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Vol. 26 No. 3
OCTOBER 1987

Price R2,OO
(+ GST)

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FOUR-MONTHLY JOURNAL ON AGRICULTURAL ECONOMICS

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Issued by the Department of Agricultural Economics and Marketing

SOCIO-ECONOMIC FORCES IN AGRICULTURAL DEVELOPMENT

A FUTURE PERSPECTIVE

by S.J. TERREBLANCHE*

ORIENTATION

I am not an agricultural economist. I am therefore unable to deliver a paper on agricultural economics. I call myself a *political economist* or a national economist. My concern is how economic activities should be organised in a country so that *social welfare* - i.e. the joint welfare of the *total* population of the country - can be promoted as vigorously as possible.

I am not a classical or a neo-classical economist. I am therefore of the opinion that it is not sufficient in the study of economics merely to concentrate on the supposed legality of a market economy. Political economics is concerned with far more than the market economy. It is concerned with the sum total of the institutions and organisational forms and attitudes that are relevant in "organising" and "channelling" welfare-generating activities in such a way that social welfare is promoted as vigorously as possible.

I have therefore adopted a teleological or target-oriented approach to economics. We are concerned firstly with the *objective(s)* the population of the country *wishes* to realise.

SOCIAL WELFARE AS AN OBJECTIVE OF ECONOMIC ACTIVITY

What do I mean by social welfare? What is the semantic meaning of the term? What intermediate objectives must be realised if we are to promote social welfare? What is the underlying relationship between these intermediate objectives? Is there a conflicting and/or complementary relationship between the intermediate objectives? If the relationship is a conflicting one, what system (or organisational) and/or policy adjustments are required to eliminate avoidable conflicts for the sake of promoting social welfare? Political economy should concern itself with answering these questions.

I shall not be able to go into details in this paper about the moral, cultural and/or religious *values* that are (or should be) in question when a political economist gives an account of the semantic meaning of social welfare. All I wish to say about it is that we should try to embody the values of Christian Western civilisation (hopefully as it is understood at the end of the 20th century) in an African country in which about 60% of the population live in bitter poverty and cannot satisfy their basic human needs (as the Western World understands this today).

It is virtually impossible to assign a *content* and *meaning* to social welfare (= the general interest) in a meaningful and useful manner in a country with a heterogeneous population like that of South Africa. The reasons for this are two-fold. Firstly, when one speaks of social welfare or the general interest, Whites do not really think of the social welfare or general interest of all 35 million South Africans. We shall have to learn the *art* of thinking in these terms. It will be extremely difficult to train ourselves - as social scientists - to think in these comprehensive terms *consistently*. Secondly, we do not have the political machinery to "measure" social welfare (= the general interest) even approximately. Our economic and political system is not "in gear" to "*measure*", "*serve*" and/or "*promote*" the interests of all 35 million people in anything like an equitable and balanced manner. Owing to this vacuum in respect of what social welfare and the general interest in South Africa really is or should be, we social scientists will have to play a greater part than the one we were trained to play in an attempt to give a "fuller" meaning to social welfare, even if only approximately.

In a first attempt to give more content to the meaning of social welfare, we could define it in terms of four interim goals, namely the *growth and efficiency goal,* the *stability* (and order) goal, the *distribution* (or equity goal) and the *civilisation goal.*

If we represent each of these four interim goals as the four quarters of a circular clock-face, we can represent the striving for social welfare as a symmetrical enlargement of the circle to form a cone shape. As social welfare is promoted this imaginary circle traces a symmetrical cone shape with a larger clock-face. This cone will however retain its symmetry only if the correct "weight" is given to each of the four intermediate goals. A balanced promotion of this kind of social welfare is obviously not possible, but it remains an admissible "ideal" if we are serious about promoting social welfare as vigorously as possible.

The interrelationships between the four interim

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goals are a very complex matter. The relationship between two interim goals that may be conflicting in the short term may appear to be complementary in the long term - e.g. measures that are taken to create more equal (educational) opportunities could require additional taxation and put a damper on growth in the short term but could prove beneficial to growth in the long term.

The interrelationship between the growth and efficiency goals (in the first quarter) and the stability goal (in the second quarter) has received a great deal of attention in Macro-economics since the thirties. I am going to leave it to macro-economists to give further attention to the matter.

The relationship between the growth and efficiency goals (in the first quarter) and the distribution goal (in the third quarter) is receiving increasing attention in development literature but is still being badly neglected in South Africa. I should like to concentrate on this aspect today.

The interrelationship between the growth and efficiency goals (in the first quarter) and the civilisation goals (including matters such as freedom and personalistic development) in the third quarter was in the limelight when Economics was still regarded as part of Moral Philosophy. The writings of F. Quesnay, Adam Smith and Karl Marx deal mainly with this interrelationship. But since Ricardo narrowed down Political Economy to a "dismal science" and the neo-classical economists changed the name of the science from *Political Economy* to *Economics* (to rhyme with *Physics*), the relationship between the first and fourth quarters has received very little attention. The only exceptions are possibly J.A. Schumpeter and some of the literature on Development Economics. In the course of dismantling Apartheid and creating a new framework of civilisation in South Africa, the relationship between the first and fourth quarters will have to receive a good deal of attention.

GROWTH VS EQUITY

For our purposes we can distinguish seven different points of view in the interrelationship between the growth and distribution goals.

(i) *The growthmanship or "bigger cake" approach.* According to this approach economic growth is a *condition* for the solution of the poverty problem and for the elimination of major inequalities. The cake has to become bigger before it can be cut into more equal slices.

This approach naturally has merit - especially if poverty is very widespread and wealth is in very short supply. But this approach soon loses its *absolute* merit - the bigger the cake becomes the poorer the argument that the cake *first* has to become bigger (or has to become *even* bigger) before it can be more equally divided.

In South Africa where unearned wealth is so diametrically opposed to unearned poverty (and these "unearned conditions" are structurally maintained by Apartheid and even aggravated) - the growthmanship argument is completely exaggerated in an attempt to justify Apartheid capitalism and the ideology that it supports. It is so obviously untenable that no further argument is needed.

(ii) *A high growth rate is the cause of greater inequality.* This is the point of view of the neo-Marxists. They emphasise the *skew* power structure and the *skew* distribution of property and allege that in a *growing* economy - especially if deliberate political intervention and redistribution measures are lacking - the rich are inclined to become richer and the poor poorer.

We have to take account of the unfortunate state of affairs that as long as Apartheid exists the South African situation can be used and abused by neo-Marxists to make propaganda against economic growth. During the transitional phase in which we have to get rid of Apartheid, redistribution measures will have to be taken to ensure that (at least) the major part of the *additional* national product will benefit the poor. Only redistribution measures of this kind and suitable structural reform (at the desirable rate) will be able to defuse the neo-Marxist propaganda and the revolutionary potential satisfactorily.

(iii) *A very unequal distribution of income is a condition for a high growth rate.* This is the Ricardian point of view. In the second decade of the previous century Ricardo made out a strong case for economic growth. With his land rent theory he tried to show that the land rent of landowners is *socially* indefensible because they abuse their monopoly on the possession of *good* land to the detriment of society. Ricardo tried to show that a wage that is higher than the minimum subsistence wage would merely lead to greater *population growth* and to a decline in *economic growth.* In line with the growthmanship approach he advocated *no* land rent, *minimum* wages and *maximum* profits.

The Ricardian argument that a very unequal distribution of income is a *condition* for a high growth rate became the prevailing orthodoxy and the ideological justification for *laissez-faire* capitalism in the 19th century. However, Ricardianism was too one-sided an ideology and was preached and revered for too long. It has created the breeding ground for socialistic propaganda.

Since South Africa is an underdeveloped country with characteristics reminiscent of 19th century Western Europe, there is too great a belief in Ricardianism in White or indeed middle-class circles. I am amazed at the number of people who still today try to peddle Ricardianism in numerous sophisticated forms as "capitalistic wisdom". The 19th century was probably a very comfortable century for the bourgeoisie. We simply have to realise that we are no longer living in the 19th century but in the latter part of the 20th century. In this period there is no place whatever for concealed Ricardianism.

If one rejects the Ricardian argument that a very unequal distribution of income is a *condition* for a higher growth rate, this is by no means to say that one will go to the other extreme of advocating an *equal* distribution of income. Naturally it is important from the point of view of growth that

income should not be *too equally* distributed and that it should also not be equally distributed *too soon*. Henry Wallich puts the case for "*creative inequality*" as follows: "If we want good performance, we must hold out rewards. To be effective, rewards must raise one man above another ... Inequality ... proves to be the price of progress and efficiency". (*The Cost of Freedom: A new look to Capitalism* 1960, p. 126).

Wallich's point of view has its merits. But when he tries to define the "desirable degree of inequality" he is sailing in uncharted seas.

In South Africa there is no danger in the foreseeable future that income will be too equally distributed. However, we shall have to guard against trying to remove the structural inequalities *too rapidly*. We would then run the risk that the redistribution process, which in any case will be a "zero sum game" from the point of view of Whites ("what the Blacks gain the Whites lose") could easily degenerate into a *negative sum game* (or too great a negative sum game) where the Blacks and Whites would both be big losers.

(iv) *A (temporarily) unequal distribution as a condition for a high growth rate in developing countries.* This is Arthur Lewis's approach on the basis of the so-called Kuznets curve. This is in essence nothing but an attempt to blow 20th century life into the Ricardian approach for developing countries.

Lewis's growth approach is strongly opposed by Paul Streeten: "It certainly was not true that a period of increasing poverty or unequality was needed in order to accumulate capital and stimulate entrepreneurship. It was found that small farmers saved at least as high a proportion of their income as big landlords, and were actually more productive in terms of yield per acre, and that entrepreneurial talent was widespread and not confined to large or foreign farms" ("From Growth to Basic Needs", *Finance and Development* Sept. 1979, p. 29).

Streeten is also of the opinion that the Lewis approach did in any case not succeed in removing poverty and reducing inequality in developing countries in the long term. He therefore disputes not only the strategy that greater inequality will lead to greater growth but also the promise that greater growth will lead to a more equal distribution of income in time.

Since the Lewis approach is a form of Ricardianism and this in turn is the underlying ideology of Apartheid capitalism, we have had too much of it in South Africa. Those who resort to the Lewis approach and the Kuznets curve are in the wrong place at the wrong time.

(v) *Utilitarianism and a more equal but not too equal distribution of income.* This approach is a modern version of Pigou's plea for a more equal distribution of income, and depends on the assumption that interpersonal comparisons of utility are (theoretically) possible and that the marginal utility of money would decline at the same rate for all individuals. Although the scientific validity of Pigou's approach can be seriously questioned, it has nevertheless had a large influence on the redistribution policy of Western countries.

With its argument for a *more equal* but not *too equal* distribution, the utilitarianistic approach wishes to reconcile the *egalitarian* point of view (or the idea of equality as morality) and the *meritocratic* point of view (i.e. the efficiency point of view that production factors should be remunerated according to their "productivity" - whatever that may mean). This attempt has merit but is too vague to be of any practical use.

(vi) *A more equal division of opportunities as a condition for economic growth, especially in the long term.* J.M. Keynes may be regarded as a precursor of this point of view. In his *General Theory* he rejected the Ricardian point of view and alleged that it might have had merit in the 19th century when big savings and investments were necessary but that too great a tendency to save (which arises from an unequal distribution of income) has caused secular stagnation in the 20th century.

However, it was the so-called *Revolution in Human Capital Formation* in the fifties that gave prominence to the positive effect of more equal (educational and training) opportunities on long-term growth. Economists such as Theodore Schultz, James Tobin, Edward Denison, James Meade and Solow were all proponents of greater investment in human capital formation and more equal opportunities as a necessary *condition* for sustained growth and as something that is in accordance with a minimum standard of equity. For South Africa this approach is obviously of great importance, as I shall demonstrate in the following pages.

(vii) "*Equality and Efficiency: The Big Trade-off*". This is the title of the remarkable book Arthur Okun published in 1975. In this book he demonstrated that there is probably a fairly big trade-off - at least in the short term - between *equality* and *efficiency*. He illustrates this vividly by comparing the process of redistribution with a leaking bucket. After the redistribution measures have been taken there will probably be less water (= growth = efficiency) jointly in the "tank" of the rich and the poor. But he is prepared to pay this price for the sake of greater equity. Or, in the terminology I prefer, one could say that after redistribution there might be less water in the tank but it would be distributed in a way that serves to promote social welfare.

Okun is very outspoken in his criticism of Milton Friedman, who advocates a sophisticated *Marginal Productivity Theory*. Such an approach to the distribution problem is not tenable. It is senseless to concentrate only on the *marginal productivity* that production factors (especially labour) have in the market *today* and remunerate them accordingly. Such an approach is important for static economic efficiency but - as Okun also shows - it cannot claim to be beneficial to equitable distribution. What is important from the point of view of equity is that socio-economic and political factors in the preceding 20 or 40 years have "honed" and "shaped" the productivity of the factors concerned to their current levels. If there has been deprivation and/or injustice in the shaping of certain factors (especially labour)

during this period, a redistribution policy should deliberately compensate for this, i.e. affirmative action is necessary. Okun, Tobin and other writers feel very strongly on this point.

However, Friedman rejects affirmative action. His big objection is that redistribution measures not only hamper efficiency (and growth) but also interfere with *freedom*. But what does Friedman mean by freedom in this context? Is he drawing a distinction between the ethics of freedom and the ethics of equality? According to Wallich, Friedman is concerned with "old freedom" (as it was understood in middle-class circles in the 19th century) whereas the "new freedom" - or the freedom of fairly equal opportunities (i.e. *the equality of freedom*) - is more relevant in the world of today. Friedman says he prefers "freedom and efficiency" to equality. But it is very old-fashioned to think freedom can be discussed together with efficiency alone and not together with equality (or morality). One thing that clearly emerges in the debate between Friedman on the one hand and Okun, Wallich, Tobin *et al.* on the other hand is that when the *trade-off* between efficiency and equality is in question the effect the trade-off has on freedom and other values will also have to be taken into account. Briefly, it is not only efficiency (= growth) and equality (= morality) that are relevant but the eventual effect on social welfare. Economists apparently know very little about what this effect really is.

REDISTRIBUTION OF INCOME AND THE PROMOTION OF SOCIAL WELFARE IN SOUTH AFRICA

If we are serious about promoting the social welfare of the total population of South Africa (35 million at present), *suitable* redistribution measures will have to be taken as part and parcel of a comprehensive programme of structural reform. We have reason to suppose that redistribution will have to be fairly comprehensive and on a large scale rather than on a small scale in the years to come.

When a redistribution of income in South Africa is in question, most Whites generally react with sharp condemnation. This attitude astonishes me. Something has gone very wrong in the education of the Whites. Redistribution of income is by no means evil or "socialistic", as most Whites are obviously inclined to think. Redistribution of income is as old as the hills and takes place annually on a fairly large scale via taxation and Government spending. Over the past four decades (and for longer) a fairly large redistribution of income has taken place from the relatively rich English-speaking taxpayers to the (initially fairly poor) Afrikaners and has made an important contribution to the (initially admissible) favouring of the Afrikaner. In the course of time, however, this has led to an inadmissible favouring of the Afrikaner.

There is no doubt as to the fact that a fairly large redistribution of income takes place annually via the fiscal action of the Government. From a social welfare point of view, however, we also have to account for the *nature* and the *direction* and especially of the *welfare-generating* effect of these redistributive measures. What we need in South Africa is a "rechannelling" of the redistribution. While it is flowing chiefly from places like Johannesburg to places like Pretoria and Lichtenburg at present, there is a strong case to be made for "rechannelling", so that it would rather flow from places like Johannesburg to places like Soweto. But I am anticipating events.

A FEW STRUCTURAL CHARACTERISTICS OF THE SOUTH AFRICAN ECONOMY

Before we can decide about the *nature* and *direction* and the welfare-generating effect of redistribution in South Africa we shall have to take note of certain structural characteristics of the South African economy that are either to be seen as obstacles in the way of the promotion of social welfare (for all 35 million people) or will bar large sections of the population from the mainstream of economic and political activities to such an extent that their welfare is seriously neglected.

In my opinion a few such "structural characteristics" of the South African situation are relevant in any *future perspective* on the promotion of social welfare in South Africa.

The high population growth rate

The high population growth rate, especially of the Black (i.e. poorest) population group, is a serious obstacle. As a Third World Country that is experiencing relative secular stagnation we cannot afford to have the population doubling in under 25 years.

The sharp inequality in the distribution of income

The sharply unequal distribution of income, where unearned (chiefly White) wealth is diametrically opposed to unearned (chiefly Black) poverty and both these unearned conditions have to do with the structure of Apartheid, is likewise a very serious stumbling block in the way of all attempts to promote social welfare. The distribution of income in South Africa is probably the *most unequal* of any country in the world. The Gini co-efficient is 0,68, and in countries such as Brazil, Mexico and Turkey it is 0,60. Dr Servaas van der Berg estimated in his doctoral thesis that about 57 per cent of the South African population cannot satisfy their basic human needs, despite the luxury and extravagance in which part of the population is able to indulge.

(It is interesting to note the joint effect of the previous two points on the children born since the establishment of a Republic in 1961. About 45 per cent of all Whites are under the age of 25 years and in general they are exceptionally privileged and spoilt. About 65 per cent of all Blacks are under the age of 25 years and in general they are very poor

and largely embittered. If we are really in earnest about promoting social welfare, the large and growing gap between the spoilt White youth and the generally embittered Black youth will have to be bridged in one way or another.)

Exaggerated capital intensity

The modern sector cannot offer permanent job opportunities to the growing number of workseekers entering the labour market and this structural characteristic of the South African economy is a source of great concern. The growing number of the underemployed should be ascribed partly to the high population growth and partly to the exaggerated capital intensity of the modern sector (including the modern agricultural sector). In 1980 the supply of labour was 10 million and there were only 7,5 million job opportunities in the modern sector (including domestic help). The other 2,5 million had to make their way in the peripheral sectors (especially in subsistence agriculture). If an annual growth rate of the GNP of three per cent can be maintained up to the year 2000 (and this appears unlikely), the demand for labour will be between 10 and 11 million. The supply will then be 18 million. This means that a good 8 million will be *underemployed.* Unless measures can be taken to ensure that small-scale Black agriculture can absorb a fair number of these people, a very large portion of the 8 million will have to earn their living in the informal sector - a dismal prospect.

Several factors are responsible for the excessive growth in capital intensity. Chief of these is the "skew" factor prices that have operated in the South African economy over the past quarter of a century.

An economy can only use production factors "correctly" and "approach" static economic efficiency if the factor prices (especially of capital and labour) reflect the *relative scarcity* of the factors involved correctly and if the factors are so employed that the marginal productivities are equal.

The propaganda of the free-marketeers that all prices should be *market-related* was totally unfounded. I wonder where the free-marketeers came by this distorted view. The correct cliché is that production factors (and other) prices should reflect *relative* scarcity correctly. A well organised market economy would be a method of bringing about market prices that reflected relative scarcity *fairly* correctly. But market or market related prices can also be very "skew" and are (and were) frequently "skew". A maladjusted Government policy can undoubtedly be responsible for skew factor prices. This was partly the case in South Africa. But then it is better to correct Government policy than to strive for an unattainable free market.

Over the past quarter of a century the price of capital was chronically too low owing to an incorrect interest rate policy, an incorrect taxation policy and an incorrect exchange rate policy. On the other hand the "price" of labour was chronically too *high* owing to Apartheid, influx control and especially the educational system. (While the gold-mining industry kept the wages of Black labour artificially too low up to 1972, the gold-mining industry was responsible for these wages rising too rapidly afterwards.)

The correction of the excessive capital intensity is going to be a long and painful process. But it is a matter that should receive high priority if we wish (directly) to raise the static economic efficiency and (indirectly) to promote social welfare in a satisfactory manner.

Factors that (permanently) impede the existence of a free market economy

South Africa has a market-oriented economy that can hardly be described as a "free-market economy", nor can it be converted to that kind of economy. At least three structural characteristics contribute to this view: (i) A large concentration of power and the accompanying institutionalisation and bureaucratisation exists in the private sector. (ii) The Government plays too great a part, especially if one takes into account the excessive rules and regulations - mainly favouring the Whites - that still exist despite deregulation. Indeed, these rules and regulations and the large-scale participation of the Government form part of structural Apartheid. (iii) A major section of the population (especially Blacks) are by no means fully integrated into the mainstream of the South African market economy and their participation is frequently only temporary and incidental. What is especially important is that most of these people do not yet have the knowledge, skills or indeed the orientation needed to participate in the market economy in a constructive manner. Furthermore, there is a lack of opportunity to learn the necessary skills and attitudes.

Lack of confidence in the future

The chronic lack of confidence found within South African society has become an important - and a very disquieting - structural characteristic of the South African economy. Normally the lack of confidence is regarded as a short-term and/or cyclic matter. However, it would be wrong to try to represent the lack of confidence in South Africa as a short-term phenomenon of a passing nature.

The chronic lack of confidence should naturally be ascribed to political factors. The present form of Black unrest started in September 1984 and has since become endemic and developed into an internal crisis. It has therefore gained a different character from the Sharpeville (1960) and Soweto (1976) riots. Since the Rubicon speech of August 1985 the country has also been involved in a serious external crisis. The interaction between the domestic and overseas crises has both reinforced and created a serious crisis of confidence that is having a very negative effect on long-term economic development. This crisis of confidence is naturally related to the Apartheid system and to the Government's reform policy. One cannot really form a *future perspective*

on the South African economy if there is no prospect of suitable reform that could remove the crisis of confidence.

When the effect of the crisis of confidence is under discussion the major foreign exposure of the South African economy should be taken into account. Exports and imports - each as a percentage of the GNP - amount to a combined figure of over 60 per cent. This means that South Africa has a very "open" economy and is also highly vulnerable. Owing to this large external exposure it is important to realise that South Africa cannot solve its serious economic problems - and promote social welfare satisfactorily - without a large and growing overseas participation and without marketing opportunities. The crisis of confidence South Africa is experiencing at present and that is putting a damper on local entrepreneurship and overseas participation will undoubtedly have to be removed before it will become possible to form an optimistic *future perspective* on the South African economy.

STRUCTURAL REFORM AND REDISTRIBUTION

If we wish to promote the social welfare of the population as a whole in the long term in a satisfactory manner the Government will have to take suitable reform measures and/or see that a historical process of *structural change* is completed. Such policy measures and processes will have to be adequate at least to remove the above-mentioned structural obstacles as far as possible and to integrate the other population groups fully into the mainstream of economic activities.

A few of the reform and redistribution measures that will have to be taken in order to promote social welfare (= the general interest) in the long term merit specific mention.

A population policy

A really imaginative programme to check the population explosion as far as possible is urgently needed. In this regard slums in which high birth rates (the children frequently being illegitimate) take place will have to be cleared. When the morality of birth control measures is discussed we should guard against the hypocrisy of wanting to make a morality that suits the White middle classes applicable to Third World people.

Affirmative action

Since the sharply unequal distribution of income is of a structural nature and has been caused by both the political and the *economic* dimensions of Apartheid, it is not sufficient merely to dismantle Apartheid systematically. Deliberate affirmative action to compensate for the structural injustice of the past will undoubtedly have to be taken to an increasing extent. As we have already said, the only "restriction" that can be placed on redistributive measures of this kind is the consideration that they should not take place so rapidly that they cause unnecessary disruption and land South Africa in a negative sum game or *too great* a negative sum game. But given that about 57 per cent of the South African population cannot meet their basic human needs (BHN) the Government will have to launch a 10 or 15-year programme in any case with the object of satisfying the BHN of the largest possible numbers. It is self-evident that such programmes will lead to a reduction in White standards of living.

The promotion of labour-intensive enterprises

I have already shown that the tendency toward increasingly high capital intensity is a very unhealthy characteristic of the South African economy. This tendency will not only have to be halted. It will also have to be reversed. It is extremely important that the capital per labourer - in both the industrial and agricultural sectors - should be considerably lower in 20 years' time than it is today.

As part of this rectification process small-scale and labour-intensive enterprises - especially small-scale Black farming - will have to be heavily *subsidised.*

We should see to it that *subsidies* - especially subsidies for the agricultural industry - do not acquire a negative connotation. I am strongly in favour of subsidies to correct the distortions of the past and to compensate for injustices of the past. In a developing country where the levels of development of the various population groups differ as sharply as in South Africa, various forms of subsidies can play an important part in effecting more balanced and more differentiated economic development, which could be very beneficial to social welfare in the long term.

It is to be hoped that there is agreement that the subsidies granted on the basis of the 1937 Marketing Act initially had a great welfare-generating effect, but later degenerated into inadmissible favouritism and bureaucratic red tape. I am strongly against *subsidies* being granted not on the basis of valid welfare-generating considerations but merely as a result of the excessive (political) bargaining power that certain well-organised and well-institutionalised pressure groups possess. Similarly we should see to it that subsidies do not become "institutionalised" and that subsidies for which there is a valid case in 1987 for instance will not be paid out right up to the year 2010. The continuation of certain subsidies should be regularly scrutinised. Many of the subsidies and other forms of hidden favouritism - which undoubtedly form part of structural Apartheid - should be *totally* phased out as soon as possible to make way for admissible or welfare-generating subsidies.

While White farmers have been subsidised for so long - and often for admissible reasons - in their development into economically independent farmers and entrepreneurs, I am strongly in favour of *suitable* subsidies to make as many small Black farmers as possible - inside or outside the National States -

economically independent farmers and entrepreneurs. I hope the Conference will give a great deal of attention to this matter.

Suitable economic and political reform

Social welfare can only be promoted satisfactorily in the long term if very incisive *structural changes* take place in at least four fields of human endeavour with the object of involving all the people of South Africa in the main stream of *political, economic* and *social* activities.

These four fields are (i) the attitudes of the whole population, but especially the Whites; (ii) the political field where suitable reform will have to take place to give the other population groups effective participation in the central Parliament; (iii) the economic field where comprehensive adjustments will have to take place to make the market-oriented system more sensitive to the needs of Third World people with regard to subsistence and development in both the factor and the consumer markets and (iv) the social level, where the hierarchical compartmentalisation of the Apartheid system will have to be replaced by a social stratification of cross-sectional interest groupings to give the system greater stability and counteract the existing centrifugal forces.

I accept that you will agree that a detailed discussion of this four-fold process of structural change lies outside the scope of this paper. Nevertheless the socio-economic forces operative - in the field of agricultural economics among others - should at all times be viewed and judged against the background of this *desirable* structural change.