise which is its bedrock. The inevitable sequels to that are lack of loyalty, poor motivation and low morale.

9.2 *Productivity Suffocation*

An alienated workforce will advertently or inadvertently sabotage productivity, since high productivity offers no real incentives to them. The means of production and the fruits of high productivity are perceived as belonging to others. The absence of a sense of collective ownership and pride in belonging which are the lubricant that oils the productive machinery inevitably lead to low productivity.

9.3 *Sluggish black upward mobility*

Upward mobility in any organisation demands dedication, diligence and a sense of belonging on the part of those who wish to move upward. The South African corporate environment as currently experienced by blacks is not conducive to diligence and a sense of belong. Blacks thus end up giving less than their best and in that way inadvertently retarding their upward mobility within business organisations.

9.4 *Continued exclusion from equity participation*

It is in the nature of corporate business as understood from a Western vantage point, that one's chances of participation in equity improve as one climbs higher on the corporate ladder. Sluggish black upward mobility virtually ensures continued exclusion of blacks from equity participation in major corporations. In that way the monster of economic exclusion feeds on itself. Blacks remain on the periphery of the economy and have to make do with crumbs from the free enterprise cake. Given this background and scenario, talk of substantive black development rings hollow.

9.5 *Prospects of third party intervention*

Free enterprise as currently practised in South Africa is only mildly successful in generating the kind of wealth that the country is believed to be capable of. Where equitable distribution of the generated wealth to the majority of people, in particular blacks, is concerned, the performance of the free enterprise system is nothing short of lamentable. This has tended to give free enterprise a hideous face – an image of exploitative racial capitalism. The thinking in the black sector of the population is that corporate business – the supreme proponent of free enterprise – just like the South African government, is incorrigible. The hope is that only the intervention of some third party can rescue the situation. That catalyst would, it is hoped, open the hitherto locked gates and unleash the country's full

economic potential to flourish. It is only in that scenario that we can seriously talk of black development – or any development for that matter.