INFLATION

1975 - 1976

20.2.75 RDM

Unions will press for CoL pay increases this year

RDM 20/2/75

150A

Staff Reporter

AGITATION from trade unions for cost-of-living compensation will intensify during the second half of the year, according to authorities interviewed in Pretoria yesterday.

Trade union leaders said they were shocked by the sharp increase in fertilizer prices. The limited Government concession to minimise the increase would have little effect on the expected escalation of food prices later this year, they claimed.

The South African Agricultural Union's commodity committees start a series of meetings in Pretoria next week at which price recommendations for the new season will be made to the Government.

Substantial increases will be requested for mealies, wheat, dairy products, meat and other commodities.

The trade unions fear South Africa is moving into another period of stagflation — a greatly reduced growth rate with a ballooning price structure.

Next month the Railways Artisan Staff Association meets for its annual congress in Port Elizabeth, and demands are expected to be made by delegates for swift compensation for CoL rises which, it is feared, will this year exceed last year's record of 14 per cent.

Soon after the Prime Minister announced pay increases throughout the public sector last year, the ASA executive told the Minister of Transport, Mr Muller, that it was dissatisfied with the 12 to 15 per cent increases granted its members. They had asked for 25 per cent.

They warned that they would press for the additional ten per cent during this year.

The only development which can stop the ASA making early demands for compensation, it was learnt, is if the administration agrees to a new job evaluation plan for artisans which would raise their pay and status.

The National Union of Distributive Workers is also pressing for a review of basic minimum earnings among the country's 50 000 shop workers.

(150A)

Evening the odds

FM 14/3/75 (i)47

Simon Brand, Deputy Economic Adviser to the Prime Minister.

At least some of the reservations you express (*FM* February 28) about the realism of the assumptions in the latest Economic Development Programme, some of which you find it appropriate to describe as "distinctly odd", are based on misunderstanding of the basic model and procedures used in drawing up the EDP.

First, in respect of the assumption about the inflation rate, it must be pointed out that all projections in the EDP are expressed in real terms, ie, in constant base year (1973) prices

From a purely arithmetical viewpoint, therefore, what the actual inflation rate over the programming period will be, does not affect the projections at all However, from an *economic* viewpoint it must, of course, be taken into account that the high rate of inflation of the past few years may have had an autonomous modifying influence on income distribution and spending behaviour in the economy, and in this indirect way might affect the realism of the projections.

This would be relevant especially if such high rates of inflation should persist over the rest of the programming period, but whether that would be a realistic assumption is in itself at least open to question. Be that as it may, we only have historical experience of these high inflation rates for a few years, which means that there is as yet no reliable statistical basis for estimating the nature and strength of such hypothetical effects.

In view of this, no adjustments were made in the projections to account for them. The only reason that the inflation assumption was explicitly refered to in the EDP was to alert the reader to this qualification to which the projections are subject As you may notice at a second reading, this is in fact spelt out explicitly in paragraph 93 of the published EDP, and some of the possible implications are pointed out elsewhere in the document.

With regard to the assumption about the level of the gold price, your remarks would seem to suggest that an increasing gold price should have been assumed, or at least one which is much higher than that actually adopted for purposes of the EDP projections.

Although in the EDP model all domestic prices are held constant it is, of course, necessary to allow for international price tendencies in projecting the international terms of trade. Consideration of exactly such uncertainties as those surrounding our future oil bill led to the assumption about the gold price which was in fact used

The fears that you express about the effect of this assumption are unfounded, since in the projections of physical gold output, which were arrived at in consultation with the Chamber of Mines and the Government Mining Engineer, such factors as the expected relationship between escalating costs of gold mining and the gold price were taken into account as fully as is practicable

Coming to the questions you raise about labour you are fully justified in pointing out the difficulties surrounding the measurement of employment in agriculture — with the present state of knowledge, anybody's guess in this regard can perhaps be made out to look as distinctly odd as you regard ours to be, and it is hoped that research in this field will help to clarify the matter

On the other hand you seriously understate the provision made in the EDP for the better use of Black labour

Although it is not spelt out specifically in the latest EDP as it was in the previous one and, as I believe, was explained to your correspondent in discussions with the EDP staff last week, the projected composition of the labour force is based, to begin with, on an extrapolation of the historical trend in the Black/White labour ratio.

This trend, which in the projection of GDP growth is not treated merely as an arithmetical change, but taken to reflect fuller use of Black labour at rising occupational levels, is then adjusted upward to allow for an acceleration in the rate at which this ratio increases The 30 000 Blacks who, as stated in paragraph 162 of the EDP., "will have to perform work previously done by Whites", are an additional allowance over and above what is allowed for by this established procedure, to take into account specifically the additional momentum gained in recent years in introducing Blacks into higher-level jobs

It would, as you suggest, be possible for a "non-government body" to draw up an alternative EDP and to make different assumptions in respect of the use of Black labour Such an effort would have very little meaning as an indicative programme if it should assume away government policy.

However, even if its only purpose should be to make an objective estimate of the "cost of apartheid", it is open to question whether its authors would want to assume a much more rapid rate of upgrading of the Black labour force than has been assumed for purposes of the EDP Discussions in the sectoral advisory committees in the course of drawing up the EDP certainly did not give the impression, generally speaking, that even abstracting from government policies, the rate at which Black workers are introduced into and trained for more sophisticated jobs can be stepped up very appreciably in the medium term

There is, of course, nothing to prevent any non-government body from drawing up such alternative growth projections for the economy.

HANSARD 9

Q. column 679-680

11 April 1975.

150A

Standing Advisory Committee on Inflation

*16 Mr G H WADDELL asked the Minister of Economic Affairs

(a) What are the names of the members of the Standing Advisory Committee on Inflation, (b) what are their qualifications and (c) what interests does each member represent

†The MINISTER OF ECONOMIC AFFAIRS

(a) (b) and (c) The names of the members of the Standing Advisory Committee on Inflation, their qualifications and what interests each member represents are as follows

Name of member	*Qualifications*	*Representing*
Mr G J J F Steyn	M Com	Secretary for Commerce and Price Controller (Chairman)
Mr C P Grobler	Matriculation	South African Confederation of Labour
Mr R L Kraft	B A (Hons)	Trade Union Council of South Africa
Prof J L Weyers	M Com , M A and D Litt et Phil	South African Co-ordinating Consumer Council
Mr S Shlagman	Matriculation, Technical training in the Textile Industry	South African Federated Chamber of Industries
Mr D G Paxton	Attorney's Admission Examinations	Association of Chambers of Commerce of South Africa
Dr M van den Berg	M Com (Stell) D Econ (Rotterdam)	Die Afrikaanse Handels-instituut
Mr R G du Plessis	B A L L B	Motor Industries Federation
Mr E P Drummond	B Com and B Econ	Steel and Engineering Industries Federation of South Africa
Mr C J P Cilliers	BSc	South African Agricultural Union
Mr A J Marais	Bank Examinations	Association of Building Societies of South Africa
Mr G de C Malherbe	B Econ	Building Industries Federation (S A)
Mr R A Plumbridge	M A	Chamber of Mines of South Africa
Dr L P Mc Crystal	BSc , M Econ and PhD	National Development and Management Foundation of South Africa
Dr B van Staden	D Com	South African Reserve Bank
Mr H Goldberg	B Com	Appointed in his personal capacity
Mr G W G Browne	B A (Cape Town), B A B Litt (Oxford)	Secretary for Finance
Mr B G Lindeque	Matriculation	Secretary for Labour
Dr C van der Merwe	M Com (Stell) and PhD (New York)	Secretary for Agricultural Economics and Marketing
Mr P F Theron	B Com (Hons)	Secretary for Industries
Dr J Jones	D Phil	Office of the Economic Adviser to the Prime Minister

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Question
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 150 A

Secret plan could change SA life style

SUNDAY TIMES Reporter

THE GOVERNMENT, through its acceptance of the top secret Collective Action Programme Against Inflation, has committed itself to a series of proposals that could change the political, economic and social face of South Africa

So far only the private sector share in the programme has been made public — in statements by the Prime Minister on his Economic Advisory Council The programme, which was devised by the Standing Committee on Inflation, submitted by Mr "Joep" Steyn, chairman of the committee and Secretary for Commerce, and accepted unamended by the Economic Advisory Council, contains recommendations which imply Government acceptance of major political and social change in Africa.

They include — under long-term measures

● The education, training and employment of Blacks in more skilled occupations in White areas and the orderly relaxation of policy in consultation between employers and trade unions

● The feasibility of retaining the economic security of the worker in the White areas, "while simultaneously attempting to remove any legal or social impediments in the way of the more productive use of Black labour in better paid jobs in these areas"

● The need for the further rationalisation of labour — particularly in those cases where "trade unions and employers are setting too slow a pace of adjustment to modern production techniques and technological development"

● The stepping up of the education and industrial training of Blacks in White areas and increased Government contribution to these costs

With specific reference to the obligations of the public sector in the fight against inflation, the programme lays down

● The examination, in consultation with the private sector, by all Government departments, provincial administrations and local authorities "of all legislation and regulatory measures administered by them which have a cost-raising effect in the economy and the application of which can be temporarily deferred or modified." (This is understood to include laws governing the employment of Black labour, influx control and over-sophisticated anti-pollution control).

● New legislation and regulatory measures to be subjected to a similar procedure of examination and attention given to the timing of their introduction.

● Priority be given to eliminating infrastructural bottlenecks.

● Fiscal measures be introduced to obviate the erosion of capital and to keep capital intact in periods of rising prices.

Short-term measures accepted by the Government — and which run counter to increased Government spending in the Budget — include:

● The extended use of integrated budgeting systems and cost-benefit analyses by all Government departments, provincial administrations and local authorities.

● "The cutting back of expenditure at all levels of government — especially on current spending which cannot be justified in the present economic situation and capital expenditure not related to the creation of productive infrastructure.

TUCSA WARNS PM: WE'LL QUIT

By FLEUR DE VILLIERS

THE POWERFUL Trade Union Council of South Africa (Tucsa), representing 200 000 workers, has threatened to withdraw from the Government's top-secret Collective Action Programme Against Inflation.

The threatened move— which could send wages soaring throughout South Africa — is prompted by allegations that the Government has failed to meet its commitment to the programme.

This is spelt out in a letter from Tucsa headquarters to all members of its national executive committee, affiliations and area divisions

The programme, agreed on by the Standing Committee on Inflation and endorsed at the February meeting of the Prime Minister's Economic Advisory Council — which includes a strong preponderance of Government representatives — contains a series of recommendations binding on the Government, and has far-reaching social and political implications

Tucsa's dissatisfaction over the Government's apparent unwillingness to meet its commitments has reached such a pitch that it has

● Written to the chairman of the Economic Advisory Council, Dr Piet Rieckert, accusing his office of "misrepresenting to the Prime Minister" what happened at the EAC meeting

Distorted

● Dissociated itself from statements made by the Prime Minister in his report on the meeting and has told Dr Rieckert that "it is adding insult to injury to issue this statement in the name of the Prime Minister"

● Sent a copy of the Tucsa letter to the Prime Minister

The row is viewed in such a serious light by the Government that the Secretary for Commerce and chairman of the Standing Committee on Inflation, Mr "Joep" Steyn, has offered to fly from Cape Town to discuss the issue with Tucsa's Officers' Committee in Johannesburg The dispute began with the "wage restraint" statement by the Prime Minister before the Budget, was aggravated by the Budget, which disclosed a 19 per cent increase in Government spending, and reached a pitch with the Prime Minister's statement on the Economic Advisory Council meeting.

This statement, Tucsa maintains, gave a distorted picture of what the Economic Advisory Council agreed on

In the letter to Dr Rieckert — a copy of which has been sent to the Prime Minister — Tucsa expresses deep concern over the fact that only parts of the programme's wage and price restraints and action against monopolies were announced by the Prime Minister, and that all other important proposals were not made public.

Basis

By making only a partial announcement about the programme, Tucsa says, the impression was given to the public that the programme was superficial and one-sided, and that organised labour had agreed to a programme which did not require a substantial contribution from all other sections of the community.

Tucsa adds that it was made clear to the EAC by the Standing Committee on Inflation that the programme was to be accepted in full by the Government, or not at all. "This was and is the only basis on which Tucsa will accept continuing participation in the programme," says Tucsa

Among the points in the Prime Minister's statement which Tucsa maintains were not agreed to by the full EAC were

● That the EAC agreed that an appeal be made to workers to restrict wage increases to less than the rise in the consumer price index.

● That the council felt it was not unreasonable to expect employees to be prepared to accept wage increases that would not necessarily off-set price increases experienced in the past year and those expected for the current year.

TUCSA demands pledge from Govt

STAR 21/4/75

/ 150 A

Labour Reporter

The Trade Union Council of South Africa (TUCSA) wants a firm indication from the Prime Minister that the Government will play its part in a "collective action programme" to combat inflation.

"We also require some proof of cutbacks in Government spending before we consider ourselves bound by our agreement on wage restraint," Mr Arthur Grobbelaar, TUCSA's general secretary, said today.

It was the first public statement on the pact between organised labour, employers' organisations and the Government in the Standing Committee on Inflation

This is a subcommittee of the Prime Minister's Economic Advisory Council, which adopted the pact unamended

CONDITIONS

In the tripartite agreement, in which TUCSA pressed for important changes, wage restraint was accepted by the trade union movement in return for

- Reduction in Government expenditure
- More Black job advancement and retraining of displaced Whites.
- Increased price restraints.

If TUCSA were to reject the pact, the implication would be unrestrained wage demands by its members

Clarifying the councils stand today, Mr Grobbelaar said. "We accept completely that the Government has strategic priorities and must build up South Africa's infrastructure. But we want cutbacks in other spheres of Government spending".

TUCSA is dissatisfied with the Budget, which was "not anti-inflationary in itself," failed to produce a significant allocation to education, particularly industrial education, and offered no relief to the lower-paid worker by way of reductions in sales tax.

VORSTER'S VIEW

It is also upset over the failure of the Government to announce any economies in its own sector and by the Prime Minister's recent statement on inflation

Mr Vorster said the Economic Advisory Council thought it not unreasonable for employees to be satisfied with increases which did not necessarily compensate fully for the price increases of the immediate past and future.

(150A)

Official plan urges new deal for Blacks

RDM 23/4/75

By JOHN IMRIE

FAR-REACHING and positive proposals are contained in the official plan to fight inflation which until now has been kept under wraps.

Called "A collective Programme of Action to Reduce the Rate of Inflation in South Africa" and accepted by the Prime Minister's Economic Advisory Council, the package deal of proposals calls for:

- Changes in attitudes and practices to allow for accelerated training of Blacks and their advancement in the labour field,
- Changes in the attitude of the whole nation to make everyone more anti-inflation conscious, and
- A Cabinet Minister to be put in charge of implementing the wide-ranging proposals

The plan, which is now in the hands of the Prime Minister, lays heavy emphasis almost throughout on the need to train and advance Black workers.

It calls for an immediate and massive publicity campaign to motivate the whole nation to "be more productive, spend wisely, save income and cut down on expenditure, avoid waste in any form, and save on fuel"

An introduction to the document, which was originally drawn up and unanimously agreed to by the Standing Advisory Committee on Inflation, on which Government and organised commerce and industry, agriculture and the labour unions are represented, states bluntly:

"By far the largest part of the present rate of inflation stems from internal factors and circumstances which have their origin either in Government policies and actions or in the behaviour and philosophies of our entrepeneurs, workers and consumers"

This may be taken to encompass criticism of racial policies and attitudes which inhibit Black advancement, as well as criticism of attitudes which results in spiralling spending, costs and wages

The document says it is abundantly clear that "these internal factors and circumstances, which contribute so much to our rate of inflation, can be changed and must be changed if our form of economic society is to survive"

Experience has shown, it says, that conventional measures alone cannot cure inflation in any economy like South Africa's

It reiterates that such measures "have to be supported by changes both in Government attitudes and in the behaviour of our society"

Again, it seems that this is in part a reference to racial attitudes which act as a barrier to the proper development of Black labour in South Africa

The plan lists a whole range of approaches, including the need for the education and training of Blacks in White areas to be "stepped up considerably" coupled with "an orderly relaxation of policy" in regard to their employment in more skilled jobs in White areas

Attempts to "remove any legal or social impediments in the way of more productive use of Black labour in better paid jobs" in White areas should be coupled with an investigation into retaining the economic security of workers in the White areas

The collective plan urges wage and price restraint by employers and workers, the cutting back of Government expenditure, and measures such as introducing improved budgeting and costing systems for all Government departments and examining the possibility of introducing more shift work

● See Page 19

Tucsa won't withdraw

By JOHN IMRIE

THE 200 000-strong Trade Union Council of South Africa will not withdraw from the anti-inflationary pact approved by the Prime Minister's Economic Advisory Council — provided all the proposals are fully implemented

Tucsa originally threatened to withdraw after the Budget when it appeared that the Government was not keeping its side of the pact and cutting expenditure

However, the Secretary for Commerce, Mr Joep Steyn, subsequently explained to Tucsa that excluding expenditure on defence and the infrastructure, all other forms of Government expenditure this year would be up by about 13 per cent in monetary terms and that in real terms this would be only about two per cent more than last year

Tucsa has accepted that in line with the anti-inflation proposals this represents an effort to cut current Government expenditure to the barest minimum, and agreed not to withdraw from the anti-inflation pact "at this stage"

However, it has strongly criticised the fact that only parts of the anti-inflation plan — those dealing with wage and price restraint — have been announced by the Prime Minister, and that all the other important proposals were not made public

Tucsa also claims that some of the things in Mr Vorster's statement, after the Economic Advisory Council meeting which endorsed the anti-inflation plan, were inaccurate

For example, it denies that any agreement was reached that an appeal should be made to workers to restrict wage increases to less than the rise in the consumer price index

Savings will help beat inflation

STAR 22/4/75

Franz Albrecht

It is vitally important that savings in South Africa continue at a high rate if inflation is to be beaten, and in this respect, the local insurance industry plays a significant role, said Mr A B Dickman, economic consultant to Anglo American Corporation, at the Guarantee Life Seminar in Johannesburg yesterday

He was referring specifically to long-term insurance which had total assets of almost R4 000m at September last year, and which contributes to the growth and infrastructure of the economy as is seen in the way it invests these assets

The biggest proportion, 32 percent, is invested in public sector securities, 21 percent in equities, 25 percent in mortgage and other loans, 13 percent in fixed property and 9 percent in other items.

MOBILISE

Mr Dickman spoke on the role of the insurance industry in the mobilisation of savings The industry's assets represent almost 55 percent of the contractural savings in the private sector — or the combined assets of insurers, private pension and provident funds and mutual funds

The annual inflow into the industry has been on average about 30 percent of the total personal savings each year.

Inflation is still the biggest problem in South Africa and the latest rise in the consumer price index since the end of 1974 is 15 percent and that of the wholesale price index 21 percent

Despite the increase in the inflation rate, South Africans continued to save R1 583m in 1974, which represents 10,8 percent of the personal disposable income, compared with R1 153m, or 9,4 percent in the previous year.

TELEVISION

Mr Dickman poses the question of whether the increase in savings in 1974 could be the forerunner to a spate of television buying in 1975-1976

"Or will the savings ratio remain unchanged and lead to a fall in expenditure on other goods if remuneration does not rise much this year," he asks

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Savings will help beat inflation

STAR 27/4/75

Franz Albrecht

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150A

The plan to fight inflation

For the first time full details of the official plan to fight inflation are published Officially called "A Collective Programme of Action to Reduce the Rate of Inflation in South Africa", it is a package of far-reaching measures unanimously agreed to by organised commerce, industry, labour, agriculture and senior Government officials represented on the Standing Advisory Committee on Inflation under the chairmanship of Mr Joep Steyn, Secretary for Commerce. The plan was later approved by the Economic Advisory Council and submitted to the Prime Minister. JOHN IMRIE reports.

"A PENETRATING and positive anti-inflation educational/publicity campaign should be introduced on the initiative of the Government"

This heads the list of steps recommended by the Inflation Sub-Committee of the Prime Minister's Economic Advisory Council in its secret "Collective Programme of Action" against inflation

It is described in the Programme as "an over-riding measure for immediate implementation" which should be entrusted to a highly-efficient organisation and should be financed by the Government

"The entire nation must be motivated in an effort aimed at orientating everybody's thinking towards combating inflation Everyone involved must be made aware of his or her contribution to inflation and what he or she can do to combat it

"The campaign should include

Wisely

● Educating and exhorting the general public, business firms and the Government at all levels to be more productive, spend wisely, save income and cut down on expenditure, avoid waste in any form, and save fuel

● Educating and exhorting every member of the general public to accept immediately the inevitable need for standards of living to be in conformity with the country's available resources and productive capacity, as well as his or her own productivity and contribution to the total output of goods and services in the country

● Educating and exhorting the general body of consumers to accept a reduction in the ranges and varieties of goods and services demanded from the private sector

● Educating the public in the working of our type of economic system — the role of competition, the price mechanism, the role of profits, the tax system etc"

Priorities

Turning to short-term measures which should be taken by both the public and the private sector, the Collective Programme names four priorities

First is that "greater urgency be attached to the better utilisation of the labour force" on the lines of the recommendations of the Riekert and Geyser committees, and to the undertaking given by the Prime Minister that no obstacles would be placed by the Government in the way of the conclusion of agreements to this effect between employers and trade unions

The other three measures are the introduction of proper work study procedures, greater use of shift work wherever possible and greater use of productivity bargaining

A further three short-term proposals are specifically aimed at employers and employees in the private sector These are

● That great restraint should be exercised by workers in framing and making wage demands, and by entrepreneurs in the introduction of price increases "beyond the barest minimum required to recover unavoidable cost increases". This to apply also to escalation clauses in contracts aimed at recovering expected further cost increases

● That entrepreneurs should undertake to reduce prices whenever possible

● That attention should be given to the timing of justifiable wage and price increases

For the public sector, including public corporations and agricultural control boards, the Collective Programme lists five steps in the short term

● The extended use of integrated budgeting systems and cost-benefit analysis by ALL Government Departments, as well as Provincial Administrations and Local Authorities.

● A cutting back of expenditure at all levels of Government—this applies specifically to current expenditure which cannot be justified in the present economic situation and capital expenditure not related to the creation of productive infrastructure

Bottlenecks

However, productive infrastructure must be adequately expanded to eliminate cost-increasing bottlenecks, to provide for future growth of the economy, and to promote the education and training of manpower.

● Increased attention should be given to the timing and the extent of wage adjustments and adjustments of administered prices, as well as to the coordination of such adjustments

Moreover, the Standing Advisory Committee on Inflation should formulate guidelines in this connection for the public and private sectors.

● The increase in the money supply should not be allowed to become excessive in relation to the expected increase in the GDP

● Additional fiscal and monetary measures to encourage savings should be considered

The Collective Programme goes on to outline the long-term action which should be taken by both the public and private sectors to increase production and improve productivity.

The first recommendation here is that adequate amounts should continue to be voted for the National Productivity Institute The next five steps recommended centre around Black labour

Noting that in line with Government policy job opportunities for Non-Whites, particularly Africans, have been steadily improved while conditions have also been created for improving the utilisation and potential of the total labour force, the Collective Programme, however, lists five areas which "require further attention".

● The education, training and employment of Blacks in more skilled occupations in White areas — an orderly relaxation of policy in these fields should be introduced in consultation between employers and trade unions

● The investigation (in accordance with the Prime Minister's policy statement and in co-operation with trade unions and employer organisations) of the feasibility of retaining the economic security of the worker in the White Areas whilst simultaneously attempting to remove any legal or social impediments in the way of more productive use of Black labour in better paid jobs in these areas

Adjustment

● The need for the further rationalisation of labour, particularly in those cases where trade unions and employers are setting too slow a pace of adjustment to modern production techniques and technological development

● The education and industrial training of Blacks in White areas (in townships and industrial complexes) should be stepped up considerably the Government to contribute more to the financing of the costs of these educational and training programmes;

● The provision of improved facilities for the education, training and retraining of all employees, White and Black

The other two recommendations are that continuous efforts should be made to increase production and to improve productivity, and increased attention should be given to standardisation.

Specific long-term steps for the public sector are listed as

● Examination, in consultation with the private sector, by all Government departments as well as Provincial Administrations and local authorities of all legislation and regulatory measures administered by them which have a cost-raising effect in the economy and the application of which can be temporarily deferred or modified without the sacrifice of good Government

Timing

● Similarly, new legislation and regulatory measures must be subjected to a similar procedure of examination and proper attention should be devoted to the timing of their introduction

● Priority should be given to the elimination of infrastructural bottlenecks as fast as possible

● Fiscal measures should be introduced with the object of obviating the erosion of capital and keeping capital intact in periods of rising prices

Finally, the Collective Programme says the implementation of the programme of action should be placed in the hands of a Cabinet Minister

"The Minister so entrusted should be responsible for its implementation and for monitoring the progress made with the programme He should be afforded the assistance of a small advisory committee comprising senior departmental officials and persons from the private sector"

Wage demands

F.M. 25/4/1975

150A

Vorster's plea for restraint might be falling on deaf ears. Unionists have ears only for their grassroots

The Prime Minister, on March 21, said there would be no end to the inflationary spiral if every employee organisation demanded wage increases over and above increases gained through higher productivity

Also "There should be no compensation for cost-of-living increases as pay rises over the past four years amply compensated for higher living costs"

Vorster said industrial workers had received real pay increases of 4,9% in 1971, 1,1% in 1972, 1,6% in 1973, and 4% in the first nine months of 1974

His appeal ended by cautioning workers not to look to higher company profits as evidence of ability to pay higher wages, as companies were in for a hard time due to increased costs to finance plant replacement

What do the trade unions feel about this? Are they going to exercise the restraint Vorster has called for? We doubt it.

Already, within the past fortnight, the White gold mine workers have received a straight R54 a month pay rise and iron, steel, and engineering workers received an 8%-15% upwards pay adjustment These increases alone will cost the gold mines R16m and the steel and engineering industry R66,5m a year And indications are that there will be many more such increases throughout the economy in the weeks and months ahead

Talking to union men this week the *FM* met with an almost unanimous response trade unions feel they are being warned to exercise restraint, while companies continue to raise prices of all basic commodities Irrespective of their composition — White, Coloured, mixed, or African — the unions feel they cannot be asked to shoulder the burden of stemming inflation

Despite Vorster's appeal they say employers can expect wage demands that will at least match the 15% rate of inflation anticipated during the rest of 1975 Grassroots pressure, they add, will force them to buck the PM's appeal for restraint

Att Niewoudt, president of the conservative Confederation of Labour (itself plagued by unexpected dissension in the ranks), told the *FM* "How can wages be held down? Our member unions will certainly ask for cost-of-living increases during 1975"

Mr Vorster's appeal, said Niewoudt, "just won't work Workers are earning less in real terms, and companies do have higher profits and can afford to

NO LONGER MEAT EVERY NIGHT

Trevor van Reenen, 23, has worked in Johannesburg as an electrician for seven years A member of the White Building Workers Union, he makes R80 a week (before tax and excluding overtime) Van Reenen, like most workers, feels the strain of inflation.

He lives with his wife and 18-month-old daughter in a two-bedroomed flat in Yeoville. With another child on the way, Van Reenen says simply, "I can't manage on my wages To make ends meet I'm beginning this week on overtime, one extra hour a day and Saturdays"

Van Reenen . . . more money now

Van Reenen owns no car, saying "I'd really be in trouble if I had to tackle that expense" He pays R50 a month for rent and gives his wife R20 to buy food each week. "She complains that this isn't enough and we're down to having meat only three days a week, whereas a year ago we had meat every night We have a heck of a lot of tinned food."

He estimates food for the baby alone costs R10 per week and his wife complains about the high price of milk The Van Reenen's seldom go out for dinner and their outside entertainment consists of one or two films each week.

Van Reenen has just completed a 2½-month course at training college so that he might qualify for his wireman's ticket in October The course cost R60. He has to buy his own tools and estimates that these have cost him R180 over the past year.

He and his wife have just finished paying off a R600 debt for furniture and are now paying off R440 that went for a new hi-fi. His wife visited a gynaecologist two weeks ago and medicine alone came to R20 Last week he laid out R30 for baby clothes, nappies and toys

All this has left nothing for savings and his top spending priority, when more money comes in, is to buy new clothes for himself and his wife

How does Van Reenen feel about inflation? 'Its getting impossible We've got another baby coming The last wage rise we had was R2 a week in October We must have more, and soon' share these with their workers .In fact, they *must* do so "

Coming from a generally pro-government body such as the Confederation such warnings can't easily be dismissed Wally Grobler, of the Railway Artisan Staff Association, and secretary of the Confederation, goes further He says "It is obvious that producers of basic commodities are not paying any attention to the PM's appeal They continue to raise prices Thus we as a union can't be concerned about appeals

"Union members have suffered a real loss. Railway workers received 12% during the past year, but this doesn't keep pace with inflation There is no question that we will ask for more in 1975 "

Grobler goes on to stress that unions like his are also not accustomed to merely keeping up with inflation, they expect to gain a real improvement in their standard of living Furthermore, he points out, union members need money to finance the cost of television and such consumer items as a dish washer

One senses, in short, a determination on the part of trade unions and a total unwillingness to accept anything less than wage increases that meet cost-of-living rises for 1975

Wessel Bornman, general secretary of the SA Yster, Staal en Verwante Nywerhede Unie, which includes Iscor, Escom and other industries and totals 37 000 members, says that until this week's wage adjustment, his members were worse off than when their union signed a wage agreement with Seifsa in June 1974

Errol Drummond of Seifsa (the employer association for the huge steel and engineering industry, which employs 430 000 workers throughout SA), points out that this week's pay adjustment in his industry was a straight CoL increase This stemmed from a provision in the union-management agreement for discussions on interim wage adjustments in the event of "abnormal" CoL increases. Drummond notes that the current increase of 8%-15% follows the average wage rises of 12,3% granted in terms of the 2-year industrial agreement reached with the unions in June 1974. He stresses that since that agreement the increase in the consumer price index has been 10,3% on all items, meaning that workers in the industry are well ahead of inflation

Drummond agrees with Vorster's statement on wage restraint and adds "Companies just can't come up with the money to meet wage demands There are severe cash flow problems stemming from higher costs and the bank credit squeeze. Beyond this there is a real threat of insolvencies "

Most unions believe that wages should escalate automatically to meet increases in the cost-of-living, and that wage negotiations with employers should concentrate on the broader question of productivity gains linked to higher real pay

Bornman of Yster en Staal would like to see cost-of-living escalator clauses built into industrial agreements, a situation now commonplace with large unions in the US He states: "Either we build it in or we will have to shorten the duration of the agreement, and I don't think anybody wants that "

At present there are very few "escalator" clauses in industrial agreements

In Natal and the Eastern Province, a Tucsa-affiliated union, the National Union of Motor Assembly and Rubber Workers, has a provision in its two-year contract for discussions every six months for wage adjustments caused by inflation

Fred Sauls, the union secretary, told the *FM* that his workers received an average 23% increase in January when the new agreement went into effect

Nonetheless, Sauls is adamant that come June, his union will ask for a cost-of-living adjustment.

Sauls is one of the few union leaders not in favour of an automatic cost of living escalator, he prefers discussions on the issue, citing the possibility that if prices come down, union members might suffer an automatic wage decrease.

Not surprisingly, most employers oppose escalator clauses for automatic wage increases. Drummond of Seifsa calls it "a dangerous device, something that breeds on itself and is highly inflationary" Like Sauls he would prefer periodic discussions for increases during the course of industrial agreements.

However, the overwhelming consensus among unions is in favour, and employers can expect trade unions to push for an escalator clause during the remainder of 1975

The current 15% rate of inflation means that prices double every five years

Despite appeals from the Prime Minister, trade unions, under increasing pressure from members, claim they will demand what they feel is their just due during 1975 But will they manage to convert their fervent words into hard cash? Employers, squeezed from the top by a business slowdown and from the bottom by rising costs, are not going to give way without a fight

Robert Kraft of Tucsa says unions are expecting a tougher time this year than last from employers He is candid in recognising that the economy has turned down, that there is spare capacity of about 12%, and that companies may be hard pressed

But Kraft is just as candid in saying that Tucsa, "no matter what the Prime Minister says, cannot advise restraint from its unions below the 15% rise in the cost-of-living "

Your move, Mr Vorster

(150 A)

INFLASIE — STAAT

Deur DR. A. J. NORVAL

WAAR die staat veronderstel is om die groot beskermer van die volkswese in sy verskillende vertakkinge te wees, is hy dikwels in werklikheid 'n vermomde dwingelandy deur die wyse waarop hy hiet en gebied sonder inagneming van die gevolge van sy optrede deurdat sy steeds toenemende getal amptenare nie altyd behoorlik opgelei en toegerus is nie.

Kort ná my aftrede as voorsitter van die Raad van Handel en Nywerheid is ek versoek deur die Vereniging van Kamers van Koophandel by geleentheid van sy 60ste jaarkongres om hom toe te spreek. By dié geleentheid het ek die aandag gevestig op 'n uiters gevaarlike ontwikkeling in die staat se hantering van ekonomiese situasies.

Ek het sodanige hanterings bestempel as ‚besluite in isolasie'. Ek het daarop gewys dat dit byna 'n obsessie geword het in die na-oorlogse jare om ekonomiese en finansiële probleme in isolasie te behandel en daardeur in die strik te val om met simptome te doen te kry liewer as met die onderliggende oorsake.

Die kumulatiewe gevolge van sulke ondeurdagte besluite, in isolasie geneem, veroorsaak onsekerheid en dwarsstrome in staatsbeleid. Daardeur word verhinder dat die ekonomiese hulpbronne van die land tot die grootste voordeel ontplooi. Dit is te wyte aan 'n gebrek aan behoorlike vooruitbeplanning en aan 'n goed deurdagte en gekoördineerde beleid.

Verhoog

Sodanige geïsoleerde besluit sonder die minste inagneming van die inslag daarvan elders in die volkshuishouding, was dié van die Suid-Afrikaanse Spoorweë in die sestigerjare om lone te verhoog wat moontlik gemaak is deur kort daarna die spoorwegtariewe te verhoog.

Daardeur is 'n katalitiese proses ontketen in alle rigtinge van die ekonomie wat nie alleen nog nie tot bedaring gekom het nie maar wat steeds in intensiteit toeneem, soos blyk uit die versoeke om loonsverhogings en hals-oor-kop prysverhogings van als en nogwat.

'n Erger mate van besluite in isolasie kan mens jou moeilik voorstel dan dié in die landbousektor van die Suid-Afrikaanse ekonomie. Daar is 'n menigte landbourade, iets glo in die twintig, wat onafhanklik van mekaar en in isolasie optree slegs met 'n nie veelseggende koördinering deur die Departement van Landbou-Ekonomie en -Bemarking.

Mielies

Pryse van landbouprodukte word van tyd tot tyd vasgestel op aandrang van produsente, gebaseer op veronderstelde kostestygings sonder die minste sweem van enige sistematiese wetenskaplike koste-ondersoek ter plaatse.

Dit blyk nou weer duidelik die geval te wees met die vasstelling van die pryse van mielies vir die 1975-seisoen. Verskillende voorstelle is gemaak. Eerstens is daar die voorstel van die SA Landbou-unie om die vorige jaar se pryse met minstens 20 persent te verhoog. Dan is daar die voorstel van SAMPI (SA Mielieprodusente-Instituut) dat die pryse tot R66 per ton verhoog word. Die SAL se voorstel beteken 'n verhoging van R50 tot R60 per ton.

Hierop volg dan die samevattende voorlegging van die Departement van Landbou-Ekonomie en -Bemarking wat sy weg moet baan tussen Charybdis en Scylla onder begeleiding van 'n onseker en koerslose loods bestaande uit 'n koste-opname gebaseer op 'n willekeurige monster met wye tussenpose geneem van oorwegende grensprodusente se produksiekoste.

Uiteindelik word die prys deur die betrokke Minister en die Kabinet vasgestel, natuurlik steeds gedagtig aan wat in Standerton in 1948 gebeur het, m.a.w. die pryse word deur politieke in teenstelling met ekonomiese oorwegings bepaal.

Deur na te laat om te sorg vir deurlopende, deurtastende wetenskaplike koste-ondersoek van landbouprodukte bly die Departement van Landbou-Ekonomie en -Bemarking op tweërlei wyse in gebreke in die nakoming van sy daargestelde ekonomiese funksie. Deur 'n gebrek aan beskikking oor behoorlike kostebevindings kan hy geen eerlike voorleggings maak in die belang van die land se ekonomie in sy geheel nie.

Nie alleen bly die Departement in hierdie opsig in gebreke in die nakoming van sy statutêre funksie nie, maar hy bly ook in gebreke deur nie toe te sien dat die landbouhulpbronne ten beste aangewend word nie. Alleen deur lopende sistematiese kostevasstellings van landbouproduksie kan gesien word of die besondere hulpbronne op doeltreffende manier aangewend word en of die pryse deur die Departement aanbeveel, regverdig en in belang van beide produsent en verbruiker is.

Wat die Departement dringend nodig het, is 'n deskundige oorkoepelende raad wat goed toegerus is met deskundig goed opgeleide landbouraadgewers, sowel as met insiggewende ekonome en kostedeskundiges om die plek van die menigte rade te neem. Hierdeur kan daar enorme besparings plaasvind in kantoorruimtes, personeel en duplikasie van werksaamhede tans waargeneem deur die verskillende rade.

Besparing

So 'n besparing sal dit moontlik maak vir die aanstelling van die allerbeste deskundige kragte. So 'n deskundige raad sal 'n besondere rol kan vervul deur toe te sien dat die landbouhulpbronne ten beste bestee word met die geringste opoffering.

Ook is die staat deur die toedoen van die pryskontroleur aandadig. Deur 'n verkeerde toepassing van sy prioriteite word aandag geskenk aan hase opgeja deur oningeligde ou dames pleks van aandag te skenk aan die kostestruktuur van basiese nywerhede van nasionale belang.

Deur 'n gebrek aan tydige besteding van aandag aan die regstelling van gekontroleerde pryse van dergelike nywerhede word tydige aanpassing van die produksie-toerusting vertraag of selfs geheel-en-al verhinder met noodsaaklike kostestygings ten nadele van die volkshuishouding in sy geheel.

Voorbeelde hiervan is die sementbedryf, chemiese misstowwe en brandstof.

Die sementbedryf is 'n basiese bedryf van nasionale omvang. Dit raak elke sektor van die volkshuishouding en elke persoon met 'n dak oor sy kop. Daar is 'n tiental produksie-eenhede betrokke by hierdie bedryf, versprei dwarsdeur die land. Die geïnvesteerde kapitaal, bestaande in hoofsaak uit aandelebeleggings, word geraam op R250 miljoen.

Sedert die vroeë veertigerjare is pogings aangewend om die bedryf te rasionaliseer. In 1971 is dit verder op 'n meer doelgerigte manier gedoen. Sodoende is daar deur die uitskakeling van kruis- en dwarsvervoer groot besparings aangebring.

Mededinging is ook as gevolg daarvan grootliks uitgeskakel. Rasionalisasie met gebiedsonderverdeling van die mark en behoud van mededinging is 'n ekonomiese teenstrydigheid — iets wat die pryskontroleur skynbaar nie besef nie. Vandaar die vaspen van die prys van sement op 'n té lae winsvlak.

So 'n prys verhinder die aantrek van kapitaal vir vervanging en uitbreiding, veral met die kapitaalerosie voortspruitende uit die heersende inflasionêre toestande. Deur 'n gebrek aan voldoende kapitaalfondse is tydige

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[illegible] 27/4/75

See PUBLIC SECTOR - State Enterprise

TUCSA

STAR 28/4/75

Labour Reporter

The Trade Union Council of South Africa has welcomed official publication of the "collective programme" against inflation — a social contract with far-reaching implications.

"I'm pleased it is out in the open so that everybody is aware of what is expected of the people and the Government," said Mr Arthur Grobbelaar, general secretary of TUCSA.

The Government still had to indicate full support of the tripartite pact among Government, employers and labour before TUCSA considered itself bound by the agreement, he said.

Acceptance of the programme by heads of Government departments represented on the Economic Advisory Council had to be extended to Cabinet level, he explained.

"A key measure in Government approval will be the appointment of a Cabinet Minister to head the programme and take responsibility for its implementation," Mr Grobbelaar added.

The chairman of the Economic Advisory Council, Dr P J Rieckert, informed TUCSA of the decision to publish the programme following newspaper disclosures

Apart from early measures to combat inflation by way of expenditure cutbacks in all sectors, wage - and - price - restraint and the boosting of productivity, the tripartite pact provided for far-reaching later measures.

These included education, training and employment of Blacks in more skilled jobs in White areas An orderly relaxation of policy in these fields should be introduced in consultation between employers and trade unions, the programme added.

TOO SLOW

The feasibility of retaining economic security of the worker in the White areas, while at the same time attempting to remove legal or social impediments in the way of more productive use of Black labour in better paid work in these areas, should also be investigated

"There is a need for further rationalisation of labour, particularly in those cases where trade unions and employers are setting too slow a pace of adjustment to modern production techniques and technological development"

150 A

Labour rejects PM's pay appeal

STAR 29/4/75

Labour Reporter

The Confederation of Labour has rejected the Prime Minister's call to workers not to insist on being compensated for cost and price increases.

"The Government should take a lead with some noteworthy anti - inflationary action," the secretary, Mr Wally Grobler, said after a management committee meeting in Johannesburg yesterday.

Replying to the Prime Minister's statement after a meeting of the Economic Advisory Council, Mr Grobler said the confederation welcomed anti-inflationary measures such as the investigation into monopolistic practices and the suggested policing of prices by the Price Controller.

"GIVE A LEAD"

"The latter is considered long overdue," he said. But the confederation felt that it was necessary for workers to be strongly motivated in the fight against inflation. In this connection the Government should give a lead

"A move towards doing away with two capitals (Pretoria and Cape Town) could, for example, demonstrate the Government's bona fides.

The governing authorities had also been "singularly lacking in example" in the pay increases which Ministers and members of Parliament voted themselves from last July

INFLATION FM 2/5/75

EAC's recipe book 150A

The proposed "Collective Programme of Action to Reduce the Rate of Inflation in South Africa", released last weekend by the PM's Economic Adviser, Piet Riekert, is a significant document.

Though Riekert says it was drawn up by "various groups" in the private sector, the *FM* understands top government officials were also consulted before its submission in January to the EAC's Standing Committee on Inflation.

The programme marks an important breakthrough in bringing home to government, private business, trade unions and consumers the necessity for each group to make its contribution to fighting inflation. Admitting that little can be done to moderate price hikes on imported goods, the document lists a wide range of measures to deal with domestic inflation.

Most significant are:

- Greater use of skilled Black labour,
- An extensive anti-inflation publicity and education campaign,
- Priority for the elimination of infrastructure bottlenecks, and
- Greater education and industrial training projects for Blacks in urban areas with government contributing more to their financing.

The variety of economic interests which had a hand in drawing up the package inevitably means many of its provisions are couched in imprecise terms which could make meaningful application difficult. In fact, Riekert himself is believed to think the recommendations do not go far enough.

Yet despite the document's compromises, the EAC has refused to sanction the programme in its entirety. It has, nevertheless, been adopted by Joep Steyn's Inflation Committee.

There are apparently three groups in the Council responsible for thwarting its unanimous adoption.

- Despite some arm-twisting, the Confederation of Labour objects to the recommendations on wage restraint and advancement of Black labour,
- Certain government departments, not represented on the Inflation Committee but included in the EAC (Bantu Administration is one), are resisting the call for "a cutting back of expenditure at all levels of government", and
- Ironically some members appointed to the Council in their individual capacities have reservations about the vagueness, and thus the enforcability, of many of the programme's provisions.

The EAC has referred the unamended package, together with dissenters' comments to the Cabinet for a final decision. This should be known soon.

With the full recommendations now made public, Vorster's calls for wage and price restraint will fall on deaf ears unless the Cabinet is prepared to implement what is, in essence, a well-balanced and meaningful anti-inflation package.

(150A)

Plan to boost growth and beat inflation

STAR 12/5/75

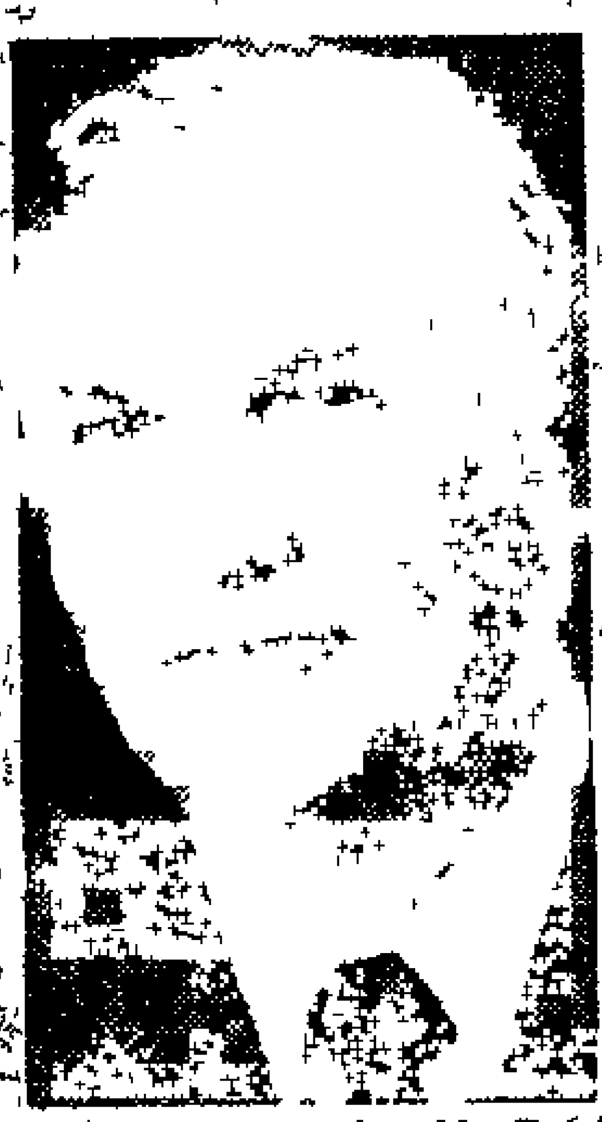
Fanie Kruger
Industrial Editor

A two-pronged and comprehensive plan to foster economic growth and counter inflation through an all-out training and productivity drive, has been put to the Government by the National Development and Management Foundation.

Final touches to the proposals were recently put by the 60-member board of trustees of the NDMF, which is representative of the top echelons of the economic and administrative life of the country.

Some of the proposals have already been accepted.

Outlining the thinking behind the move, the president of the foundation,



Mr W F de la H Beck, president of the NDMF . . . "the country must have a co-ordinated anti-inflation and productivity campaign at all levels."

Mr W F de la H Beck, said the foundation is committed to two related matters — the systematic uplifting of workers of all races under the programme "Operation Progress," and the promotion of effective measures against inflation.

The proposals submitted to the authorities are the result of intensive research.

Mr Beck, who is also chairman of the Mobil group of companies, said: "It is imperative and urgent that all stops be pulled out to ensure adequate growth while keeping inflation in check," Mr Beck said, adding that the recent findings of the Stellenbosch Bureau of Economic Research on growth expectations is "disquieting."

He stressed that inadequate growth will result in unemployment or underemployment of the vast labour force.

Fiscal and monetary measures must play their part in curbing inflation but in the present environment these tools will merely bear on the effects on inflation, and so would price and wage curbs. Fresh approaches are needed.

UNIQUE

In the light of this, the NDMF trustees have taken a more fundamental approach aimed at overall increases of labour productivity and the use of plant, transport and other production facilities.

South Africa is in a unique position to fight inflation in view of some considerable under-utilisation of resources, Mr Beck said. Better use of labour requires systematic and planned advancement, adequate training and meaningful motivation and communication.

"By the nature of its activities the NDMF is advising on and providing the management tools for these objectives," he said.

"Business organisations that have systematically applied available techniques and approaches have in many cases achieved startling results, leading to improved remuneration and job satisfaction for workers of all race groups, and a reduction of costs."

Such approaches and measures must be applied over the entire spectrum in the economy. Just as in war-time, everyone must contribute to more effective work performance.

Everybody must be involved in the fight against inflation — housewives, businessmen, workers, farmers, and officials, and the way to do this is to have a co-ordinated campaign operating at all levels. In this effective labour use, productivity, anti-waste action and intelligent spending all play a part.

"The objective," says Mr Beck, "is peaceful progress, not only in our own country but in Southern Africa."

Mense ,byt' mekaar oor inflasie

Rapport 25/5/75

150 A

Deur Ons Finansiële Redaksie

DIE ongesond hoë inflasiekoers wat die land beleef, het meegebring dat Suid-Afrikaners nou soos 'n klomp brakke al in die rondte hardloop en na mekaar se hakskene byt. Kenners sê dit is 'n tipiese situasie wat ontstaan wanneer die inflasiesiekte hand-uit ruk. In lande soos Brittanje en Italië is dit 'n ou storie.

Die koddigheid van so 'n toestand is dat beskuldigings wild rondgeslinger word oor wie nou verantwoordelik is vir die prysspiraal sonder dat die sondaar eintlik raakgevat word. Intussen skiet pryse vrolik die hoogte in.

Só vermaan die Regering van tyd tot tyd die gewone man en die handel en nywerheid dat hulle respektiewelik moet rem aandraai met die uitgee van geld en die opsit van pryse.

Volgens 'n onlangse opname deur 'n koerantgroep beskou die gewone man nietemin homself as rein onskuldig in die inflasiespiraal. Hy blameer uitbuiting deur die handel en nywerheid vir buitensporige prysstygings.

Die handel, by monde van woordvoerders soos mnr. Raymond Parsons van die Vereniging van Kamers van Koophandel, lê weer die skuld hoofsaaklik aan die deur van die Regering Mnr Parsons wys o.m. daarop dat die uitgawes van die openbare sektor (dis nou die Regering en staatskorporasies) vinniger styg as dié van enigiemand anders

En dit is 'n feit, sê die meeste kenners, dat te veel geld wat te min goedere najaag, een van die oorsake van inflasie in Suid-Afrika is.

Mnr. Parsons en sy kollegas voer ook aan dat die hoe inflasiekoers die handel sleg tref. Winste lyk oenskynlik hoog, maar daar moet onthou word dat 'n handelaar meer kapitaal moet gebruik namate hy meer vir sy voorrade moet betaal Die meeste het nie die geld nie en moet dus teen hoe rentekoerse elders gaan leen. Hierdie rente moet hulle van die publiek verhaal.

As die handel dan nou ook rein onskuldig is, wat van die nywerheid, wat so dikwels deur supermark-bestuurders geblameer word vir prysstygings?

Niemand anders nie as dr. Anton Rupert het al geprobeer om die beskuldigings te weerlê. Hy het 'n ruk gelede gewys hoe fabrikante oor die hele wêreld deur die inflasiegogga geraak word:

Hulle sit met die probleem dat die pryse van grondstowwe voortdurend styg, so ook die koste van die masjinerie wat nodig is om verbruiksartikels te vervaardig. As 'n ou masjien kapot is, kos dit deesdae maklik twee, drie keer soveel soos voorheen om hom te vervang.

Erens moet daardie ekstra geld vandaan kom, anders kom nywerheidsontwikkeling en groei tot stilstand. Weer is dit 'n prysverhoging wat in die meeste gevalle die antwoord is.

In oorsese lande wat aan hoe inflasiekoerse gewoond is, is dit 'n bekende feit dat organisasies soos die Verbruikersraad van mnr. Eugene Roelofse te midde van hierdie soort rondomtalie ontstaan.

Dis selde dat sulke rade veel hond haar-af maak om die eenvoudige rede dat hulle hoofsaaklik, so sê die geleerde ekonome, die stryd aanknoop met die maklik sigbare simptome van inflasie, pleks van met die moeilik bepaalbare grondoorsake.

Die mense wat die swaarste leef in tye soos dié, is amptenare soos mnr. Joep Steyn, Sekretaris van Handel en Nywerheid. Nywerhede soos die kunsmis- en steenkoolbedrywe onlangs en nou weer die sonneblomsaadbedryf (die grondstof vir kookolies ens.) kom by hom aangesit met argumente wat basies dieselfde is as dié wat dr. Rupert geopper het.

Hy moet nywerheidsontwikkeling probeer stimuleer — soos die stywe steenkoolprysverhoging hopelik nou vir die belangrike bedryf sal doen Aan die ander kant word hy geskraap deur mense soos mnr. Roelofse en huisvrouverenigings wanneer hy so 'n verhoging toestaan.

Hoewel beheerde bedrywe selde tevrede is met die prysverhogings wat mnr. Steyn aan hulle verleen, het hulle in die stilligheid nogal heelwat meegevoel met hom.

Daar word agteraf gesê dat die Regering gans te veel aflaai op amptenare soos mnr. Steyn weens 'n taamlik algemene gebrek aan praktiese ekonomiese kundigheid in die Kabinet Dit is mense soos dié wat van tyd tot tyd druk uitoefen wat meen dat knap sakemanne soos oud-minister Jan Haak weer in die Regering opgeneem moet word.

In die huidige stryd tussen mnr Roelofse en mnr. Steyn is die handel solied aan mnr. Steyn se kant. Sakelui voel mnr. Roelofse se groot gebrek was tot dusver dat hy geen goeie sin vir besigheid het nie en dikwels nie mooi onderskei tussen 'n bruto en 'n netto wins nie.

Hoe ook al, een feit staan soos 'n paal bo water Die huidige hoe inflasiekoers is besig om 'n onrustigheid onder die bevolking te veroorsaak, net soos in Brittanje en Italie. Veral die laer inkomstegroepe word bitter hard geslaan deur die prysstygings. Vir hulle beteken dit doodeenvoudig minder kos om te eet.

Mense wil ook nie meer so maklik spaar nie Die rente wat hul geld verdien, is laer as die inflasiekoers Dit is juis diegene wat van 'n vaste inkomste afhanklik is, wat so swaar leef. Pensioentrekkers en die sulkes in Suid-Afrika moet dit soos nooit tevore ontgeld.

Dis sulke dinge wat die mense in Brittanje, en nou ook hier omkrap.

In teenstelling met Suid-Afrika, wat steeds een van die gesondste groeikoerse ter wêreld geniet, is daar in Amerika 'n resessie. Die lewenspeil daal en werkloosheid is die hoogste sedert die Tweede Wêreldoorlog. Maar inflasie is onder beheer — dis in die omgewing van vier persent — en onder die bevolking is daar 'n rustigheid soos selde tevore

Hierin sien sommige kenners die antwoord vir die huidige toestand in Suid-Afrika. As daar 'n ordentlike afswaai in die ekonomie plaasvind, sê hulle, sal mense weer begin om te werk om hul werk te behou.

1) 150 A
2) ~~27/5/75~~
3) ~~Capital~~

Double digit inflation will boost jobless

STAR 26/5/75

Neil Behrmann

In the latest annual report of Federale Volksbeleggings, chairman Dr P E Rousseau warns that double figure inflation could increase unemployment in South Africa

Dr Rousseau reasons that new investment—for example factories — is necessary to generate job opportunities.

But in today's world of double figure inflation, firms find it difficult to obtain finance for investment - which in turn creates jobs

The share market for instance, is no longer an effective source of new capital. Dr Rousseau believes that investors realise that earnings contain an element of "fictitious" profit which is caused by inflation

Higher dividends and insufficient depreciation erode capital during inflationary conditions The share capital of a company shrinks even though it appears to grow in money terms

Under these circumstances, an entrepreneur must borrow to finance his business.

NEW WAYS

This loan capital can adversely affect the capital structure of companies and to make matters worse the long term investor tends to disappear during inflation.

A company which is forced to borrow money on a short term basis could aggravate its financial soundness even further

Dr Rousseau feels that new ways must be found to increase equity capital of companies. He says that South Africa must find finance to create jobs for a growing population

If entrepreneurs operate with insufficient profit margins, the general public will experience a dangerous effect of inflation — a shortage of jobs

● Net asset value of Federale Volksbeleggings rose from 519c to 575c, during the financial year ended December 1974. Net profit rose from R5,8m to R8m, earnings from 35c to 44c a share and dividends from 10,5c to 14c a share.

Index linking —economists are divided

STAR 28/5/75

Staff Reporters

At a symposium organised by Tucsa, a panel of economists was sharply divided on the practical advantages of index linking in South Africa.

Index linking means that economic contracts such as wages, loans and savings are linked to changes in the cost of living. For example, if an acceptable cost of living index rises by 15 percent, then wages, the value of loans and savings must automatically rise by 15 percent.

The panel included Dr J Cloete, Barclays Bank's chief economist; Dr J Hupkes, chief economist of Federale Volksbeleggings; Mr Robert Kraft, economist of Tucsa; Miss Joan Knox, and Professor Arndt Spandau, of Witwatersrand University's economics department. Chairman of the panel was Mr George Palmer, editor of the Financial Mail.

SYMPTOMS

The two academics and Mr Kraft said they thought indexing could be applied in South Africa, but the other economists disagreed.

All the economists admitted that indexing tackled the symptoms and not the root cause of inflation. They talked about lowering the rate of inflation or keeping inflation at present levels. They did not firmly state that indexing would end inflation.

Dr Hupkes said that partial indexing was not a feasible proposition in South Africa. If wages were only linked to a cost of living index, for instance, there would be unfair pressure on other groups and sectors of the economy.

"If we want indexing," he said, "then we must go the whole hog."

Dr Cloete remarked that there was already partial indexing in South Africa. Building contracts, rental agreements and some recent wage agreements were examples.

'Demo' on prices urged

STAR 29/5/75

Pretoria Bureau

An Afrikaans labour leader, Mr Gert Beetge, proposed today that a "national demonstration" be held to show the Government how strongly ordinary people in the street feel about the alarming rate of inflation in the economy.

What he had in mind, he said, was a national protest which would involve workers, housewives, pensioners, farmers and other affected groups. He would get them to prepare a petition which could be presented at the Bar of Parliament.

He made the proposal last night at a meeting of the Co-ordinating Council of South African Trade Unions — an affiliate of the Confederation of Labour — and said those present were all in favour of immediate action.

"The workers are fed-up about galloping inflation. They want to demonstrate their feelings, but we must still decide what form the demonstration should take

"Inflation has become so serious that all our negotiations for higher wages for our working classes are pointless An agreement signed today is not worth the paper it is on, because when the new scales come into effect the additional money has already been eroded away

"I and all the members of my Blanke Bouwerkersvakbond cannot see that any progress is being made in the curbing of inflation. We are going downhill all the time and a serious crisis is looming."

Mr Beetge said it was time the Government and economists stopped misleading the public. The Government should take a lot of the blame for the present state of affairs — and the people should be made aware of it

150 A

Glass pushes 'everything' up in price

RDM 31/5/75

Staff Reporter

THE COST of "everything you like to think of" is likely to go up because of a 10 per cent Government - approved increase in the price of glass containers. The industry has asked for more.

A spokesman for Consolidated Glass Works, the largest supplier in South Africa, said yesterday the increase would affect "soft drinks, face cream, beer, milk and just about everything you like to think of."

The increase becomes effective from tomorrow.

The public already faces increases in the prices of butter, cheese, condensed milk and powdered milk next week.

And even the cost of writing out a cheque is to increase from Monday

The major banks, including Barclays, Nedbank, Standard, Volkskas and Trust, have announced that cheque books are to cost up to 27 per cent more

The banks blame the "alarming rises" in the cost of paper and printing for the increase

A book of 50 cheques will now cost R1,75 and 100 forms R3,50 Today they cost R1,40 and R2 75 respectively

And the national executive of the SA Motor Traders Association will meet next week to discuss the Government's rejection of its demand for increased margins for petrol retailers

According to a member of Samta, the executive will consider what course of action should be followed

Until a decision is taken, most garages are expected to open for petrol sales this morning

A senior official of the Dairy Board in Pretoria refused yesterday to say what the new prices would be for butter, cheese, condensed milk and powdered milk.

"We have been sworn to secrecy," he said.

Earlier this week the Minister of Agriculture, Mr Hendrik Schoeman, told the Rand Daily Mail the prices of industrial milk products would be increased by about ten per cent

An official in the Minister's office said from Cape Town that details of the increases were still being considered

But Mr Ralph Horwitz of OK Bazaars said yesterday he had just been informed by the manufacturer that the price of condensed milk would go up immediately

At present the prices of butter and cheese are subsidised — butter by about R13-million a year and cheese by about R1 200 000

It is not known whether these subsidies will be increased to compensate producers for their claimed 20 per cent increase in production costs or whether the increase will be loaded on to the consumer price

It seems likely that the consumer will have to pay

If the Government increases the butter subsidy, there will be a sharp reaction from the trade unions

The unions have pleaded with the Minister to remove the subsidy from butter — "a luxury product" — and transfer it to fresh milk, or other essential foods

RDM 5/6/75

150 A

Leon wants CoL action

Staff Reporter

THE CHAIRMAN of the Coloured Representative Council, Mr Sonny Leon, called yesterday for a meeting between the representatives of Black and White workers and the Prime Minister to try to solve the worsening cost of living crisis

Mr Leon said in Pretoria the contract between the Prime Minister and the private sector on wage restraints had been rendered invalid by the devastating increases in prices of basic foods and commodities controlled by the Government.

His view was supported by leading White trade unionists

Mr Leon said there were two sides to the "fight inflation" bargain struck by the anti-inflation committee of the Prime Minister's economic advisory council.

The Government was to make an effort to slow down the price spiral and shrink its own expenditure. In return, organised labour was to muffle wage demands

"Well, it is there for all to see. The Government has not kept its part of the bargain. In the past few months there have been increases in the prices of those essential products on which the Coloureds, and other Blacks, spend the greater part of their earnings."

These included milk, mealie meal, and butter.

Unless Black workers got swift compensation for the price spiral, labour unrest was unavoidable

Row over pay is forecast

150A

STAR 5/6/75

The general secretary of the 220 000-strong Trade Union Council of South Africa, Mr Arthur Grobbelaar, believes workers will not "put up much longer" with annual pay increases of 10 percent or less.

"Everybody has misinterpreted what the Prime Minister really said about wage restraint in the overall context of a combined attack on inflation," Mr Grobbelaar said

"Now employers all over the country think they have the Prime Minister's backing in their stand against pay increases.

LOSING OUT

"With annual pay increases of eight or 10 percent, workers are definitely losing out and I don't think they will put up with it much longer," Mr Grobbelaar said.

"They are virtually the only ones losing out, because commerce will never come out in support of the collective anti-inflationary proposals adopted by the Economic Advisory Council"

Mr Grobbelaar was asked to comment on reports of dissatisfaction over increases in municipalities and at Iscor which were disclosed this week.

Both the Johannesburg Municipal Employees' Association and the Johannesburg Municipal Transport Workers' Union, representing the majority of municipal employees in Johannesburg, have accepted increases of about 10 percent, effective next month with a further five percent effective from January

AUTOMATIC

Iscor has announced increases of eight percent for administrative staff and about 10 percent for White technical staff The increases are in accordance with an automatic adjustment in the steel and engineering industry, effective this month

Unions and associations representing railway workers, post office officials and public servants are still awaiting a reply to a request for automatic pay increases to offset the rise in the Consumer Price Index

ARGUS 6/6/75

1504

Steel may go up 10pc

The Argus Correspondent

SOUTH AFRICA faces another steel price increase estimated at more than 10 percent, after an announcement of a R14-m a year wage increase for Iscor workers.

The corporation has already applied to the Government for an increase following on the heels of the 9,8 percent general price increase announced by the then Minister of Economic Affairs at the end of December.

A 10 percent general increase in basic steel will cost the economy about R80-m a year and increase the prices of all products with steel ingredients, from stoves to referigerators to motorcars and washing machines.

Because, however, steel is only one production ingredient, it does not mean that the prices of these products will go up by anything like price increases of steel itself

Do not write in this margin

INDEXING

FM 6/6/75

Would it help?

150A

As inflation continues unabated, the lobby for introducing some system of index linking into the economy gathers strength But should wages, pensions, loans, *et al*, be automatically linked to rises in the cost of living? Is this the best way to attain a stable relationship between prices and income in times of double digit inflation?

Increasingly, economists, trade unions, and some businessmen are saying yes Robert Kraft, of Tucsa, and Att Nieuwoudt, of the Confederation of Labour, both favour its introduction in wage agreements and have made this a priority in their discussions with management.

Kraft points out indexing of wages would make it unnecessary for unions to include projected rises in cost of living in wage agreements. He thinks it would go a long way in putting out inflationary fires within the economy, as consumers would no longer feel compelled to make un-needed purchases today in order to avoid tomorrow's higher prices He even believes it would greatly reduce the potential for wage strikes

Wally Grobler, of the Railway Artisan Staff Association, says if Minister of Transport Louwrens Muller refuses indexing (and all Railway staff associations have asked for it), he'll have to find other ways to compensate workers for the present 15% rate of inflation.

Wits economist Joan Knox, long a crusader for indexing, feels it should be introduced as a tool of monetary policy to help government fight inflation. She proposes that government issue index-linked bonds, which, she believes, would make long-term investment more attractive

On the other hand, Seifsa's Errol Drummond probably represents the view of many employers when he says "it would work only in a dictatorship like Brazil It's the kiss of death to the free enterprise system" (To which economist Knox retorts "If we don't stop inflation private enterprise will be finished")

Where does the truth lie? Would indexing, as many unionists say, stop inflation in its tracks?

Answers are hazy and incomplete as there are no examples — with the exception of Brazil, which isn't analagous with the South African economy — of industrialised Western countries introducing indexing on a sustained, economy-wide basis And in Brazil, indexing has by no means ended inflation Far from being a panacea, indexing is used only because inflation is such a chronic, ongoing, problem that instead of fighting it any longer the economy simply learns to live with it

Psychologically, indexing is an admission of defeat in the battle against inflation Furthermore, just what kind of indexing is proposed? The indexing of industrial council agreements only, which any good trade unionist would favour? Or indexing throughout the economy? The latter implies a drastic level of government intervention in the economy: it's an uncharted course, where basic market mechanisms are tampered with Everything from loan agreements to pension funds and monetary and fiscal policies are affected And unless government tightened its belt and balanced its accounts, there is not even the assurance that the rate of inflation would measurably decrease

Other problems abound

- Is the present Consumer Price Index an accurate measure that can be applied to all sectors of the consumer society in calculating periodic adjustments to be made throughout the economy?, and
- How does one tackle the question of social equity? Lower income groups (which in this country means Blacks) are disproportionately affected by inflation, as they spend a higher percentage of earnings on such items as food and basics Food costs have been rising, for example, at a rate of over 19% over the last year while the CPI records an increase of only 15%

Certainly there is a case for making *some* concessions to indexing: the case of old age pensioners, who have no bargaining power, is probably a special one It would do no harm for government to build cost of living escalators into national pension schemes

But in the end the battle against inflation will be won only when the government bites the bullet and comes to grips with its own accounts, which, more than anything else, have fuelled the inflationary fires

Tilting at windmills

F M. 6/6/75 150 A

The latest burst of inflation is not the result of profiteering. It is the result, somewhat delayed, of government's profligate spending and Church Square's incontinent monetary policies

Price hikes all round and Eugene Roelofse's tiff with Price Controller Joep Steyn, organised commerce, and his former bosses on the Consumer Council have once again focussed the spotlight on inflation.

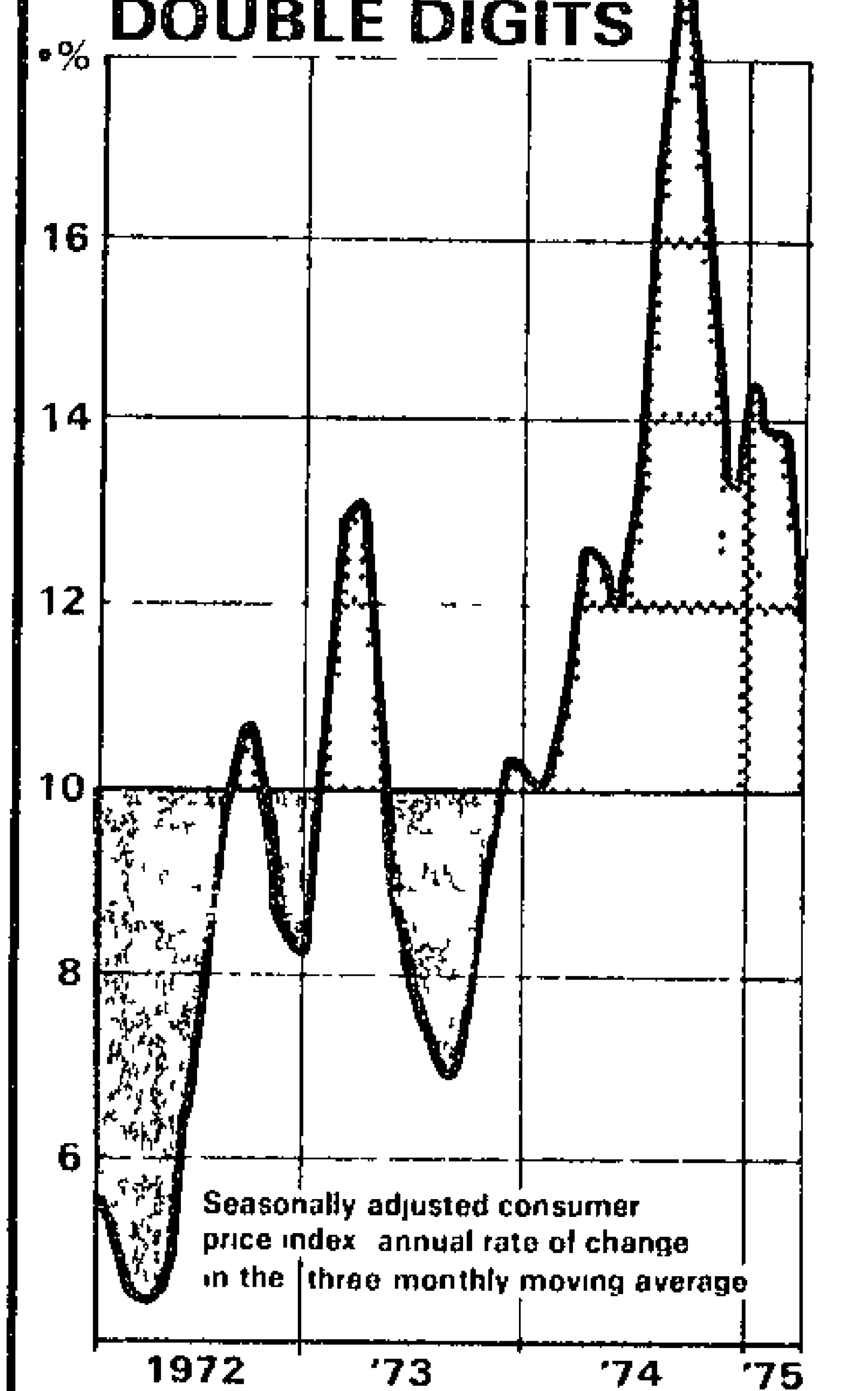
The psychological impact on our politicians of day-after-day headlines, critical editorials and probing questions in the House about consumerism, price control and buyer exploitation has been great. The Cabinet has placed inflation back on the top of its agenda and is giving urgent attention to the Economic Advisory Council's proposals (*FM* May 2)

This new concern is certainly warranted. Recent price rises have brought home the fact that inflation is like a veld fire. Extinguish it in one place and it ignites with renewed vigour in another.

For several months this year it seemed as if inflation was slowing (see graph). Compared with the same months in 1974, the consumer price index rose 15,2% in January, 14,7% in February and 13,7% in March. Wholesale prices in March showed no increase at all over February levels. Food and import prices, especially, were rising more slowly. These two components of the index were widely blamed for last year's prices spiral.

But in April, the annual inflation rate bounced up again — to 14,6%. Food prices leapt by no less than 19,7% and the wholesale price index jumped again to stand 18,3% above its level of a year ago. Thus SA cannot escape another dose of double-digit inflation this year, and indeed, with the exception of Britain and Australia, will probably end up with the highest 1975 inflation rate of any industrial country.

THE BRAVE NEW WORLD OF DOUBLE DIGITS



Two developments are behind the latest spurt:

- The growth of the money supply. This slowed considerably around the middle of last year, helping to curb inflation in the early part of this year. But since then it has again risen enormously in the three months to February, growth in the money supply (seasonally adjusted and compared with the previous three months) was running at a stunning annual rate of 36%, mostly as a result of heavy government spending.

In real terms that is a jump of about 20%. As night follows day, a still higher rate of inflation must follow.

Monetarist Milton Friedman puts it aptly: "No measures are likely to produce long-continued inflation or to cure long-continued inflation unless they affect the long-term rate of monetary growth". The truth of this is shown in the recent experience of the US and Italy, to name only two countries that have managed to slash their inflation rates, chiefly through restrictive money policies.

And if there is to be any chance at all of at least containing inflation in SA, Church Square will have to limit growth of the money supply to the current rate of inflation plus the economy's expected real growth rate. That is to between 15% and 20%. And, actually to push inflation down, it will have to limit it to less than 15%. That would probably cause a protracted economic recession. But it is the only way.

- The second villain is price control

itself Among the products whose prices have recently risen substantially are milk, maize, butter, coal, fuel, glass, bricks, oilseeds and cool drinks All have one thing in common they are price controlled

What has happened is this. Rapidly rising costs have eaten into profits to such an extent that supply has been endangered, and the Price Controller has had little option but to allow firms to recover cost increases In short, consumers are now seeing the dark side of price control, the side they prefer to close their eyes to when advocating it Inflation hits producers of price-controlled items as hard as it hits others There comes a time when even they must be allowed to put up their prices substantially in order to make a reasonable return

That time is now Last year's price control has become this year's inflation and there is little that can now be done to soften its legacy Joep Steyn would be wise to allow the further applications now before him, even if they do mean a further immediate and significant spurt of price rises If he does not, he will only have himself to blame when he is confronted with a batch of applications for even bigger increases in a few months' time

Delay would be particularly unwise bearing in mind that within a few months another sort of inflation — explosive wage demands — is likely to be ignited For almost a year, many workers, both White and Black, have seen their earnings eroded by rising prices They have been remarkably complacent about it, but pressures for more pay are starting to mount, and pretty soon the dyke could break

Among the wage agreements expiring later this year are those of the textile and leather industries as well as the furniture industry in the Western Cape and Natal. A host of unscheduled wage demands may also be made It is believed that public servants, as well as Railway and Post Office workers, have asked for wage indexation and an immediate pay rise And to avoid a recurrence of the Durban strikes, it is vital for private business not to allow the pace of Black wage hikes to slacken

What, then, is to be done? Certainly more comprehensive and intensive price controls are the very opposite of what is needed.

A more determined attack on restrictive trade practices and a stronger, more aware consumer movement would help curb monopolistic profits where these are a factor. And greatly improved Black education, coupled with the abolition of racial job bars, would promote greater efficiency and more competition in the over-protected labour market. Also, a dearer rand would help — at the cost of export income — to curb rising import costs

But the real cause of SA's inflation — let there be no mistake — is the steady slide into permissiveness by the fiscal and monetary authorities. In other words, by the Cabinet and the Governor of the Reserve Bank.

Until this slide is reversed, the cancer of inflation will continue to spread, decimating savings, distorting investment and crushing the weak until the body in which it is growing — our free-enterprise economy — is itself endangered

NATAL MERCURY 17/6/75

150 A

TUCSA WARNS GOVT ON PRICE SPIRAL

Mercury Correspondent

PRETORIA — The Trade Union Council of South Africa has threatened to pull out of the anti-inflation programme drawn up by a sub-committee of the Prime Minister's Economic Advisory Council unless the Government gets fully involved in the struggle against the price spiral.

At a meeting in Johannesburg yesterday Tucsa's Officers' Committee called for an emergency meeting of the sub-committee.

The general secretary of Tucsa, Mr. Arthur Grobbelaar, said: "The feeling at the meeting was that without whole-hearted Government participation we are all wasting our time. It was emphasised that the longer Government action was delayed the more critical the inflation problem would become."

The Officers' Committee condemned the continued escalation of inflation as well as the lack of any "meaningful" steps by the Government to slow down the price spiral.

"We paid particular attention to the programme devised by the inflation sub committee of the Economic Advisory Council and Tucsa involvement in the programme."

Mr Grobbelaar said he had been instructed by the Officers' Committee to express "deep disappointment at the lack of interest being shown by the Government in the formulated programme, and that the Government had not seen fit "to give any indication whatsoever that it would implement the recommendations of the inflation sub-committee.

Tucsa would decide whether or not to continue to subscribe to the programme's proposals following the meeting of the inflation sub-committee.

RDM 9/1/75 150 (A)

By HOWARD PREECE
Financial Editor

SOUTH AFRICA appears to be moving to some form of incomes policy in the battle against inflation.

The Government has consistently rejected the idea of sweeping statutory controls over wages and prices

But the indications are of a growing move to greater "voluntary" guidelines on wages and prices being laid down by the Government. That is an income policy effectively as understood in the United States and many European countries

The Trade Union Council, Tucsa, has made clear that the counterweight of its co-operation in wage restraint and in participation in the anti-inflation programme drawn up by a sub-committee of the Prime Minister's Economic Advisory Council is direct action to curb price rises

CLIMATE

Mr Arthur Grobbelaar, the general secretary of Tucsa, says "Without wholehearted Government participation we are all wasting our time "

Although Professor Leon Weyers, the new chairman of the Coordinating Consumer Council, has called demands for blanket price controls support for "communist or extreme socialist systems" South Africa already has a vast battery of price controls

The climate of approval that has tended to surround the aggressive consumerism of people such as the former director of the Consumer Council, Mr Eugene Roelofse, and the attitude of Tucsa, make it highly improbable politically that the Government will move away from existing price controls

The likelihood is that they will be supplemented with warnings of inevitable further restraints unless commerce and industry avoid "profiteering"

SEVERE

This de facto incomes policy approach has, of course, severe critics who believe it has little effect on inflation and mainly serves to distort natural economic forces to long-term disadvantage

The Financial Mail last week spelt out the alternative and its consequences — supporting both

It called for an end to the "steady slide into permissiveness" arising from the hefty increase in the money supply

But, as the FM acknowledged "This would probably cause a protracted economic recession "

The South African Government is no more likely to risk this all out monetarist approach than did the United States and Britain, in the end, under Mr Nixon and Mr Heath

So that leaves the Government seeking desperately for a middle way between continuing soaring inflation that threatens the social fabric from one direction, and austere monetarism that less euphemistically means tilting at White union bargaining power and increasing Black unemployment

Those consequences are no more attractive to Government than those of the present inflation

They are even less attractive if they are seen in the context of the news of world's leading monetarist Professor Milton Friedman — that monetarist measures may take between five and ten years before their effects are felt fully on prices and not on output

It will be surprising if South Africa does not follow the general Western examples and turn more in hope than clarity to that uncertain creature — the incomes policy

This, of course, can be helped by curbing the money supply increase by primarily restraining Government spending. Political change is the critical unknown variant

Labour body attacks inflation

(150A)

STAR 10/6/75

Labour Reporter

One of South Africa's most reserved labour organisations, the 8 500-strong Building Society Officials' Association, today broke its tradition of silence to express "serious concern" about inflation.

"Our executive wholly supports the collective programme against inflation, but we are wondering what is happening to its implementation," Mr Peter van Wermeskerken, president of the association, said

" We rarely speak up in public, but this is a matter in which everyone's voice should be heard," he said

Mr Eric Stockenstrom, the general secretary, said his members were concerned with the impact inflation had on their individual purses and on their common morale

It was self-evident that concerted action as provided for under the collective programme approved by the Prime Minister's Economic Advisory Council was vitally necessary

But without outspoken Government support this programme had no hope of being effective

COMMITMENT

"While organised labour, as apparent from recent wage agreements, has exercised marked restraint in wage demands, active commitment to the collective programme seems to be sadly lacking elsewhere," Mr Stockenstrom said

"We fully associate ourselves with other calls already made for an early announcement of full Government commitment to this anti-inflation pact which is now more than two months old"

150 A

Indexation would be a 'serious threat' in anti-inflation drive

ARGUS 11/6/75

The Argus Correspondent

JOHANNESBURG. — Barclays Bank has joined the big debate on indexation with a resounding 'No' to the system as a mechanism to deal with inflation.

Dr Johan Cloete, chief economist at the bank, argues in a new Business Brief that the use of comprehensive indexation would prove a 'serious mistake' if introduced in South Africa.

He argues that both employers and employees would add even more heat to inflation by building increases into cost and wage budgets based not only on the rate of current increases but also inclined to add their own 'safety margins'.

If the consumer knew that future money incomes were protected against price increases, it would mean the removal of the last vestiges of discipline over consumption expenditure already running at excessive levels.

INTENSIFIED

If anything, the struggle between capital and labour to protect and if possible increase their respective shares of the total national cake would be actually intensified.

Overall, indexation would almost certainly result in the acceleration of inflationary pressures in the economy.

South Africa should acknowledge, instead, that its most urgent need was to speed up the rate of capital formation as much as possible, Dr Cloete argues. And a first requirement was the encouragement and protection of business profits.

Comprehensive indexation, he insists, would reduce the rate of capital formation:

- It would considerably extend Government control over the economy to the detriment of the profit motive and the incentive to invest in the private sector.
- It would perpetuate and even accelerate the inflation rate and in turn the tendency toward excessive consumption leading to a reduction in savings and investment.

New investment would be seriously hampered since index-linked interest rates and wages would introduce so much uncertainty into calculations that the entrepreneur would find it virtually impossible to determine the future return on invested capital.

Indexation would serve as a rapid conductor of imported inflation.

South Africa, because of its dependence on exports, would probably be forced — like Brazil — to devalue its currency constantly.

Dr Cloete concludes that excessive demand, with the inflation it causes, can only be overcome by greater productivity — or by a cut, at least temporarily, in living standards.

150 A

drops

C.T. 13/6/75

Cape Times Correspondent

PRETORIA. — The living standards of all South Africans are shrinking steadily, Mr Tom Murray, president of the Trade Union Council of South Africa, said in Pretoria yesterday.

He was commenting on the latest report of the Bureau for Economic Research of the University of Stellenbosch. The report, based on household surveys carried out in April and May, was released yesterday.

Among other findings the report showed that:

● The financial position of households was becoming "tighter".

● Real incomes were being affected by price rises.

● More were drawing on their savings.

● Debts were mounting.

Also reported was a decline in the percentage of households planning to buy new cars and television sets.

Mr Murray said: "This process of price increases eroding living standards has been in progress for a long time but it has accelerated dramatically and disastrously recently."

"Wage and salary increases always lagged behind the ballooning commodity price levels.

"This could have only one result — a painful adjustment to lower living standards by most Whites, and larger numbers of poverty-stricken, desperate Black urban families."

The director of the SA Institute of Race Relations, Mr Fred van Wyk, said those at the bottom of the earnings pyramid — the Black workers — were being hit hardest.

"To expect a meek and humble acceptance of this situation from desperate Black families is unreasonable. There must be a reaction."

Downswing

Mr Van Wyk said the Government - authorized price rises in basic foods and commodities like coal were hitting the townships' poor hardest.

The institute estimated that at least 60 percent of families in Soweto were living on or under the poverty datum line.

In its review, the bureau says the downswing in the economy has probably gained momentum. The bureau believes that the next upswing phase is unlikely to come this year, but says that the high rate of Government spending will avert the decline to a deep trough.

forced to make wage de-

150A

STAR 16/6/75

Hugh Leggatt

The Assembly

A campaign in which everybody must be involved to fight inflation by producing more and spending less was announced by the Gov-

Releasing the plan the Minister of Economic Affairs, Mr Heunis, said everyone had to be made aware of their contribution to inflation and what could be done to combat it.

This involved:

- Educating and exhorting the public, business firms and government at all levels to be more productive, spend wisely, save income and cut expenditure, avoid waste and save fuel;
- Educating the public to immediately accept the need for standards of living to be brought into conformity with the country's available resources;
- Educating consumers to accept a reduction in the ranges and varieties of goods and services demanded;
- Educating the public in the workings of the economic system such as the role of competition, the price mechanism and the role of profits.

To increase production it was essential within the framework of Government policy to give urgent attention to the better use of the country's labour forcer.

Proper work study procedures should be used, consideration should be given to measures which would accelerate the use of shift work in preference to the expansion of productive capacity, and greater use should be made of productivity bargaining in wage determination.

Reluctant

The Government was reluctant to introduce compulsory wage and price freezes, so to break the inflation spiral "great restraint" had to be exercised by workers in framing and making wage and salary demands.

Equally, business should exercise restraint in introducing price increases beyond the barest minimum required to cover unavoidable cost increases.

Businesses should give an undertaking that wherever possible price reductions would be brought about by them.

For the Government's part, the plan discloses that in future there will be greatly-tightened budgeting, including cost benefit analysis by State departments, provincial authorities and municipalities, and also cutbacks in expenditure, careful timing of wage and price adjustments and measures to encourage savings.

Planned increased use of Black labour is listed as part of the long-term phase of the campaign.

15 A

Curb prices, wages to fight inflation

Heunis leads watchdog body

17/6/75

Cape Times Political Staff

HOUSE OF ASSEMBLY. — A watchdog Cabinet committee to control a national anti-inflation programme based on increased productivity and restraint in wage demands and price increases was announced yesterday by Mr Chris Heunis, Minister of Economic Affairs.

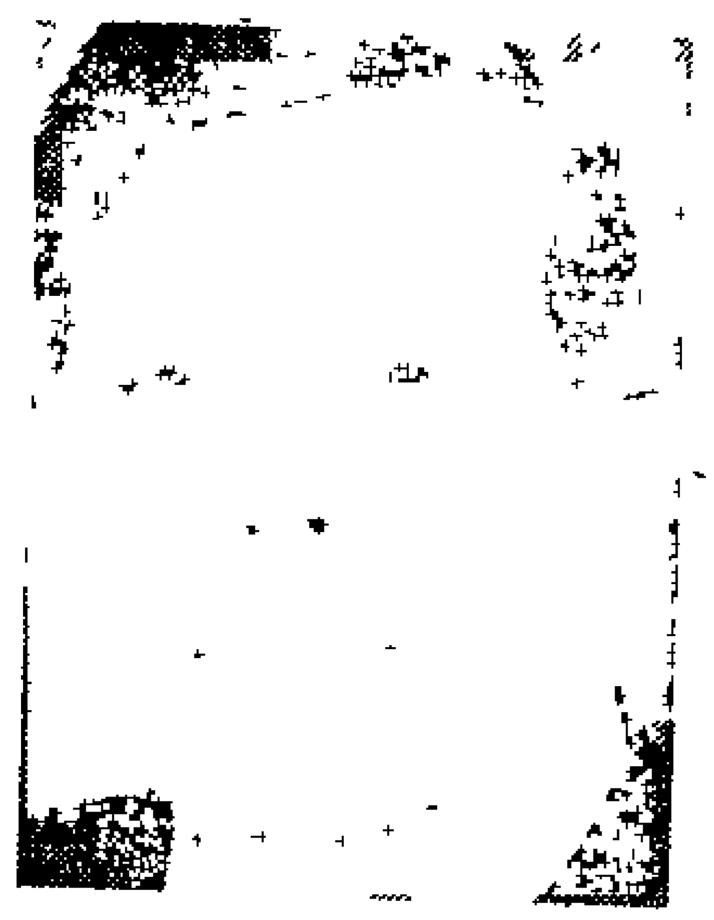
Mr Heunis, who will be chairman of the eight-man committee, also foreshadowed increased education and industrial training of Blacks in White areas as a long-term measure to fight inflation

Details of the programme were released by Mr Heunis, following a speech in Parliament during which he said that there was no painless solution to inflation, only a painful one It was everyone's responsibility to help solve the problem, and not the Government's alone

The programme depends heavily on increased productivity through proper use of manpower, a cutback in Government spending at all levels, and appeals to exercise restraints in wage demands and profit margins

Mr Heunis told Parliament that there would have to be an increase in productivity without increased salaries Without a new attitude and discipline the fight against inflation could not succeed.

Dealing with the Government's plans he said that it was against unnecessary intervention in the economy, and was also



Mr C Heunis . . . There is only a painful solution to inflation.

against a price and wage freeze

Nobody wanted price control over the entire economy, and it should be applied only against exploitation and where there was unfair competition

Only part of the solution lay in South Africa's hands because the economy of the world had been disrupted by oil price rises, and because 85 percent of South Africa's capital imports were from countries hit by inflation

Main elements of the collective programme of action which would be co-ordinated by the Cabinet committee and an advisory committee made up of senior officials and members from private enterprise covered immediate and long-term action

For immediate implementation was a general educational and publicity campaign aimed at orientating everyone towards combating inflation and towards accepting that the standard of living depended on available resources and productivity

Urgent attention had to be given to better use of the labour force, proper work study procedures should be used, and consideration should be given to accelerating shiftwork instead of expansion of physical productive capacity

ENTREPRENEURS

In the private sectors, workers should use great restraint in wage demands and entrepreneurs in increasing costs Entrepreneurs should also undertake to reduce prices whenever possible.

In the public sector there should be extended use of integrated budgeting systems and cost-benefit analyses by all Government departments, provincial administrations and local authorities

Mr Heunis said too that there should be a cut-back on expenditure at all levels of Government, both in current and capital expenditure not related to the creation of productive infrastructure.

However, productive infrastructure had to be expanded to eliminate cost-increasing bottlenecks

There would have to be increased attention to wage adjustments and the adjustment of administered prices, as well as co-ordination of the adjustments

Additional fiscal and monetary measures to encourage savings should also be considered

Long-term measures to improve productivity would include continuing present policy of opening certain jobs to Blacks without sacrificing "the security of work of the White, Indian and Coloured workers in White areas"

Further attention would have to be given to the "position where trade unions and employers are reluctant to take action towards the re-classification of work, when technological developments demand that this be done and where there is in fact a manpower shortage in the relevant industries"

Mr Heunis said that attention would also have to be given to "the education and industrial training of Blacks in White areas (in townships and industrial complexes) being stepped up on a co-ordinated basis, with consideration to the types of work which may be performed by them.

"The Government and the private sector should make available sufficient funds for this purpose"

Facilities for educating, training and retraining all employees should also be considered

All legislation which could possibly have a "cost-raising" effect should be re-examined.

156 A

Anti-inflation moves seen as peripheral

THE Government's anti-inflation campaign announced in Parliament yesterday has been welcomed with reservations by commerce, industry and consumer bodies as a step in the right direction.

While approving the measures in general, some business leaders and economists wondered whether the Government action would be sufficiently strong to produce short-term results.

The chief economist of the Bureau of Economic Research in Stellenbosch, Mr W. F. Kilian, said he did not expect any results in the immediate future.

The measures did not seem to face up to the immense complexity of the problem, he said. It appeared peripheral action was planned.

It would be politically unwise for the Government to take strong action against inflation because world events had shown that where strong Government action was taken against inflation, political power was lost, Mr Kilian said.

POLITICAL POWER

He outlined certain areas of planned action which were incompatible. The call for increased productivity was praiseworthy but was incompatible with the mention of increased job security, he said.

'For the great labour masses, increased effort is a measure of job insecurity and we must not lose sight of this.

'We also cannot fight inflation and build it into the system. If we look at industrial council wage agreements, we find wage increases related to the consumer price index'

If nothing were done to the present system of taxation on a progressive rate, people earning an average wage would in a 'few' years be paying super-tax.

Wage increases were granted to compensate for price rises. But although it would seem workers were then back to square one, they were not because the Government was getting a larger slice, Mr Kilian said.

'I welcome anything done to combat inflation but these are long-term measures which do not really face up to the intricacy of the whole problem.'

The cutback in Government spending at all levels and the appeal for restraint in wage demands and profit margins were welcomed by all sectors of the community.

The director of the Co-ordinating Consumer Council of South Africa, Mr C. J. Reinecke, said he welcomed the Government lead and looked forward to seeing how it implemented the proposals.

'The consumers need an example to follow,' he said. 'I am very happy about the call to entrepreneurs to pass on price reductions where possible and to consumers to discipline themselves'

This was in line with the council publicity programme which encouraged consumers to take another look at their buying habits.

CO-OPERATION

Mr Reinecke promised the co-operation of the council in imparting information to consumers.

'If all the various bodies mentioned by the Government yesterday co-operate, it (the anti-inflation campaign) must succeed,' Mr Reinecke said.

Mr Raymond Ackerman, head of the Pick 'n Pay chain, agreed with the appeal to entrepreneurs not to increase prices beyond the barest minimum required to recover unavoidable cost increase, but said unfortunately this was not done by many people.

He called for 'really hard-hitting measures such as a jail sentence' against collusion and retail price maintenance.

Mr John Drake, president of the Chamber of Commerce, said he was particularly pleased with the proposed cutback in Government spending not related to the creation of productive infrastructure.

U.P. MP calls for stronger action

Argus Political Staff

THE Government would have to put substance into the words of its programme of action against inflation, the United Party spokesman on Labour, Dr Gideon Jacobs, MP, said today.

He was commenting on the collective programme of action against inflation announced by the Minister of Economic Affairs, Mr J. C. Heunis, yesterday.

Referring to the clause in the programme by which it was agreed that all levels of Government would examine all legislation and regulations which had a cost-raising effect on the economy, Dr Jacobs commented:

'A classic example of a cost-raising effect is the border industries scheme of the Government's. It costs R6 000 to R8 000 for every job opportunity created for a Black worker there, whereas in the established industrial areas it costs R2 000 for each additional job opportunity,' Dr Jacobs said.

In another clause it was agreed that education and industrial training of Blacks in White areas should be stepped up. This was a departure from previous Government attitudes on Black labour.

When the U.P. had in previous years spoken of the need for a crash training programme, the Minister of Labour, Mr Marais Viljoen, had sneered at the UP and claimed this would be 'opening the sluice-gates' for Blacks to flood into White areas.

But, Dr Jacobs said, Mr Viljoen had mentioned in his speech in the Assembly only yesterday that there was now not only a shortage of White workers but also of Black workers 'The question is: What are they going to do about it?' Dr Jacobs asked.

To achieve greater productivity it was essential there should be mobility of labour. Labour must be able to move vertically from less productive to more productive jobs.

Dr Jacobs said this was being prevented by the Government's job reservation policy and it was also difficult under Government policy for workers to move from agriculture to industry

News by J. Pattern, 122 St George's Street, Cape Town.

150A

Labour backs inflation fight

Rand Daily Mail 18/6/75

By DENIS BECKETT
Labour Correspondent

ORGANISED labour is willing to co-operate in the Government's programme to combat inflation announced this week — but warns that labour's support will depend on equal effort by other groups in the economy.

Mr Robert Kraft, assistant general secretary of the Trade Union Council of South Africa, said yesterday Tucsa welcomed the campaign.

"I don't think anyone will see this programme as the final word in the fight against inflation," he said, "but if we are going to protect our future incomes then all parties must give it a good try."

Mr Kraft warned that if workers were going to have to tighten their belts, then the other parties — Government and business — would have to be seen to be doing the same

"Retailers in particular have a heavy responsibility to keep prices down."

Mr Kraft said Tucsa's individual affiliated unions would decide for themselves how to interpret the call for "great restraint" in wage demands.

However, Tucsa would not recommend its affiliates accept less than the rise in the consumer price index.

A significant aspect of the programme was the emphasis on Black job advancement, Mr Kraft said. This was now being seen as a vital anti-inflationary measure.

Mr Wally Grobler, general secretary of the Confederation of Labour, said he hoped the programme would achieve some impact

(1) 150 A
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Reef factory sacks strikers

RDM 19/6/75

Labour Correspondent

THE 320 African workers who went on strike in Germiston on Tuesday have been fired

The workers, the entire African staff of the Superocla concrete and asbestos company's Germiston factory, were protesting against the treatment they were given at the factory, and against their wages.

After spending the whole of Tuesday at the factory gates, the workers agreed to return to work yesterday morning, and to elect spokesmen to negotiate with management.

Yesterday, however, the strike continued The workers refused to start work until their spokesmen reported back after meeting management, and management refused to hold this meeting until the workers were back at work.

After consultations by telephone with lawyers, police, and government departments, the company's area manager, Mr R E Pearson, announced to the workers that they had all been dismissed The workers cheered loudly and dispersed shortly afterwards

The workers have been told to collect their pay today.

"We expect many of them to ask for their jobs back," Mr Pearson told the Rand Daily Mail. "We will re-engage those we feel are the sort of people we want"

Mr Pearson said the statutory works committee in the factory had been entirely ignored in the strike. The works committee members had participated in the strike, but completely different people had been elected as spokesmen during the strike.

Mr Pearson said a large majority of the strikers had been forced to join the strike by intimidation.

Workers on the scene yesterday alleged that senior factory officials used abusive language and racial insults towards them

They claimed that employees were being sacked at the rate of 10 a week, and said they were demanding an increase in the minimum wage from 40c to 60c an hour.

Mr Pearson denied that the factory was dismissing 10 people a week. Many employees were going of their own accord, he said, often because they had found better jobs or for other practical reasons.

"A total turnover of 10 a week in a factory our size is not exceptional," he said.

The factory had recently been taken over by Superocla, Mr Pearson said. "We have had a lot of difficulty imposing discipline."

20/6/75

150 A

Business leaders are pondering how to respond to the Secretary for Commerce's proposal for profit curbs. Whatever their decision, it won't cool inflation

Behind the sheep's clothing

It had to happen Government has consistently been afraid to tackle inflation with the only measures that really work — curbs on the money supply and public sector spending. As a result, the pace at which prices are rising has reached danger point and Pretoria has panicked

Moves are now afoot to persuade organised commerce and industry — the FCI, the AHI, Seifsa, Assocom and so on — to accept "profit guidelines" which, in effect, would amount to interference with the market mechanism on a scale hitherto unknown in this country

Behind the sheep's clothing of rhetoric, pleas for restraint and pious promises lurks the wolf of Chris Heunis's harmless looking text for combatting inflation

The wolf has already been sniffing around in Johannesburg Called recently to an urgent meeting in the financial capital, delegates from commerce and industry were confronted with the first hard proposal to emerge from the programme. Spelt out by Secretary for Commerce and Price Controller, Joep Steyn, it amounted to a request that the leaders of organised commerce and industry should persuade their members to accept specific curbs on profits

The curbs

- Any company earning more than 15% (before interest charges and before tax) on operating capital (whatever that may mean) should be permitted to pass on only 70% of any local cost increases, the remaining 30% to be a charge against profits
- No restraints would apply to price increases made necessary by higher import costs and no restraints at all would apply to companies earning less than 15% on operating capital

Organised commerce and industry have been asked to respond to Steyn's proposals by June 30, which is only 10 days away They could do so in one of two ways, it seems They could reject the proposal out of hand. Or they could accept it on certain conditions

The case for rejecting profit control of this or of any other sort is a strong one In a free enterprise system, profits perform an essential function They attract resources — entrepreneurs, capital, labour — to those parts of the economy where the consumer signals that they are needed; not to where some bureaucratic planning agency says they are needed, but to where the man-in-the-street, through his spending patterns, says they are needed

If monopolistic practices are interfering with this adjustment process and inflating the prices and profits of some firms — as in many industries they are — these practices should be attacked frontally, by declaring them illegal, by encouraging competition from imports, or by using the many other weapons at the disposal of the monopolies division of the Board of Trade and Industries There is absolutely no need to resort to price or profit control for this reason

Once profits are distorted by arbitrary control, the consumer's signals become blurred and resources end up in the wrong places They are wasted That is the first and most essential point

The second is this Profit controls, whether voluntary or enforced, do not, will not, and cannot, cure inflation They only repress it As every first-year economics student knows — and as Steyn himself would surely attest — if there is anything worse than open inflation it is repressed inflation

Keep prices artificially low today and tomorrow (if you fail to remove the main causes of inflation, which are excessive money creation and government spending) you will have to raise them by double Look at what Steyn himself is having to do in the steel, coal and cement industries

Let it not be forgotten that the West German economic miracle of the Fifties was in very large measure the result of Ludwig Ehrhardt's courageous decision to scrap *all* price controls

Thirdly, if the economy is to become more efficient so that living standards can be raised, if it is to expand so that more jobs can be created, it will need more profit, not less, for investment

Finally, SA needs an immense amount of foreign capital Curbs on what that capital can earn and distribute are the surest way to frighten it away

For these reasons Steyn's proposal should be rejected But unfortunately there is a strong tactical counter-argument rejection could well invite an extension of *compulsory* price control The Machiavellis within organised commerce and industry might thus wish to consider an alternative approach accept some voluntary restraint, but on one very specific condition

The rationale

Profits, as Steyn has acknowledged, are already substantially overstated, not only in company reports, but also in tax returns to the Receiver Declared profits are overstated because the Receiver insists that historic and not replacement costs (which in an inflationary world are much higher) be used as the basis for calculating depreciation

Organised commerce and industry should insist that, in return for accepting Steyn's proposal, this should be radically changed They should demand from the Minister of Finance a specific commitment that, as from the *next* Budget, replacement costs should become the basis for tax purposes

That would go a considerable part of the way towards compensating commerce and industry for the reduction in profitability that would certainly occur if firms earning more than 15% agree to absorb 30% of all local cost increases It is the very least that organised business should demand as a *quid pro quo*

Greater monetary discipline is the only way to douse the fires of inflation. So government must learn to curb its big-spending habits

Flooded with money

FM 20/6/75

150A

Inflation is solely and entirely a question of the quantity of money — Friedrich A von Hayek, one of the world's leading economists, writing in The First National Bank of Chicago's *Report* of May 1975

Whether one agrees with the great Austrian economist or not, there is little doubt that the double-digit inflation of the past couple of years has been closely linked (certainly in SA) with massive increases in the money supply

There is little doubt, too, that without *further* huge increases in the money supply, it would be impossible for the general price level to continue rising as fast It is true that the existing pool of money could be turned over more rapidly, but that would hardly be enough to finance price rises on the scale now being experienced

One would therefore have expected the money supply to be one of the features of Chris Heunis's long-awaited *magnum opus* on the subject of inflation It is Four lines are devoted to it

Lest that appraisal sounds ungenerous, let it quickly be added that those four lines are, (or, more correctly, could be) by far the most important

"The increase in the money supply," they read, "should not be allowed to become excessive in relation to the actual or expected increase in the GDP and the appropriate interest rate mechanism should be effectively applied "

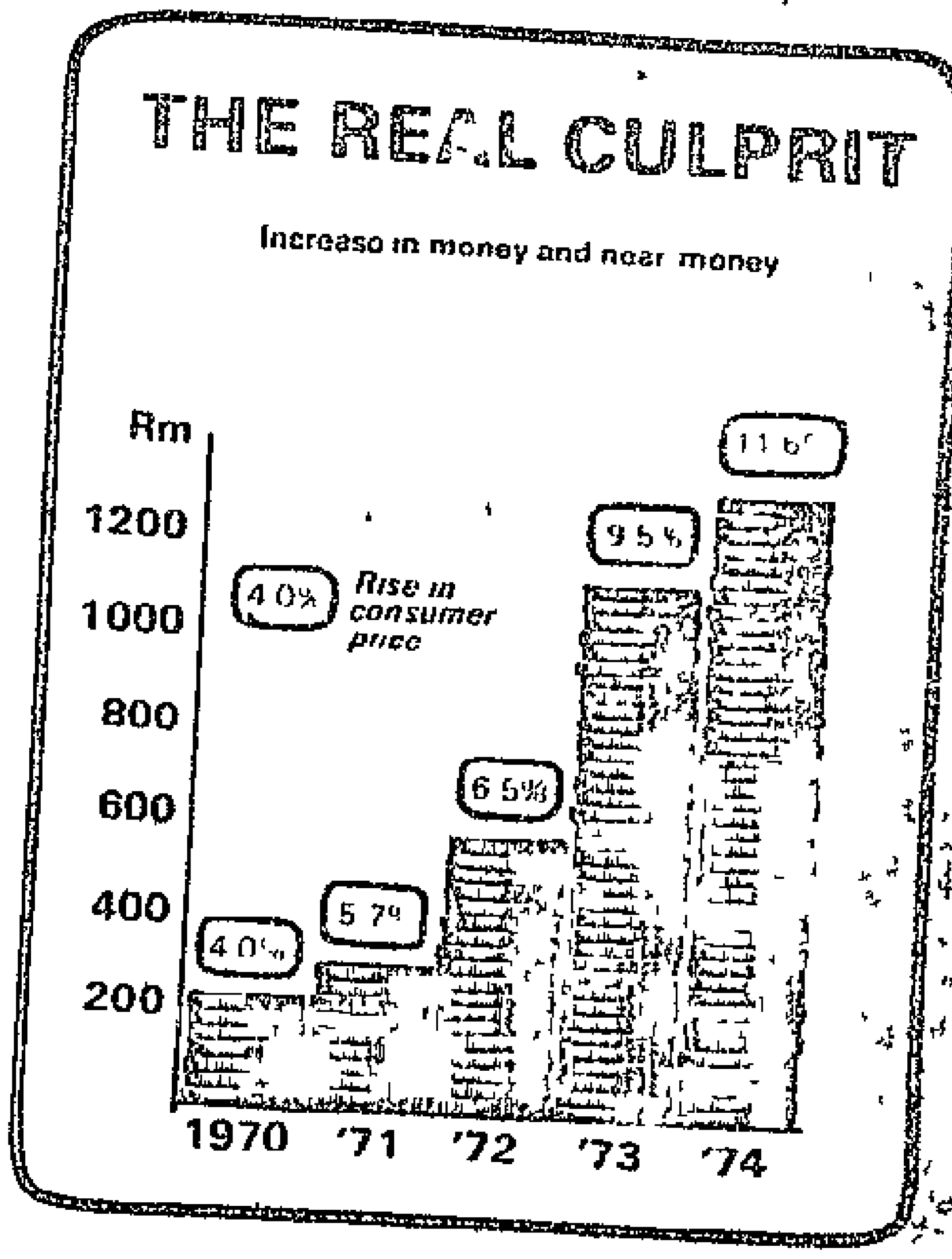
The key word of course is "excessive". Until it is defined, the whole programme of action is not worth the paper it is written on

In fact, the same criticism can be levelled at every part of the programme There are plenty of good intentions, but as Dr Johnson once observed, hell is paved with those

For instance, the programme aims at "a cutting back of expenditure, where possible, at all levels of government " What does "where possible" mean? And how much of a cut is envisaged?

Again "The education and industrial training of Blacks in White areas (in townships and industrial complexes) should be stepped up" To what figure does that raise the 1976-77 Bantu Education Vote? By which date will free compulsory education for all be introduced? When will we see fully fledged technical training colleges for Africans opened in urban areas?

In fact, the programme, which also calls for wage and price "restraint"



(where does that leave the laws of supply and demand?) is rendered almost totally ineffectual by its vagueness. Its only use, if indeed it has one at all, might be to persuade the Governor of the Reserve Bank, Bob de Jongh, who is supposed to be an independent guardian of the value of our money, that a great number of people are now very cross at the way the currency is being debased and that the time has come for greater monetary discipline.

Not for a sudden, severe, disruptive liquidity crunch, but for a gradual yet relentless return, within two or three years, to a position where, from one business cycle to the next, the money supply is allowed to rise by an average of no more than 10% pa, which ought to be plenty to finance SA's real growth potential And, equally vital, to a position where the government stops grabbing more and more resources at the expense of the private sector.

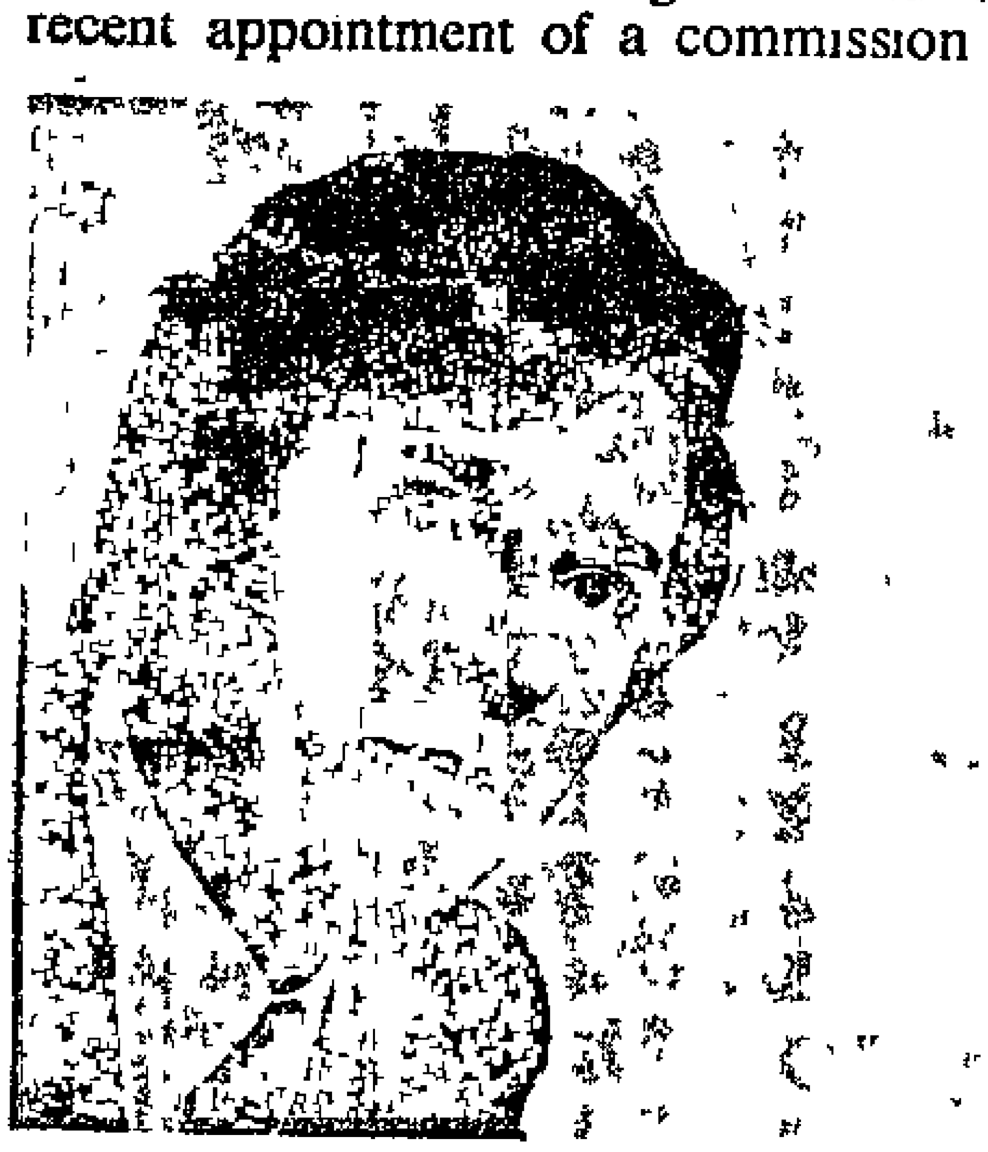
FM. 20/6/75 150A

QUESTIONS AND ANSWERS

Inflation and unfair traders

Is there such a thing as unfair trading and if so what exactly is it? There are probably as many opinions as there are consumers Next week the National Development & Management Foundation (NDMF) is to hold a seminar on marketing within the law, at which leading marketers, administrators and academics will air their views and hopefully hammer out guidelines for all those whose business it is to sell

Among the speakers will be retailer Raymond Ackerman, politician Harry Schwarz and economist Arnt Spandau As a curtain-raiser for this important conference* and bearing in mind the recent appointment of a commission to



Arnt Spandau . . . collusion should be severely punished

look into the state of competition in SA (*FM* last week), we gathered the three of them round a table to hear their views We kicked off by trying to establish how much collusion there is between suppliers:

Ackerman: I believe it is very, very extensive. The Regulation of Monopolistic Conditions Act has no teeth, which is the fault of those who softened the legislation to protect vested interests. I say this with a bit of knowledge. I have gone into it deeply

One of the problems is to prove that there is collusion To get proof of resale price maintenance (which is a crime) is easy — if you use a tape recorder The number of conversations I have had that are totally illegal from other person's point of view would surprise you But I don't tape record anyone.

Trying to prove collusion is more difficult, although we know it is happening Take the recent increase in the price of cooking oil I know this came through a government board But the price of cooking oil has gone up from approximately 38c two years ago to over 65c There is a complete agreement between the cooking oil companies They actually carve up the country in a true cartel operation When I try to throw light on the subject, I am told by the producers that it is really the Oilseeds Control Board that defines the price *We* can't help it, they say Similar things are happening all over

Spandau: In Germany the complete arsenal of the Criminal Procedures Act is used to investigate the files of companies Employees of the Federal Cartel Office and the police sometimes invade companies on a Saturday night They block off whole offices for a number of hours and look through all the files A good and a very intensive job is done

And the penalties are extraordinary The penalty is 150% of the estimated additional revenue made by the company by having collusion In one case it ran into something like R12m Apart from this, of course, you have prison

What I want to say is that the sort of situation we see in SA, namely collusion between big suppliers, should really be very severely punished

What do you feel about price control?

Schwarz: Normally price control is undesirable, but in the type of inflationary system with which we are living, I think you may not be able to avoid it in respect of certain essentials

One of the difficulties in SA is that you have a large variety of boards operating outside the ordinary price control regulations, which, in fact, determine prices mainly in the interests of producers Consumers are represented on the boards but you do not have completely free appointments So the consumer actually has no real influence on prices, and it is only the government that can protect his interests

Ackerman: Nor is the retailer represented We, more than most, know the abuses that occur in the market place Any retailer worth his salt must interpret what the consumer wants So a consumer, retailer and producer on a board — the three together — would, I think, do a far better job

What other measures ought to be introduced to increase competition?

Spandau: Revalue the currency and at the same time encourage imports In my opinion the rand is excessively undervalued If a currency is undervalued, there is a premium on exports and a penalty on imports SA should pursue a policy that would allow overseas competitors to get a firmer grip on the SA market I believe if it were not for this unfortunate undervaluation of the rand, price competition would be much keener in the internal market

Ackerman: I believe one of the chief problems is the power of the big retail chains I was confronted recently by one of the major retailers who came to me and said unless I changed every one of the suppliers I am buying from for our hypermarket, he would threaten those suppliers The power of the giant chains is being totally abused When we opened our hypermarket we first of all were boy-

Harry Schwarz . . . the consumer has no real influence

cotted by many of the branded goods suppliers, who said "we can't afford to give you goods because the chains would, and have, threatened us"

So then we went into house brands. One of the house brand firms came to see me and said "If you don't stop buying from the suppliers who are making my quality house brands, we are going to threaten those suppliers that it is either Pick n Pay or us"

I think these things must be aired and these people warned I am not suggesting they should go straight to jail But the big stick has to be used, otherwise we are going to have more and more inflation

The Board of Trade should take one or two people seriously to task, as in Germany Then I think we would have half of the problem falling away

Schwarz: The difficulty is that the lobbies that are not supposed to exist in SA politics do exist, to a large extent producers have influential voices

I think, however, there is a change

* *To be held on June 25 and 26 at the Carlton Hotel in Johannesburg.*

STAR 28/6/75 (150A)

Between a third and a half of South Africa's inflation could be caused by restrictive trade practices by businessmen, senior marketing executives were told today.

They are meeting in Johannesburg to consider the facts of marketing within the law at a time when angry consumers are criticising business practices and when the Government is moving towards changes in the law to bring price-fixing and monopolistic practices under more strict control

The two-day symposium has been organised by the National Development and Management Foundation of South Africa.

Professor Arnt Spandau, head of the department of business economics at the University of the Witwatersrand, today outlined the wide range of restrictive practices open to South African businessmen.

Of these, Professor Spandau said, the four most prominent were cartel agreements, price recommendations, mergers and restrictive tendering.

Cartel agreements, of which there was no general legal prohibition, had as their object "control of the production or marketing of a commodity through the restriction of output, allocation of markets, joint price-fixing or other similar means."

"Prices," Dr Spandau added, "are usually fixed well above the competitive level by the prevention, restriction or elimination of competition."

BOYCOTT

Dr Spandau said that although resale price maintenance was unlawful it was still lawful for manufacturers to recommend prices for their products. Many retailers simply followed the recommended price.

It was certainly illegal for a manufacturer to withhold supplies from a retailer because he insisted on undercutting the recommended price.

"Yet, provided the manufacturer does not reveal the true reason for his boycott there is very little the retailer can do to enforce delivery," Professor Spandau said.

'Selling methods trap the poor'

Some businessmen created an artificial demand for goods through misleading or false advertising often designed to trap the poor into buying goods they neither needed nor could afford, Mr Mike Katz, a legal man and company director, said today.

Mr Katz was first speaker at a symposium on "marketing within the law" being run in Johannesburg by the National Development and Management Foundation of South Africa

He said the need for a variety of protections for the consumer was obvious.

Mr Katz quoted the American consumer advocate, Mr Ralph Nader, as saying that consumers were beginning to vent anger and frustration on businessmen, and this was one of the reasons for the big increase in shoplifting.

Speaking on the Regulation of Monopolistic Conditions, he said this Act was "woefully inadequate" and it should be considerably strengthened.

SMALL PRINT

Among means which some businessmen used to obtain customers or to practise restrictive measures was the use of small print in contracts.

Parliament forced them to put certain clauses into hire purchase and other contracts but use of small print had become widespread. In one case a judge had to use a magnifying glass to read some clauses.

Another means sometimes used was that of exclusion clauses written into contracts to protect merchants from implied liability for defects.

Even if the "very weak protection" offered by law was not strengthened there was need for voluntary restraint by businessmen.

STAR 26/6/75 (150 A)

Expert fears disaster

Labour Reporter

A leading economist has predicted disaster or "political change with unpredictable consequences" unless there is a reallocation of income in favour of the poor.

Mr Merton Dagut, manager of Group Economic Services of Nedbank and Syfrets-UAL Holdings, was speaking yesterday at a Black wages symposium held by the Institute of Personnel Management in Durban.

"Serious inflation occurs either because a fraud is being perpetrated or because a reallocation of resources and of income is being resisted, or both," Mr Dagut said.

He argued that the prospect of an easing in inflation next year presupposed that a reallocation of income had taken place, with the real incomes of the poor having risen.

EXACERBATED

The maldistribution of income in South Africa was already a source of tension. This was being exacerbated by the high rate of inflation, coupled with the income-squeezing effect of the economic slowdown.

If a reallocation did not occur, "the pleasant picture must be discarded in favour of either a disaster scenario or one of political change with unpredictable consequences," Mr Dagut said.

Mr Wells Ntuli said inflated White wages could not be justified in terms of the contribution made by these people. Heavily inflated wages for people such as artisans represented the greatest obstacle to a redistribution in income.

150A

Low income warning

Natal Mercury 26/6/75

African Affairs Correspondent

SERIOUS inflation occurred either because a fraud was being perpetrated or because a re-allocation of resources and of income was being resisted "or more usually because both are occurring simultaneously," Mr. Merton Dagut, Chief Economist for Nedbank and Syfrets-UAL Holdings, said in Durban yesterday.

Speaking to an Institute of Personnel Management conference on Black wages, he said inflation was an expression, through the price mechanism, of social or political forces.

The maldistribution of income in South Africa, already a source of tension, was being exacerbated by the present high rate of inflation coupled "with the income squeezing effect of the economic slowdown."

If there was not a rise in the real incomes of the poor, the "pleasant picture must be discarded in favour of either a disaster scenario or one of political change with unpredictable consequences."

White spending accounted for about 66 percent of all private consumption spending in this country in 1973 "Few facts illustrate the degree of income maldistribution better than that one."

The problem of raising the living standards of the poor was urgent.

SA workers are still keeping their heads above water

RDM 27/6/75

150 A

DENIS SACKS

THE REAL income of Africans is increasing at a faster percentage rate than that of Whites although the wage gap, in absolute money terms, is still widening

This will continue unless a drastic change occurs in the structure of African wages

In the two-year period from December 1972 to December 1974 African wages outpaced inflation by 59 per cent compared with an upward shift of 6 per cent in the real wages of Whites in the mining and quarrying, manufacturing, construction and electrical sectors

On the other hand average White wages in the four sectors under study rose in monetary terms by R128 compared with a rise of R39 in African wages.

During the two-year period the average wage of all South Africans in the four sectors increased from R128 a month to R180 a month — an absolute increase of 40 per cent. In the meantime the cost of living rose by 23 per cent

These figures, which have been calculated from data issued by the Department of statistics, indicate that despite the moans and groans regarding inflation, South African workers are generally keeping their heads above water and are in fact experiencing an ever-rising standard of living

By far the biggest jump in wages — in real percentage terms at least — came amongst African workers in the mining and quarrying sector with a leap of 146 per cent up to the end of December

Since December there has been a further increase of 37 per cent in the starting wage for Africans on mines affiliated to the Chamber of Mines

In comparison the real wage of Africans in the electrical sector rose by 49 per cent, in the manufacturing sector by 48 per cent and in construction by 40 per cent

Amongst Whites, miners once again experienced the largest increase — 26 per cent in real terms — compared with a 4 per cent increase in manufacturing, 2 per cent in construction and a 3 per cent drop in the electrical sector

In spite of the massive increase in African wages — in percentage terms — the wage gap will continue to widen in the foreseeable future because the basic remuneration of Africans is so much lower than that of Whites

For instance, although there has been a rapid increase in African miners' wages they still remain the lowest paid in the four sectors, earning an average of R62 a month in December

The average wage being earned by African miners, before the recent increase, on mines affiliated to the Chamber of Mines was R74 a month

Among Africans, workers in the electrical sector receive the highest average earnings, R115 a month

The highest paid White workers are those in mining and quarrying who earn, on average, R630 a month, compared with the lowest paid in the electrical sector who earn an average of R532 a month

150A

~~(1) 246~~
~~(2) 344~~
(3) 150A

Holding at 15%?

FM 27/6/75

To hold employees' living standards unchanged over the next 12 months, a staggering extra R950m would be needed to finance an across-the-board 15% wage increase (see table). Rewards for productivity, promotion, and so on will have to come on top of that.

Trade union leaders, while prepared to have their arms twisted in the direction of restraint seem unlikely to settle for less. That, at least, is their stance now, following Chris Heunis' plea for moderation

Recent wage hikes, which trade unionists see as no more than a holding operation pending wide scale linking to the CPI, include:

- Mining: 14% increase for Whites and a 25% increase in the minimum wage for Black workers
- Construction: 5% for White minimum wage scales and 2,5% for Black
- Iron, steel and engineering workers: an 8%-15% CoL allowance.
- Transvaal transport workers: a 7,5%-15% hike in wages actually paid.
- Johannesburg and Pretoria municipal employees: 10% increase in actual wages from July 1 and a further 5% in January.
- Transvaal knitting industry: wages and salaries to be linked to the CPI from July 1.
- Wage Board: several minimum wage rates in various industries have been increased
- Railway, Post Office and public servants: linking of wages to the CPI is being considered at Ministerial level They have not been granted an increase since last July The outcome will involve a major policy decision — and be a trend setter

THE WAGE BILL

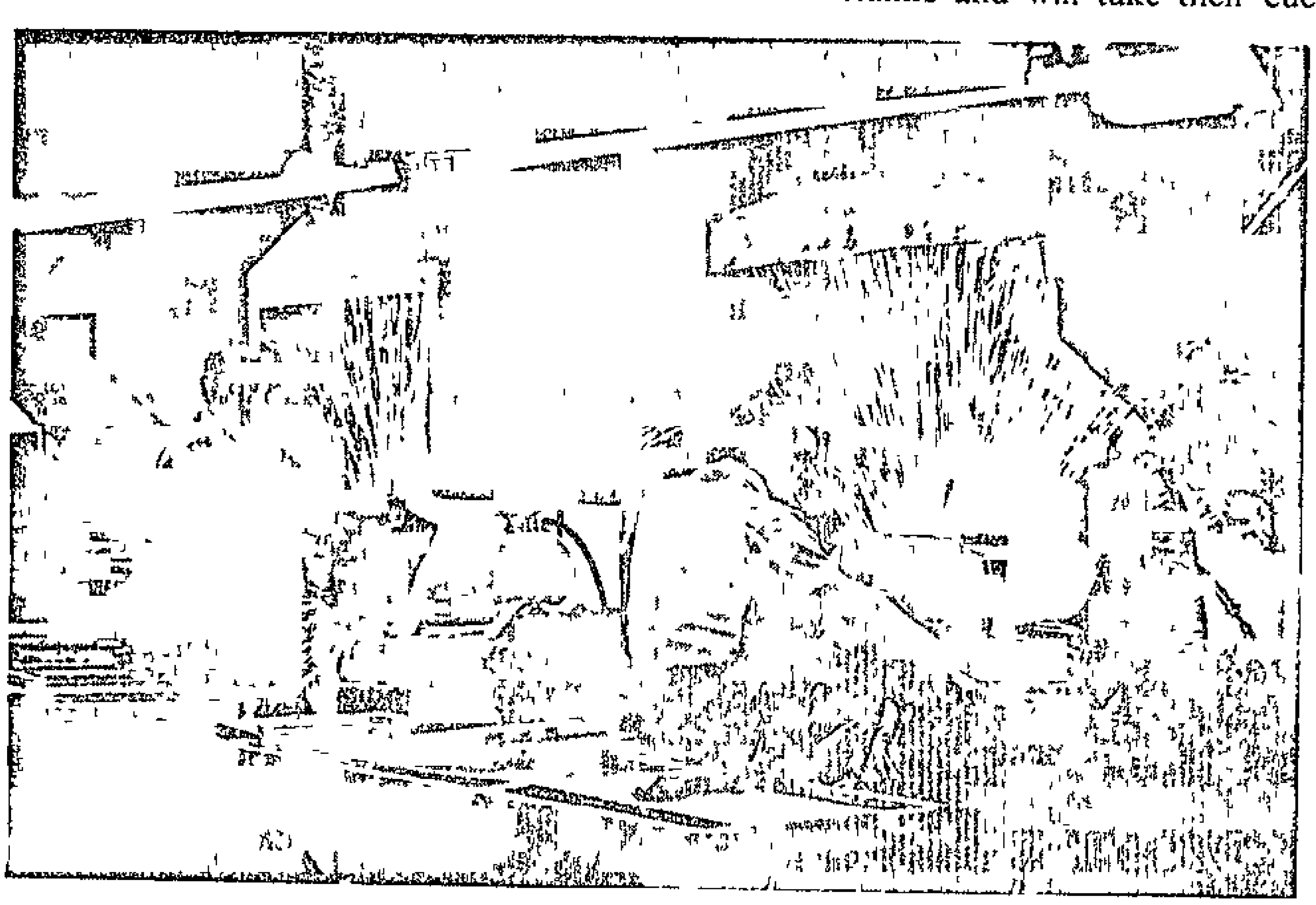
Industries	*No employees	*Total annual wage bills
Mining	700 000	R780m
Manufacturing	1 300 000	R2 400m
Construction	400 000	R540m
Finance & commerce	100 000	R [illegible]0m
Wholesale & retail	200 000	[illegible]0m
Public servants (excl PO)	370 000	R1 440m
Total		**R6 360m**
15% increase in wages		**R954m**

[illegible]

As a result of worsening inflation, wage agreements are revealing new trends according to Tucsa's Robert Kraft

- Wage agreements tend to be for shorter periods.
- More sectors (like the engineering industry) provide for interim wage relief in the form of increments linked to the CPI
- Negotiations are becoming tougher for both Whites and Blacks
- Lower income groups are tending to get higher percentage increases than the better paid
- Unions are pressing harder for wages to be linked to the CPI For example Transvaal knitters' wages will be linked with the "all items" CPI index from July 1 and reviewed every six months

Employers, for their part, are anxiously awaiting the settlement of public servants' claims and will take their cue from the government's decision At the back of their minds is the possibility of a package deal with government in which they will be required to absorb 30% of all local cost increases, including wages.



South African metal workers . . inflation's cutting their living standards

1

150 A

Linking y to the Co

RDM 27/6/75

Say you earn R100 a week. Cost of living goes up 14 per cent, so your wage automatically goes up to R114. That's what is called index-linking. It is a concept new to South Africa. The trade unions like it. Employers do not. DENIS BECKETT, Labour Correspondent, handles this latest industrial hot potato.

"INDEX-LINKING" still sounds a little vague and academic to most South Africans But then, so did inflation not so very long ago

Index-linking is in fact a child of inflation and is possibly, just possibly, a solution to it

What it means is that wages are tied to a cost-of-living index, and thus increase automatically with the rate of inflation

You earn R100 a week. The CoL goes up by 14 per cent and your wage automatically goes up to R114 Simple in principle, and there are obvious and enormous advantages

But there are drawbacks, not least the incredible complexity of the actual detail

Lately, and dramatically, the subject of index-linking has become one of the hottest potatoes in industrial debate The trade unions are pushing for it, generally speaking, and the employers are against

This would logically suggest that the system would be more advantageous to workers than to investors But logic is a flimsy word in this untrodden and emotional sphere

Mr Robert Kraft, Trade Union Council of South Africa economist and captain of the pro-linking lobby, claims the system would be to the benefit of the country at large. If anybody can persuade him otherwise, he says, he'll back down

Just at the moment it seems that no one can persuade him otherwise Employer attitudes — to generalise again — are so vague they are laughable To quote the view of one very, very prominent industrialist· "It goes against the grain, old boy."

Consider the benefits the system might bring wage earners would no longer have to keep up the present frantic sprint just to stay in the same place

Wage negotiations would become what logically they will one day have to be — rational measures aimed at improving the standard of living instead of desperate attempts by the unions to squeeze compensation for past and anticipated lost place out of employers

The man in the street will no longer have to fear a rise in the price of milk, or petrol or garden gateposts His comparative buying power will be restored to equilibrium

Debtors would no longer benefit at the expense of creditors Pensioners, with no bargaining lever, would no longer have to watch their date-of-retirement pension dwindle in time to a fraction of its original real value

Caution

But then, there are the arguments against. Judged by weight of numbers alone, the majority of these are simply and categorically ridiculous The employers whose views were canvassed by the Rand Daily Mail were almost universally opposed, but few knew why they were opposed

"It will remove incentive It will prohibit merit reward and so on

In fact, the system leaves exactly the same room for individual adjustment as there ever has been. But there are also more valid grounds for caution.

Greatest of these is the fear that index-linking would institutionalise inflation and lead the economy into a mad tail-chase-the-dog syndrome with total chaos resulting

Mr Kraft, strongly supported by University of the Witwatersrand economics professor Arnt Spandau, denies this Not only would it not promote inflation, he says, but in fact it would positively reduce it.

Mr Kraft's and Professor Spandau's reasoning is that since the greatest cause of inflation is excessive spending, by removing the economic incentive to spend fast, index-linking diminishes inflation

In the present system, with inflation rising faster than interest rates and costs rising more erratically and generally faster than salaries, it is to the individual's disadvantage to hold on to his money — and to his advantage to spend it as fast as possible

A third possibility is that index-linking would indeed institutionalise money inflation — while simultaneously drawing its teeth That is, money costs might climb ever higher, but if the system is properly controlled no one would ever be the worse off

It would merely mean, in this case a drastic departure from the idea of money nominalism — the belief that money has an independent value

The Mint would have to work overtime, and the public might have to get used to handing out large green notes for a small piece of chewing gum

Paradoxically, there is no real harm in that, as long as incomes remain proportionate And every now and again, *a la* the French relegation of old francs into centimes, we would simply redesign the units and start again — when theatre tickets cost hundreds and cars cost millions the accounting machines tend to get clogged up and people lose count of the noughts

Exchange

It's awkward all right, but a little awkwardness would be a small price to pay if with it the disruptions and distortions of inflation could be overcome

There are other difficulties Capital and interest rates would also have to be linked Foreign exchange matters would have to be regulated by a vast bureaucratic army with not a few economic geniuses heading it. The government's ability to control economic patterns by fiscal regulation becomes more complicated.

Moreover, a lot of tricky policy matters would be involved There would have to be a cut-off point, for example If indexing is going to benefit the R20 000-a-year executive to the same extent as the R1 000-a-year labourer, the nominal wage gap soars to incredible heights

Index-linking is haphazardly securing a foothold in South Africa Transvaal municipal employees have just been promised an increase at least equal to the consumer price index rise The giant engineering industry has a partial linking system The knitting industry recently introduced a full one

The public corporations are understood to be well on the way to agreeing to indexing — but are keeping absolutely silent about it "The moment we let it out", one of the inner circle says, "the butcher the baker and the candlestickmaker all put up their prices"

Which pithily reveals one of the strongest arguments for index-linking in South Africa's present circumstances — that a partial system is more confusing, and more unfair, than either a total one or none at all.

Partial linking benefits the few people strong enough to secure it for themselves to the detriment of everybody else

Gains

Why, then, does the Government not at least examine the pros and cons of a full system — which has been successfully applied in Brazil, considerably less successfully in Finland

One possible factor has been mooted by Miss Joan Knox, senior lecturer at Wits Stronger people more often gain from inflation than weaker ones, she points out And the Government, the strongest party of all, gains the most

Tax rates are graded according to income, so the Government now gains higher real income for itself through the higher nominal earnings of its subjects, without needing the politically unpopular step of increasing tax rates

Ultimately, index-linking amounts to no more than a changed system of measurement It hardly affects the economic system as such, which is still adjudged by its ability to produce more than it consumes regardless of the money values attached to its products

But the change is all-important when people need to measure the size of what their income can buy

The last word on indexing is still to be said But in view of the disastrous effects of inflation on those who are least able to withstand it the issue deserves a full examination, and an open mind

150 A

Oude Meester chief warns on price control

ARGUS 4/7/75

IT IS INEQUITABLE and even dangerous for the economy of a country to apply price control as a form of profit control, particularly if the inflation factor is ignored, Dr W. R. Hertzog, chairman, said in the annual report of the Oude Meester group.

The company must therefore follow a conservative dividend policy, said Dr Hertzog.

The highly inflationery conditions referred to in the previous annual report and the view that it is inequitable to tax company profits without taking replacement costs into account, are likely to be placed before the standing committee on taxation by the Minister of Finance.

Group profit after tax for the year ended March amounted to R10,3-million as against R5,7-million for the previous period of nine months.

SHARE CAPITAL

During the year Intercontinental Breweries increased its share capital by R6-million through the issue of 12-million shares.

Beer and Malt Investment, which has a controlling interest in Intercontinental and in which Oude Meester and Rembrandt each have a 50 percent interest, underwrote this issue.

In the establishment of these trademarks a loss of R1,8-million is attributable to Oude Meester.

JOE NEPPE

150 A

ALARM IN WINE INDUSTRY

C/E ARGUS 5/7/75

By Don Lilford

THE gathering momentum of the consumer backlash on expensive wines — particularly reds — is causing ripples of alarm over a wide spectrum of the wine industry in the Western Cape.

The prediction, in some quarters, is that unless merchants reduce their prices, they could be landed with large quantities of wine for which there is little public demand.

EXORBITANT

It is widely conceded that the boom times of six months ago, when many varieties of red wines were virtually unobtainable and people were prepared to pay exorbitant prices for them, are gone. Today there is no shortage of red wine, but this has not arrested the recent trend of consumers to favour the cheaper red wines and even to give preference to whites.

Against the background of falling sales of table wines, the following developments have taken place recently:

- In mid-May, two of the biggest merchants — Stellenbosch Farmers Winery and the Oude Meester group — announced substantial cuts in the price of certain wines Some reductions amounted to 50 cents a bottle.
- Many wines, which until last week were only available on quota to distributors, are now available in quantity from merchants.

A spokesman close to the industry gave the following synopsis of how the red wine consumer backlash has built up.

'When the red wine boom was approaching its zenith and cabernet was a magic word, people dived in and bought in quantity — not so much for consumption purposes but to store away

'Stock became depleted and there was the feeling in some quarters that merchants or distributors were holding back in the anticipation of higher prices When large quantities of cabernet suddenly became available at the height of the boom when prices were at their peak, many consumers stopped and asked themselves why.

'This, in my opinion, was the nudge that stopped them from rushing for red wine Rather than pay the high prices, many of them decided to use the stocks they already had in their private cellars and a fair percentage converted back to white wines, which are cheaper than the red in the noble category.'

Mr I. J. Sacks, chairman of a large organisation of liquor discount retailers in the Western Cape, agreed there has been a definite consumer resistance to high priced wines — both red and white.

'This has not, however, been the result of merchants holding back stocks,' he said 'That, in my opinion, is simply not true

Prices are now rising faster in South Africa than in most of its trading partners. For an open economy like ours, the implications are disturbing

Inflation's other face

Less than a year ago a favourite trick of Ministers, when under attack for debauching the currency, was to turn criticism to advantage by drawing international comparisons Even the Reserve Bank, in its last annual report, was able to put SA's problem "in its proper perspective" by pointing out that "in an international comparison of the degree of inflation currently experienced, SA ranks among the countries with the lowest rates of price increases."

And indeed it did The Organisation for Economic Co-operation and Development (OECD), comprising 24 of the richest nations, regularly publishes a review of inflation rates in member countries

The latest to hand is for April 1975 From the review of exactly a year earlier, April 1974, it can be seen that SA's inflation rate (then 9,6%) was lower than in fully 18 of the 24 OECD countries.

And it was certainly a good deal below the OECD average of 12,4%

Yet what is the position just one year later? In the 12 months to April 1975 consumer prices in SA rose by 14,6%, a rate exceeded in only nine OECD countries, of which the more important were Australia, Italy and the UK The OECD average, meanwhile, had fallen from its peak of over 14% last October to 12,1% So SA's rate had soared to 2,5% *above* the OECD average

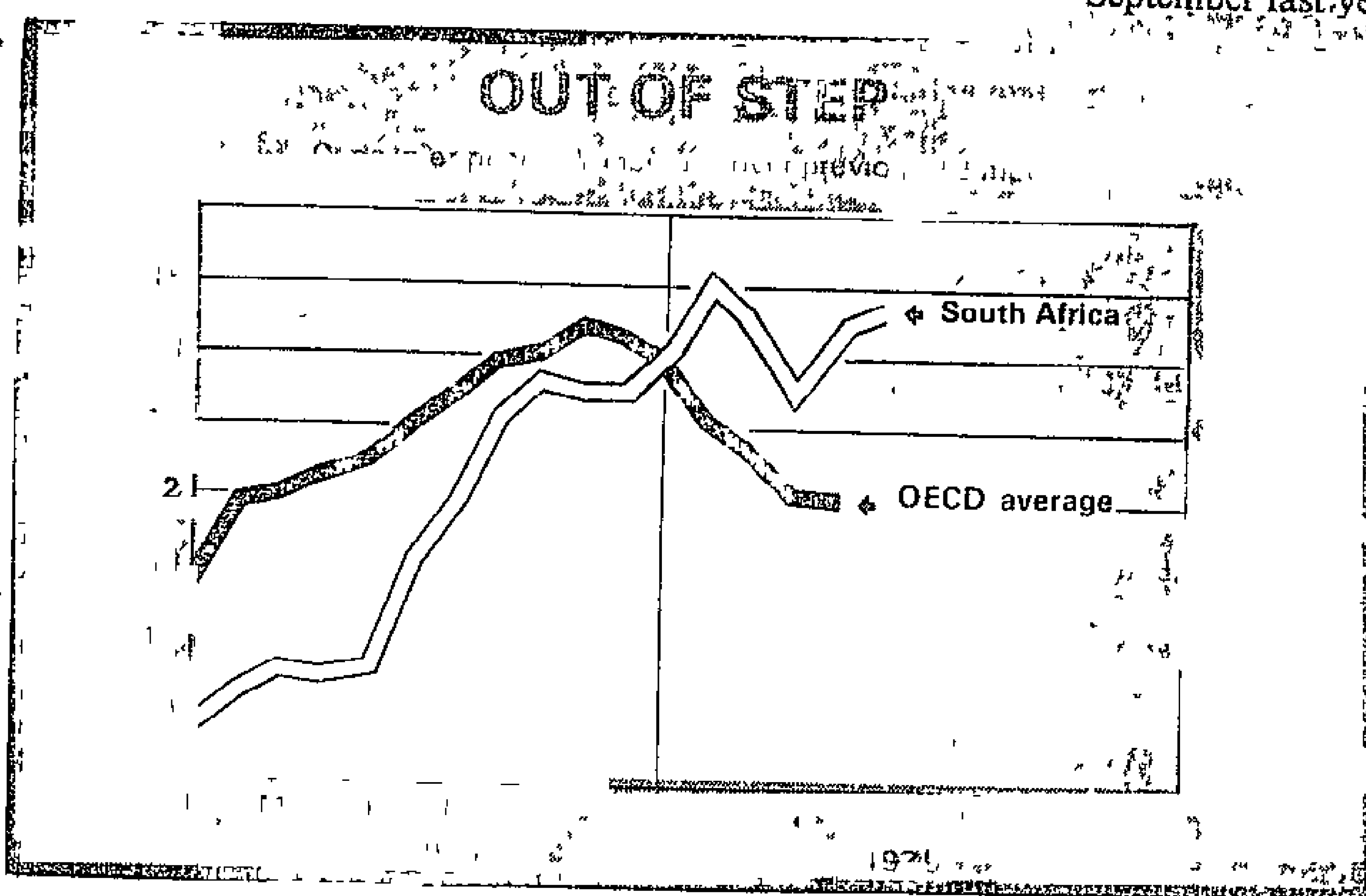
True, with the onset of an economic slowdown in SA, the pace of inflation has recently eased. Taking the latest three months' seasonally adjusted figures (March-May) and comparing them with the previous three months (December-February), it would appear that consumer prices in this country are now rising at an annual rate of 11% (see *The Statistical Picture*, page 170), compared with a peak of 18% in the third quarter of last year.

Under normal circumstances, one would expect the rate to fall even further in the months ahead, reflecting the continued downward swing of the business cycle.

That, certainly, has been the experience in many of the OECD countries As economic recession has deepened, so the rate of inflation has fallen

In some countries the decline has been dramatic This can be seen by comparing the increase in prices in the six months to April 1975 with the increase over the previous six months.

In Italy, for example, prices jumped by 13,8% in the six months to October 1974, but by only 7,1% in the following six months to April 1975 In the US over the same period, the fall in the six-month rate was from 6,4% to 3,7%, in Japan from 7,8% to 5,2%; and in France from 6,9% to 5,6%



In West Germany, where the inflation of the Seventies has been more moderate all along, prices rose by only 3,8% in the latest six months (which was in fact more than the 2,3% rise of the previous six months)

Only in Britain, which has its own special reasons, has deepening recession been accompanied by seriously worsening inflation, prices rose by a phenomenal 14% in the six months to April, compared with 6,7% in the previous six.

Unfortunately, "special reasons" are also to be found in SA. They concern price control.

Because of the way this has been applied over the years, a number of industries — steel is perhaps the best example — have become insufficiently profitable to generate funds from within for expansion, or to attract new capital from without for new ventures It is clear that many "administered" prices will have to be raised sharply over the next year or so to make investment attractive again, and this could arrest the moderate downward trend of SA's inflation rate, evident since September last year.

So, looking a year ahead, it is not at all impossible that the inflation rate in this country will remain markedly higher than the average abroad, And if the UK, which is still one of SA's most important trading partners, succeeds in braking its inflation rate to 10% by September next year, as Chancellor Denis Healey has promised it will, the gap could grow even wider.

This must surely be one of the most disturbing facts about the current inflation in SA, especially since foreign trade plays such an important role in our economy If prices continue to rise faster here than abroad, both exports and import substitutes will rapidly become unprofitable, the trade gap will widen, economic growth will falter, and the vital process of job creation will slow down.

We could keep on devaluing to regain our competitive edge. But in the end this would be self-defeating, unless the conditions making it possible for inflation to flourish are eradicated.

Those conditions are the Reserve Bank's incontinent monetary policies (which boosted money and near-money

— bank savings accounts and so forth — by 23% in 1973 and 22% in 1974) and government's profligate spending

If these policies continue to be pursued, SA could soon find itself stuck out on an inflationary limb. With prices rising faster here than abroad, further devaluations would become unavoidable, prices would rise still faster and pretty soon the economy would be thrust into a hyper-inflationary spiral

This is why fiscal and monetary moderation is imperative Some pump-priming may be necessary during downward phases of the business cycle, as now But in the long run — from one business cycle to the next — it is imperative that the money supply should rise on average by only a little more than the economy's real growth potential, which in the Economic Development Programme is estimated to be 6,4% pa.

Certainly, the average annual rise in the supply of money and near-money should be no more than say, 10% pa — which is a lot lower than the 15% pa by which the Reserve Bank allowed it to rise over the last business cycle, measured across its peaks of December 1970 and September 1974

Unless Pretoria really makes the effort to achieve this, SA can only slide further down the slippery slope

150A

Natal Mercury Correspondent 12/7/75

PRETORIA—The Minister of Transport, Mr. Muller, has been asked to urgently relieve the worsening plight of about 40 000 Railway pensioners, including widows of former Railway workers.

The secretary of the SAR Pensioners' Association, Mr. R. Abbott, said in an interview yesterday that the increases in living costs during the past few years had wiped out more than a third of the buying power of the pensions.

"We have asked the Minister to take into account the hardships being suffered by pensioners because of the price spiral, hardships can only be significantly relieved by a substantial increase in pensions."

Mr. Abbott said he received letters daily from pensioners from all parts of S.A. complaining about the inadequacy of their pensions and their desperate need for relief.

Pensioners were getting a two percent increase a year to compensate for CoL rises. But this, Mr Abbott said was patently inadequate when the present inflation rate of about 15 percent was taken into account.

Those in the most desperate plight were the workers who retired before December, 1973, when substantial pay increases were granted to Railway workers.

"We have asked the Minister to increase the pensions of this group by a third to bring them into line with the other pensioners," Mr Abbott said

The former president of the Federal Consultative Council of Railway Staff Associations and of the Artisan Staff Association, Mr. J. H. Liebenberg, confirmed that the pensioners were having a desperate struggle to maintin living standards.

"When they retired many of these people were relatively well off with their pensions. During the past four or five years, however, the effective buying power of pensions has dropped by nearly 50 percent."

Mr. Liebenberg said he retired three years ago and since then his pension had been increased by R4 a month, against a rise in the consumer price index of about 30 percent.

"This country and the Government must face the situation squarely. The number of aged people is growing rapidly. The problem of the aged is probably our greatest social problem."

Stop the wage war—Barclays

[illegible] Times (Bus Times) 13/7/75

(150A)

By COLIN CAMPBELL

THE Government could be forced to step in with compulsory controls to try to beat inflation unless employers and employees stop playing the wage/price game, the chief economist of Barclays National Bank, Dr Johan Cloete, warns.

"Even if such self imposed discipline over wage and price increases should mean a loss of profit, commerce and industry should be prepared to make the necessary sacrifice — for the long-term advantages far outweigh possible short-term losses," he adds.

In its latest "Business Brief," Barclays is generally optimistic about the economic prospects for South Africa, but deals at length with the dangers of a continuation of the pace of inflation.

The next strong business revival will be contingent on at least some reduction of inflation, but this doesn't look like happening in the near future.

"As for any appreciable improvement in the "real" economic situation of consumers and of economic units, this will be dependent on the balance of payments being substantially in surplus and credit more freely available.

"For this to happen, we shall have to wait for a general improvement in the industrialised economies overseas — and we are unlikely to start benefiting from such an improvement until next year.

"Because of the delicate state of the economic situation, Government measures concerning the change in the money supply and the level of Government expenditure will have to be clearly quantified, otherwise they are not likely to be effective.

"It also remains to be seen to what extent these monetary controls can be applied in the prevailing situation, when the economy is in a recession, and some pump-priming will obviously be required if the downturn in the economy is to be prevented from going too far."

Dr Cloete said current economic life is far removed from the text-books on economics, and prices seen in the market are seldom, if ever, market-clearing "equilibrium" prices in the classical sense.

If the present-day inflation is to be overcome, he said, the strategy being played by employers and employees — where each tries to defend his relative position at all costs — must be changed or rectified.

"If we don't stop playing this game, or at the very least reduce the intensity with which it is being played, we are not going to overcome inflation without inflicting considerable damage on the economy."

150 A

STAR 14/7/75

JOSEPH C HARSCH recalls how Germany once met — and mastered — an inflation very much worse than anything today.

How to stop inflation —at once

There was once an inflation considerably worse than any inflation which has yet happened among the modern democracies.

It was met, and mastered, by a Government which recognised that it had to be stopped

That was in Germany during the Weimar Republic It is worthwhile to recall exactly what happened.

The cause of the German inflation was unusual and bears no relation to present conditions. The Western allies who had defeated Imperial Germany in 1918 were determined to collect "reparations."

They imposed upon Germany a scale of reparations payments which John Maynard Keynes, the economist, estimated was three times the capacity of the German people to pay.

When German payments lagged, the French and Belgians invaded the Ruhr and attempted to collect their reparations by force in the form of coal and industrial products. The Germans went on strike

Since the industries of the Ruhr were essential to the entire German economy it meant that the German economy was virtually strangled. Inflation took off.

The time span involved was brief.

The unrealistic allied reparations demands were announced in January 1921 when the German mark was worth about 65 to the dollar Inflation grew fairly slowly at first

In January of 1922 the mark stood at 192 to the dollar. By July it was 500 to the dollar.

But the big jump came when the French and Belgians invaded the Ruhr in January of 1923

By August it took four and a half million marks to buy a dollar.

By November it had gone to four trillion to the dollar.

That was when the German Government took matters in hand, and when the Western allies realised that their reparations policies were self-defeating. They trimmed down the reparations to a bearable level

The remarkable thing about the story is that the German inflation was then corrected — within three months Germany has had a stable currency ever since — one of the most stable in the world. How? This is where matters can have some relevance to our times.

It was done by first issuing a new currency at one new mark to one trillion of the old. That meant a rate of four marks to the dollar which is close to what it has been much of the time since.

Next was the problem of keeping the new mark stable, which, of course, was the hard and the important part of the operation.

That was done by issuing a very limited quantity of the new marks and by not letting any Government department or private industry have more than its budget authorised or its earnings justified.

Every Government department was required to live within its income, which also meant dismissing surplus employees.

For business and industry it meant no borrowing to support a payroll beyond earnings.

For everyone, it meant, a sharp rise in unemployment.

Within three months prices were falling. Within six months unemployment was also falling as business and industry steadily improved.

The price was acceptance of six months of high unemployment. The reward was a sound and prosperous economy

It sounds hopelessly old fashioned and "square" Today's economists insist that it is possible to regain economic stability without the price of the interim period of high unemployment.

They may be correct.

We watch with fascination to see whether the British can overcome their inflation without accepting a rise in unemployment. We can all hope that there is a better way than the one the Germans used to stop inflation in 1923

But it remains an interesting fact that the German inflation was stopped cold in November of 1923 and that by spring of 1924 the Germans were back at work with a stable and sound currency. They have been doing well economically ever since.

Their winter of 1923-24 was hard, with long breadlines. But it is not the pangs of that winter which the Germans remember with horror to this day

It is rather the preceding months of inflation which wiped out the savings and the values of the great German middle class and thus produced the frustrations and the resentments which became the raw material of Adolf Hitler's politics. — Christian Science Monitor News Service.

STAR 18/7/75

(15C A)

'Inflation creates unemployment'

Leading South African economist Professor Ludwig Lachmann remains acutely pessimistic about the effects of inflation on the world economy

Professor LUDWIG LACHMANN is on vacation from a stint as visiting professor of economics at New York University. Interviewing him at his Parkview home NEIL BEHRMANN finds he is still worried that inflation will create more unemployment and the worst of both worlds—depression cum inflation. Nobel prize winning economist, Friederich von Hayek, has similar views.

He sees a succession of short-term business recoveries stimulated by "Keynesian economic policies" But these spurts will be followed by further bouts of inflation and high unemployment.

It is quite evident that leading American officials like William Simon, Secretary of Treasury, Arthur Burns, chairman of the Federal Reserve Board and Alan Greenspan, chief of the Board of Economic Advisors, understand that inflation is the great danger.

But economists influencing public opinion do not agree, and Professor Lachmann fears they will generate a kind of public pressure which will lead to fewer jobs in the end.

"The severity of the American depression has tempered inflation," he says. "But I fear that, had economists realised the extent of the slump, they would not have attacked inflation with such fervour. Next time they will probably lack this zeal

"We must understand that we cannot stop inflation which has been going on for 30 years without creating unemployment. And unemployment is the price we now have to pay for this 'pseudo prosperity' of the past few decades".

Professor Lachmann reasons that when inflation is 15 percent or more and exceeds the net return of a business — before depreciation — capital is destroyed.

The higher the rate of inflation the harder it is to run a business Businessmen find it difficult to replace more expensive capital equipment and cash flows can no longer easily renew stocks

As soon as they find they are losing, they reduce staff.

The situation is aggravated by arbitrary profit controls and unemployment increases So this process of capital erosion leads the economy into a state of depression combined with inflation.

Professor Lachmann believes that Britain will soon be in this situation

On a world wide scale, economies may remain depressed for years and still experience inflation Rising commodity prices are not incompatible with today's type of depression

He points out that South Africa's inflation rate is higher than the United States and, with the exception of Britain, steeper than Western European countries

EROSION

"By trying to keep Black unemployment at low levels through inflationary measures, the authorities will defeat their own ends," he warns

Since there is already some evidence of capital erosion in South Africa, the present rate of inflation will cause unemployment anyway

"I can only stress that since workers depend on the maintenance and growth of capital, it is in the interests of employees that this capital should not be lost Inadequate replacement of capital must lead to unemployment.

"By asking for profit curbs, consumers are in fact looking for more unemployment

INDEXATION

"If we are all agreed that in all probability nothing will be done about inflation, as many money payments as possible should be linked to price index.

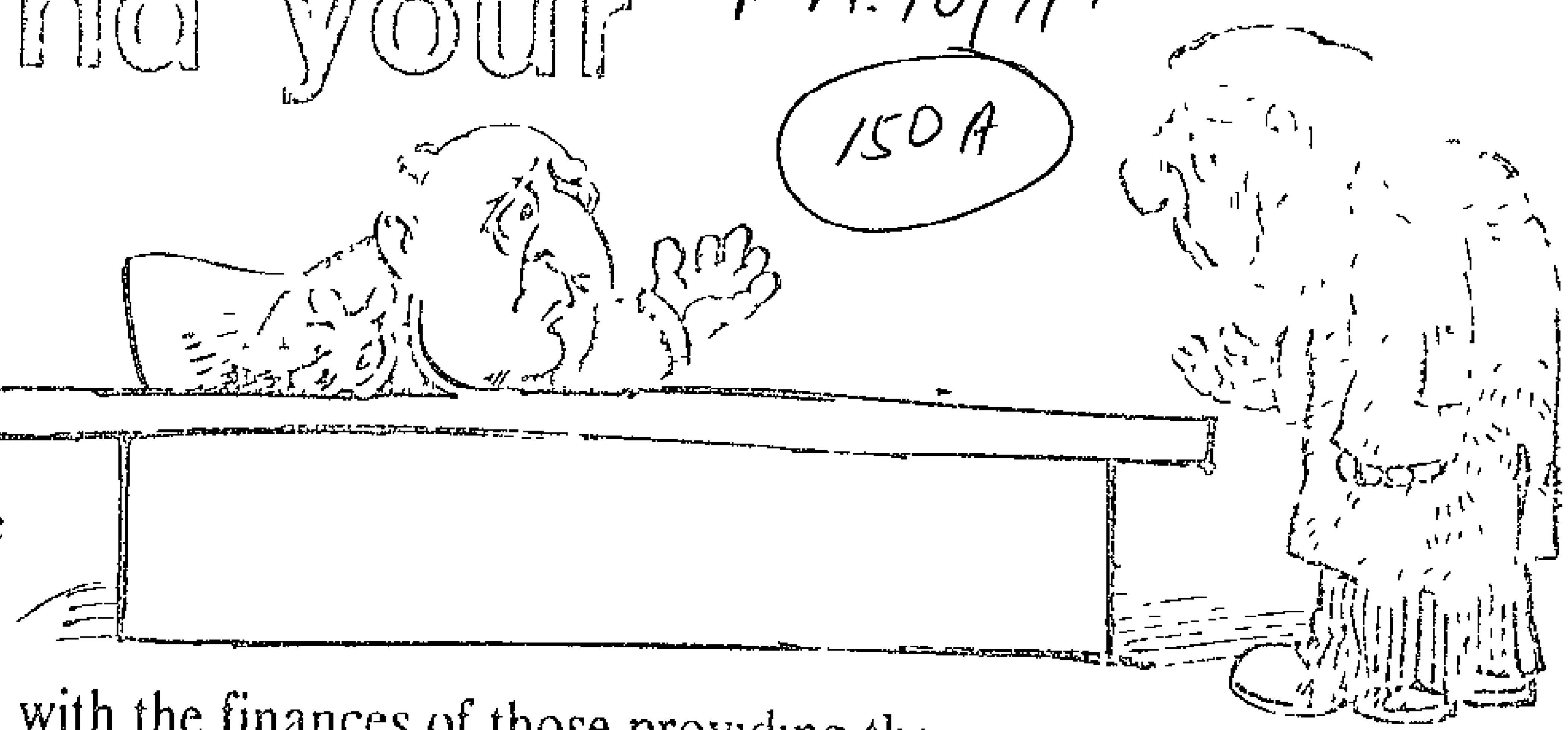
"However much we may try to resist it, I fear that indexation will be forced upon us in the end

"Indexing is not a cure for inflation, but it would ward off those effects which are the most dangerous to economic and social stability

Inflation and your pension

FM. 18/7/75

150 A



The dangers of continuing inflation are legion. Not least is the havoc it can play with the expectations of pensioners — and with the finances of those providing the pensions

nflation threatens to play havoc with the R2 000-plus invested in the privately administered pension funds, to say nothing of the many millions in State-controlled and other funds As returns on assets drop further and further below the rate of inflation, a situation is developing from which nobody can possibly benefit

With double-digit inflation likely to continue into the foreseeable future, so forcing up salary levels and consequent pension liabilities, a mix of superhuman investment skill and luck will be required for the funds to meet spiralling liabilities without hefty increased cash contributions from their sponsoring companies

By law, 50% of a fund's portfolio is required to be invested in government and quasi-government stock Last year, the average return on this prescribed fixed interest portion would have amounted to 6% (the return being negative when depreciation in market value of securities exceeds interest income)

Taking the inflation rate at 14%, pension funds last year would have had to show an impossibly high return of 34% on the discretionary portion of their assets merely to reach the break-even point for solvency — the point at which net income is equal to the inflation rate

Of course, the essentially long term

property values have slumped compounding the problems of pension funds there

While a prime SA CBD investment would today earn around 9% net, the funds must have confidence in the prospect of long term recovery to finance the gap between uneconomic rental income and the erosion of inflation

The outlook is scarcely heartening for fund managers, who can look forward to virtually nothing other than equities and property for the growing source of income on which they depend Apart from the principle that the funds should be able to stand on their own, there is an obvious limit to the extent to which companies can continue topping up fund deficiencies from earnings Nor is it desirable that fund members should be at risk for pension benefits on the extent to which a particular corporate philosophy, to say nothing of profit performance dictates the generosity of continuing contributions

This raises the question of that 50% of assets directed by law into "prescribed" securities Originally the aim was to ensure safety And now, naturally enough, government is still keen to get its hands on as much as possible of the R250m-plus which the funds have to invest each year

However, yields on these prescribed assets are standard at under 10%, and growth is restricted This necessarily limits the fund capacity to match contributions, and investment performance with liabilities

The time has surely come for government to consider the removal of this artificial restraint on investment freedom, in the interests of both better balanced portfolios and fund solvency That which made sense in times of monetary stability makes nonsense in times of high inflation

Coupled to declining investment performance is the impact of inflation on wage and salary levels As these have rocketed in recent years to keep pace with the cost of living funds using the more popular method of calculating benefits on the final three to five years of an employee's salary have increasingly felt the pinch Their problems are compounded by the fact that they haven't had use of inflation-affected contributions for the earlier 30 or so years of the employee's working life

That salaries have risen out of all proportion to contributions creates difficulties as great for the "money purchase" pension schemes

Though the latter are under less strain to meet liabilities by the nature of their structures, which relate the ultimate benefit to an employee's contributions over his entire working life and not the final salary, they are as obliged to perform successfully so that the benefit will cushion the [illegible]

[illegible] example [illegible]

[illegible] the real test [illegible] comes where the [illegible] sit down to discount liabilities to their present value and assess whether the present value of assets is equal to the present value of liabilities

In an inflationary situation assets tend to fall short of liabilities to such an extent that, in the UK, it is estimated that each 1% pa addition al inflation, unmatched by a corresponding improvement in investment return, is likely to result in an increase in the needed contribution rate of 3% of payroll

Actuarial assumption Number One must be that inflation will be contained If it is, the long-term nature of pension fund investment, and the inherent stability of the funds, will mean that the current experience is short-lived

If it is not, it is scant consolation that meaningful pension benefits won't be the only part of the social fabric in danger of collapse

150A

Inflation rate slowing: Horwood

30/7/75

The Argus Bureau

PRETORIA. — South Africa had to throw everything into its campaign to defeat inflation, the Minister of Finance, Senator O. P F Horwood, said in Bloemfontein last night

In the first five months of this year the annual inflation rate had droped to 12,2 percent from 18,2 percent for the second half of last year, 'but it remains unacceptably high,' the Minister told the annual congress of the National Woolgrowers' Association.

All sectors of the community would have to make sacrifices if the fight against inflation were to be won The Government had shown its serious intentions in its support of the joint action programme against inflation.

IN PERSPECTIVE

Senator Horwood said South Africans should keep inflation in perspective Price levels in Europe were considerably higher than in South Africa Incomes had also risen faster than prices in most cases.

The Minister said the recession in Europe appeared far more serious than had been expected, but he remained optimistic concerning wool and gold

Woolgrowers' prosperity, he said, depended largely on economic conditions overseas, where he had been disturbed at the degree of pessimism and where recovery was expected to be slow

ENCOURAGING

Though this did not bode well for South African commodity exports, the decline in prices was uneven and there were encouraging signs It was possible wool stockpiles which had overhung the market for so long had been substantially depleted.

'I believe there are sound reasons for optimism that a recovery in the wool market will not be long delayed,' he said

Senator Horwood again affirmed his confidence in gold and claimed the gold market had shown encouraging strength

As soon as the market was convinced that further substantial Russian sales were unlikely, there was a good chance of a resumption in the upward trend in the gold price

Natal Mercury 30/7/75

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BLOEMFONTEIN—The Minister of Finance, Senator O. P. F. Horwood, last night called on the farming community to help fight inflation by exercising moderation when it came to setting agricultural prices.

"A lead from food prices would have a considerable psychological impact in containing the rate of inflation, he told the annual congress of the National Woolgrowers Association here.

And at the same meeting the Minister gave a cheerful forecast that the gold price should resume its upward trend once large Russian gold sales were no longer considered likely.

In his appeal to the farmers the Minister said that although the inflation rate had dropped, it remained unacceptably high. The country had to put everything into the battle against inflation, which could be won with determination, perseverance and wholehearted co-operation.

All sectors of the community will have to make sacrifices if we want to win the fight against inflation," he said.

The Government had already shown its earnest intentions by its support for the principles of the joint action programme against inflation.

From a psychological point of view, it would have considerable impact if food prices—which have shown rapid increases in the past few months—could give the lead in restraining our inflation rate.

"I would therefore like to make an earnest appeal to the farming community to act with moderation in setting agricultural prices."

The Minister said it was gratifying that a slower inflation rate had become apparent in recent months. Between the second and third quarters of 1974 the consumer price index, on a seasonally adjusted annual basis, had risen by 18,2 percent.

"But between December, 1974, and May, 1975, the comparable figure was 12,2 percent. This is a great improvement, but it still remains unacceptably high."

While inflation remained a serious problem, the Minister said it was important to keep the matter in perspective.

Incomes in South Africa had, in most cases, risen more than prices.

On the gold price, the Minister said Russian gold sales had been the most important factor affecting the market.

The Soviet sales, presumably in order to acquire foreign currency to buy grain, had been substantial.

"It is actually a tribute to the strength of the gold market that the price has remained relatively stable in the range 160 dollars to 170 dollars per fine ounce.

"It is true that the Russians nowadays arrange their sales carefully so as not to disturb the market unduly, but nevertheless my information is that, if these sales had not taken place, the price would have been considerably higher," he said.

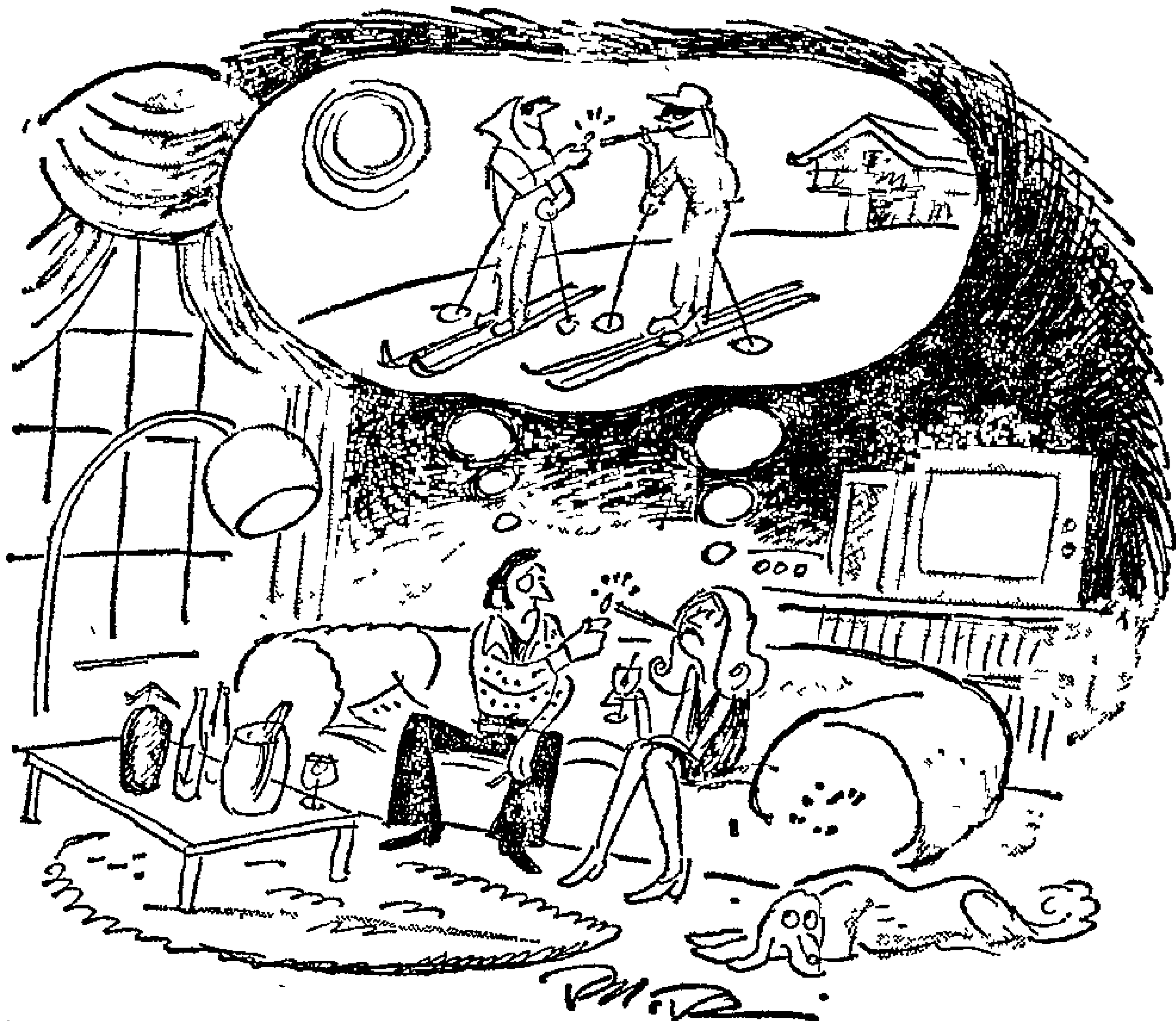
The Minister said that recent factors working against gold had in fact boomeranged in favour of the metal.

He said the gold price was an important factor in South Africa's balance of payments, and here he believed there were good grounds for optimism. — (Sapa.)

One less trip to Europe

From Bishop's Court to Bishop Lavis and Guguletu, the race against rising prices is hitting hard at the pockets and lifestyles of all South Africans. In a survey across the social spectrum, David Rabkin gets to grip with the bread-and-butter issues of the post-inflation age.

THE Bishopscourt hostess sank back into the green-and-gold leather upholstery of a late-night bar at a city hotel. 'Yes,' she sighed, sipping a Remy Martin cognac. 'It's been a gradual decline over the past two years. The days of carefree spending are over'



Inflation is getting to the super-rich and — though the rest of us may not notice it — there has been an appreciable decline in the standard of living of Cape Town's cocktail set.

'Even if you do enjoy a — how shall I put it — bigger income, you feel it shrinking Things my husband and I used to do three years ago without counting the cost we now have to watch,' she said.

For the jet-set inflation is an international phenomenon and currency exchange rates and overseas allowances are anxiously watched. The lady who buys her clothes from Paris couturiers counts cost of living in France as carefully as in Cape Town.

ALLOWANCE

'I shop once a year for clothes, mainly in Paris and London But I find that the price of clothes overseas has risen so much that I can't afford to get what I want there and come out under the R2 000 travel allowance

'So I buy exactly the same clothes here and actually find it cheaper.'

However, she and her husband still try to get away to Europe at least once a year

'But we would certainly have gone in a more free-spending way a few years ago. Now we really count the cost This year I went over on a cheap airfare scheme, and instead of staying at an expensive hotel I put up at a friend's flat'

HOLIDAY HOUSE

But there was still the Hermanus holiday house for weekends and the odd family vacation.

Inflation at home is biting too, it seems, and dining and wining in the big houses is not what it was.

'We used to give a lot of big parties, at least one 50 to 100 person party a year, but now we mainly give dinner parties. And where we might have served a large entrecote we might now serve chicken

DINING OUT

'We all used to do much more dining out, too — you know, taking eight or ten friends out to a restaurant. But now we say, hell, let's have them at home.

'And I think now it's more often wine than hard tac

The three children — one at work, one a student and the youngest at school — are also an expense

UNIVERSITY

'I have a son at university whose rent fees and living allowance have to be paid He gets R700 a year allowance and we pay R30 a month for digs

'We give him a hamper of food each Monday to take back to college with him.

'My youngest son who lives at home gets R2,50 a week for pocket money and my daughter lives on her salary But we give her an allowance towards savings

'FRILLS'

'If you can afford to give your children some of the frills, why shouldn't you?'

But some cuts have to be made, and the new car this year was a second-hand model, an Audi 1973 on which about R2 000 was saved.

'I suppose our greatest extravagance is having the two houses But we look on these as an investment Property goes up unlike money in the bank, which just seems to shrink in value.

'We don't have any payments on the houses — they are owned by the trust — but the upkeep of the Hermanus house is simply enormous, what with rates and repairs And of course, it is empty most of the year.

CLOTHES

'Another thing is my clothes My husband says I spend about R1 000 a year — of course I don't believe that And I don't have any really valuable jewellery, just modern things.

With the family shopping having gone up from R35—R40 to R60 a week on food, even a joint income from salary and investments which has increased from R42 000 to R50 000 over the last three years goes a little less far.

SONS, SERVANTS

'Then there are my two sons and the three living-in servants. Their wages have gone up by about R12 in the last three years The two maids earn about R48 a month and the gardener gets R18 a week.

'They eat the same food as we do, of course, except being African they like to have mealie meal and samp.'

'I don't have many furs, just one sealskin coat, whereas most of the women in our set have wardrobes of furs.'

The brandy glasses stood empty as the hostess mused on hard times ahead

'I don't think we are really making sacrifices That would mean — for instance — selling the Hermanus house The cuts we've made, almost unconciously, are part of today's living

'It's the basic inflationary cost of every day that makes you sit up.'

● TOMORROW: Things have become 'very difficult' for the middle-income group.

FEEDING INFLATION

From Bishop's Court to Bishop Lavis and Guguletu, the race against rising prices is hitting hard at the pockets and lifestyles of all South Africans. In a survey across the social spectrum, David Rabkin gets to grip with the bread-and-butter issues of the post-inflation age.

WITH a better than 20 percent wage increase in the past three years, an African labourer in the construction industry has enjoyed a real increase in earnings — in statistical terms.

But on about R25,50 a week — with a family in the Transkei to support, rent to pay, and the fare for a once-a-year compulsory return trip to his homeland deducted from earnings — this worker has hardly improved his living standards significantly

'Africans cannot buy food with percentages They need hard cash,' Mr W Langschmidt, managing director of Market Research Africa, has said.

His survey, going back to 1962, shows that in the 11 years up to 1973 African family incomes have gone up by 120 percent — which means just R30 extra in the pockets of each family.

A contrasting 101 percent increase in White family incomes over the same period has meant a R261 cash boost

Minimum rates for labourers — the largest category of African workers in the Western Cape — in the civil engineering industry have gone up from 30½ cents an hour in 1972 to 46 cents an hour in 1975, in urban areas

In the building industry the minimum wage for labourers is now 56½ cents an hour, an increase of 10 cents an hour since 1972, in urban areas

One big employer of both categories of worker estimated that only about 15 percent of their African workforce were being paid above the minimum rates laid down by the Industrial Council for the Industry Few companies paid more, he thought

COURSES

This is in spite of opportunities for better earnings through passing trade courses at the Civil Engineering Federation's Central Training School, Goodwood

Workers attending courses other than their basic induction programme get 'a small increase, about two or three cents an hour' the builder said There is also an on-site merit increase scheme operated by most companies

'But we find these schemes are used more by the artisans than labourers The labourers don't seem to be highly motivated to improve their wages.

'I think most construction people would agree that until the Black worker gets a stake in the community where he works — a house on bond for instance — his productivity will remain low,' he said

The problem, he explained, is Black wages have lagged so far behind that, even with significant percentage increases in the last few years, they have not reached the 'take-off' point where they can be compared with other race-group earnings

What this means in human terms — in the case of a better paid Black worker — is

> '! think most construction people would agree that until the Black worker gets a stake in the community where he works — a house on bond for instance — his productivity will remain low.'

wages are going up it is true — but only by about R1, R1,50 or R2 Since prices go up so much, what can that help?'

EXAMPLE

The speaker, a foreman for a transport company, is now earning R32 a week Promoted a year ago and given a further R2 a week cost of living increase this year, he is a good example of how Black workers have increased their earnings through making the most of new opportunities

'I have been working for the company for six years For five years I was earning R14 a week as a labourer Then I became a foreman, and my wages went up to R32 a week

'I live in the single-men's quarters in Langa, where I pay R3,43 a month rent Travel to my job in Observatory costs me R2,80 a week since the fares went up.

'I am lucky that my work is quite near.

CHILDREN

'I send about R26 a month home to my wife and five children in Mount Fletcher in the Transkei. I try to send every month, but sometimes I have difficulty. Then I send more the next month.

'I also support three children here in Cape Town. I have been living here since 1952, but could not bring my wife down here I give these children about R18 a month'

He goes home once a year and takes with him bulk supplies of basic commodities such as sugar, salt, tea, rice and flour.

'You see, things are more expensive there in the Transkei'

SPARTAN

Living standards in Cape Town are spartan, but not dire

'I spend about R8 a week on food — mainly meat, rice, and mealie meal Also I buy food at lunchtime, usually tea, with sugar, bread and sometimes a pie or fish

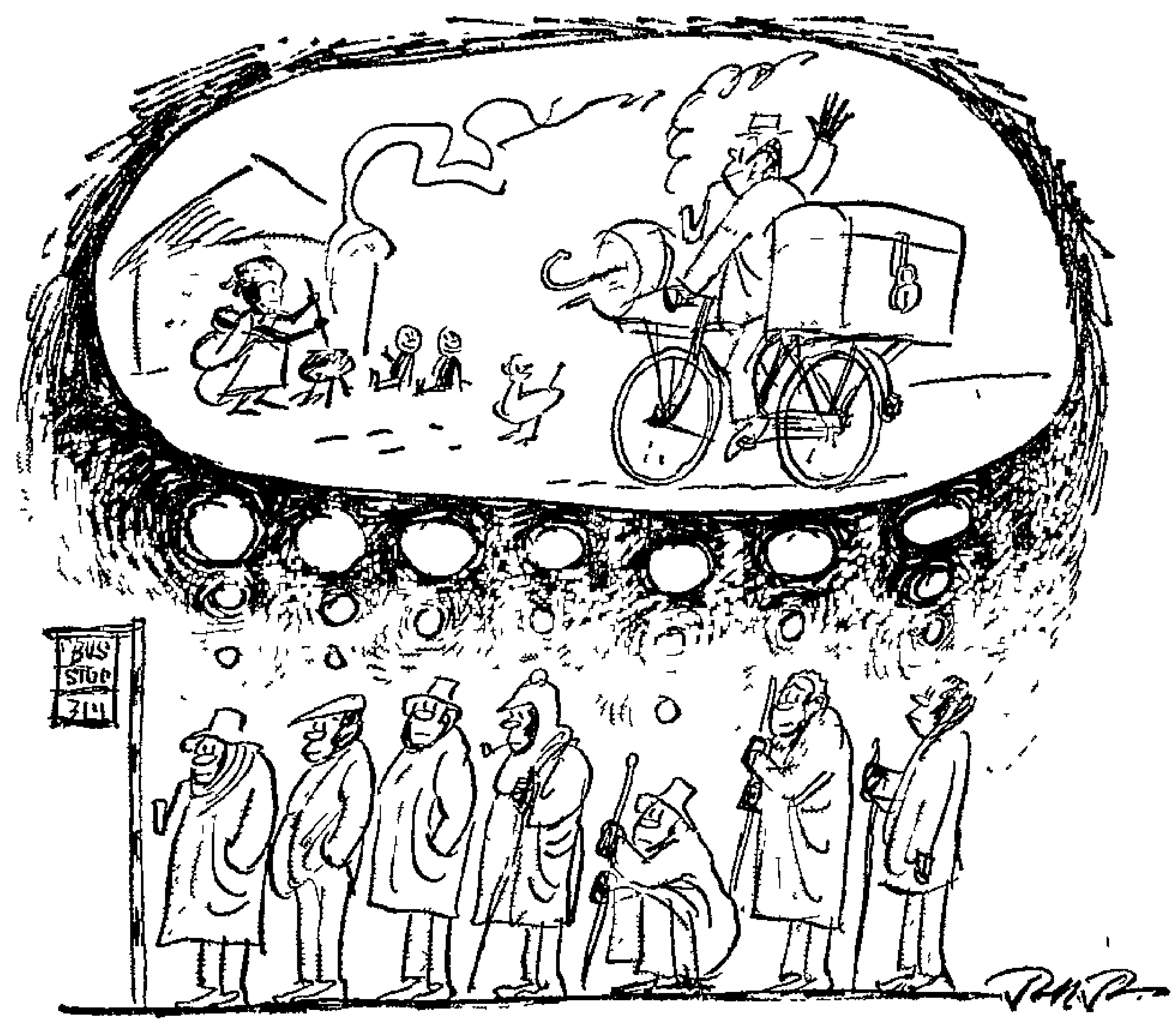
'I eat meat about four times a week I mostly buy flank But the most expensive is milk I buy about five litres a week — and mealie meal which is 36 cents a bag now.'

Clothes — he dresses smartly but not extravagantly out of work — cost him much more now 'about R18 for a pair of trousers'

The worker looks puzzled when asked if he thinks his standard of living is a good one

'Things are much more difficult now than a year ago Everything has gone up The people are crying out over the rising prices We don't get enough to eat. We don't get enough to live

'No, sir, I don't think things are getting better at all.'



Minister's pledge on Black labour

Cape Times 4/8/75

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THE Government will not stand in the way of changes in traditional work patterns which will allow Blacks to move into higher-paid jobs, says Mr Marais Viljoen, Minister of Labour

Opening the annual national convention of the Institute of Personnel Management in Cape Town today Mr Viljoen said, however, that the Government was not prepared to force workers in White parts of the country to make concessions in respect of traditional work patterns if they felt this would undermine their job security.

He said changes would be permitted only if they came about in an orderly fashion and with the concurrence of the trade unions and did not cause an 'undermining of our social structure.'

Referring to the need for training to improve productivity, Mr Viljoen said one of the most important facets of training was learning to communicate at all levels. Workers should know exactly what was expected of them. Good communications reduced tension and made better productivity possible.

A recent survey by the University of the Orange Free State had shown that communications systems could be improved in 97,4 percent of South African firms.

It was the Government's aim that all workers, regardless of race, should enjoy rising standards of living. Increased labour costs without corresponding increases in productivity, however, were causing much of the wage-push inflation plaguing many Western countries.

The convention continues until Wednesday.

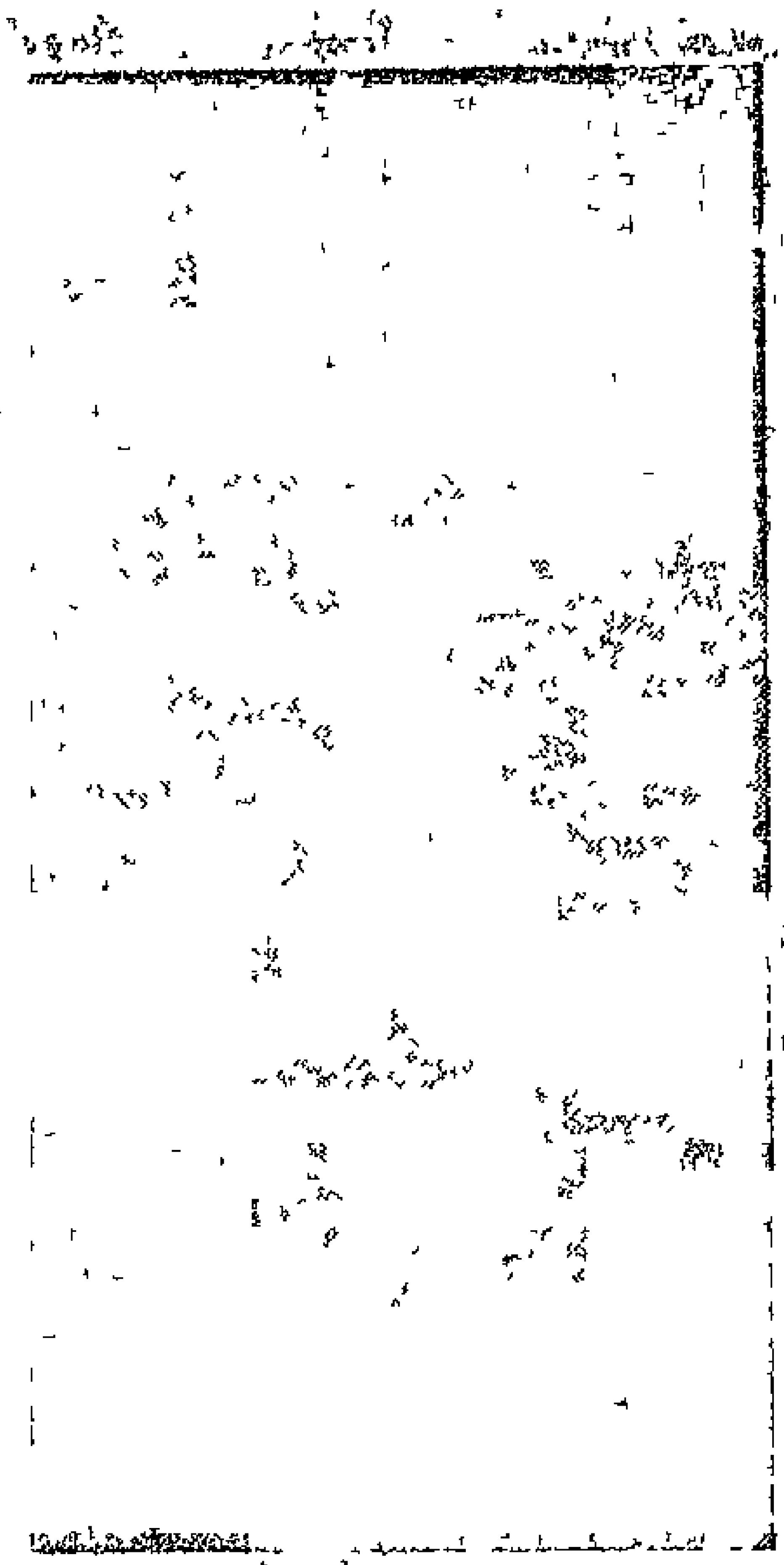
Grappling with an inflationary economy in difficult times

STAR 13/8/75

In the midst of a deep world recession, which is still encountering inflation, South Africa's economy continues to be strong.

But the country is not without problems. The most notable worry is an inflation rate of 14 percent, which is higher than most European countries and the United States.

South Africa's new Minister of Finance, SENATOR OWEN HORWOOD, entered office in an awkward period. Interviewed by Neil Behrmann at the Union Buildings in Pretoria, he answers questions frankly.



Question: How severe is the current recession in South Africa?

Answer: The real growth rate of South Africa is expected to be between three and four percent in 1975 compared with seven percent during the past two years. In several European countries, however, the growth rate is either zero or negative.

How much unemployment is there in the country?

The unemployment rate of Whites, Asians and Coloureds is 0,4 percent, but there are no reliable figures for Blacks. It would be useful, however, if we did examine methods to determine the extent of Black unemployment.

During the past few years, Government spending and the money supply increased at a rapid rate. Since these trends are highly inflationary, what policy will be pursued in the next year or two?

Government spending has grown at a slightly higher rate than gross domestic product. It is incorrect to say that an increase in Government spending or the money supply is necessarily inflationary. It depends on whether the economy is running at full capacity or how the spending is financed.

The South African economy is now operating below full capacity, so neither Government spending nor the money supply are having an immediate direct effect on inflation.

But I expect growth to accelerate shortly, so we will certainly have to see that neither Government spending nor the money supply rises rapidly during the next year or two.

What is the extent of public sector participation in the economy?

In 1974, consumption expenditure of the Government amounted to 12,6 percent of gross domestic product, and the gross domestic investment of public authorities to 8,4 percent.

In 1973 the public sector (central Government, provinces, South African Railways, etc) employed about 12 percent of the economically active popu-

nomy and are contributing towards inflation.

What steps is the Government planning to reconcile the needs of the producer with that of the consumer?

One of the functions of the agricultural control boards is to achieve greater stability in the farming industry, which is subject to great fluctuations because of the weather and other vicissitudes.

In 1974 agricultural producers' prices rose by 11,4 percent, which is less than the consumer price index. The Government assists both producer and consumer by subsidising basic foodstuffs. The total amount budgetted for this purpose is R139m.

Will there be firmer action on inflation during the next 12 months?

There are signs that the rate of inflation is decreasing. But the position is not satisfactory and the Government is determined to take firm action. The latest Reserve Bank moves to control credit is one of these measures.

Others include efforts to improve productivity and persuasion to restrain increases in prices and wages.

If the Government finds it difficult to combat inflation because of

living — will be introduced in some form or other?

Indexing is only a palliative and does not go to the root of inflation. I would not like to see it introduced generally.

If a high inflation rate were to continue for some time, we might have to consider some limited form of indexing. But at this stage I would be very cautious in applying such a policy.

Could not the Government introduce savings schemes linked to a cost of living index? These bonds would offset the erosion of savings, especially for the "little man."

Cost of living bonds are constantly under review, but no decision has yet been taken.

Inflation also creates inequities in the tax system. More and more money flows to the Treasury as wages and salaries are adjusted to meet inflation. Is it possible that South Africa will follow Canada and index taxation?

It is, of course, true that a progressive income tax produces a more than proportional increase of revenue during inflation. Other taxes — for example customs and excise duties — show an opposite tendency, but I have

What are the prospects for gold?

The gold price has stood up very well in the face of Russian sales and the United States auction. Once the Russian sales are out of the way, I would expect the market to improve.

I doubt whether there will be any agreement on gold at the forthcoming IMF meetings; but I do not think that this will have an adverse effect.

What are the prospects for South Africa's balance of payments?

The situation should improve because of a decline in imports and an increase in exports as overseas economies recover next year.

An increase in the gold price is also likely to assist the balance of payments.

Has capital inflow to South Africa been retarded by current events in Southern Africa? If detente is a success how do you envisage a change to the situation?

Although there is much appreciation abroad for South Africa's policy of detente, current events in other parts of Southern Africa are causing some hesitation among investors in respect of investment in South Africa. Much foreign investment,

Wage gap fear

22/8/75

Cape Times Political Correspondent

WHILE the Government has pledged itself to narrowing the wage gap between Black and White, the Cape congress of the National Party will next month debate a motion opposing the narrowing of the gap if it is inflationary.

A draft resolution submitted by the Paarl branch of the party requests the Government "to guard against the narrowing of the wage gap between Whites and non-Whites, and the consequent increase in the income of the non-Whites as factors contributing to inflation."

This is one of the few controversial motions to be raised at the party's diamond jubilee provincial congress in East London on September 2 and 3.

Another potentially controversial motion, submitted by the Piketberg branch, calls for stricter control measures to check the influx of "unlawful Bantu" into the Western Cape and to combat the "concomitant squatting around our cities and towns".

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Reserve Bank guns turn on inflation

STAR 26/8/75

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Neil Behrmann

The efforts of the monetary authorities are concentrated on strengthening the balance of payments and counteracting inflation.

This appears to be the main policy objective which has emerged from Governor of the Reserve Bank, Dr T W de Jongh's annual address today

"A high rate of rael economic growth remains a major objective in the longer perspective," said Dr de Jongh, but it "will depend to a great extent on the progress made in the months ahead in curbing inflation and maintaining a sound balance of payments position"

WORRIED

It is evident from the address that the governor is very worried about the inflationary effects of the present government spending spree

He said that the huge R885m increase in bank credit to the government sector was the main contributor to the 19 percent jump in the money supply during the year ended June 1975 This increased government short term borrowing arose because government consumption spending rose by 12 percent during the year.

In fact more than R600m of the R885m increase in bank credit to the government occurred during the first half of this year

Government spending not only fueled inflation, but contributed to the leads and lags situation and the consequent speculation against the rand

The spending helped pull down interest rates below levels seen overseas It also eased liquidity so that banks were able to finance importers. These trends lead to an outflow of cash as importers paid their bills quickly with local finance and the speculation against the rand is now history

The Reserve Bank has urged the Government to cut down on spending and to analyse the costs of large capital intensive projects

"We should not attempt to live bayond our means," warned Dr de Jogh

The governor is confident that economic conditions will improve, but the recovery will be heavily dependent on a sustained business revival overseas

Govt wage squeeze expected

27/8/75

(1) 150 A

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Mercury Correspondent

PRETORIA — The Government regards a temporary freeze on wage demands as vital to the success of its anti-inflation campaign, according to authorities here.

It was reliably learnt yesterday that Prime Minister Mr. Vorster is almost certain to make a strong plea to the private sector to muffle wage increases in a statement and radio address this week.

At the same time he is expected to announce that public sector workers —railwaymen, Post Office workers and workers in State and provincial departments — will get no increases this year.

These will be deferred until, at the earliest, the beginning of next year and even then they are not expected to match the rise in the consumer price index.

This is seen as part of the Government's contribution to the joint action programme to fight inflation devised by the Anti-inflation Sub-committee of the Prime Ministers' Economic Advisory Council.

Hopefully private sector employees would follow the same hard line.

The last increases in the public sector came into operation in July last year. For the nearly 250 000 White and Black workers in the Railways the increases cost R111-million.

ORGANISED commerce and businessmen have welcomed the Prime Minister's anti-inflation address to the nation last night but trade unions have expressed only qualified approval. In Cape Town today the Chamber of Commerce was to meet to discuss the Government appeal.

In an address to the nation last night Mr Vorster called on workers in all fields to moderate their wage claims in an attempt to break the wage-price spiral that was threatening the country's economic and social system.

The rate of inflation threatened the country's standard of living and was a particular danger to the low-income groups who stood to lose most through continued loss of monetary value.

He also called on commerce and industry to make their own contribution by controlling prices, possibly at the cost of high profits.

'I fully realise that I cannot expect worker groups to exhibit the necessary control unless employer groups also react positively to my appeal,' the Prime Minister said.

In Cape Town today Mr D. C. Benade, chairman of the Western Province area division of the Trade Union Council of South Africa, said Tucsa would back the Prime Minister's programme fully. In those fields where real earnings were being maintained the workers would be prepared to forego increases that would raise their standard of living.

Essential

However, the Government should not expect the workers to sacrifice their standard of living.

It was essential that employers in commerce and industry should make an obvious contribution by holding down prices and profits, Mr Benade said. He called for a three-part effort involving the Government, commerce and industry and the workers to curb the 'galloping rate of inflation.'

Mr G. Fletcher, branch secretary of the National Union of Furniture and Allied Workers, said his union would be sympathetic to the Prime Minister's appeal if their real earnings were restored to the levels of January 1974.

Keep up

Too much emphasis had been placed on the part employees should play and too little responsibility had been placed at the door of manufacturers and distributors.

Mr Ray Altman, general secretary of the National Union of Distributive Workers, said the union [illegible] support [illegible] the [illegible] campaign [illegible] they [illegible] Price Control keep [illegible] to act against [illegible]st-price [illegible]pulous trader[illegible] not ask for inordinat[illegible] our real earnings [illegible] we will not be prepared to see any

(Continued on Page 2, col 3)

Vorster attack on inflation

ARGUS
28/8/75

(Continued from Page 1)

further drop in our buying power,' Mr Altman said.

He echoed Mr Fletcher's call for more emphasis on the part employers should play.

Mr Norman Daniels, general secretary of the Textile Workers' Industrial Union, said 'I feel the Prime Minister should have put the responsibility for breaking the wage-price spiral on the employers.'

'The worker does not put up the prices, he merely reacts to increased costs, and he will continue to do so I am not pleading for price control, but the emphasis should have been placed on commerce and industry, not us,' he said.

However, the unions would do everything they could tot assist in cutting inflation. They also hoped to see those concerns making unrealistic profits curbing their earnings, he said.

Mr John Drake, president of the Cape Town Chamber of Commerce, said the Government's plan had been worked out after consultations with the various employer bodies and it was assured of their full support.

Today the chamber was to meet to discuss its plans in relation to the Prime Minister's appeal, but the contents of the Government plan had been known for some time.

'I feel the plan is a reasonable compromise. We would have liked to see greater emphasis on cutting Government spending, but we are satisfied that this scheme can succeed,' Mr Drake said.

It would need the co-operation of all sectors of the public, but it had the ingredients of a viable plan. Manufacturers and distributors would co-operate by curbing price increases as far as possible, he said.

In Johannesburg Mr Raymond Parsons, executive director of the Association of Chambers of Commerce, pledged full support However, the scheme would require sacrifice and increased productivity from everyone."

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Vorster stops short of a general freeze

STAR 28/8/75

Neil Behrmann

The Prime Minister's appeal to businessmen and workers to control price and wage increases, follows the tougher monetary stance of the Reserve Bank.

He has stopped short of legislating a general freeze of wages, prices and profits

The Reserve Bank is tightening the money supply to curb inflation and has urged the government to cut its spending.

Mr Vorster said that he decided to make his appeal because inflation is a serious threat to the country's economic and social system. It is eroding valuable monetary assets and capital in both the private and public sectors.

The dangers of capital erosion have been spelt out by the doyen of South African economists, Professor Ludwig Lachmann, so the government seems to have finally accepted that political platitudes like "learn to live with inflation" or we can "grow out of inflation," are false

Mr Vorster said that to alleviate the inflation problem, the government is relying on voluntary contributions and sacrifices of all sections of the community. It does not intend applying an incomes policy.

Business and labour are fortunate that the government does not intend implementing the restraints on wages, prices, and profits familiar to Britain

Hopefully these groups — which have all played their part in the inflationary process — will heed his call And hopefully also, the government will also follow its declared intention and curb its spending

Mr Vorster said that the Government intends to cooperate closely with consumer, labour and business groups

TOP PRIORITY

The top economic priority at the moment is the fight against inflation This policy should in turn counter the balance of payments problem and protect the rand. Measures which are being applied are

- A tight control on the money supply and higher interest rates
- Curbs to Government spending
- Voluntary restraint on the part of business and workers to relax demands on prices and wages

The policy could be successful, provided imported inflation continues to slow down.

Govt wages: freeze expected

STAR 28/8/75

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150 A

Labour Reporter

Hopes for pay adjustments to restore the real income of about 500 000 Government employees to the level of July last year have been shattered.

In his call for sacrifices from all sectors of the economy in a concerted onslaught against inflation, the Prime Minister, Mr Vorster, refrained from announcing a wage freeze.

But all concerned believe that Government intends setting an example in the public sector which had its last general increase in July 1974.

Informed sources believe a six-month pay freeze for State employees is in the offing.

The Prime Minister's radio appeal last night is seen among trade unions as having provided private employers with a strong weapon to ward off pay demands in commerce and industry.

Current and pending wage negotiations which are expected to be affected include those in the motor industry and the banking sector.

Most other industries, such as the building,

To Page 3, Col 5

Inflation appeal

From Page 1

engineering, leather, textile and mining industries, had pay rises recently

Comments from organised labour today made it clear that trade unions and staff associations were prepared to accept Mr Vorster's appeal

But labour leaders emphasised that they would only do so on the proviso that commerce and industry also made sacrifices

Trade unions "noted and observed" Mr Vorster's request for sacrifices, said Mr Wallie Grobler, general secretary of the Confederation of Labour

But he warned that they would keep a close watch on the contribution by commerce and industry

Mr Robert Kraft, assistant general secretary of the Trade Union Council of South Africa, said TUCSA welcomed and endorsed the appeal

The chairman of the Public Service Commission, Mr J H C van Zyl, said he would get in touch with staff associations to see "what arrangements we can arrive at with regard to the requests already submitted."

He was referring to demands for increases to be tied to the Consumer Price Index

The Public Servants' Association, railway unions and post office workers submitted their demands several months ago

The CPI rose by more than 14 percent in the 12 months ending in June

Mr R de Wet, Transvaal general manager of a leading supermarket chain, said his group fully supported Mr Vorster's call

However, he stressed the group would not support a price freeze as this was impossible to implement and control and would push up administrative costs

"The Government must encourage consumers to spend less The authorities must tighten the money supply to curb overspending," he said

(See Pages 29 and 31)

Public service pay hi

John Patten, Political Correspondent

The Minister of the Interior, Dr Mulder, said in an interview today that the question of when civil servants would get their next pay rise had not been settled

He was commenting on public service pay after the radio appeal by the Prime Minister last night that workers in the public service and State-controlled organisations hold back pay demands temporarily

Dr Mulder said it was expected that staff associations would be influenced by Mr Vorster's call in any steps they might take.

He expected them to continue negotiations with the Government, possibly seeking improved fringe benefits instead of wage and salary increases, or possibly postponing negotiations for a time

The United Party's chief spokesman on Public Service matters, Mr Lionel Murray, MP, said Mr Vorster's request meant civil servants would have to carry a heavi in fighting infla the private secto

Mr Seryaas chairman of th strong Public Association, sa have not decid our representa ready being con the Government. leave it there deration."

150A

Wage freeze — chill wind for Whites

STAR 28/8/75

There will be a cutback in White living standards if the Prime Minister's appeal for wage restraint is taken up by workers and trade unions.

This is made clear by the Reserve Bank's latest statistics which show that the real increase in White salaries and wages, after taking inflation into account, was only 1,3 percent over the past year.

According to the Reserve Bank's annual report, White salaries rose by 15 to 16 percent in money terms. But inflation has been around 14 percent, leaving the average White worker only slightly better off.

REAL INCOME

The real income of other races rose by 11,9 percent over the past year, although the money increase was around 25 to 26 percent on average.

Factors to be borne in mind in this context are:

- Workers belonging to races other than White are, on average, low-paid workers who have to spend a greater part of their income on foodstuffs which have been subject to price increases substantially in excess of the rate of inflation,
- The Government and private employers generally concede that the Black-White wage gap must be narrowed

Just as the majority of workers are either below or above the average, so the sacrifices called for are expected to be unevenly spread

Those who have had recent increases are the ones least affected

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New petrol price hike forecast

MERCURY 28/8/75

PRETORIA—Petrol consumption still had to be limited through speed restrictions to save foreign exchange, the Minister of Economic Affairs, Mr. J. C. Heunis, told the Transvaal National Party Congress yesterday.

The Minister said that, although South Africa was still on the official embargo list of oil-producing nations, consumption was a more acute problem than supply.

He pointed out that the additional cost in foreign exchange through the increased oil price was R900 million a year. Another increase was being predicted.

This would cost more foreign exchange and increase production charges and eventually prices.

There were other ways to help security than putting men into uniform, he told delegates who had asked for a 100km/h speed limit for light vehicles.

"We must not underestimate the effect on our economic and political stability of our economic enemy — inflation," he said.

"It has been calculated that if each of us had kept to the speed limits — and we did not — we could each have saved R102 a year in petrol costs.

"Scientific tests have indicated that, irrespective of the size of a vehicle, or whether it has an automatic or manual gear box, consumption increases by 14 percent when the speed increases from 60 to 80km/h."

Thus consumption increased, the higher the speed. It had also been shown that maintenance costs, in spite of increased prices of parts and labour, were reduced at slower speeds. — (Sapa)

150A

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RDM 29/8/75

Durban heeds call on pay demands

DURBAN. — Responding to the Prime Minister's appeal for wage rise restraints in South Africa, Durban municipal employees yesterday agreed to reconsider their demands for increases of up to 20 per cent.

The Durban Municipal Employees Society (DMES) at a meeting yesterday discussed Mr Vorster's appeal for wage curbs as an anti-inflationary measure, and decided to reconsider a seven-and-a-half per cent offer it had rejected last month, Sapa reports.

The DMES secretary, Mr Peter Barnesley, said: "Mr Vorster's speech will definitely have a drastic effect on our attitude."

A staff reporter writes that public and private sector workers want an unequivocal assurance from the Government that the wage sacrifice will be matched by a trimming of profits and prices in commerce and industry.

Although the Prime Minister appealed to public sector workers not to press for wage increases soon, he was in fact telling them that they had no hope of increases this year to compensate for rocketing living costs.

And trade unions warned yesterday that if commerce and industry fail to keep their part of the anti-inflation bargain, the country can expect an explosion of wage increase demands.

The unions are determined not to fight inflation alone.

The president of the South African Confederation of Labour, Mr Attie Nieuwoudt, said it appeared that the pressure was heavier on the worker than on the employer.

He doubted whether commerce and industry would make the contribution expected of them.

The secretary of the Posts and Telegraphs Association, Mr K. J. van der Linde, said his union would be happier if an assurance was given by the private sector that prices and profits would be limited. No such an assurance had so far been given.

"We need high level confirmation that the private sector will be forced to co-operate," he said.

The president of the Public Servants Association, Mr S. D. de K. Venter, supported the campaign but said the PSA wanted an assurance that the sacrifice called for by the Prime Minister would not only come from workers in the central government departments.

The secretary of the Federal Consultative Council of Railway Staff Associations, Mr Johan Benade, was sceptical about the sacrifices which would be made by the private sector.

The seven railway unions represented by the council could be expected to make demands in the first half of next year for at least 20 per cent increases.

In April this year, he claimed, the railway workers were already running 15 per cent behind the cost of living.

URGED

The South African Institute of Race Relations claims that low-paid African workers should be excluded from the temporary wage and salary freeze urged by the Prime Minister.

The director of the institute, Mr Fred van Wyk, said that during the past nine months large numbers of African urban families had sunk below the poverty datum line because of the big increases in the prices of basic foods like milk, mealie meal, eggs and other essential foods.

"In 1973 a survey showed that 60 per cent of the population of Soweto was living below the bread line."

Mr Van Wyk said much had been done to improve the earnings of Black workers but many thousands were still earning only subsistence wages.

Mr Van Wyk appealed to employers to exclude African workers from any temporary wage and salary freeze.

150A

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(3) 252

Drastic cuts in council and State budget

STAR 29/8/75

Political Staff

The Government, Provincial Administrations and municipalities now face drastic cutbacks on their spending, especially on non-essential services and projects.

It became clear today that the State itself intends, setting the example in the fight against inflation, cutbacks and salary curbs at all levels of government.

This follows a statement by the Minister of Finance, Senator Horwood, earlier this month that the Government was relying on the full co-operation of the public sector.

Treasury and other Government spokesmen expected today that the appeal to State departments, Provincial authorities, municipalities and other public bodies, might now be "formalised" in the form of concrete suggestions about areas where savings could be affected.

The suggestions might come directly from the Cabinet Committee dealing with inflation.

With the Government's anti-inflation drive based on a voluntary contribution by all, it could be expected that the main stimulation would have to come from the authorities, a State Treasury spokesman said.

The Transvaal provincial and Pretoria municipal authorities could not give a firm indication today of the projects that might be affected by the curbs.

The Transvaal provincial secretary, Mr J G van der Merwe, said the executive committee might meet soon to discuss possible further savings.

The director of Provincial Works, Mr I D P Burger, said the province was already operating under an expected deficit of R6-million for this financial year.

"Our funds are so limited that we cannot help making all possible savings. It is also clear we cannot expect to get much in terms of the additional estimates this year," he said.

150A

(1) 150 A
(2) 354

WAGES CURB PLEA GREETED

MERCURY 29/8/73

Industrial Reporter

THERE were still possibilities of wage increases based on improved productivity, Mr. Graham Gallow, president of the Durban Chamber of Commerce, said yesterday as he welcomed the Prime Minister's wage standstill appeal.

Mr. Gallow said it was good that the Government had given a lead by curtailing wage increases in the public sector. Wage restraint was but one part of the Government's collective programme of action against inflation.

Voluntary wage restraint would have a significant impact on the wage - price spiral. Prices could not be contained in the face of continual wage demands Mr. Gallow endorsed the Prime Minister's appeal and urged those who set prices to exercise maximum restraint.

But, he warned, a large part of the population could not make sacrifices as their incomes were already low. The Government's commitment to a policy of reasonable growth was a top priority.

Mr. Gallow believed that any wage increases arising out of increased productivity should favour the lower income groups who had little money available for unessential purchases and who were hit hardest by inflation.

150A

Move will please the bosses

MERCURY 29/8/75

Financial Editor

A VOLUNTARY restraint on wage increases will be bad for business, cause consumer resistance and "go down well" with company managements.

This was the view of Durban businessmen yesterday who were commenting on the Prime Minister's plea to employers and workers to help the Government fight inflation by accepting a clamp on wages.

However, fears were expressed that the anti-inflation campaign would be used by management as an excuse. Managers would now be able to say it was in the national interest that their employees should not be given a pay rise.

There was general agreement that inflation could only be beaten by consumer resistance. This had already begun.

There had been a marked drop in the sales of milk, butter, meat and clothing. Durable goods, such as refrigerators, stoves and television sets, had also suffered from sales resistance.

If this trend continued and consumers turned away from a wide range of products, a powerful blow would be struck against inflation.

Mr. Roland Freakes, director of the Natal Chamber of Industries, welcomed the Government's anti - inflation programme.

The Prime Minister's statement would help people to realise the seriousness of the problem.

"Industry has examined the matter in depth and, through the South African Federated Chamber of Industries, has signified its support of anti - inflationary measures, provided the sacrifices entailed are borne by every sector of the economy including the Government."

Mr. Freakes said that Mr. Dan Benade, president of the Federated Chamber, had recently warned against the dangers of price and profit control. However, he had commended to industry voluntary restraints on price and profits.

The Federated Chamber was prepared to accept, as general guidelines, the establish-

150A

Fix prices too, say earners

MERCURY 29/8/75

-41

Mercury Reporter

PEOPLE asked yesterday by the Mercury whether they would heed the Government's call to fight inflation by not asking for pay increases nearly all said that pay increases were necessary to fight rising costs.

A curb on pay would be unfair to the consumer unless prices were also frozen, they felt.

Only one of the eight people interviewed, Miss L. Soanes, a building society worker, was of the opinion that a wage freeze would help fight inflation and she was prepared to forego a pay increase.

One man, who said that Government and municipal workers did not always deserve increases, later returned and asked not to be quoted. "I don't want any trouble," he said.

DESERVED

Mrs. A. Haddad, an employer, said that she would continue to give her staff pay increases. "They work hard and deserve them — besides costs are rising all the time"

Mr Ian Wyllie said that an extended form or price control would help to fight inflation. "It is all very well to ask the public to help fight inflation but prices should also be fixed. Perhaps if price control was extended to more products it would be realistic to stop wage increases"

Mr. D. Mumford had only a few words to say — "The Cabinet had a pay increase."

The Prime Minister called for sacrifices from all employers and workers to aid the Government's fight against inflation earlier this week.

Mr. Vorster said that the country's security and stability were threatened by inflation.

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TUCSA TO DISCUSS PAY CURB

MERCURY 29/8/75

Industrial Reporter

THE Prime Minister's appeal for restraint on wage and salary demands will form a major part of the Trade Union Council of South Africa's Congress in Cape Town next month, says Mr. Jock Espie, Natal area organiser for Tucsa.

He was speaking on the call made by Mr. Vorster for a "temporary" halt to demands in order to combat inflation.

A spokesman for the Amalgamated Engineering Union of S.A. said: "The workers are not going to like this."

Mr. Espie said yesterday that anything helping to curb inflation was "admirable" and would have TUCSA support. A wage standstill would be acceptable only if the Government and the employers played their part.

He called for legislation to prevent workers being offered goods not worth the price — "if we want them we have to pay what is asked."

Mr. Espie supported the president of the Natal Chamber of Printing, Mr. I. L. Knock, who condemned businessmen who took long business lunches, played Wednesday golf and took every holiday. He said they should be at work to improve productivity.

He said that while parliamentarians with their recent large salary increase could withstand rising prices, the main burden fell on the workers who could ill-afford the constant rise in the price of goods

DAILY DISPATCH 29/8/75

150A

Vorster's appeal for restraint will not work

EAST LONDON — It will not work. That is my view of the Prime Minister's appeal for wage and salary restraint And I say this despite Mr Vorster's statement being welcomed by organised commerce and by the Trade Union Council of South Africa.

It will not work any better than did the appeals, and even a certain amount of legislation, that traders should not increase the prices of goods already in stock. Yet one often, even today, sees an item in a store or supermarket that bears more than one price ticket, and the one applicable is always the highest.

It will not work any more than did the announcement in the last budget that cigarette and tobacco prices would be increased "the following week." It was surprising how many shops in this area alone, for some strange reason, had their new stock delivered after the budget speech and at the "new" prices! And they continued to sell them at the "new" prices until threatened with legal action.

It will not work as long as one single company in the Republic shows a higher profit for its shareholders than it did last year.

It will not work for the simple reason that the rising prices are caused from trends set months ago. If no wage increases are granted from today onwards, the cost of living will continue to rise. If wages are to be frozen, so must prices.

In the past the price controller, Mr Jaap Steyn, has been much too free in granting price increases to producers of controlled items — and fertilisers is but one excellent example of this.

An increase in fertiliser prices results in added costs for the farmers, who must pass it on to the consumer, who then needs a wage increase merely to maintain the same living standards, let alone improve them.

And what of the poor pensioners, and those on fixed incomes? To whom must they go for a wage increase?

The president of the Public Servants' Association, Mr S. D. de K. Venter, gave a pointed indication of the general attitude of those immediately affected, when he said his association supported any action to slow down the inflation rate, but ... the PSA wanted an assurance that the sacrifices would not only come from central government employees.

"We will support the temporary wage and salary standstill provided the statutory organisations, a semi-government organisation including the municipalities and the whole of the private sector, make equal sacrifices."

And the secretary of the Federal Consultative Council of the Railway Staff Association, Mr Johan Benade, said the Prime Minister's statement amounted to a wage freeze in the public sector

"We will not rock the boat at this stage, but in six months time, claims of at least 20 per cent can be expected from the Railway unions."

And the president of the South African Confederation of Labour, Mr A. I. Niewoudt, said with the big increase in inflation, it must be appreciated that a massive backlog in wages had built up.

Considering how frequently, over quite a long period of time, the Government in general and Mr Vorster and his Cabinet Ministers in particular have been warned of the inflationary effects of their policies, the Prime Minister's appeal now is little short of pathetic

In fact, it can be likened to the school bully who scares all the pupils into giving him their pocket money, then pleads with them not to spend so much before he takes it off them again.

If Mr Vorster wishes everyone to observe a wage and salary restraint, he must also play his part and ensure an immediate reduction in the prices of articles. One way to help towards this is a complete withdrawal of the sales tax; a noticeable reduction in all excise duties; a decent cut in personal income tax; and a sizeable increase in pensions.

How would the Government pay for this? Quite simple — make massive cuts in its own spending where that spending fails to generate the economy, and that is most of it.

— BUSINESS EDITOR.

W/E ARGUS (Bus Argus) 30/8/75

150A

Wage curb call tempts the bull

THIS WEEK'S call by the Prime Minister, Mr B. J. Vorster, for wage restraint has injected a new and seemingly bullish element into the local investment picture.

The inflationary conditions of the past few years have seriously affected the financial health of the entire South African economy. Therefore anything which helps to moderate inflation, as Mr Vorster's call should do, can only be good for the country and for investors.

However, the share market showed little immediate reaction to Mr Vorster's call. One probable reason, is that investors would like to see what response this achieves. Another reason is that there are fears that the Government's call for wage restraint could be linked with a call for profit restaint.

The difficulty here is that while probably every one in business agrees that no company should make excessive profits in these inflationary times, it is not easy to determine what rate of profit companies should be allowed to make.

The point is that what could be regarded as a reasonable profit in times of zero inflation could be hopelessly inadequate when inflation is rampant, such as at present when depreciation rates go through the roof and the capital requirements of business is greatry multiplied.

The fear is that the Government could apply profit limits which ought only to be applicable when inflation is negligible. As a result commerce and industry could find themselves in trouble should the rate of inflation not be materially reduced.

But I believe this fear is exaggerated Nevertheless, it is clear that the Government's anti inflation ...

For investors in industrial shares this has been another dreary week on the stock exchange. But they have been able to draw some comfort from the continued run of healthy company profits that are being reported. Statements of profit increases are still heavily outstripping those of profit reductions.

Another cause for comfort was the steady rise in the foreign exchange reserves. These are now at their highest level for eight months and if the Government's plans to draw funds into the country are successful, as they are expected to be, a further rise in the reserves is on the cards.

Increased reserves means greater liquidity, lower interest rates and more money for investment in industrial shares

Investors in gold shares have had a disappointing week as well with the gold price fluctuating around the 161 dollars an ounce mark. They have also had to contend with reports that the United States may hold another gold auction later this year and that the International Monetary Fund could also become a seller of the metal. But this need not be against the metal's interests.

It appears the major Western states have reached an agreement that part of the IMF's original gold holding should be returned to its original owners at the old official price of the metal and another part — about one sixth — should be sold in the free market and the profits used to aid the developing nations.

So far it is not clear ...

But considering the Commonwealth finance ministers' squabble at their meeting in Georgetown, Guyana, this week about how the proceeds from the sale should be used, there are obviously high expectations about the price which will be obtained for the IMF gold.

But in current market conditions a good price will only result if central banks are allowed to buy it. And this seems a strong possibility, seeing it is their gold being sold.

Accordingly, the proposal that the IMF should sell part of its gold stock could in fact be a Trojan horse to open the way for resumed central bank dealings in gold on a large scale.

If this were to happen, gold's rehabilitation as a medium of international exchange would then be complete.

This week AE and CI, the country's biggest chemical enterprise, announced it had raised R45-million by way of two debentures issues — one carrying a 12,75 percent coupon and 12 options to subscribe for AE and CI shares, and the other with coupon of 13,125 percent but with no option rights.

These are attractive rates of interest and in contrast to previous debenture issues by other companies. AE and CI is also offering these debentures to its own shareholders. Moreover, from information so far available in Cape Town it appears there will be no restrictions on the quantity of debentures for which shareholders can subscribe.

Those investors

150A

WAGE CURB APPEAL MAY BE JUST THE BEGINNING

W/E ARGUS (Bus Argus) 30/8/75

Financial Editor

THE appeal by the Prime Minister this week for wage restraints is expected to be only the first of a series of Government moves aimed at curbing inflation. Among other measures in the pipeline is also believed to be a request to commerce and industry to limit their profits.

It is believed that the authorities would like companies to restrict the return on capital to 15 percent before tax. Moreover, it seems that official thinking is that companies earning more than 15 percent (before interest charges and before tax) on operating capital should be permitted to pass on only 70 percent of any local cost increase, and the remaining 30 percent to be charged against profits.

Although the Natal Chamber of Industries has announced that its members are prepared to abide by the 15 percent figure, the Cape Chamber of Industries in its latest survey expressed many reservations about the proposal.

The view of its Economic Affairs Committee was that it would not be feasible to recommend for general application specific percentage levels of profit earning.

It continued that the level of return required on capital employed varies considerably from industry to industry and, whereas the 15 percent might be sufficient in some cases, it could be totally inadequate, even seriously harmful, in others.

The committee added that the suggested level of 15 percent profit on capital employed appeared to be based on conditions which were now outdated as a result of the sharp inflationary trends and probably in the vast majority of industries — it would be inadequate in present-day conditions.

Other people, meanwhile, have also pointed out that a 15 percent re[illegible]

only 9 percent after company tax and this is actually a smaller return than investors can now get on Government stock.

This could create financing problems for industry.

Meanwhile, there is speculation that the Government could move towards a tighter money policy in an effort to squeeze inflation out of the system.

150A

Black wage freeze 'is asking for trouble'

RDM 30/9/75
(1)150A
(2)334

By GERALD REILLY
Pretoria Bureau

EMPLOYERS were warned yesterday by prominent trade unionists to maintain and supplement the buying power of Black wages, or face labour unrest on a disturbing scale.

The management committee of the 200 000 strong Rightwing SA Confederation of Labour yesterday doubted whether the Government had the right remedy for South Africa's economic troubles.

Trade Union leaders said the Prime Minister, Mr Vorster had specifically excluded low paid workers from his appeal for wage restraints.

Employers who took advantage of the Prime Minister's appeal for restraint to freeze the earnings of Black workers were asking for trouble and endangering industrial peace, they said.

A vice-president of the Trade Union Council of South Africa, Mr Steve Scheepers, said economists were warning of an inflation rate boosted by devaluation which could reach 20 per cent in the first half of next year.

"When the rises in price of all basic foods and commodities which have taken place this year are borne in mind it is vital for industrial peace that Black workers should be adequately compensated for recent living cost rises, and those which now appear to be unavoidable."

He added that the threat of unemployment could not be ignored. It could be a by-products of a too severe anti-inflation programme. At all costs, Black unemployment with its obvious threat of unrest had to be avoided.

The president of the Garment Workers Union, Senator Anna Scheepers, said all Black workers should be kept above the Poverty Datum Line, and certainly they should continue to be compensated for rises in living costs, especially those which would certainly result from devaluation.

The secretary of the Confederation of Labour, Mr Wally Grobler, said yesterday his management committee was beginning seriously to doubt whether the monetary authorities had the answer or answers to the country's economic problems.

In a statement issued after yesterday's meeting the committee said "For example, the Minister of Finance, Senator Horwood, said unequivocally as recently as August 13 that there was no question of devaluation.

"However, just a few brief weeks after, the biggest devaluation in our history hit us," the committee said.

"The confederation will make no hasty judgments. It is anxiously waiting for an announcement from the Minister of Economic Affairs, Mr Heunis, of the details of the action programme against inflation."

Meanwhile, the confederation warned that trade union leaders were finding it increasingly difficult to convince workers of the necessity for sacrifices.

By ADAM PAYNE
Mining Editor

TIGHTEN YOUR BELT — OR ELSE

(150A) Sunday TIMES 31/8/75

Merton Dagut . . . "It will be painful."

Inflation: It's now or never

THE Prime Minister's call for a wage freeze is seen in economic circles as a powerful move to avoid South Africa falling into an economic crisis such as Britain's.

South Africa is six months to a year behind America and Britain in facing its inflation problem and it has chosen the wiser but more painful course of higher interest rates, tighter money and an appeal to employers and wage earners to restrain wage appeals and cut down price increases.

Merton Dagut, head of Nedsual's economic unit, said this week that the country is entering a critical period. He agrees with industrial and other leaders who endorse the Prime Minister's appeal.

Leading

Mr Dagut is one of South Africa's leading economists. His views carry considerable influence in banking and Government circles.

He said that if the Government allowed an inflationary course, as in Britain, he believed it would result in price inflation of 18 per cent by the end of this year building up to about 30 per cent next year. This would be dangerous — and could lead to an economic crisis.

Provided the Government policy is followed through, he sees a gentle, hesitant economic upturn about the middle of the third quarter next year.

This would slowly gather strength by the end of 1976. He believes the growth rate for next year is likely to be little different from that of this year, which will be poor compared to last year's growth.

Bite

He said: 'We are in for a typically painful dose of inflation correction. The pain of the adjustment is about to bite.

"The recovery will be from a relatively higher rate of inflation than in the United States because of our underlying need for growth. This recovery should produce a range of inflation of about 6 per cent to 8 per cent.

"That should be low enough to begin a restimulation, which we need to achieve our growth rate.

"Britain and the United States had parallels to our situation at the end of the first quarter of 1973. They had adopted a fairly tight money policy. The United States enforced a total freeze on prices and wages.

"They stopped the rate of inflation from accelerating, and their position then was similar to ours now. They maintained the tight money policy and entered their most severe depression since World War 11.

"The US is still in this recession, although it may have bottomed out. In the process, the rate of inflation has come down, the external trade balance has improved strongly and the dollar has strengthened.

In Britain, by contrast, the price and wage freeze was maintained for one more quarter and the real GNP (gross national product) fell by about 9 per cent.

"In the end, Britain attempted another policy mix — yielding to the unions' wage demands and trying to grow out of its inflation with the exchange rate of the pound taking the strain.

"The result was a false boom with rising incomes and people storming the shops to buy goods.

"A crisis with a rising rate of inflation, combined with a recession and growing unemployment is now afflicting Britain. Something has to break.

"If we hold our nerve with restraints now, we shall break the cycle and go into the downturn which should lead to a recovery without crisis.

Increases

"We are into the season of pay increases in the private sector. We are in the mood for saying: 'Things will be better next year, so let us jack up spending a little.'

"But serious difficulties threaten us if we choose to stimulate the money and allow inflation — which will worsen our balance of payments in the near future — to destroy our growth potential."

On the rise in interest rates early in August — done by the Government, with the Reserve Bank's backing, to liberalise the blocked rand mechanism to retain funds in South Africa — Mr Dagut said: "The Budget in March was based on expectations that mining and company profits would remain the same as last year.

"This did not occur and the Government had to run down its balances.

Bumper

"The bumper maize crop of last season with its ~~could do so~~ borrowed in South Africa rather than abroad and repaid abroad.

That aggravated the leads and lags problem in the balance of payments, which was brought about by the strengthening dollar and, along with it, the rand.

"The authorities acted wisely in deciding to protect the balance of payments, by increasing the domestic interest rates structure, making it more desirable to borrow abroad than at home."

He said that as part of the overall policy interest rates were raised.

"So it all adds up to a tight money policy. The Government is determined to beat inflation. This must entail restraints and cutbacks in Government spending. These measures will succeed only if excessive increases in bank credit and in money and near money are avoided."

Mr Dagut said he believed the significance of the Prime Minister's intervention was that it committed the Government to this policy.

"I am hopeful about all this because there is evidence that the rate of

• Continued on Back Page

Tighten your belt before it's too late

Sunday TIMES 31/8/75

• Continued from Page 1

price inflation is diminishing

"Import prices are increasing less rapidly and the strength of the rand will also help in lowering the import bill.

"The economy perked up in the second quarter. I think it will decline in this quarter and in the last quarter, and there is hope that just enough competition will percolate through to check the rise in prices.

"In addition, we have economic technicalities going for us. The maize crop is not as good as last year Therefore the surplus of the farming sector will be down on last year, causing a drain on income. Mining and commercial profits are also down on expectations

"If in the next six months wages and salaries and personal incomes can be made to stop rising rapidly, and at the same time there is a decline in prices, there is a fair chance that the inflationary chain will be broken.

"It won't end inflation Rather, inflation will not continue to accelerate and will be held at less than 10 per cent.

"I would not be surprised to see a recovery in industrial equities next year. It will come from renewed confidence since companies and investors will see that the rate of cost inflation is decreasing This will mean that their capital structures will be sound again.

"They will be able to plan for expansion.

"Our policy is also likely to result in gold and foreign exchange reserves increasing between now and the year-end. We know that normally an increase in reserves means a rise in share prices.

"The expectation of a decline in the rate of inflation should make it possible for long-term interest rates to ease slightly. But the picture is complicated by the need until the first quarter next year to raise large sums for public authorities.

"I see a big dip in interest rates about the middle of next year."

On the IMF meeting and the gold price, Mr Dagut was not dismayed at the thought of gold being sold from IMF reserves. This could allow central banks to buy it, he said.

"I foresee the gold price rising. I would not be surprised if it is close to $180 an oz at the end of the year with a rise of 5 per cent on average through next year.

"These figures have enormous implication for the gold mines' profits."

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3) ~~308~~

DR STEYL

Daily Dispatch 2/9/75

Teachers defer pay decision

JOHANNESBURG — In view of the Prime Minister's appeal, it was decided yesterday at the congress of the South African Association for Technical and Vocational Education that no decision would be made regarding appeals for the increase of teachers' salaries.

The retiring president of the association, Dr I. Steyl, a former principal of the East London Technical College, said this in an interview after the association ended its congress, attended by 160 delegates from special schools, schools under the Children's Act, technical colleges and institutes, colleges for advanced technical education and commercial and technical high schools.

During the three days the delegates discussed various motions of which the most popular was pay rises for teachers and other members attached to schools.

However, no decision in this regard was made at the congress in view of the Prime Minister's recent appeal that no rises should be allowed in view of inflation.

The reasons for requesting pay rises on behalf of teachers was the increasing cost of living.

Dr Steyl said the matter would be referred to the executive committee of the association, which would use its own discretion.

Mr C D. Theron of Kimberley, was elected new president of the association. Dr Steyl will remain on the executive committee for a year as retiring president. — DDC

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(1) 150 A
2) 334

Wage gap plea 'not verkramp'

3/9/75

The Argus Political Correspondent

EAST LONDON. — A delegate to the Cape Nationalist congress said last night that a resolution warning against the inflationary effect of narrowing the wage gap between White and non-White was not meant to be verkramp.

On the agenda the resolution asks the Government to guard against narrowing the wage gap and the consequent increase in non-White incomes as factors contributing to inflation.

Mr. H. von Romburgh of Paarl said the original resolution, which had been abbreviated, said it was important to teach Coloured people to save and invest their money in property.

Increases should be accompanied by increased productivity he added.

Cut down your prices, Heunis tells traders

RDM 5/9/75

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THE Minister of Economic Affairs, Mr J. C. Heunis, last night urged businessmen to honour the letter and the spirit of the joint action programme against inflation by introducing price decreases wherever possible.

Speaking at the annual dinner of the Krugersdorp Chamber of Commerce and Industry, the Minister said there were good reasons why he emphasised this appeal.

During 1974 the consumer price index had risen at a lower rate than the wholesale price index (which largely represented manufacturers' prices), and on more than one occasion Assocom had urged that this demonstrated a tendency in gross profit margins.

According to the latest figures, however, the same situation definitely did not apply this year From January to May, 1975 the wholesale price index of goods for South African consumption had increased by 3,6 per cent, while the consumer price index had risen by 3,9 per cent.

The same sort of contrast appeared in the two most important classes of goods, namely food and clothing.

In food, the wholesale price index had actually dropped by one per cent from January to May, but the consumer price index had risen by nearly 1,1 per cent

In the case of clothing the increase in the wholesale price index was 2,9 per cent while the increase in the consumer price index amounted to nearly 4,1 per cent.

The latest index figures showed there might be room for downwards price adjustments, the Minister said.

As far as the economic position of the country was concerned, the Minister gave reasons for strong confidence in the short and medium-term future, and added:

"In my view there is even more reason for faith in our long-term future.

"It is my belief that in the long-term, high gold prices and a keen world demand for many of our export products, primary and processed, will afford our country a favourable external balance-of-payments situation, which will in turn permit a sounder and less inflationary financing of our total investment programme than will perhaps prevail elsewhere" — Sapa

Govt's assault on inflation takes shape

Staff Reporter

THE Government's assault on inflation is now being planned in detail, it was learnt in Pretoria yesterday.

The Cabinet has ordered that the implementation of the plan be given the "utmost priority".

The plan has been mapped out by the standing committee on inflation of the Prime Minister's Economic Advisory Council. It was submitted to a committee of eight Cabinet Ministers, assisted by an advisory committee.

The advisory committee appointed six working groups a few weeks ago to analyse the contribution which could be made in fields like education, productivity and fiscal policies.

Some groups have reported to the Minister of Economic Affairs, Mr Chris Heunis, and the others are expected to report soon

150A

FM 5/9/75

WAGE DEMANDS

Backing the PM

Reactions to the Prime Minister's appeal last week for wage and price restraint have been unanimously favourable.

Export industries in particular are pleased that Vorster recognised the need to give exports special encouragement in an export-led economy. Comments Wim Holtes of Safto

"We were delighted to note that the export industries were specifically mentioned. An export orientation is now much more reflected in government policy."

The appeal has also been welcomed by the mining industry Tom Main, economist at the Chamber of Mines, points out that costs in the mining industry have already outpaced inflation and are now increasing at a rate of 25%-30% pa

Dr Hennie Reynders of the SA Federated Chamber of Industries, a member of one of the six specialist committees appointed by Minister of Economic Affairs Chris Heunis to draw up concrete anti-inflation proposals, welcomes the voluntary element in the appeal, and thinks it will work provided the entire country swings behind it.

A spokesman for the Public Servants Association commented "We will not at this stage go for wage and salary increases, on condition that the private sector and other divisions of the public sector show similar restraint"

Speaking for the unions, Robert Kraft, economist and assistant general secretary of Tucsa, and a member of two of the anti-inflation committees, said·

"We reiterate the commitment we made earlier this year, to exercise great wage restraint. I think it was a good speech by the Prime Minister"

Dr Errol Drummond of Seifsa, who sits on a record-breaking four of the six committees, added

"The announcement is a desirable step in the light of the inflationary period through which we have been, and the guidelines no doubt will lead to positive steps in arresting the current spiral"

The six committees have the following broad terms of reference.

- **Publicity and educational campaign** *(chairman. Dr Lawrence McCrystal, Executive Director of the Grocery Manufacturers Association)* The campaign will be aimed specifically at each of the various interest groups in the economy — commerce, consumers, industry, and so on.
- **Short-term productivity of the labour force** *(chairman. Dr Sebastiaan Kleu, Chairman of the Board of Trade and Industries)* This committee is to recommend steps which can be taken to promote productivity in the short-term
- **Long-term productivity of the labour force** *(chairman. Johan Botha of the Department of Labour)* It will deal with labour productivity matters in the long-term.
- **Fiscal and monetary regulations and policy** *(chairman: Johannes Kitshoff, chairman of the IDC).* The committee is looking into the effects of monetary and fiscal measures on the rate of inflation, with particular reference to the rate of expansion of the money supply
- **Legislation and regulations** *(chairman· Dr Piet Riekert, Economic Adviser to the PM)* This committee will examine cost increasing effects of existing and future legislation, and will aim at taking remedial steps
- **Salary, wage and price increases** *(chairman Joep Steyn, Secretary for Commerce and Price Controller)* This body is expected to recommend a formula for limiting salary, wage and price increases, to be applied voluntarily by the private and public sectors

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Govt given six months to beat inflation

RDM 6/9/75

Staff Reporter

THE BIG trade unions are giving the Government's coordinated anti-inflation programme six months to work, it was learnt in Pretoria yesterday.

If there are no indications that commerce and industry are making comparable sacrifices then a rash of wage and salary increase demands can be expected in the first half of next year

In the interim, however, trade unions are not interpreting Mr Vorster's appeal for restraint in wage and salary demands as a wage freeze. It is expected that some will, before the six months is out, demand limited compensation from employers.

Already one of the seven railway trade unions, the Artisan Staff Association, has given notice it intends asking the Minister of Transport, Mr S. L. Muller, for relief next week.

At least one of the Post Office's four staff associations is also expected to ask for improved fringe benefits during the "restraint period". This could be followed by demands from the Public Servants' Association.

The secretary of one of the associations, Mr L. J. van der Linde, said yesterday after a meeting of his executive, that at this stage there were certain aspects of the Prime Minister's appeal which the executive felt unhappy about

Different interpretations had been placed on the Prime Minister's appeal for restraint It was his executive's intention to make a closer study of certain aspects of the appeal, Mr Van der Linde said.

Some leading trade unionists say large numbers of workers including Iscor and municipal workers, were recently given salary and wage increases while there were many thousands of workers who had not had relief for two years and more.

The Cabinet, it is understood, has ordered that the implementation should be given the "utmost priority."

A major reason for the crash effort to arrest the country's rocketing inflation rate is the fear of unrest among the millions of low-paid Black workers

The Prime Minister two weeks ago warned that inflation was threatening the peace and stability of the country and constituted a danger to the social and economic structure

On Thursday night the Minister of Labour, Mr Marais Viljoen, sounded a similar and more specific warning

Addressing a meeting in Carolina, Mr Viljoen said inflation could hit the country in its most sensitive area — race relations

CHRISTMAS BONUSES and pay increases would be drastically cut this year, leading economists said this week in a survey conducted by Weekend Argus correspondents and reporters.

The forecast came as another snap survey showed some manufacturers and producers of foods and essential goods were almost ignoring the plea by the Prime Minister, Mr B. J. Vorster, to keep prices down.

Soaring prices — up to 36 percent for food in 18 months — threaten to break down the anti-inflation campaign launched by the Prime Minister last weekend when he appealed to public servants to peg their wages.

In the survey, economists predicted that

● Prices will continue to spiral — in spite of the Prime Minister's plea.

● The Government may then have to take drastic action by forcing traders to freeze prices.

● This could lead to economic trouble by pushing South Africa from inflation into recession.

● The six-point programme now being considered by Mr J. C. Heunis, Minister of Economic Affairs, could contain the final death blow to job reservation.

Employers

The survey showed that big firms throughout South Africa would keep end-of-year salary and wage increases and bonuses down to a minimum.

Among the big employers who said their next salary reviews would be less than the 14 percent inflation rate were such giants as the Anglo American Corporation, the Chamber of Mines, Barclays Bank, Unilever SA and Dunlop SA.

The forecast, which will shatter the hopes of thousands of inflation-weary South African families, was made as a special Cabinet committee planned a nation-wide, six-pronged attack to deal with the country's inflation crisis.

Six points

This includes:

★ Slashing government spending and revising monetary policies.

★ Stepping up the training and education of Blacks in White areas.

★ Scrutinising and revising all legislation that has a cost-increasing effect.

★ A plan to increase short-term productivity and the better use of labour.

★ Slowing down prices increases and a virtual pay standstill.

★ An education programme to teach the public how the country's economic system works and to instruct individuals on how they can help fight inflation and avert a major recession.

The private sector — through trade unions and the Chambers of Commerce and Industry — has indicated that it is prepared to follow suit in keeping down wage and salary increases, but only if all sectors play their part.

Mr Wally Grobler, secretary of the powerful Railwaymen's Artisan Staff Association and secretary of the SA Confederation of Labour said.

"We want to see the butcher, the baker and the candlestickmaker keeping their prices down. There will be a big outcry against any price rises we see, and if they continue we will renew our pay demands."

Gloomy economists say: pay rises down, but prices up

Sun Trib. 7/9/75

By ROLAND STANBRIDGE

END-OF-YEAR salary and wag increases will be kept to a min mum, a SUNDAY TRIBUN survey showed this week.

While the Minister of Econom Affairs, Mr Chris Heunis, this weeken studied an urgent six-point plan to figl inflation, economists predict that:

- Prices will continue to go up — despite t Prime Minister's plea.
- The Government may then have to ta drastic action by forcing traders to freeze price
- This could lead to economic chaos by pu ing South Africa from inflation into recession
- The six-point programme now being cc sidered by Mr Heunis could contain the final dea blow to job reservation

Economists and businessmen throughout the cou try were buzzing with speculation this week about t opening moves in the nationwide campaign against flation.

But the news for the average salary and wa earner is gloomy.

Among the big employers that yesterday told t Sunday Tribune that their next pay rises would be le than the 14 percent inflation rate were such giants the Anglo American Corporation, the Chamber Mines, Barclays Bank, Unilever SA and Dunlop SA

'We'll heed the call'

An Anglo American spokesman said: "The corpo tion is well aware of the importance of the fig against inflation and in its annual salary review w unquestionably pay proper regard to the Prime Mi ister's call for wage restraint"

Unilever stated "Unilever SA, being a responsib member of the community will certainly heed the c by the Prime Minister for wage and price restraint"

A spokesman added "When the PM says inflati is threatening the country's stability and he calls f restraints, you've just got to listen. And you can sure this is the way everybody is going to react"

Announced the Chamber of Mines: "We welcon the Prime Minister's initiative, and regard positi action to take the heat out of the inflation increa rate as a matter of urgency We shall certainly ta this appeal into full account in any consideration wage and salary increases."

And as other employers throughout the countr were taking similar policy decisions about pay, M Heunis and his special Cabinet Committee on Inflatio were preparing to announce their six-point plan.

This includes:

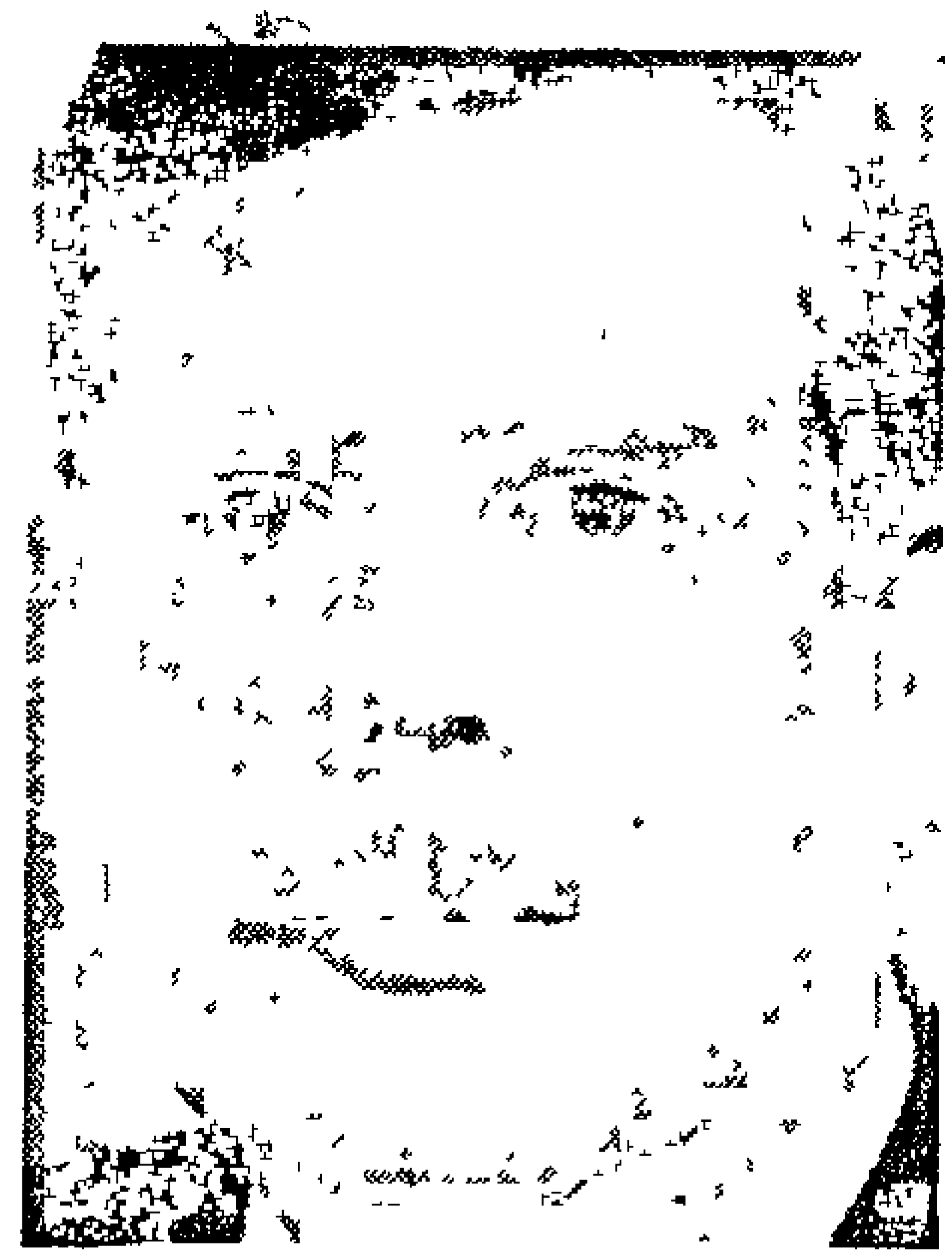
- Slashing Government spending and revisir monetary policies.
- Stepping up the training and education Blacks in White areas.
- Scrutinising and revising all legislation th has a cost increasing effect.
- A plan to increase short-term productivity ar the utilisation of labour.
- Slowing down price increases and a virtual pa standstill
- An education programme to teach the publ how the country's economic system works and instru individuals how they can help fight inflation and ave a major recession

Details of the six-point plan have not been mad public but top economists this week guessed that th fiscal and monetary reforms could include increase direct and indirect taxation and increasing the ban rate to make credit much more expensive.

And they speculated that the legislation revisio might contain a move to wipe out job reservation

Said one economist: "Job reservation is inoper tive in many spheres, but where it is applied it creat artificially inflated wages and salaries

THE BIG FREEZE



Minister of Economics Chris Heunis

150A

Go to it, South Africa

By DEREK TAYLOR

SOUTH AFRICA'S economic ills yesterday received a razor-sharp diagnosis from Dr M. D. Marais, doyen of industrialist-economists and former economic advisor to the Prime Minister, when he attacked:

- Feather-bedded Whites who are paid more than they earn or produce;
- Lazy conservative managements that resist change and modernisation:

● Padded armies of Government employees underpaid to under-produce

Dr Marais also indicted approaches which were "far too socialistic" in tending to keep people employed regardless of productivity or merit

"We are at a stage when this luxury can no longer be afforded, and far more attention must be given to payment for results," he said.

"We must, for instance, beware of too much State interference and control I would rather see a smaller band of civil servants better paid, more content and more productive.

"This is true of the whole sphere of central, provincial and — especially — municipal government where we need to get the work done by smaller more effective armies

"I have no use for wage, salary and price controls imposed by government," said Dr Marais "Such measures create impossible distortions in economic interaction.

"This applies especially to a country like ours where a very large proportion of people are still being paid wages which could be considered too low.

"Therefore, in our present circumstances of labour negotiation, it could be most detrimental to our social stability," he said.

On the other hand it had become common "to pay people a high reward merely because they have matriculated and can sit behind a desk and do a certain minimum of work"

Rise in bank rate?

"It effectively prevents competition for jobs between Blacks and Whites and certainly has a cost increasing effect in terms of the wage bill paid by industries The economy will benefit if it is scrapped"

Professor Jan Sadie of Stellenbosch University predicted that the Government would take several steps to make credit more expensive and less available

"They will probably increase the amount of liquid assets that have to be kept by banks so that they have less potential for granting credit to firms and individuals

"The Central Bank will raise the bank rate, and the private banks will follow the example by putting up overdraft rates

"The Government would also like people to save money and might use increased interest rates as an inducement They might use the bait of tax-free interest on certain deposits"

Dr John Cloete, chief economist of Barclays National Bank, had a sharp warning for the Government If it tries to curb inflation too quickly, it could push the country into a depression.

"With real growth already so low, if the Government cuts back too fast on the money supply or too much on its expenditures, it will bring real growth to an end in the economy" he said

"A fight against inflation has to be approached slowly As it is there is definitely going to be a deepening of the recession, because wages are going to be cut but prices will continue rising for some time. Only at a later stage, towards the end of the process, will prices start coming down That will be when producers and retailers find they can't sell their goods

"But if we want to beat inflation we've got to make these sacrifices — we have got to accept a deepening of the recession I only hope the Government does not overkill it.

"It must not try to stop inflation in one go. It should set a target, try to get it down to about 10 percent by the end of the year, and down to a lower level next year"

Businessmen expect Mr Heunis to announce the full six-point plan within a fortnight

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SUNDAY TRIBUNE, SEPTEMBER 7, 1975

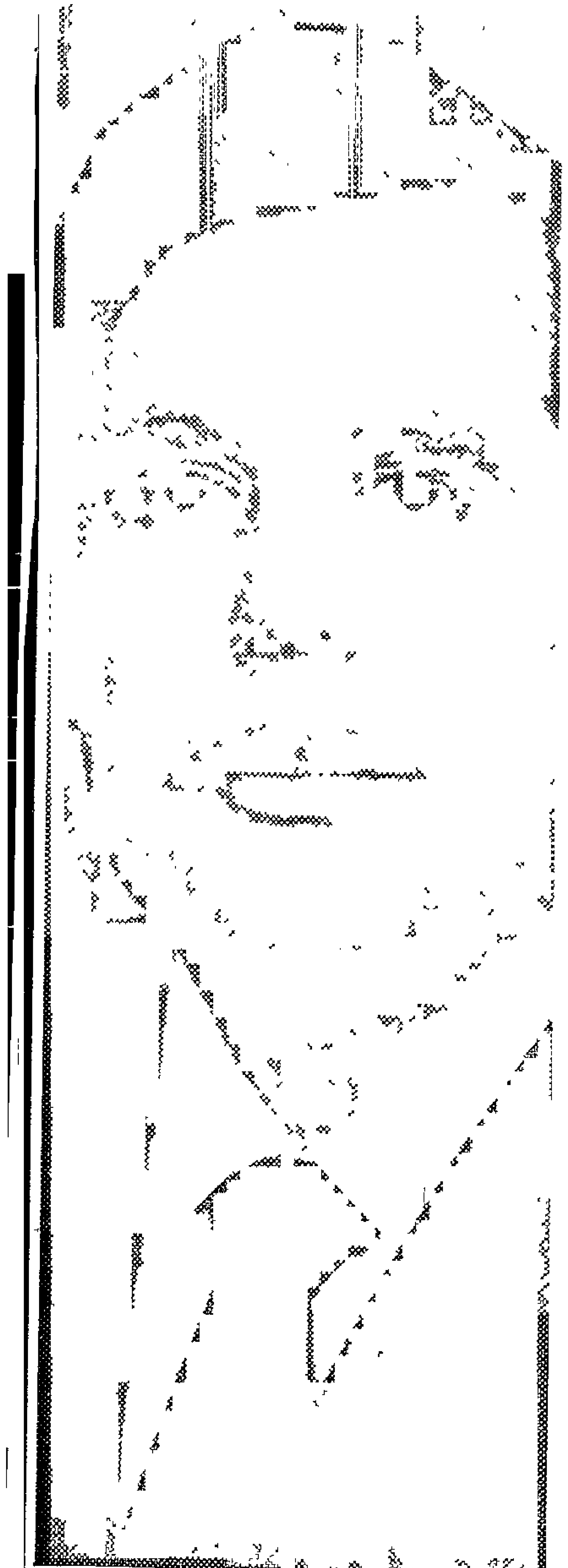
150A

Master plan to beat inflation.

GOODBYE TO

..but Christmas will be grim –

THAT BONUS



Mr Chris Heunis, Minister of Economic Affairs . . . he'll announce the Government's master plan in the fight against inflation within 10 days

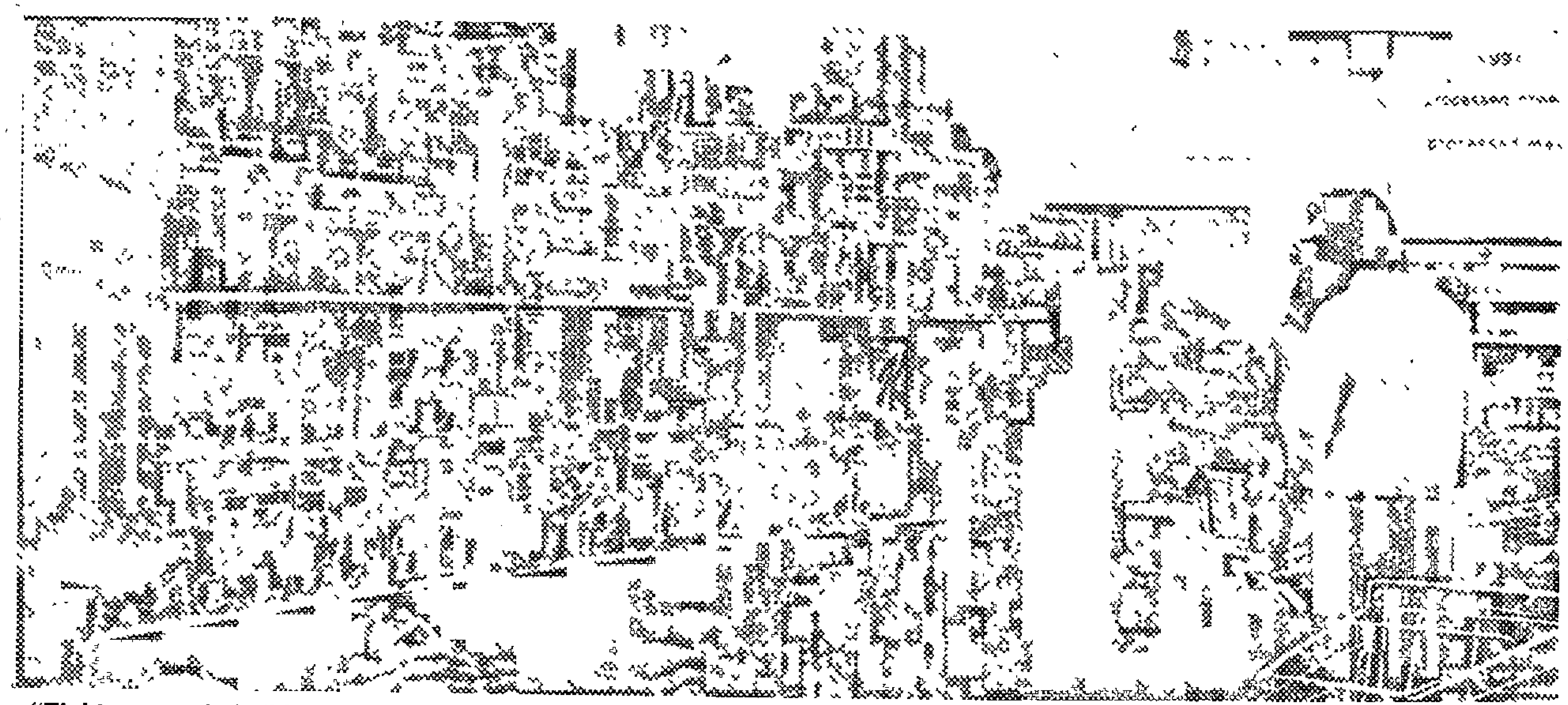
(1504)

CHRISTMAS bonuses and pay increases will be drastically cut this year, leading economists said this week.

Their forecast, which will shatter the hopes of thousands of inflation-weary families, was made as a special Cabinet committee planned a nationwide six-prong attack to deal with the inflation crisis.

And it came as a snap survey showed that manufacturers and producers of foods and essential goods are practically ignoring the Prime Minister's plea to keep prices down.

Soaring prices — up to 36 percent more for food in 18 months — are threatening to ruin the anti-inflation campaign launched by Mr Vorster last weekend when he appealed to public servants to peg their wages



"Tighten your belts" is the message . . . but food producers are practically ignoring Mr Vorster's plea

Doing their bit

The private sector, through trade unions and the Chambers of Commerce and Industry, has indicated it is prepared to follow suit in keeping down wage and salary increases — but only if all sectors play their part

Mr Wally Grobler, secretary of the powerful railwaymen's Artisan Staff Association and secretary of the Confederation of Labour, told the Sunday Tribune

"We have noted the Prime Minister's appeal to cut down on wage demands and we realise that some contribution has to be made by individuals to help combat the economic situation.

"But the trade unions will co-operate if retailers and others are seen to be doing their bit

"We want to see the butcher, the baker and the candlestickmaker keeping their prices down There will be a big outcry against any price rises we see If they continue we will renew our pay demands"

Mr Chris Heunis, Minister of Economic Affairs who heads the Cabinet committee on inflation, wants traders to play their part voluntarily, because the Government is aware that legislated prices and incomes policies have failed overseas.

But apart from the Spar chain of supermarkets freezing its prices in response to Mr Vorster's plea, other business organisations are avoiding the issue.

The Sunday Tribune spoke to most of the major department stores in Natal this week and got answers such as "We always try to give the customer the best deal" . . . "We have had no directive from head office" . . "It has always been our policy to keep prices down"

Now economic observers are predicting that the Government will be forced

BY ROLAND STANBRIDGE

to take a tougher line on price control.

Top economist Professor Jan Sadie of Stellenbosch University said yesterday "If there is no co-operation on prices and the Government does not want to depress the economy too much by indirect means — that is by the usual financial, monetary and fiscal measures — it will have to tackle the problem directly by partly eliminating the ordinary market forces.

Decree

"The Government will just have to decree 'No more price increases'.

"I know the Government has often said it is against this sort of control, but it's already controlling quite a few prices and this can easily be extended."

And Mr Robert Kraft, assistant secretary general of Tucsa, warned "Minister Heunis is obviously warming up for action. He has already cut the profit margin on fertilisers and is getting stuck into HP malpractices

"Mr Vorster's statement at the weekend that the country's security and stability are threatened by inflation was part of the whole movement I think it was intended to give momentum to action Mr Heunis is planning

"The PM's speech was a reminder to people of the seriousness with which they must treat this problem of inflation This is not a onesided thing If only the workers make sacrifices and commerce and industry do not, then it is not going to work"

That the Government takes a serious view of the matter can be seen in the intensified campaign by the Price Control Office against unscrupulous traders

This is being backed by the courts, which are taking a harsh line with price control offenders No admission of guilt fines are being accepted in the Transvaal, Free State or Cape, and offenders face jail sentences.

Another economist said the Government might even have to use coercion to prevent the private sector giving across-the-board salary increases

"It's no good just the public sector making a contribution and the private sector going merrily ahead and giving everybody 20 percent increases That will bust the whole thing"

Pressure

Professor Sadie believes the Government will use pressure if necessary to prevent the private sector giving wage and salary increases

"Apart from the inflation aspect, the Government can't afford to lose strategic personnel to the private sector There will have to be co-operation all round simply not to raise salaries and wages except on an individual scale

"But if on the basis of one undertaking the management was able to raise wages without raising costs, that would be all right"

The Government's full plan for the fight against inflation has not yet been made public because the Cabinet committee has been waiting for the detailed reports from its six sub committees

These were handed in this week, and Mr Heunis is expected to announce the complete plan within 10 days

But already the Government has committed itself to

- A huge cutback in spending at all levels
- Pegged salaries
- Investigating malpractices in the furniture and other trades
- Stepping up the training of Blacks in White areas
- An investigation into pharmaceutical prices
- Possibility of compelling businesses to display purchase and selling prices
- No more spending on luxury items such as elaborate sportsfields for schools

Hard times are ahead for the man in the street. The Prime Minister has said workers will have to make sacrifices and suffer personal inconveniences, and Mr Heunis said recently there was no easy solution to inflation — only "a painful one".

The reality of the situation will be forcefully brought home to workers when there is no end-of-year bonus or pay increase

"It's going to be a sweatbath," Durban economist Dr Lawrence McCrystal said yesterday

"At this stage, while the inflation rate is only 14 percent, it is going to take much less of an effort to get rid of it than it would if we let it run until we reached the British type of inflation around 30 percent

Sacrifices

"So it's going to be uncomfortable But if we're not prepared to make those small sacrifices voluntarily now, the day will come when we're forced to make considerably more drastic sacrifices"

Another economist said. "Even if prices are mostly kept down our living standards are going to have to drop This is quite in order. After all, we are living beyond our means at the moment and we simply have to reduce our standards

"People are going to have to be more discriminating about what they buy and where they buy They will have to compare prices. I know this is not easy for consumers, but it will oblige retailers to reduce prices. People will also have to buy less"

A member of the inflation committee concerned with educating the public about economics said "The sort of thing we might suggest is, 'Why don't you pay off your bond more quickly?' It's costing you a lot of money out of after tax income — so that bond is not costing you the 10 percent you think it is, it's costing you 10 percent plus tax"

The Government will probably call on people to increase productivity without expecting pay rises, to avoid entering into HP agreements for household commodities, and to save fuel and money

Said the inflation committee member. "What we are aiming at is to involve the whole of society in this exercise and let the people feel they are part of the decision-making process. It's an attempt at mobilising the whole nation.

"A lot of inflation starts with the people and their rising expectations So we have to involve the people.

"It will be spelled out to the man in the street how he can take part, and each group of individuals will be told how they can assist to destroy the inflation monster

"I am enthusiastic about this plan If the whole nation is involved in fighting inflation it will be beaten.

Harshly

Mr Graham Gallow, president of the Durban Chamber of Commerce, says any pay increases should go to the lower-income groups "Their margin of discretionary spending power is minimal and they feel the impact of inflation most harshly," he said

The last word, in lighter vein, comes from a housewife who suggests that gardening readers buy a large stock of hermetically sealed garden seeds, which last about three years For the price of one lettuce now, gardeners will be able to crop 250 in 1978

Here is the most potent weapon

STAR 8/9/75

Reports by Siegfried Hannig, Labour Reporter

Next to wage and price restraint, productivity is widely regarded as the most potent weapon against inflation

"The more successful we are in increasing productivity, the less we have to tighten our belts," says Mr Robert Kraft, economist and assistant general secretary of the Trade Union Council of South Africa

The Star asked Mr Kraft whether South African workers are sufficiently productive

"No," he replied "But give us the tools and we'll do the job"

He pointed out that there is more to productivity than hard work:

Action

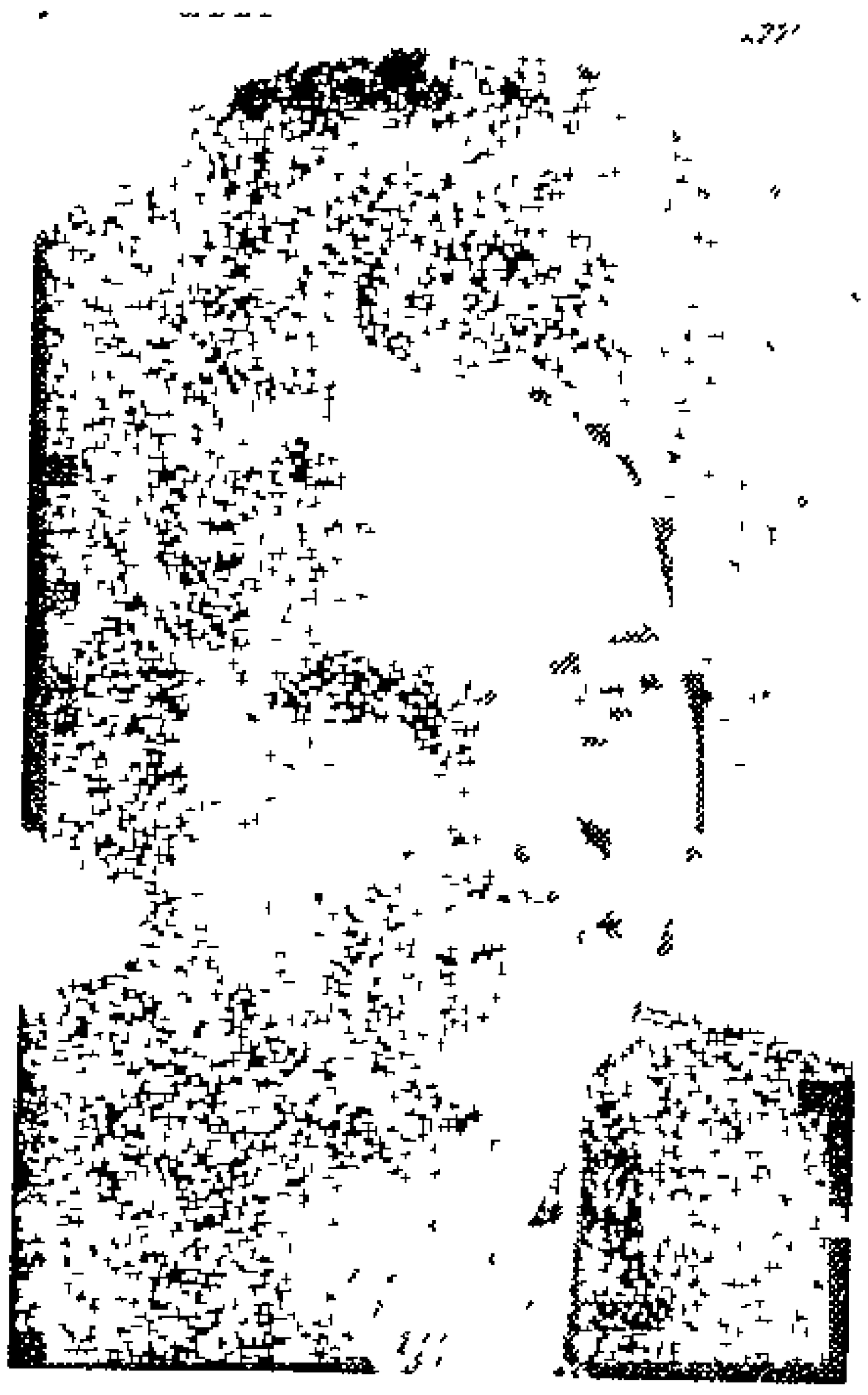
- Productivity starts with education, training and retraining
- Maximum utilisation of all talent — regardless of race or colour — is an essential element of productivity
- Management holds the key to productivity

"Improved education, training and utilisation of all workers are major elements of the collective programme of action against inflation adopted by the Government, organised industry and labour," Mr Kraft said

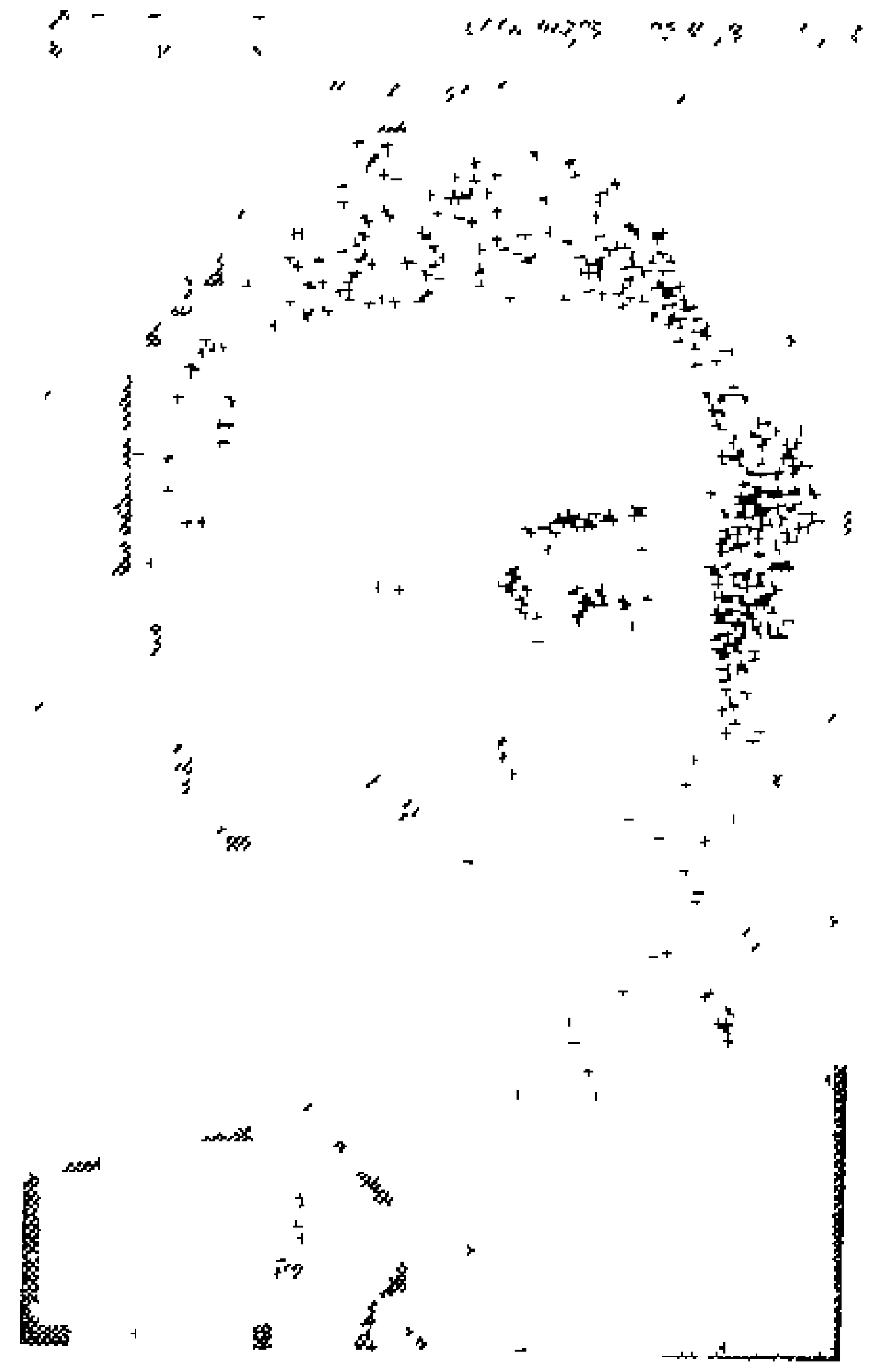
"But the most immediate increase in productivity can be brought about by management action

It is management's job to see to the efficient running of its company, to prevent mechanical breakdowns and bottlenecks and to see that the worker's skill matches the requirements of his job

"If employers don't know how to increase output they would do well to approach the National Productivity Institute," Mr Kraft said



Senator Anna Scheepers — combat Monday absenteeism with an incentive bonus



Mr Robert Kraft — give us the tools and we'll do the job.

Workers and trade unions regarded management action as urgent in view of the wage-eroding inflation rate The labour movement was fully committed to co-operating with employers in this regard, he said

Senator Anna Scheepers, president of the Garment Workers' Union of South Africa, said

"My union, for one, is continually urging workers to play their part and to observe their responsibilities"

She admitted that as many as a quarter of the workers in some Johannesburg clothing factories are absent on Mondays.

She blamed this on social conditions in Black townships and sympathised with employers whose whole production line could be disrupted by the absence of one worker

"But employers have the means of improving the situation by introducing an effective incentive scheme," she said

A first move in this direction had been taken with the present introduction of a R1-a-week attendance bonus

"I believe a more marked improvement in attendance could be achieved with an attendance bonus of, say R5 a week," Senator Scheepers said

She pointed out that her union had also taken the lead in the establishment of the Transvaal's training college for the clothing industry, although improvement of workers' skill was generally considered a management function

Management had to be pushed into financing half of the college's costs The other half was being borne by the workers, she said

"The college has a waiting list of many hundreds of workers keen to improve their talents in their own time, after a full day's work

"Yet some employers discourage rather than promote college attendance from which they stand to benefit at least as much as the workers"

Senator Scheepers concluded "Good management can achieve high productivity with average workers, but bad management will have a low output with the best workers"

Mr Jimmy Zurich, president of the Artisan Staff Association, agrees that the answer to higher productivity lies primarily with the employer

"South African industry does not need task masters or slave drivers, but leaders," he said in his presidential address at his union's conference earlier this year

He pointed out that a factor almost never considered in the productivity context is the key role of the supervisor

It was time for employers to examine promotion procedures to ensure that motivated leaders were put into supervisory posts

Motivate

Uninspired supervisors could not motivate workers and threw cold water on new ideas for fear of having to implement them

"Industry cannot afford supervisors and executives who yell their heads off for higher production when their only contribution is to push up the overheads," Mr Zurich said

What do the supervisors say to that?

Inspired supervisors, represented by the Institute of Supervisory Management, agree that the importance of their role in productivity is widely underestimated

Here, again, the workers have taken the lead by introducing training in their own time to improve the all-important supervisory skills which are common to all undertakings — skills which involve dealing with peo-

Not trained

"These are the skills in which supervisors are invariably not trained, and we hope to change this situation," said Mr E C Rubin a spokesman for the institute

Are the supervisors going to be left to their own devices?

The fact that the evening courses now introduced in Johannesburg have been arranged in collaboration with the Institute of Personnel Management raises some hope of future employer involvement

Rail workers shrug off PM's appeal on pay

R D M. 11/9/75

(1) 266
(2) 150A
(3) 334

By GERALD REILLY

THE FIRST wage demand in the public sector since the Prime Minister's appeal for a go slow on wage increases will be made today.

After a meeting this morning with the general manager of the Railways, the Artisan Staff Association executive, led by the president, Mr Jimmy Zurich, will submit a claim for increases for the 20 000 technical workers of the SAR to the Minister of Transport, Mr Louwiens Muller

Mr Zurich says that in submitting the claim the association will take into account the Prime Minister's appeal

The Minister's reaction is likely to reveal the Cabinet's attitude to increases throughout the public sector

This is expected to be that until the Government can measure the success of its anti inflation campaign no increases are likely to be granted, and certainly not this year

The railway workers have a strong claim for relief Last year they asked for an increase of 25 per cent and in July 1974 they were granted about fifteen per cent.

Since then the consumer price index effectively wiped out that increase and the Artisan Staff Association claims it is back where it was before the increase

If against all the odds the Minister agrees to relief for the railway artisans, then the same relief would have to be given to the 800 White and Black public sector workers

The annual wage and salary bill for these workers is about R2 400-million — so even a 10 per cent rise would aggravate inflation to the extent of R240-million.

(1) 334
(2) 150A
(3) 29

FM 12/9/75

150 A

INFLATION

Lobby for low-paid

While some sort of wage restraint policy seems inevitable, some people have reservations about applying it to the lowest paid workers.

Three unions in the motor industry, for example, the Motor Industry Employees' Union (White mechanics), Motor Industry Staff Association (White clerks), and Motor Industry Combined Workers' Union (Coloured and Asian) meet on October 18 to discuss wage increases for their lower-paid members

Ronnie Webb, secretary of the Coloureds' and Asians' union, says his union accepts the spirit of the anti-inflation appeal but lower paid workers should perhaps be an exception

Tucsa's Robert Kraft said sacrifices made by the community cannot necessarily be expected from the lower-paid section.

Roeland (Dup) du Plessis, general secretary of the SA Motor Industry Employers' Association, agrees: "A lot of workers are below the poverty line, and ways must be found to improve their conditions."

As unions and employers are reluctant to fly in the face of the PM's appeal they have been looking at ways of increasing wages for lower-paid workers without adding to inflation. Their answer is an increase in productivity.

Both sides of the industry will consider recommendations in the celebrated report issued in March by the National Productivity Institute *Productivity in the Motor Repair Industry in SA*, which recommends reorganisation of workshop planning and control This, claims Jan Visser, director of the Institute, could double productivity, and reorganisation could be done in 25 weeks

(1) ~~252~~
(2) 1504
(3) ~~354~~

Wage freeze for 760 000

13/9/75

Mercury Correspondent

PRETORIA—The Government's temporary wage freeze is now in full operation throughout the public sector.

This means that about 340 000 Whites and 420 000 Blacks will have to bear the burden of an inflation rate which is depreciating the purchasing power of their earnings by more than one percent a month.

Most are worse off now than they were before they got their last increases in July, 1974. The 15 percent increase paid then has been wiped out by the price spiral.

Yesterday leading trade unionists warned the Government that unless commerce and industry were clearly seen to be playing their part, and making comparable sacrifices, they would ignore the Prime Minister's request for a go slow on wage demands.

In Pretoria yesterday the chairman of the Public Service Commission, Mr. J. H. C. van Zyl, confirmed the fears of the president of the Public Servants' Association, Mr. S D. de K. Venter, when he announced there would be no increases for State Department and provincial workers in the foreseeable future.

This includes teachers, nurses, police, prisons and S.A. Defence Force personnel as well as clerical and professional staff.

What the statement by the commission chairman means is that the earliest increases can be expected is the start of the new financial year in April, 1976.

Then, too, it will depend entirely on whether the inflation rate has responded to the Government's anti - inflation programme — a programme which will be launched within the next few weeks.

The Minister of Economic Affairs, Mr. Chris Heunis, said yesterday the "highest degree of priority" had been given the preparation and implementation of the programme.

Mr. J. Schoeman, a member of the executive of the Railway Artisan Staff Association, said yesterday that the association had decided to defer its pay increase demands of its own decision.

The headline on a Natal Mercury report of September 12 about the pay increase issue had been misleading.

"The Minister did not 'put a pay clamp' on the association. After negotiations we decided to defer the increase claim until April next year."

Blacks due to get pay rise

Natal Mercury 11/9/75

150 A

~~1 336~~
~~2 326~~
~~(3) 29~~
~~(4) 192~~
(5) 150A.

Mercury Correspondent

PRETORIA — Thousands of Black workers in the motor industry earning on or below breadline wages are expected to get increases before the end of the year, it was learnt here yesterday.

This, it is claimed, will not be a breach of the Prime Minister's request for wage and salary restraints — a cornerstone of the Government's fight against inflation.

In fact it will be in accord with the instructions given to one of the six appeal committees appointed to report to the Minister of Economic Affairs on wages and prices.

This was that the Prime Minister's appeal did not relate to those workers earning below poverty datum line wages.

The decision on higher earnings for lowly paid Blacks in the motor industry is likely to be taken at a series of conferences due to be held in Port Elizabeth from October 13 to October 18.

During this period the three trade unions in the motor industry — Motor Industry's Employees' Union (White mechanics), Motor Industry Staff Association (White clerks) and the Motor Industry Combined Workers' Union (Coloureds and Asians) — will meet to discuss earnings.

150A

ARGUS 18/9/75

SA warned: Pay rises cannot match inflation

SOUTH AFRICANS must be made aware that they cannot expect pay rises to match the increase in the cost of living, Professor J. L. Sadie of the University of Stellenbosch, warns in the latest survey by the Bureau for Economic Research.

He says. 'The excess demand at present being experienced in South Africa is, for the most part, not of an ordinary cyclical nature requiring bridging operations, but the result of a radical reduction in the effective supply of goods at our disposal.

'It is most simply explained by saying that because of a rise in oil prices — ignoring increasing prices of other imports — and in defence expenditure, we have to produce and sell abroad upwards of R1 000-million worth of goods more than in 1973 just to maintain our living standards in real terms.

IMPOVERISHING

'This impoverishing force has been hidden from us while the prices of our gold, agricultural produce and minerals were rising But these have stopped rising, or have come down precipitously in some cases, while climatic conditions do not make for record crops

'The public has to be informed that a significant portion of the rise in the consumer price index reflects just this impoverishment and that it is not possible to compensate a community for such an event'

OUTLOOK BLEAK — BUREAU

THE South African economy has moved with jarring speed from a 'boomflation' to a 'slumpflation' while, at the same time, the balance of payments on current account is beginning to present a problem, the Bureau for Economic Research of the University of Stellenbosch says in its forecast for 1976.

The forecast, compiled by Mr A J. M de Vries and Mr M. B Dagut, says that with the gold price still in the doldrums, and no convincing sign of a upturn in the demand for exports in view, the outlook cannot be other than bleak

'The economy has still to go through an adjustment process which must entail a decline in the rate of increase of "real" aggregate demand.

'The decline, which is now occurring, has come about because price increases are reducing the

Finance 2

purchasing power of money incomes'

In this environment the authorities seem to have a choice between only two basic policy options. They can either accede to or successfully resist for a period the pay rises that will be sought as compensation for the erosion in the purchasing power of money.

REAL GROWTH

If they are able t resist demands for in creased pay, the revie visualises an aggregat real growth rate for 197 of 2,5 percent, compare with 7,2 percent last yea and a growth rate in 197 of about 3 percent.

It is expected that th economy will be subject t a crunch in the last quar ter of 1975 and the firs quarter of 1976. After tha there will be a slow re-

covery gaining convincin momentum towards th year-end.

On the subject of price the review says that pro viding among other thing the Government does no give salary increases until at the earliest, the middle of 1976, and follows a fairly restrictive monetary and moderately restrained fiscal policy, consumer prices on balance are expected to rise by about 8,5 percent in 1976 after a 12,5 percent rise this year.

OVERKILL

The review dismisses the employment of a stringent monetary policy to rectify the internal economic situation on the grounds that it would cause a classical depression and lead inevitably to an unintentional overkill.

It also dismisses the 'British solution, 1974 and early 1975 vintage' — attempting to let natural forces work their way through the system until the adjustment is achieved, as this would cause balance of payments problems.

150 A

Inflation rise to 30pc foreseen

ARGUS 18/9/75

The Argus Financial Editor

THE rate of inflation in South Africa could reach 30 percent by the end of next year if restraints are not imposed on wage increases, the Bureau for Economic Research of the University of Stellenbosch warns today.

If restraints are imposed on wage rises, however, it believes that the rate of inflation could be reduced to 8,5 percent by then.

In its publication, Prospects for 1976, the bureau emphasises that South Africa has not the resources to maintain the living standards of its population in the light of the steep increase in expenditure on oil and defence.

It estimates that in the past year increased spending on these items has cost the country at least an extra R1 000-million. And to maintain living standards in real terms it would be necessary to increase exports by upwards of R1 000-million worth of goods a year, it says.

Hidden

"This impoverishing force was hidden from us while the prices of our gold, agricultural produce and minerals were rising. But these have stopped rising or have come down precipitously in some cases, while climatic conditions do not make for record crops," the bureau says.

Highlighting the bureau's case has been the steep drop in the gold price. Since the beginning of this month this has fallen almost 20 dollars and almost 60 dollars since the beginning of this year.

As a result of this steep decline in the price of the metal, the value of South Africa's gold exports have already been reduced by around R1 000-million a year.

Requirements

To secure a drop in the rate of inflation to 8,5 percent by the end of next year the bureau specifies the following requirements:

- The Government sector will be determined not to give salary and wage increases until, at the earliest, the middle of 1976 and will, in addition, follow a fairly restrictive monetary and moderately restrained fiscal policy;
- The expected further levelling-off in the pace of domestic activity will discipline private sectors' employers to exercise a fair degree of restraint in granting salary and wage increases in that sector.

(Continued on Page 2, col 1)

150A

WAGE RESTRAINT

F.M. 19/9/75

Railmen show their hand

(1) 150A
~~(3) 334~~
(3) 266

Prime Minister John Vorster's plea for wage restraint has been taken up by the 20 000 strong Railway Artisan Staff Association — but not without a rider that it will be paying close attention to the restraint measures taken by industry and government

Says ASA general secretary Wally Grobler· "This is a holding exercise, but for restraint to work, everybody must play their part. We expect business to hold the line on prices and even roll them back."

The ASA — and other unions — are anxiously awaiting the Cabinet decision on wages and prices Adds Grobler· "The government's programme is yet to be really launched."

The ASA has a strong case for increased wages Its last rise was in July 1974. Since then — with a June 1974 CPI of 137,2 — the cost of living has risen 15,38% (based on a CPI of 158,3 for July 1975) Allowing for a 2% standard of living increment, the union had asked government for a 17,78% rise effective immediately.

Following PM Vorster's appeal the union pared down its demand to 10% immediately with the rest later This was the package it presented to Transport Minister Louwrens Muller last week. It got none of it.

The union is, however, adamant that by April next year it must have the full 18% plus an amount equal to whatever the CPI increase is in the meantime

Grobler points out that full employment on the railways has made ASA's situation better than most unions. But the union stresses that nearly 2 000 of its semi-skilled members are making less than R250/month and insists that government's austerity measures will hurt these workers hard. The average wage for union members is about R350/month.

(150A)

Wage curb plan

F.M 19/9/75

For the next 12 months, employees and employers will be called on to limit all wage and salary hikes for middle and upper income workers to 70% of the annual rate of increase in the consumer price index over the preceding six months. In addition, any company earning more than 15% (before interest charges and tax) on operating capital, will be urged to pass on only 70% of any local cost increases The remaining 30% should be charged against profits

These are among the key recommendations of the reports submitted last week to Minister of Economic Affairs Chris Heunis by the six committees which he appointed last month to come up with concrete proposals to strangle inflation. These recommendations — which still have to be approved by Cabinet — have been agreed to by the government, employer and trade union representatives on the committees.

The wage curbs mean that if the CPI rises at an annual rate of, say, 12% in the second half of this year, wage settlements in early 1976 may not exceed 8,4% Presumably, as the inflation rate starts coming down, those workers whose wages come up for renegotiation towards the end of the 12-month period will be worse off than those who negotiate at the beginning

The restrictions on price hikes are substantially the same as those proposed by Secretary for Commerce Joep Steyn three months ago (*FM* June 20) These curbs were rejected in June by the private sector, since it felt then that government and workers were not being called upon to make equivalent sacrifices Things are different now

The most novel and welcome feature of the wage guidelines is that lower income groups will be exempt from the 70% ceiling It is well known that many civil servants and businessmen are deeply concerned about inflation's effects on the poor, especially Blacks And the *FM* learns that during its meeting last month the Economic Advisory Council discussed the feasibility of making special provision, in any anti-inflation programme, for the poorer sections of the community

Tucsa insisted there should be a specific cut-off income level As a result, Steyn's inflation committee has proposed that the Department of Statistics compile average Poverty Datum Lines for each racial group. Those earning at, or below, PDL levels will be exempt from the wage hike ceilings (According to the University of Port Elizabeth, the monthly PDLs for average African and Coloured families in Johannesburg in April this year were R111 and R120 respectively; in Cape Town they were R109 and R127)

It will be interesting to see what PDLs Pretoria comes up with, as this will be the first time that an official PDL — or one for Whites or Asians — has been compiled Since the Cabinet has still to give its formal approval to the new anti-inflation package, Statistics has not yet started on its task

The strength of the wage/price guidelines is that they subtly combine voluntary restraint with compulsion Voluntary because there will be no statutory or other formal power to back them up, compulsory in the sense that none of the parties involved — government, employers, farmers and trade unions — will want to be seen as the one to sabotage the anti-inflation offensive

There are obviously still many fine details of the guidelines to be ironed out One thing is certain As the Prime Minister put it three weeks ago, everyone must "accept it as unavoidable that they cannot at a later stage expect to be fully compensated for their sacrifices"

TUCSA talks on inflation to be secret

ARGUS 19/9/75

SOUTH AFRICA'S workers will be kept in the dark about the most vital issue of the moment during the annual conference of South Africa's largest labour organisation here next week.

'Our stand in the fight against inflation will be debated in full at next week's conference,' Mr Arthur Grobbelaar, general secretary of the 210 000-strong Trade Union Council of South Africa, said today.

'But we shall have to close the doors to the Press while this issue is debated,' he said.

'TUCSA hopes to be in a position to publicise its recommendations on wage restraint soon after the conference — probably early next month.

'All we can say at this stage is that some degree of sacrifice will be expected of South African workers'

Mr Grobbelaar added that it was impossible to reduce the rate of inflation to controllable levels without sacrifices by workers, private enterprise and the Government.

It is believed TUCSA's recommendations to trade unions on the extent of wage restraint expected from them under the collective programme of action against inflation hinge on clarification of Government policy.

According to a reliable source, an announcement on this is expected to be made by the Minister of Economic Affairs, Mr Heunis, at the end of this month.

RESTRAINT

A major unanswered question is what wage restraint is to be imposed on unorganised Black workers whose wages are generally on or below poverty levels

At the moment Blacks in the Government sector seem destined to go without pay increases for another six months, like their White colleagues.

Asked about TUCSA's attitude towards wage restraint for Blacks, Mr Grobbelaar said 'TUCSA strongly contends that the poorer sections of the community cannot be expected to make sacrifices in the fight against inflation.'

More than 200 delegates, representing most of TUCSA's 63 member unions, are expected to attend the week-long conference which starts on Monday.

Two unregistered Black trade unions will be represented by fully accredited Black delegates. They are among three Black unions which became members of TUCSA after the decision at last year's conference to reopen the door to Black membership

Anti-union policy alleged

THE Government is trying to break down the trade union movement by introducing works committees through the back door, a trade unionist claimed yesterday

Certain Cape Town employers were now encouraging Coloured workers — who enjoy trade union rights — to form works committees in preference to a trade union, warned Miss Christine du Preez, a secretary of the National Union of Cigarette and Tobacco Workers

'There is nothing on this earth that can take the place of free trade union movement,' she told the Federation of Leather Trade Unions

Miss du Preez was pursuing a point made in the federation's presidential speech by Mr L W Allen.

Mr Allen said the committee system might be 'a long-term Government policy to create individual factory unions'

At its annual meeting yesterday the federation admitted to its ranks several unregistered Black trade unions representing about 2 000 Black workers.

150A

(1) 150A
~~(2) 135~~
~~(3) 138~~
~~(4) 147~~

150A

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W/E ARGUS
(Bus Argus)
20/9/75

HOLD DOWN WAGES

Financial Editor

IN a bid to halt inflation the Government is shortly expected to publicly appeal to employers and workers to limit wage increases to a figure equal to 70 percent of the rise in the cost of living.

The Government is also expected to request that wage increases be delayed if possible until the middle of next year

At the same time, to justify its call for wage restraints, the Government is also expected to appeal to commerce and industry to pass on to their customers only 70 percent of any increased costs

These recommendations have recently been discussed by organised industry, commerce and the trade unions, and are now believed to be awaiting Cabinet approval

The need to restrain wage demands was spelt out this week by the Bureau for Economic Research at the University of Stellenbosch. It points out that wage increases equal to the rise in the cost of living could lead to a 30 percent inflation rate by the end of next year.

The Government's wage guidelines means that, should the cost of living rise by, say, 12 percent, the maximum wage increase would be 8,4 percent

Since last December the consumer price index has risen 7,5 percent. Should this rate of increase continue it means that the cost of living this year will rise by about 11,25 percent — compared with 14,1 percent in 1974. Under the Government's guidelines this would mean that pay rises this year would be limited to around 7,9 percent

Although pay limitations of this type may seem to be hard on the ordinary worker, economists point out that they could lead to an improvement in their living standards much sooner than could continued pay rises to compensate for increased living costs

When wage restraints are in force suppliers of goods can no longer automatically increase their prices safe in the knowledge that cost of living pay increases will ensure a continued market for their products.

Instead, because of the pay restraints, increased prices could lead to a substantial loss of business. In fact, suppliers may find themselves having to cut prices merely to maintain their previous level of business.

Call for unions to end division

STAR 22/9/75

1) 135
2) 136
3) 48
4) 150A
5) 171

150A

Own Correspondent

CAPE TOWN — Prospects of co-operation between the divided factions of the whole South African labour movement were raised today by Mr A I Nieuwoudt, president of the right-wing Confederation of Labour.

He was addressing the multiracial Trade Union Council of South Africa at its 21st annual meeting here today.

Mr Nieuwoudt appealed for co-operation not only between the two leading labour parties but also between them and other trade unions and staff associations.

He emphasised particularly the need for co-operation in the fields of education and inflation. "The education of our children — regardless of colour or language — is our assurance for the future of our country," Mr Nieuwoudt said.

COLONIALISM

He saw a dark future if education affairs did not improve. "We cannot say that we shall import by immigration our trained people for whom we have a dire need — our artisans, our technicians and our scientists.

"Even if that were possible it would subject our country to a sort of colonialism. We would be putting our trust abroad and admitting that our own people are not really good enough," Mr Nieuwoudt said.

He called for "much closer co-operation" between various labour parties in the fight against inflation.

ROM
23/9/75

(1) 150A (2) 246 (3) 334 (4) 47 (5) 247 (6) 251

150A

SALARIES AND WAGES

Unions point gun at Government on prices

Staff Reporters

THE trade union movement yesterday raised a gun to the Government's head — warning that if prices rise unjustifiably because of devaluation there will be no wage restraints.

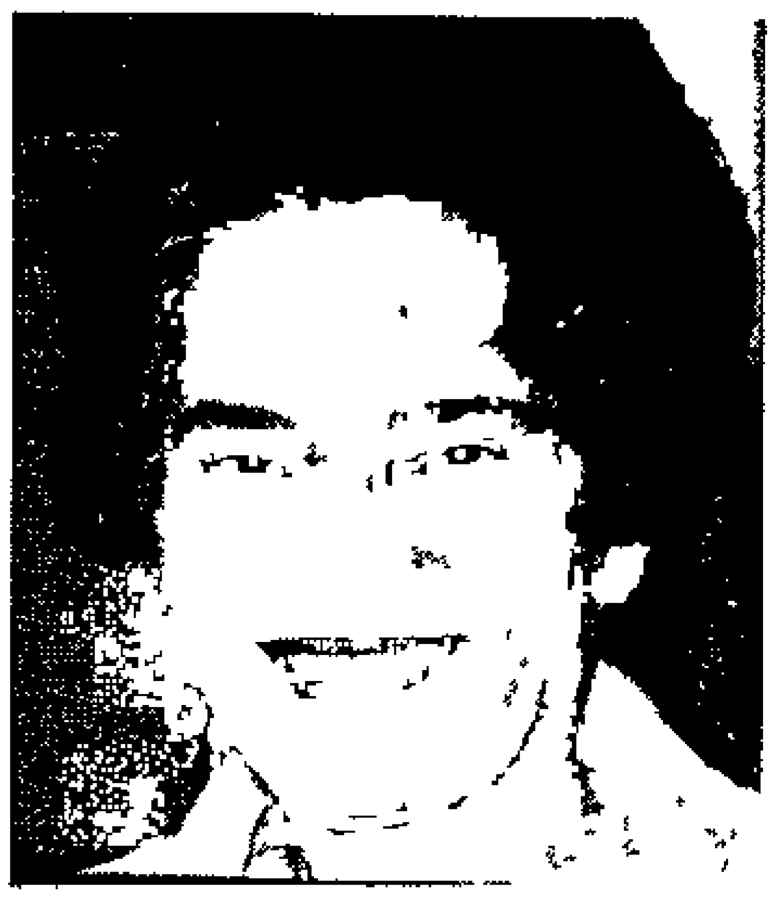
They threatened a barrage of compensatory wage and salary demands if the Government failed to police price rises properly.

The warning came from both the multiracial 210 000-strong Trade Union Council of South Africa (Tucsa) and the 200 000-strong SA Confederation of Labour, as well as from the Posts and Telegraphs Association and other unions

The labour movement is committed in principle to limit wage demands, except in the case with very low pay workers

But their qualification all along has been that Government and business must do their bit as well

The senior vice president of Tucsa, Mr Lief van Tonder said "We in South Africa cannot wait until we have an inflation rate



ANNA SCHEEPERS
. . . "fanning flames"

of over 20 per cent before we take decisive action

"For any action then will be so severe and harsh that the dangers of social friction will be tremendous"

The secretary of the Confederation of Labour, Mr Wally Grobler, said devaluation would materially increase the inflation load, and the Government should be warned that the wage and salary earner was not prepared to carry this load on his own.

He warned that at the slightest indication that the Government was "ratting on the workers" the trade union movement would demand rises which would fully compensate for the erosion of the rand over the past 18 months

The secretary of the Posts and Telegraphs Association, Mr L J van der Linde, said "We want more than an assurance from the Government We want clear proof — we want to be able to see — that prices are not being raised, save in the most exceptional circumstances"

The president of the Railways Artisan Staff Association, Mr Jimmy Zurich, agreed "We are tired of generalisations from Government sources that everything possible is being done This is not enough," he said

The president of the Public Servants' Association, Mr S. D de K Venter, said his association would sharpen the watch on prices

Mr Robert Kraft, economist and assistant general secretary of Tucsa, said

"Our major fear is of a sudden proliferation of unjustifiable price increases

"Too much will be charged on imported goods and there will be price increases on items that should not be affected by devaluation"

He warned that trade unions would insist on "very strong State action" if there are unwarranted rises in prices

"Last time, there was a 12½ per cent devaluation, many firms took the public for a ride There were no controls," Mr Kraft said

Some Tucsa unions, though, say that workers cannot afford a drop in the value of the rand

Senator Anna Scheepers, president of the Garment Workers' Union, said workers earning R200 a week or more could be expected to make sacrifices, "but not those earning R150 and R200 per month. We can't compromise them".

She said "If the profits of companies have to drop, then they must drop Devaluation will increase all prices It will fan the flames of inflation"

150 A

Unions warn Govt on prices

23/9/75

Cape Times Correspondent

PRETORIA — Trade union leaders in the public and private sectors yesterday warned the Government that if devaluation led to a spurt in the price spiral, a barrage of realistic wage and salary demands was certain.

The Government, they said, would have to police the private sector to ensure that the sacrifice workers were called on to make was being shared equally by manufacturers, wholesalers and retailers.

The secretary of the 200 000-strong SA Confederation of Labour, Mr Wally Grobler, said devaluation would materially increase the inflation load, and the Government should be warned that the wage and salary earner was not prepared to carry this load on his own.

ABSOLVED

The secretary of the Posts and Telegraphs Association, Mr L J van der Linde, said that unless the Government could clearly demonstrate it had a full control over prices and profits in the private sector, staff associations were likely to feel absolved from their commitment to moderate wage claims.

The president of the Railways Artisan Staff Association, Mr Jimmy Zurich, agreed with Mr Van der Linde.

The president of the Public Servants' Association, Mr S D de K Venter, said his association would sharpen the watch on prices.

"And if prices continue to rise following devaluation, we would then have to consider what action to take."

'Misleading comments'

~~(1) 047~~
(2) Capital
~~(3) 234~~
~~(4) 150 A~~

23/9/75

Cape Times Correspondent

PRETORIA — The Minister of Finance, Senator Owen Horwood, said yesterday that he considered much of the comment "which is doing the rounds" on the likely inflationary effects of devaluation was exaggerated and misleading.

In a statement in Pretoria he said the prices of a number of imported goods had eased off lately, because of the depressed conditions in countries from which the goods were obtained, and this counter-acted whatever rise might take place in the cost of imports.

The industries which would benefit most from the devaluation — the mines and export industries — would be expected to proceed with responsibility in regard to their wage and salary policy.

"In other words, to practise wage restraint in terms of the Prime Minister's injunction to the country."

South African manufacturers who imported part of their mat[illegible]ls would justifiably raise their prices near the full extent of the devaluation.

"Finally, I must correct a comment which I regard as misleading — that the devaluation will lead to a fall in living standards."

By safeguarding the balance of payments, by curbing the otherwise excessive loss of capital which would have left the country, by giving a boost to the mines and export industries, and by encouraging the inflow of capital, the devaluation of the rand would have precisely the opposite effect.

● Senator Horwood said in an SABC television interview last night that he was convinced the price of gold would recover once the present speculation had ceased, once the Russians had stopped selling gold to buy grain, and once the industrial demand for gold recovered as the price fell.

1:150 A 3:47
2:246 4 Capital

RDM 24/9/75

1507

By CHRIS CAIRNCROSS
Industrial Editor

THE Government should clamp a temporary price-freeze on all goods, the deputy leader of the Progressive-Reform Party, Mr Harry Schwarz, said last night.

And the United Party MP for Hillbrow, Dr Gideon Jacobs, called on the Prime Minister to reconvene Parliament in emergency session to give full acount for this week's devaluation.

"When a govern- debases the currency of the country to this extent it is under an obligation to justify its actions before Parliament," he tod a branch meeting of the United Party in Rosebank, Johannesburg.

Mr Schwarz said in an interview there was no justification for price increases where goods were on the shelves or in the showroom.

"The public are therefore entitled to the benefit of buying imported goods at pre-devaluation prices," he said, adding that while most traders were behaving properly there "are already a number of cases of exploitation and attempts to increase prices merely by reason of the devaluation and in order to make extra profits."

Mr Schwarz said that while he was opposed to price freezes in general there was an urgent need for one in the present circumstances to prevent exploitation.

"The Government appears to be doing nothing to protect the public in this regard," he said.

"What is needed now is the imposition of a temporary price freeze for a period of say, 14 days, during which no one may increase prices without the approval of the Price Controller.

Ignorance

In a hard-hitting speech Dr Jacobs said the effect of the 17,9 per cent devaluation could increase the present rate of inflation to 30 per cent.

"When the Minister of Finance says this will not lead to a lowering of living standards, it shows either an ignorance of what is happening or a callous disregard of the rapid deterioration of conditions for the bulk of the people.

"A major question mark now hangs over the position of the Minister of Finance. His political credibility has been severely dented and his financial insight is now in serious dispute," Dr Jacobs said.

Members of South Africa's motor industry estimated yesterday that the devaluation when included with other factors could increase the price of petrol by as much as 20 per cent shortly — or more than 3c a litre.

With the oil-producing countries expected to announce today a possible 10 per cent increase in the price of crude oil, this could eventually push the petrol price up even further.

(150A)

(1) 150 A

SA move seen in U.S. as ominous sign

Argus 24/9/75

The Argus Bureau

WASHINGTON. — South Africa's massive rand devaluation was seen by monetary officials at the Treasury and at the International Monetary Fund as another ominous sign that the economic pressure on middle-level countries is becoming unbearable.

The annual report of the International Monetary Fund warned that the 'more developed primary producing countries' — the category which includes South Africa — faced a combined deficit on balance of payments this year of 12 000-million dollars.

The other primary producers in the same category are Australia, New Zealand, Finland, Greece, Iceland, Ireland, Malta, Portugal, Spain, Turkey and Yugoslavia.

Most are in dire trouble because the industrial powers are, in effect, passing on their oil deficits.

BEARING UP

Monetary officials showed little inclination to criticise the rand devaluation even though, until a month or so ago, South Africa seemed to be bearing up rather better than most primary producing countries.

For one thing, the pressure of oil deficits and the related recession in the major industrial countries has caused more than 100 legal devaluations, mainly among the smaller countries, in the past year.

Moreover, officials here pointed to a number of specifics in the South African situation. Among them were the weakening in the prices of commodity exports, the strengthening of the dollar against all currencies, and the weakening of sterling

LAST STRAW

While these pressures could be absorbed by South Africa, the drop in the gold price caused by the uncertainties in the wake of the decision to sell part of the IMF gold stock was the last straw.

While officials displayed an attitude of understanding, some unofficial sources questioned the necessity for such a huge devaluation.

South African officials denied the charge but said it underlined the general fears that the middle-level countries might be forced by balance of payments problems to cut their imports and fight fiercely for exports.

In that event the loss of markets in these countries could crimp the recovery of the industrial economies, leading to a fresh slump next year.

Argus 24/9/75

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Cost of devaluing: 3 percent inflation

The Argus Correspondent

JOHANNESBURG. — The inflation caused by devaluation of the rand will amount to no more than an additional 3 to 5 percent, says the Federated Chamber of Industries.

'Imported raw material in industry amounts to 15 or 16 percent of total costs,' FCI director Dr Hennie Reynders said last night. 'We have assumed that the capital goods effect will phase in over a number of years We are not extreme pessimists about inflation.'

FCI economist Mr Arthur Hammond-Tooke added that the devaluation was a one-off situation.

'Rolled through and with the full multiplier effect I cannot see the inflationary impact amounting to much more than 3 percent,' he said. 'I cannot see devaluation alone resulting in a 30 percent inflation rate by the end of next year.'

Other economists have predicted 30 percent inflation next year.

'Clearly we need not have devalued,' Mr Hammond-Tooke said, 'but the alternative would have been fairly serious. Devaluation will, moreover, have a stimulating effect on local production'

The FCI warns that implementation of the anti - inflationary programme is essential, and it must have the support of commerce and industry.

Over - emphasising the inflationary effects of devaluation could undermine the willingness of industry to adhere to a voluntary programme, it fears.

(150 A)

Move after urgent meeting of Cabinet

Govt acts on car prices

(1) 150 A
(2) 47
(3) 28
(4) 193

25/9/75

Cape Times Correspondent

JOHANNESBURG. — The Minister of Economic Affairs, Mr Chris Heunis, yesterday effectively froze the prices of motor vehicles and spares to pre-devaluation levels.

Those manufacturers who have already increased their prices to compensate for the 17,9 percent rand/dollar adjustment were told they must revert to the price levels ruling on September 19, pending clearance of higher prices by the Price Controller.

It is not yet clear whether the authorities intend to extend this price-freeze to other products.

The price freeze decision was apparently made at an urgently-convened Cabinet meeting.

In his statement yesterday, Mr Heunis said: "In view of the statements made by various motor manufacturers on price increases of motor vehicles and spare parts after the devaluation of the Rand, and in the light of numerous complaints and inquiries received by the Price Controller, the Government has requested motor manufacturers not to raise any price before they have been fully motivated and cleared with the Prince Controller.

"Those undertakings which have already increased their prices after devaluation have been requested to restore their prices to the levels ruling before September 19, and to clear the increases with the Price Controller first."

'Direct order'

Motor manufacturers approached for comment yesterday see this "request" as a direct order and not just an appeal.

They indicated, nevertheless, that they intend going to the Price Controller with a suitably-motivated application for a price increase.

The first manufacturer to give notice of this intention is Toyota.

Mr Colin Adcock, the managing director, said yesterday he had an appointment to see the Controller tomorrow, when he would put his case.

He was not prepared to give any hint of what percentage increase Toyota was seeking, but said the hoped-for price increase was geared to "offset in part" the losses incurred by the two devaluations that have occurred this year.

Mr Adcock said he sympathized with the Cabinet decision.

"We believe it is in the best interests of the public as they will now know that any price increase on a vehicle or spare part is legitimate and has been vetted by the price controller".

At a meeting in Johannesburg yesterday of all IATA carriers operating in South Africa, it was unanimously decided to increase the cost of overseas air tickets by 15 percent.

Robb warns on index-linking wages

(1) 150 A
(2) 334
(3) 63
Cape Times 25/9/78

150A

INDEXLINKING of wages should be approached with reserve by everyone who was concerned for South Africa. Only people who sought a short-term gain for a limited number of the country's population would oppose this point of view.

This was said yesterday by Mr F C Robb when he delivered his chairman's message at the annual meeting of the Southern Life Association at Rondebosch, Cape Town.

Mr Robb dealt with the impact of inflation on the assurance industry and said that inflation was admittedly difficult to control when real growth was the objective. For South Africa real growth was essential, as the only alternative in a fast-growing society.

MANPOWER

South Africa was probably the only reasonably well developed country where there was not only a substantial surplus of manpower which was not fully employed, but one which had never been fully employed, Mr Robb said.

This added to the inflationary pressure. It artifically created a scarcity of skilled labour, and this was why inflated wages were being paid in many skilled occupations.

The process of opening up certain jobs to Blacks without sacrificing the security of the employment of Blacks and Whites in certain areas must be speeded up if the growing scarcity of skilled labour was to be met.

Whites would have to be prepared to share their privileged monopoly of skills in order that South Africa might continue to grow or even survive, because the effective use of human resources held the key to non-inflationary real economic growth.

SALARIES

He expressed his appreciation of the fact that the government was doing its best to retrain salary increases in the public sector, because the insurance industry and other financial institutions drew their personnel from the same limited pool as the public sector.

It was essential that wage restraint be exercised, for this was to be the ultimate benefit of all, particularly those living on fixed incomes, such as pensioners.

Investment income of the company was up by 20,6 percent, dividend income up by 26 percent, and total premium income up by 19,5 percent.

The overall investment income of the Southern increased by 20,6 percent from R18,5m to R22,3m. The dividend return based on cost of the substantial equity portfolio that provides backing for policies other than limited policies was 10,5 percent. Dividend income on this portfolio (excluding share purchases during the year) increased by 26 percent.

Total premium income increased by 19,5 percent from R34,2m to R40,9m. This growth was brought about by a substantial increase in a new annual premiums in respect of individual policy and pensions business.

Total income for the year was increased to R63m (R53m for the previous year) and total assets rose to R288m (R257m for the previous year).

Many favourable property investments were made, among them some in Johannesburg, and one in Durban. These investments, together with other developments and Southern's already substantial property holdings, will bring the amount of policyholders' funds held in real estate to R57m.

150A

Devaluation hits State corporations

(1)150A (2)260B (3)47

RDM 25/9/75

By GERALD REILLY

ESTIMATED costs of expansion programmes of the big State corporations, including the South African Railways, Iscor, Sasol and the Post Office have soared since the Government decision this week to devalue the rand by a massive 17,9 per cent

It is understood that the first phase of Iscor's 10-year R3 200-million expansion programme, costing about R1 000-million, is nearing completion, and that future plans are being scaled down for a number of reasons

The decision to go slow on expansion, it was learnt, was taken some time ago

The reasons then were the great difficulty being experienced in recruiting skilled workers to man the Newcastle works and the expanded plants at Iscor in Pretoria and at Vanderbijlpark, as well as international monetary uncertainties

The massive devaluation has further convinced Iscor of the need to extend the time limit for the completion of the 10-year programme

However work is expected to continue at normal tempo on the Sishen-Saldanha project

Eighty-five per cent of the materials and equipment being used in the development of the harbour and the railway line is manufactured locally

Most of the other 15 per cent has already been imported

Asked yesterday how Post Office expansion would be affected by devaluation, the Postmaster General, Mr Louis Rive, said the Government had clearly indicated that essential infrastructure development must continue

The current financial year's capital development costs amounted to R213-million, Mr Rive said

Although the bulk of equipment was manufactured locally a fair amount still had to be imported For instance 75 per cent of switching gear was manufactured locally.

However, although Mr Rive declined to comment, it is clear that it is going to cost the Post Office substantially more since devaluation to achieve its growth targets

In the 1974-75 financial year SA Railways spent nearly R400-million on purchases The greater proportion of this amount was spent locally

The expansion of Railways is regarded as basic to the country's economic growth and it is hardly likely that significant cuts will be made for the 1976-77 financial year.

A Railways headquarters spokesman said the extent of next year's purchases was not yet known but foreign purchases would obviously cost about 20 per cent more

A Sasol spokesman said imported plant and equipment would now cost more

Most of the estimated cost of the R70-million gasification expansion programme had been spent. However, devaluation would affect purchases which are still to be made.

Asked whether the devaluation would affect the Sasol Two timetable, he said most of the initial construction would be with local materials

However, the processes to be used at the new plant and the equipment which would have to be purchased abroad had not yet been decided on

It was impossible, therefore, to say at this stage how devaluation would affect the total expenditure on Sasol Two

150A

Groblef, Scheepers and Altman . . . will they still play ball?

PRICES AND WAGES FM

A new ball game 26/9/75

While the men at the Department of Finance were preparing for devaluation, Department of Commerce officials were working on the much-heralded anti-inflation package agreed to by government officials and private sector groups (*FM* last week). Has the devaluation torpedoed any chance of success the anti-inflation plan might have had?

Judging by responses to the *FM*'s inquiries, Senator Horwood's *shokku* has cost the wage and price restraint plan much of its credibility and Pretoria is going to find it difficult to make a voluntary commitment stick. As one prominent industrialist put it: "It's a different ball-game now. With something as inflationary as this devaluation, it will be every man for himself We'll give a horse laugh if government tries to implement this plan."

Most sceptical of the plan's chances now are the trade unions.

Delegates at this week's Tucsa conference expressed fears that commerce and industry will profit out of devaluation by using it as a pretext to put up prices even where the shrunken international value of the rand does not justify doing so.

Referring to the "tremendous sacrifices" trade unions are expected to make in the battle against inflation, Ronnie Webb of the Motor Industry Combined Workers' Union — and a Tucsa vice-president — told the *FM*.

"We are disappointed that government negotiated dishonestly and did not take the unions into its confidence when devaluation was in the offing."

Senator Anna Scheepers of the Garment Workers' Union echoed.

"We were not consulted about devaluation. Why should we then be part of the anti-inflation contract if large numbers of our members are going to suffer? Our agreements in the OFS and Northern Cape expire in November 1976 We will start negotiating about May, and we are going to put in for big increases — at least as large as the CPI increase. I can only foresee trouble arising out of the devaluation "

Says Ray Altman, general secretary of the National Union of Distributive Workers:

"I am very worried that devaluation will be even more inflationary than we are led to believe. If imports go up 17,9% in price, by the time the goods reach the consumer that 17,9% will be very much more.

"It is always easy to tell whether the trade unions are playing the game when it comes to wage restraint simply by measuring wage demands against the Consumer Price Index But it is very difficult to pin down employers We, in our union, will support Tucsa in its participation in the government's anti-inflation programme, but we will want a very firm assurance from the government on price increases if we are to consider ourselves bound by the package

"If the CPI rises to unprecedented heights I can foresee that unions will not consider themselves bound any longer".

Jimmy Zurich, president of the 20 000-strong Railways' Artisan Staff Association, endorses Tucsa views.

"My feeling is that the rise in the CoL will continue unabated. The work of the inflation committees will be negated by devaluation and I can expect pressure to build up among my members for a reconsideration of our agreement to hold back until next April on wage demands "

However, speaking as secretary of the RASA, Confederation of Labour chief Wallie Grobler added "I don't think we will renege on the April bargain. But the inflation rate then could well influence the size of our demands."

Ken du Preez, general secretary of the SA Engine Drivers, Firemen and Operators' Association, articulates the mood of organised labour

"The devaluation is disturbing on all accounts. There will be reaction — it's easy to control wages when you have the goodwill of people But when they pick up the paper and see that the price of the car they were going to buy has gone up, what must they think?"

So it looks as if the plan's chances will hinge on the ability of commerce and industry to hold down prices

An encouraging omen was the joint appeal of Assocom, FCI and Afrikaanse Handelsinstituut presidents on Wednesday for restraint in marking-up prices on existing stocks of goods affected by devaluation, though it's a pity they didn't broaden its scope to include imports brought in *after* devaluation

WAGE CURBS

Referring to our report last week on recommendations to government in regard to wage and price restraints, the restraint period for employers and workers will, we understand, be six, not 12, months — the 12-month period was apparently contained in an earlier proposal.

In addition, the package would allow companies to pass on only 70% of *all* "unavoidable" cost increases, including hikes on imported goods

However the FCI, for one, takes a relatively sanguine view of the inflationary effect of devaluation. Its analyses lead it to believe that consumer prices should not rise by more than 2%-4% as a result. It looks as if the Chamber is still four-square behind the anti-inflation plan.

Unfortunately, since the package hasn't been officially unveiled yet, details of the price curbs won't be debated at the FCI Exco meeting in Port Elizabeth next week. So it'll be some time before we know the views of individual members and whether they say they will keep to the plan's guidelines.

No one would deny that the battle against inflation becomes all the more crucial with each upward twist of the prices spiral. Assocom president Melville Pels has called for speedy implementation of the anti-inflation programme. And executive director Raymond Parsons points out that it's quite impractical to start thrashing out a new one simply as a result of devaluation. "It's a question of either bucking it or going ahead as it stands," he argues. "If we're to have a programme, we must stick to what has been agreed to."

But, in the case of the FCI and other pressure groups which have endorsed the package, there's little evidence yet that Parson's view is shared by the shop-keeper-around-the-corner.

Farmers of course are delighted by the cheaper rand. They stand to gain much in terms of increased export earnings. Says SA Agricultural Union director Chris Cilliers: "We're prepared to go ahead with our anti-inflation sacrifices, provided the other parties stick to their side of the bargain"

150A

(1) 47 (2) 246 (3) 150A

'Some price hikes valid'

Cape Times 26/9/75

JOHANNESBURG. — Mr F G de Beer, Deputy Price Controller said yesterday that many companies which increased their prices immediately after devaluation were justified in doing so.

"Many people who complained about price increases felt the companies must obviously have had the stocks in before devaluation, but in most instances we found the stocks had not actually been paid for, because of things like the extended credit systems these companies have," he said.

The price control office had issued special instructions to the regional inspectors to be on the lookout for price adjustments and to ensure that existing stock that had already been paid for was not increased in price.

Asked whether he had made recommendations for any further price freezes, he said he could not comment.

● Sapa reports from Pretoria that the Post Office has decided that as a result of devaluation and the fluctuation of sterling exchange rates, it had temporarily suspended payment of all British, Irish and Malawi postal orders as well as all Rhodesian and Malawi money orders.

● Mr Henny Irving, director of Union Castle Safmarine, said yesterday that sea fares will not be increased before October 1, but by then an increase in crude oil prices could make the price increase "substantial".

150A

Trade Union Council conference

Cope Times 26/9/75

Big profits blamed for inflation

(1) 150A (2) 250

INFLATION was often blamed on wage increases but it was more correct to pin it on excessive profits and mark-ups, a union delegate told Tucsa members yesterday.

Mr Ray Altman (National Union of Distributive Workers) said that profit levels in commerce had been rising over the past year at a rate "substantially higher than that of the inflation rate".

The profit increase for retailers was well above the 22 percent average shown for all sectors of the economy.

Not all retailers were to blame — some had complained that they could not sell below the "recommended retail price" for fear of sanctions by the suppliers. In this and other ways the Monopolies Act was being contravened and Tucsa would welcome an inquiry into this aspect, sa l Mr Altman.

The South African Consumer Council, a Government-appointed body, was not adequately serving consumer interests. What was needed was the watch-dog type of body — such as the Housewives League — but with a full-time staff to become a strong and effective consumer organization.

150 A

Tucsa plan to curb demands

(1) 150 A
(2) 334
(3) 246

26/9/75

Cape Times Reporter

THE 210 000-strong multiracial Trade Union Congress of South Africa (Tucsa) yesterday agreed in secret session to a belt-tightening programme which committed member unions to limit wage demands to 70 percent of the rise in the consumer price index for the next six months.

This was to apply to all workers earning above the poverty datum line or its equivalent for all race groups.

It is known that the Government anti-inflationary committee formed to tackle prices, wages and salaries tried to get Tucsa to accept a 12-month stringency plan.

The unions said they would do this only if the cost-of-living changes r[illegible]ted to the rise in the consumer price index. The compromise was a stringency plan with demand limited to 70 percent of the consumer price index rise for the next six months.

In a statement released after the secret session, Tucsa said it supported the final version of the Government programme to fight inflation (to be released by the Minister next week) but warned that the public "would not tolerate abuses by manufacturers, wholesalers or retailers in failing to fulfil their part in the collective programme."

Such abuse would compel Tucsa to review its continued acceptance of the programme. In determining its final decision, Tucsa delegates had taken the devaluation of the rand into account.

Cape Times 27/9/75

(150A)

Tucsa congress accepts limited wage demands

(1) 135 (2) 138 (3) 150A (4) 334

Trade Union Council conference

By BOB MOLLOY

THE Trade Union Council of South Africa came of age at its 21st annual conference this week in more ways than one — completing five days of hard-hitting debate that stayed clear of petty mud-slinging and spotlighted pertinent national issues.

Delegates ploughed through a heavy agenda — 29 resolutions of which more than 24 were put to the vote.

Pensions, crime, taxation, transport, housing and the cost of living came in for well-sourced comment that should serve Government and local bodies well in decision-making.

An important development was the appearance of affiliated Black unions as delegates for the first time in years, with a further group of Black union representatives as observers.

The multi-racial Tucsa representing almost 250 000 workers, is clearly moving away from the old school of trade union thought which saw a threat in the labour competition from other race groups.

Issues debated showed that Black and White unity is now a firm goal. This became clear in the unanimous pledge to support a campaign for equal opportunities, to eliminate employment discrimination, and to end all race discrimination in Southern Africa.

It was unfortunate that the Government delay in announcing the programme to combat inflation forced the conference into secret session.

Public discussion would have pointed up the mood of the unions towards profit-makers

Their acceptance of wage demand limited to 70 percent of the rise in the cost-price index for the next six months is an example that will hopefully shame other sectors of the economy into also limiting their share of the cake.

If not, Tucsa had a sting in the tail of its stringency plan — excessive profit takers would be acted against

Rises in prices under attack

Exploitation, says Browne

SUNDAY TIMES Reporter

MANY OF THE price increases proposed by commerce and industry following the 17,9 per cent devaluation of the rand cannot be justified, according to Mr Gerald Browne, Secretary for Finance.

He feels that many firms are exploiting unfairly the effects of devaluation, and that the figure of 17,9 per cent is not always a fair basis for price adjustment.

Mr Browne, who returned to South Africa this week from an extended visit overseas, pointed out to the SUNDAY TIMES that, earlier in the year, when the rand rose strongly with the dollar on world currency markets — the opposite of devaluation — commerce and industry made no moves to pass the advantage on to the public.

In some cases the rand rose as much as 10 per cent against other currencies as the dollar strengthened on foreign exchange markets, but he knew of no firm which reduced its prices to reflect the trends.

Mr Browne added that in the past few days the rand, which was still linked to the dollar, had risen on foreign exchange markets, thus recovering some of the devaluation loss

"However, numerous companies which import from the European Economic Community and Britain, where currencies have fallen against the dollar — and therefore against the rand since we devalued — have continued to quote the figure of 17,9 per cent as a basis for price increases."

Questions

Mr Seep van der Walt, chairman of the motor chamber of the Afrikaanse Handelsinstituut mentioned in an interview with the SUNDAY TIMES yesterday the importance of the motor industry to the South African economy.

He asked why the authorities had not in the past established a commission of inquiry to investigate the industry's affairs, particularly as it was affected by the load of legislation and taxes under which the industry had been labouring for years

He asked also why the authorities did not themselves establish the truth of the cost of local content by using their powers to investigate the internal cost structures of each manufacturer as it existed at present, and as it would exist under circumstances of increased local content.

"Since the recent devaluation there has been talk hat, had the local content programme been set at a higher level, the price increases applicable to motor vehicles after devaluation would not have been so severe

"At best, this statement is a distortion, and at worst untrue.

"Firstly, the cost premiums on local content at levels higher than 66 per cent, say 85 per cent, would have dwarfed the effect of the present devaluation.

"Notwithstanding this aspect, the point previously made as to why higher levels of local content are not entered into voluntarily, is even more true now since the devaluation than before, because, relatively speaking, it will be cheaper now to enter into a voluntary programme than previously."

RDM 1/10/75

(1) 150A
(2) 334

150A

FCI is warned of high wage demands

PORT ELIZABETH. — If anti-inflationary measures failed, demands for wage increases may go as high as 30 per cent, Mr E. L. Klopper of the Transvaal Chamber of Industries said in Port Elizabeth yesterday.

Speaking at the annual convention of the Federated Chamber of Industries, Mr Klopper said workers were already asking for increases of 10 to 12 per cent.

He said industry had to play its part in the fight against inflation."

If this did not happen, future wage demands would "make the present ones seem small", Mr Klopper said.

He added that the recent devaluation lent particular urgency to an anti-inflationary stand by industry.

Mr Frank Lock, director of the National Association of Automobile manufacturers, said net profits in his industry had fallen below one per cent in face of rising costs He said sales aggravated the problem.

For every increase in car prices, the Government was collecting more sales revenue, he said. — Sapa.

'Time to question borrowing policies'

RDM 2/10/75

(1) 47
(2) capital
3) 150 A
(4) 170
(5) 78 A

150A

PORT ELIZABETH — The recent devaluation, while dramatising the structural problems associated with the country's balance of payments, was also the inevitable consequence of longer and more fundamental problems of the economy, Mr Dan Benade, FCI president, said yesterday.

"It highlights, for instance, the whole question of the adequacy of industrial protection, the competitiveness of the South African economy and the relative rate of domestic inflation."

Mr Benade said it also raised the question whether "we are investing our borrowings wisely.

"It is only good business to use borrowed capital for investment in adequately productive areas, to permit the eventual amortisation of external loans," he said, pointing out that many businesses have gone bankrupt on the policy of borrowing to maintain uneconomic operations.

Referring to the battle plans being made to eradicate the cancer of inflation, Mr Benade attempted to pour cold water on suggestions that the "disciplines of unemployment should be allowed to settle the excessive demands of wages and prices".

He said international experience has shown unemployment has failed to reinstate the "iron law" of markets.

"Dare we in Southern Africa play the supply and demand game with our workers, to which the president of Rhodesia's Association of Industrialists has alluded?" Mr Benade asked.

He warned that however necessary it becomes to reduce inflation levels, the momentum of growth — "so essential to the smooth transition of events in Southern Africa" — must be maintained.

"We must remind ourselves that we live in an environment which is intolerant to failure.

"It behoves all of us, therefore, to study the mistakes of others and to take timeous and concerted action to protect our very survival."

Mr Benade said the country's present circumstances did not permit us to hold the view that "things will have to get worse before they get better".

He said that South Africans have, for years, been talking about financing Government expenditure in non-inflationary ways; of making better use of total national resources; of determining expenditure priorities, and of wasting less.

"But I do not see sufficient evidence of the sort of co-ordinated planning needed to implement these measures. Now is the time when a co-ordinated strategy must be made explicit.

(150A)

FCI priority is easing inflation

Fight against rising prices

The Argus Bureau

PORT ELIZABETH. — The fight against rising prices was the main theme of the three-day convention and executive council meeting of the Federated Chamber of Industries this week.

In spite of some strong language about the recent rand devaluation, delegates were unanimous in the crucial opening session that damping down inflation must be their number one priority.

The view of the FCI executive is that the inflationary impact will amount to about another four percent on top of the existing rate, but it is adamant that gloomy predictions of runaway inflation rising to 30 percent next year are far wide of the mark.

APPROVAL

FCI economist, Mr Arthur Hammond-Tooke drew approval from the Secretary for Finance, Mr Gerald Browne, for his sober assessment of the economic position as the convention opened.

Mr Hammond-Tooke told delegates that the months to come would be a lean time for industry but the effects would not be uniformly felt.

With slow industrial growth this year, capacity utilisation and investment level low, and unemployment rising, the picture wassgloomy, he conceded.

RUNAWAY

'But just how serious is it?' he asked. 'I cannot give predence to forecasts of runaway inflation. The real long term growth potential of this economy has been assessed at 6,5 percent a year which is high by international standards. Changes under adjustments in the economy and the social structure will have to be made if this is to be attained.

'We will no longer be able to depend on our abudance of natural resources to carry us through.

'All is not well with the structural position of our economy. There is an unhealthy reliance on imports. We have been borrowing internationally to satisfy our demand for capital.

'But over recent months there has been a full consensus among businessmen that there must be a collective programme against inflation and the authorities have shown that they do not intend to have the national economy, future sabotaged by inflation.

'A workable programme against inflation has been put forward. With this package I don't think there are any major technical problems facing our economy that we cannot overcome.'

The convention heard from Mr Tjaart van der Walt, Deputy Secretary for Commerce, that the Government anti-inflation plan would be announced on October 7

EXCESSIVE

Mr Browne said the reaction to devaluation had been excessive and he agreed with the FCI calculation of a 4 percent effect on inflation which he pointed out would be a 'one-time' effect

He said a sustained upturn in the economy would depend on conditions overseas. With the first sign becoming evident that the United States economy has turned the corner, he felt the improvement here would not be too far away.

Dr B. A van Staden, head of the economic section of the Reserve Bank, pointed out that the impact of devaluation would be imposed on a falling trend in prices

MR R D SMITH . . . industry in for a difficult period.

Mr R. D Smith, president of the Cape Chamber of Industries, said industry was in for a difficult six to 12 months

'But devaluation will ease some of the blockages facing exporters,' he said

'In the canning industry for example a 40 percent increase in the cost of tin-plate has caused serious problems, but devaluation will make our products very much easier to sell'

Mr Ernst Hausmann of the Transvaal Chamber of Industries said he found 'incredible' the statement by the Minister of Finance, Senator O P. F. Horwood, that the country was on the verge of another unprecedented upsurge.

RECESSION

He felt the anti-inflationary measures would cause a recession before there was an upturn and the effect of devaluation on the man-in-the-street would be very severe

Mr Hugh Archibald of the Natal Chamber of Industries said industry would not be able to absorb 30 percent of its cost rises as it had undertaken to do.

Though the FCI had calculated a four percent inflation, this was for the economy as a whole Industry inflation as a result of devaluation would be much higher, he said

3/10/75

150A

The Argus Correspondent

DURBAN. — The Government is expected to fire its first big gun in the war against inflation on Tuesday with the application of a moratorium on profits and wage rise demands.

Profits are to be limited to 15 percent, before tax, on capital employed, and wage increases are to be limited to 70 percent of the rise in the cost of living.

The final draft of the anti-inflation project is due to be signed in Pretoria today by members of the Anti-inflation Committee of the Prime Minister's Economic Advisory Council, which represents Government departments, employer organisations and trade unions.

It is expected that the plan will be approved by the special committee on inflation on Monday, before it is proclaimed to the nation at a Press, television and radio conference in Pretoria on Tuesday morning.

Key points

There are three key points in the anti-inflation package. They are:

- All companies operating in South Africa are to be urged to limit profits on capital employed to 15 percent before tax for the next six months.
- Trade unions, represented by the Trades Union Council of South Africa, are to limit demands for wage increases to a maximum 70 percent of what would be required to keep pace with the climb of the consumer price index.
- All companies are to be asked to absorb at least 30 percent of all cost increases.

Committee

This is the direct result of months of study by the Anti-inflation Committee and it is certain to be applied, since it was drafted by employer organisations and trade unionists alike.

When the employer organisations sign the agreement on Tuesday, they will pledge to apply joint pressure to all member companies to stick to the rules of holding down prices and curbing profit margins.

And the employer organisations are a powerful group spanning all sectors of commerce and industry. They include Die Afrikaanse Handelsinstituut, the Federated Chamber of Industries of South

(Continued on Page 2, col 2)

Move on inflation

ARGUS 3/10/75

(Continued from Page 1)

Africa, the Steel and Engineering Industries Federation of South Africa, the Association of Chambers of Commerce of South Africa and Die Afrikaanse Sakekamer.

Tucsa, as the biggest trade union organisation, has already agreed to the 70 percent level of restraint in wage demands and there are indications that all others will follow suit.

Government employees — in the Railways and Harbours, Post Office and public service — have already been told that any wage demand will not be considered until next April and the anti-inflation plan clearly aims to keep the entire work force within comparable limits.

Question........................

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F.M. 3/10/75 (150A)

WHO'S PLAYING BALL?

Next Tuesday Minister of Economic Affairs Chris Heunis will unveil details of the Collective Programme of Action against Inflation. Thereafter, austerity — provided all the participants in SA's own social contract play the game

Will they? Heunis has praised "all sections of our community" for the "exemplary manner" in which they have faced up to the need for austerity Combating inflation, he says, is an aim which "should under the present circumstances after devaluation be pursued even more scrupulously"

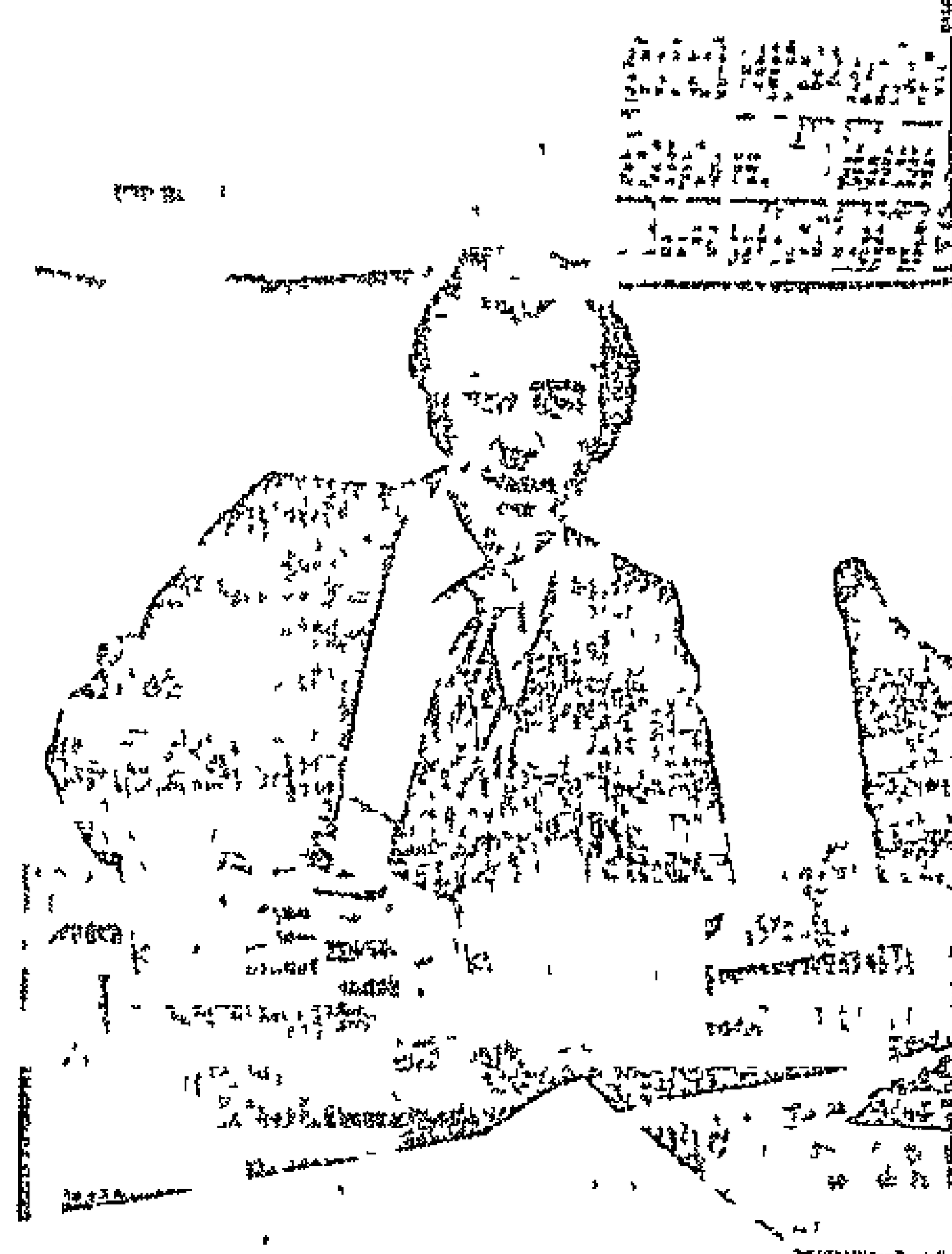
This certainly is the optimistic view of Seifsa director Errol Drummond "There will now be a greater determination to make the guidelines work In a sense this is a golden opportunity for management, labour and the community in general to pull together to fight this monster of inflation"

Yet the behaviour of some entrepreneurs after devaluation has led to increased suspicion of commerce among unionists and consumers. There is bound to be some friction between the unions and commerce over this in the initial stage of the programme Tucsa assistant general secretary Robert Kraft notes "Our people are concerned that commerce in particular will exploit the devaluation situation"

This fear is not considered justified by Assocom executive director Raymond Parsons, who reiterates: "Our pledge to support the anti-inflation programme is a testimony to our good faith Industry and commerce are victims of inflation like anyone else It's unfortunate that it's the retailer who has to tell the consumer that the price has gone up, and thus gets the back lash"

Yet worker-employer tension is inherent in the situation And Confederation of Labour secretary Wallie Grobler points to another complicating factor — mistrust of government promises "Our people are getting fed up with officials saying one thing and doing another In August the CoL index was up 12,9% on last year and devaluation will make it worse What then are we to think about Senator Horwood's recent statement that he would not devalue?"

Grobler points out that in initial negotiations on the programme government kept mum about what *it* was going to do to restrain expenditure "When the package is announced next week we will be looking at this side of things most carefully."



Kraft . . play ball!

But if all the partners "play ball", as Kraft puts it, the danger of a round of swingeing wage demands next year to compensate for the decline in real living standards during the restraint period will be lessened

Creches to help beat inflation

Labour Reporter

More creches and kindergartens to free mothers for productive work may come into existence under the collective programme against inflation.

The manifesto announces a Government undertaking to investigate, in consultation with all interested parties, the desirability of extending such facilities

Employers' organisations will draw attention to the advantages of such institutions and encourage their members to establish them.

Further hope is also being held out for separate taxation of married couples. The Government is to investigate the matter further

"It would appear that the present system, whereby couples are taxed on their combined incomes, still restricts the greater use of female labour," the manifesto says.

Other productivity measures include an undertaking by employer and employee organisations to encourage firms to introduce integrated programmes for improving productivity.

One of the signatories, the National Development and Management Foundation, will arrange meetings of businessmen to alert them to the exact nature of productivity problems and the ways in which they can be overcome.

The National Productivity Institute undertakes to assist firms in measuring their productivity and identifying causes of low productivity and their training requirements.

Govt, workers sign pact on pay, wages

(150 A)

STAR 7/10/75

Michael Chester, Financial Editor

Employer groups and trade union leaders today aligned with the Government to steer South Africa into a six-month programme of sharp austerity in an all-out battle to curb inflation before it reaches crisis level.

Govt and workers in wages, pay pact

(From Page 1)

more productive capacity or infrastructure.

Also, the Government will request Provincial Administrations to curtail spending.

In turn, local authorities will be asked to limit increases in rates and taxes to a minimum.

The Government undertakes to see that investment takes preference over consumption when it comes to the extension of bank credit

And a Government hand will hover over the lever of tighter hire purchase facilities if consumer spending rises back to excessive levels.

An investigation will start as early as possible into the possibility of offering tax incentives to encourage companies to plough back profits into the business.

Also to be expedited are investigations into whether the current system of sales duties ought to be replaced by a system of retail turnover tax.

The economy axe will be poised everywhere — even building standards. All State building departments, provincial administrations, local authorities, universities and so on, will be told to trim unnecessary luxuries in new buildings when public funds are used.

Tucsa hails plan

From Page 1

the establishment of minimum living levels (poverty datum lines). This undertaking formed part of a clause in the manifesto which excludes workers below minimum living levels from the wage restraint affecting all other workers.

Mr Grobbelaar found it significant that no racial qualifications was attached to some of the Government's undertakings—particularly those pertaining to better utilisation of women labour.

Another major advance was the Government's commitment to look again at sales duties which Tucsa has long described as a major contribution factor in inflation

Cabinet Ministers and national business and union leaders met in Pretoria to set their signatures to a 28-page manifesto that pledges bosses and workers to strict new guidelines aimed at holding down wages, prices and profits.

Watchdogs in both the public and private sectors will be on the alert to see the guidelines are not broken.

(See Page 29)

The Government has already undertaken to investigate the possibility of extending the system of spot fines to block even minor contraventions — also to save costs by simplifying court procedures.

Pledge

As forecast in The Star on Friday, the unions' pledge to take into account only 70 percent of the full increases in the consumer price index when they go into new wage negotiations.

Even workers paid under systems that increase pay in line with the price index will be asked by their union leaders to forego 30 percent of increases and hold to the 70 percent ceiling.

But if the pay packet does not grow as hoped, at least a brake has been applied to rising prices.

Costs, losses

Companies will be asked to pass on only a maximum of 70 percent of all unavoidable cost increases to the customer — and make good the 30 percent loss out of profits or better productivity.

Also, price increases will only be allowed if profitability is held no higher than 15 percent return on employed capital.

All sorts of new methods will be investigated in efforts to improve productivity and trim costs — among them the use of the flextime system of work hours and the staggering of pay days.

The Government—after a long spending spree on hopes that the gold price would stay in high orbit—pledges to cut back expenditure unless it creates

To Page 3, Col 1

STAR 7/10/75

Tucsa hails plan

Sieg Hannig, Labour Reporter

One of the key signatories of South Africa's manifesto against inflation, the 210 000-strong Trade Union Council of South Africa, has welcomed the pact as "more than a temporary anti-inflationary measure."

"It is a collective programme to build a better South Africa for all of its people," said Mr Arthur Grobbellar Tucsa's general secretary

He said inflation had helped South Africa to shed its inflexibility towards labour policies in general and the collective programme had been the vehicle in this process

"In future the Government will step in with positive motivation when, say White artisans refuse to train Coloured apprentices in order to overcome a particular manpower shortage in the national interest." he said.

PUSH

Read together with "the manifesto's push for training of all workers — the Government's undertaking to mediate means job advancement all along the line — from the lowest worker upwards."

Another breakthrough achieved through the collective programme was an "unprecedented level of understanding between the Government and leaders of all segments of the private sector," Mr Grobbellaar said.

The mere fact that full consultation on such far-reaching matters had been possible at the highest levels represented an important achievement.

Another achievement was the Government's undertaking to set about

To Page 3, Col 1

'Commit yourself to act'

John Patten
Political Correspondent

The Minister of Economic Affairs, Mr Heunis, appealed this afternoon to all non-signatory sectors of the South African economy to commit themselves fully to the collective action programme against inflation signed in Pretoria today.

People and firms not party to the signing of the manifesto "must regard themselves as being equally bound by the contents of the document to the extent that its contents are also applicable to them," Mr Heunis said.

Because he has a throat infection, Mr Heunis's speech was read for him at a signing ceremony in Pretoria of all the participants in the Government's programme.

LARGE NUMBER

The Minister said a large number of firms and individuals were not associated with any of the private sector organisations which had accepted the specific commitments of the manifesto.

These included pharmacists, people in medical and para-medical services, dentists, opticians, radiologists, legal and other professions, property developers and lessors, transport contractors, and the owners of hotels, restaurants and fruit and vegetable shops.

Manifesto blueprint for six months of austerity

The Star 7 Oct

All-out battle on inflation is underway

The Star 7/10/75

Nine Cabinet Ministers and leaders of all the main employer and trade union organisations today set their formal signatures to a manifesto that launches South Africa into a full-scale battle on inflation.

Sweeping new guidelines were introduced to hold down increases in wages, salaries, prices and profits

It was the culmination of months of negotiations behind closed doors — made all the more crucial now by the threat of new inflation twists caused by devaluation and rising oil prices

The manifesto amounts to a blueprint to steer the nation into at least six months of austerity

In short, the appeal to South Africans is to co-operate with voluntary sacrifices in the months ahead — or face the prospect of inflation blowing up into a crisis.

Warning

Warning is given that inflation at current levels raises serious threats not only to the economic system but also to the basic maintenance of social peace

The signatories to the manifesto:

"Confirm our firm conviction that it has now become imperative in the national interest that, in addition to those measures which have already been introduced, further positive steps should be taken to reduce the present rate of inflation to a more acceptable level, and, in this manner, to avert dangers to the country's economic and social stability which stem from the prevailing rate of inflation in South Africa

"Confirm our firm conviction that additional forms of direct control by the Government in an effort to keep further price increases in the country within reasonable limits and to lower the rate of inflation to a more acceptable level, should preferably be avoided, and that the contemplated reduction of the rate of inflation should be pursued.

Programme

"This by means of a country-wide programme of action by all sections of the community in terms of which everyone would make concrete contributions towards the battle against inflation according to his particular ability

"State also that it is our firm conviction that these contributions, which will inevitably require certain voluntary temporary sacrifices by all sections of the community, will assist in keeping the rate of inflation within reasonable limits without jeopardising the further economic progress of the country

"And that all sections of the community will therefore eventually reap positive benefits from their respective contributions towards the collective campaign against inflation

"Confirm our unanimous approval of the various steps, as set out in the annexure to this manifesto, which the representatives of our respective organisations have recommended to us as a means of launching such a collective campaign against inflation

"Commit our different organisations, by our signatures to this manifesto to the full observance of all the undertakings and principles set forth in the annexure, to the extent that the relevant undertakings and principles are applicable to them, and to their wholehearted mutual co operation with all the other participating organisations so as to ensure the faithful implementation of the contents"

The manifesto will carry the formal signatures of the Ministers of Economic Affairs, Labour and Posts and Telecommunications, Bantu Administration and Development and Bantu Education, Transport, Planning and the Environment and Statistics, Public Works and Community Development, Agriculture, Health and Coloured Rehoboth and Nama Relations, and Finance

Signatories also include the heads of the several major employer organisations

The presidents of both the SA Confederation of Labour and the Trade Union Council signed on behalf of labour

Reports by Michael Chester, Financial Editor and Sieg Hannig, Labour Reporter

Plea to go to firms

All of the big employer groups will address written requests to all member firms asking them to refrain from all practices that restrict free competition in the economy, which may put pressure on prices

This will apply until the Commission of Inquiry into the Regulation of Monopolistic Conditions has completed its task and the Government has made a policy decision on its recommendations

Meantime, all firms will be asked to end

- Unreasonable withholding of supplies which restricts competition and thus artificially raises prices,
- Maintenance of minimum resale prices (resale price maintenance),
- Price discrimination

Document signed

The Minister of Economic Affairs, Mr Heunis, one of nine Cabinet Ministers and leaders of employer and trade union organisations to sign today's manifesto.

News coverage

The Newspaper Press Union of South Africa undertakes to request all its members in future to exercise the utmost degree of self discipline, circumspection and objectivity in their reporting on anticipated wage, salary and price increases, on company results in general, and on the nature and extent and expected course of the inflation problem

The NPU also undertakes, through the medium of the Advertising Standards Authority, to endeavour more assiduously to restrict the publication of misleading advertisements in newspapers and magazines

Govt bid to curb profits, wages

The Star front page main story last Friday gave South Africans the first alert to the sweeping anti-inflation measures announced today.

Undertaking for a formula on wage restraint

Leaders of the SA Confederation of Labour and the Trade Union Council undertake to recommend to their members that they exercise wage restraint in the months ahead.

Workers will be asked to take into account only 70 percent of the increase in the consumer price increase between October 1975 and March 1976 — rather than the full rise in prices — in new wage negotiations

The same guidelines will apply even to workers who have wage agreements that contain escalation clauses which provide for automatic adjustments of wages in pace with increase in the consumer price index

In short, union leaders will advise these members to waive their right to press for the full 100 percent of increases

However, both union organisations build in a proviso that various sections of the community have differing abilities to make even temporary sacrifices in the anti-inflation battle

They say that workers with income levels only equal to or below the minimum living levels cannot be expected to make any sacrifices in respect of earnings and so will be excluded from the wages deal

It means, briefly, that low-paid Blacks will escape the wage demand axe

Months of negotiation

7/10/75 The Star

Immigration and worker undertakings

The promotion of immigration and improved training and use of workers of all races are major cornerstones of South Africa's social contract against inflation.

While the manifesto makes no mention of job reservation and influx control employers and employees undertake to continue with the "rationalisation" of artisans' work and the Government undertakes to review registration procedures for Black workers to simplify these

The Government undertakes to simplify and expedite immigration formalities and to facilitate the settling in of immigrants

ASSESSMENT

Employers undertake to assess the need for immigrant workers and to supplement the Government's immigration campaign abroad by assessing the need for immigrant workers and appointing specialised group representatives for recruitment

The Government undertakes to "continue with its policy relating to the rationalisation of artisans' work and to request existing organisation involved in labour investigations to give attention to this matter.

It also undertakes to make available speedily information about the demand for and supply of labour with a view to such rationalisation

In addition it undertakes to bring to the attention of industrialists the exemptions for more advanced types of Black work available for border areas.

TRAINING

Where trade unions and employers are unwilling to take steps regarding the "reclassification" of work where this is demanded by "technological development" and manpower shortages, the Government undertakes to "motivate" these to reach agreement on reclassification in the national interest

The manifesto also acknowledges the need for "further training of White workers" because of technological changes and "the possibility of the replacement of White workers" by workers of other races

The Government undertakes to expedite the consideration of the possible erection of more artisan training institutions for adult Whites, such as that existing at Westlake, and to provide for the further training of semi-skilled Whites.

It is also intended that industrialists should undertake training to upgrade semi-skilled Whites along the lines of the journeyman's recognition scheme in the metal and engineering industry

Employer organisations undertake to call for improved and accelerated apprentice training by way of the exchange of experience between sectors of industry.

They will also call for better use of facilities for the training of technicians to alleviate the pressure on engineers and middle management

For Coloured and Indian workers, the Government undertakes to consider the granting of assistance to industrialists to enable them to establish their own training centres for skilled and semi-skilled workers where no training facilities exist.

HOMELANDS

At Black school level, the Government undertakes to expand industrial training facilities in urban areas as far as possible

"The Governments of the homelands will be encouraged to establish similar training facilities"

Fresh attention is to be focused on tax concessions for in-service training of Black workers and at the same time the Government and employer organisations will propagate the use of industrial training centres for Black workers in White urban areas

Profiteering —outcry is expected

The public outcry against profiteering is expected to rise to a crescendo in coming weeks as a result of the announcement of South Africa's make-or-break attack on inflation.

The Government has set aside a six-figure sum for a massive publicity campaign to put moral pressure behind the voluntary restraints, it was learnt today

But the public and the Press will have to play major roles in making the programme a success, Mr Arthur Grobbelaar, general secretary of the Trade Union Council of South Africa said

"We do not believe South African consumers are prepared to go down as martyrs for a lost cause," Mr Grobbelaar said

"As workers are tightening their belts, they will become tougher with exploiters and profiteers With the help of the Press they can become their own policemen and expose any abuses"

His council also proposed to act as a watchdog and would call on its members to bring to its attention any breaches in faith of the collective programme

"Publicity will be the backbone of the programme I believe services such as Starline and I Spy a Bad Buy may well have to be adapted to cater for the upsurge in price consciousness that is bound to follow"

Commitment sought for new set of prices guidelines

The big employer organisation will immediately request all affiliate firms to commit themselves to a new set of guidelines on prices:

● Only 70 percent of all unavoidable cost increases may be passed on by traders, industrialists and other employers to their customers in the form of effective price increases between October 1 and next March.

This covers increases in the costs of finished goods, machinery, equipment, spares, apparatus, raw materials and intermediary materials — plus increases in the cost of energy, transport and communications, also increases in rentals, municipal rates, wages and salaries.

The other 30 percent of such increases must be absorbed by the individual firms themselves out of existing profits or else must be made good by means of increased output, improved productivity or cost savings in other directions.

● No price increases may be introduced by any firm exempt from price control merely with the object of raising its level of profitability — unless:

The firm can show by audited statements that during its last financial year the rate of return on capital employed was less than 15 percent before payment of tax and interest on loans.

Even then prices may be increased only to levels which enable such a rate of profitability.

● Firms not subject to price control which have experienced less than the profit rate over their last financial year, or with profits now falling under the rate merely because they have to absorb cost increases, will be allowed to raise prices at the start of the next financial year.

Again, however, the increases will be confined t olmits that hold profitability to the 15 percent rate

● Any reductions in direct costs either of a foreign or domestic origin, which may be experienced by firms exempt from price control, must be passed on to customers in price reductions.

These commitments will be requested from all member firms of the Federated Chamber of Industries, Afrikaanse Handelsinstituut, Assocom, Seifsa, Motor Industries Federation, Building Industries Federation, Chamber of Mines, and the Grocery Manufacturers Association.

In addition, the South African Agricultural Union undertakes to recommend to its members that, when formulating applications for higher prices in respect of controlled agricultural products from October 1, they should absorb at least 30 percent of all unavoidable cost increases between October and next March.

A proviso adds that all entrepreneurs undertake to pass on to buyers the full benefits of any decreases in producer prices stemming from the agreement.

The Government will appeal to all workers and employers outside the signatory organisations to follow the same guidelines.

Moreover, all of the labour and employer groups pledge not to try to recoup at a later date any of the losses in wages and profits they sacrifice in the big campaign

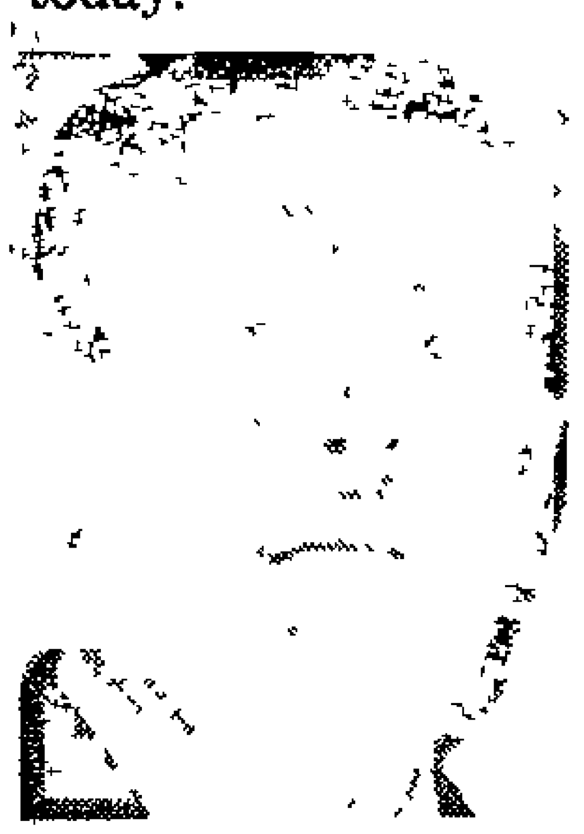
Still, they point out that their commitments must not be construed as creating any precedents on wage and price adjustments once the action programme is over.

(150A)

Everyone must take part, says Heunis

The Argus Correspondent

PRETORIA. — The Minister of Economic Affairs, Mr J. C. Heunis, appealed this afternoon to all non-signatory sectors of the South African economy to commit themselves fully to the collective action programme against inflation signed in Pretoria today.



Mr J C. Heunis

People and firms not party to the signing of the manifesto 'must regard themselves as being equally bound by the contents of the document to the extent that its contents are also applicable to them,' Mr Heunis said

Mr Heunis's speech was delivered by the Minister of Labour, Mr M Viljoen, because Mr Heunis has a throat infection

His speech launched a formal signing ceremony in Pretoria of all the participants in the Government's programme, which has been drawn up in collaboration with private enterprise

PROGRESS

Mr Heunis also announced that the Government had decided that a working group should meet from time to time during the coming six months to evaulate and report on progress made

The working group would consist of the people who had attended the final meeting last Friday under the chairmanship of the Secretary for Commerce, Mr Joep Steyn, at which the document had been finalised

The Minister said there was a large number of firms and private individuals in South Africa who were not associated with any of the private sector organisations which had accepted the specific commitments of the manifesto

OTHERS

These included pharmacists, people in medical and para-medical services, dentists, opticians, radiologists, legal and other professions, property developers and lessors, transport contractors, and the owners of hotels, restaurants, and fruit and vegetable shops

Call not to hold supplies

The Argus Correspondent

JOHANNESBURG — All big employer groups will address written requests to all member firms asking them to refrain from all practices that restrict free competition in the economy, which may put pressure on prices.

This will apply until the Commission of Inquiry into the Regulation of Monopolistic Conditions has completed its task and the Government has made a policy decision on its recommendations.

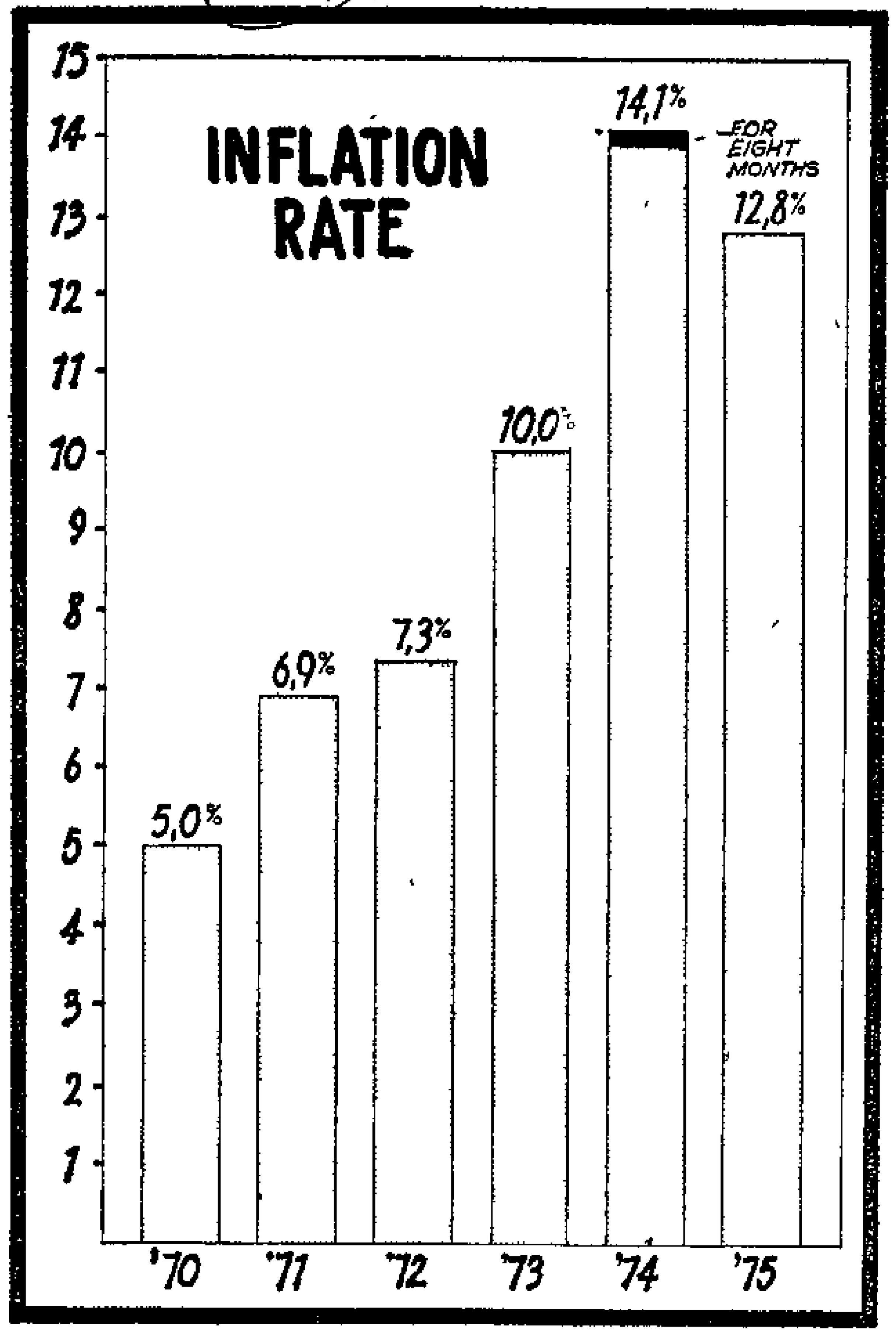
THREE REQUESTS

Meantime, all firms will be asked to end

(1) Unreasonable withholding of supplies which restricts, competition and thus artificially raises prices

(2) Maintenance of minimum resale prices (resale price maintenance).

(3) Price discrimination.



THIS GRAPH shows the rate of inflation in South Africa for the five years ended 1974 and for the first eight months of this year, calculated at an annual rate At the end of August, it appeared that there would be a decline this year in the annual inflation rate — the first time for many years However, because of the rand's devaluation last month, it now appears that the inflation rate for the full year will at least equal and probably exceed that for 1974.

IMPROVED TRAINING FOR SA WORKERS

The Argus Correspondent

JOHANNESBURG. — The promotion of immigration and improved training and the use of workers of all races are major cornerstones of South Africa's social contract against inflation.

While the manifesto makes no mention of job reservation and influx control employers and employees undertake to continue with the 'rationalisation' of artisans' work and the Government undertakes to review registration procedures for Black workers in order to simplify these.

The Government undertakes to simplify and expedite immigration formalities and to facilitate the settling in of immigrants.

Employers undertake to assess the need for immigrant workers and to supplement the Government's immigration campaign abroad by assessing the need for immigrant workers and appointing specialised group representatives for recruitment

Under the heading of Better Use of White Labour, the Government undertakes to 'continue with its policy relating to the rationalisation of artisans' work' and to request existing organisations involved in labour investigations to give attention to this matter

It also undertakes to make available information about the demand for and supply of labour with a view to such rationalisation

In addition it undertakes to bring to attention of industrialists the exemptions for more advanced types of Black work available for border areas

Where trade unions and employers are unwilling to take steps regarding the 'reclassification' of work where this is demanded by 'technological development' and manpower shortages, the Government undertakes to 'motivate' these to reach agreement on reclassification in the national interest

TRAINING

The manifesto also acknowledges the need for 'further training of White workers' because of technological changes and 'the possibility of the replacement of White workers by non-Whites'

With this in mind the Government undertakes to expedite the consideration of the possible erection of more artisan training institutions for adult Whites, such as that existing at Westlake, and to provide for the further training of semi-skilled Whites

It is also intended that industrialists should undertake training to upgrade semi-skilled Whites along the lines of the journeyman's recognition scheme in the metal and engineering industry.

More kindergartens and creches may be opened

The Argus Correspondent

JOHANNESBURG. — More creches and kindergartens, to free mothers of school-going and pre-school children for productive work, may be established under the collective programme against inflation.

The programme manifesto announces a Government undertaking to investigate, in consultation with all interested parties, the desirability of extending such facilities

In addition, employer organisations have undertaken to draw attention to the advantages of such institutions and to encourage their members to establish such facilities

Further hope is also being held out for separate taxation of married couples.

'It would appear that the present system, whereby couples are taxed on their combined incomes, still restricts the greater use of female labour,' the manifesto says

The Government will investigate the matter

Other productivity measures include an undertaking by employer and employee organisations to encourage firms to introduce integrated programmes to improve productivity by means such as flexible working hours and staggered pay days

One of the signatories, the National Development and Management Foundation, will arrange meetings of businessmen to alert them to the nature of productivity problems and ways to overcome them

The National Productivity Institute undertakes to help firms measure their productivity and identify causes of low productivity and training requirements

The Star
7/10/75

OTHERS

Restraint on pay demand reports

The Argus Correspondent

JOHANNESBURG. — The Newspaper Press Union of South Africa undertakes to request all its members in future to exercise the utmost degree of self-discipline, circumspection and objectivity in their reporting on anticipated wage, salary and price increases, on company results in general, and on the nature and extent and expected course of the inflation problem.

The NPU also undertakes, through the medium of the advertising standards authority, to endeavour more assidously to restrict the publication of misleading advertisements in newspapers and magazines.

Other non-signatories were some industrial undertakings and individual traders not linked to organised commerce and industry, the various banks and financial institutions, publishers of newspapers, magazines, books and other forms of printing, various service organisations such as enterprises providing consultations and public relations services.

There was also the great number of workers not linked to labour organisations mentioned in the action programme.

RESTRAINT

The Government expected all these groups to commit themselves to faithful observance of the programme's principles and to exercise the utmost degree of 'restraint and self-discipline' whenever they proposed to raise the prices of their goods and services or to seek higher wages or salaries.

The document had been wrought largely before the Government decision to devalue. Because of the devaluation, it was all the more essential that all groups of the community co-operated fully.

Mr Heunis thanked all organisations and people involved in the formulation of the programme.

'I know of no other time in the history of our country when our leaders in private enterprise and our representatives of trade unions have co-operated so fully with the Government,' he said.

7/10/75 The Argus Correspondent (150A)

JOHANNESBURG.—Nine Cabinet Ministers and leaders of all the main employer and trade union organisations today set their signatures to a manifesto that launches South Africa into a full-scale battle on inflation.

Sweeping new guidelines were introduced to hold down increases in wages, salaries, prices and profits.

It was the culmination of months of negotiations behind closed doors — made all the more crucial now by the threat of new inflation twists caused by devaluation and rising oil prices.

The manifesto amounts to a blueprint to steer the nation into at least six months of austerity.

The appeal to South Africans is to co-operate with voluntary sacrifices in the months ahead — or face the prospect of inflation blowing up into a crisis.

Warning is given that inflation at current levels raises serious threats not only to the economic system but also to the basic maintenance of social peace.

The signatories to the manifesto:

Confirm our firm conviction that it has now become imperative in the national interest that, in addition to those measures which have already been introduced, further positive steps should be taken to reduce the present rate of inflation to a more acceptable level, and, in this manner, to avert dangers to the country's economic and social stability which stem from the prevailing rate of inflation in South Africa.

Conviction

'Confirm our firm conviction that additional forms of direct control by the Government in an effort to keep further price increases in the country within reasonable limits and to lower the rate of inflation to a more acceptable level, should preferably be avoided, and that the contemplated reduction of the rate of inflation should be pursued by means of a country-wide programme of action by all sections of the community in terms of which everyone would make concrete contributions towards the battle against inflation according to his particular ability.

Sacrifices

'State also that it is our firm conviction that these contributions, which will inevitably require certain voluntary temporary sacrifices by all sections of the community, will assist in keeping the rate of inflation within reasonable limits without jeopardising the further economic progress of the country, and that all sections of the community will therefore eventually reap positive benefits from their respective contributions towards the collective campaign against inflation.

'Confirm our unanimous approval of the various

(Continued on Page 2, col 9)

PRICES GUIDE TO ALL FIRMS

The Argus Correspondent

JOHANNESBURG. — The big employer organisations are to ask all affiliate firms immediately to commit themselves to this new set of guidelines on prices:

- Only 70 percent of all unavoidable cost increases to be passed on by traders, industrialists and other employers to their customers in the form of effective price increases between October 1 and next March.

This covers increases in the costs of finished goods, machinery, equipment, spares, apparatus, raw materials and intermediary materials — plus increases in the cost of energy, transport and communications, also increases in rentals, municipal rates, wages and salaries.

The other 30 percent of such increases must be absorbed by the individual firms themselves out of existing profits or else must be made good by means of increased output, improved productivity or cost savings in other directions

STATEMENTS

- No price increases to be introduced by any firm exempt from price control merely with the object of raising its level of profitability, unless the firm can show by audited statements that during its last financial year the rate of return on capital employed was less than 15 percent before payment of tax and interest on loans.

Even then, however, prices may be increased only to levels which enable such a rate of profitability.

- Firms not subject to price control which have experienced less than the profit rate over their last financial year, or with profits now falling under the rate merely because they have to absorb cost increases, will be allowed to raise prices at the start of the next financial year.

Again, however, the increases will be confined to limits that hold profitability to the 15 percent rate.

- Any reductions in direct costs, either of a foreign or domestic origin, which may be experienced by firms exempt from price control must be passed on to customers in price reductions.

These commitments will be requested from all member firms of the Federated Chamber of Industries, Afrikaanse Handelsinstituut, Assocom, Seifsa, Motor Industries Federation, Building Industries Federation, Chamber of Mines, and the Grocery Manufacturers' Association.

In addition, the South African Agricultural Union undertakes to recommend to its members that, when formulating applications for higher prices in respect of controlled agricultural products from October 1, that they should absorb at least 30 percent of all unavoidable cost increases between October and next March.

WORKERS

A proviso adds that all entrepreneurs undertake to pass on to buyers the full benefits of any decreases in producer prices stemming from the agreement.

The Government will appeal to all workers and employers outside the signatory organisations to follow the same guidelines.

INSIDE

OTHER reports on Page 3:

- Everyone must take part, says Heunis.
- Plan to improve training of workers.
- More creches may follow.
- Call not to hold supplies.
- Restraint on reports of pay demands.

Moves to curb pay demands

The Argus Correspondent

JOHANNESBURG.—Leaders of the South African Confederation of Labour and the Trade Union Council undertake to recommend to their members that they exercise wage restraint in the months ahead.

Workers will be asked to take into account only 70 percent of the increase in the consumer price increase between October 1975 and March 1976 — rather than the full rise in prices in new wage negotiations.

The same guideline will apply even to workers who have wage agreements that contain escalation clauses which provide for automatic adjustments of wages in pace with increases in the consumer price index.

PROVISO

In short, union leaders will advise these members to waive their right to press for the full 100 percent of increases.

However, both union organisations build in a proviso that various sections of the community have differing abilities to make even temporary sacrifices in the anti-inflation battle.

T...

7/10/75

Result of 3 years' planning

The Argus Bureau

PRETORIA. — The manifesto which will launch the collective campaign against inflation, signed by representatives of the Government and the private sector in Pretoria this afternoon, is the product of almost three years' planning and work.

It started when the Prime Minister's Economic Advisory Council established a standing advisory committee on inflation under the chairmanship of the Secretary for Commerce, Mr Joep Steyn, to work out a formula for a countrywide programme against inflation.

The committee reported to the council earlier this year and the report was then sent to the Cabinet with the council's proposals for a collective programme of action against inflation.

After further refinements, the report, containing basic principles, was approved on June 12 by the Cabinet and the 16 private sector organisations involved.

The Prime Minister, Mr B. J. Vorster, had meanwhile decided that the programme should be implemented by a Cabinet committee of nine Ministers, under the chairmanship of the Minister of Economic Affairs, Mr J. C. Heunis.

The Cabinet committee set up six working parties consisting of heads of departments and senior representatives of the private sector organisations, and instructed them to transform the basic principles agreed on into concrete commitments, which the Government and private sector would make.

The six working parties submitted comprehensive reports back to the Cabinet, which were then given to Mr Steyn to be welded into a single document.

This was completed last week and the result was laid before the Cabinet committee. More changes were made, and agreement was finally reached late on Friday.

The resulting document — reflecting a series of firm undertakings to be made by the Government and the private sector — is what will form the manifesto to be signed in Pretoria this afternoon.

150A

Job law stays — Viljoen

STAR 8/10/75

(1) 150A
(2) 174

John Cundill

The Minister of Labour, Mr Viljoen, made it clear on television last night that job reservation would not be dismantled as part of the Government's anti-inflation programme.

Job reservation would definitely not be abolished, he said, as it was necessary for implementing the anti-inflation policy.

Job reclassification had been taking place over the 20 years that job reservation had been in existence. It could continue only with the assurance to White workers that their jobs would not be taken from them.

Job reclassification required the willingness and co-operation of White workers, and this was made possible by the existence of job reservation.

Mr Viljoen said the Government intended making more effective use of labour, firstly, by creating new training facilities and expanding existing ones, and secondly, through the reclassification of work which would enable less-skilled workers to do higher skilled work

Railmen warn on wage claims

(1) 150 A (2) 334 (3) 246 (4) 135 (5) 266

9/10/75

150 A

Cape Times Correspondent

PRETORIA.—The seven Railway Staff Associations were likely to make wage claims before the end of the six month anti-inflation fight the chairman of the Federal Consultative Council of Railway Staff Associations. Mr Neels Botha, said yesterday.

When the claims were made however, the unions would take into account the restraints imposed by the Government's anti-inflation programme.

The administration was apparently heading for a deficit at the end of the current financial year, and during the holiday months ahead Railway revenue would dip because of loss of traffic.

Mr Botha warned that if increases were delayed until the middle of next year there would probably be justification for claiming 20 percent increases.

● The possibility is strong that the Minister of Finance may decide to tax married women separately from the start of the 1976-77 tax year, next March.

The Government knows, it was pointed out by authorities in Pretoria yesterday, that the strongest lure to attract women back onto the labour market would be the benefits of separate taxation.

In South Africa only 38 percent of married women are "economically active".

● Irvin and Johnson is cutting back on prices of frozen fish and vegetables, and has challenged other frozen food manufacturers to do the same.

A spokesman for the firm in Durban said yesterday that special offers of frozen vegetables and fish were being made through retailers. He said the company had also decided to market a range of frozen peas, beans, cauliflower and brussel sprouts at approximately 30 percent lower than the planned price.

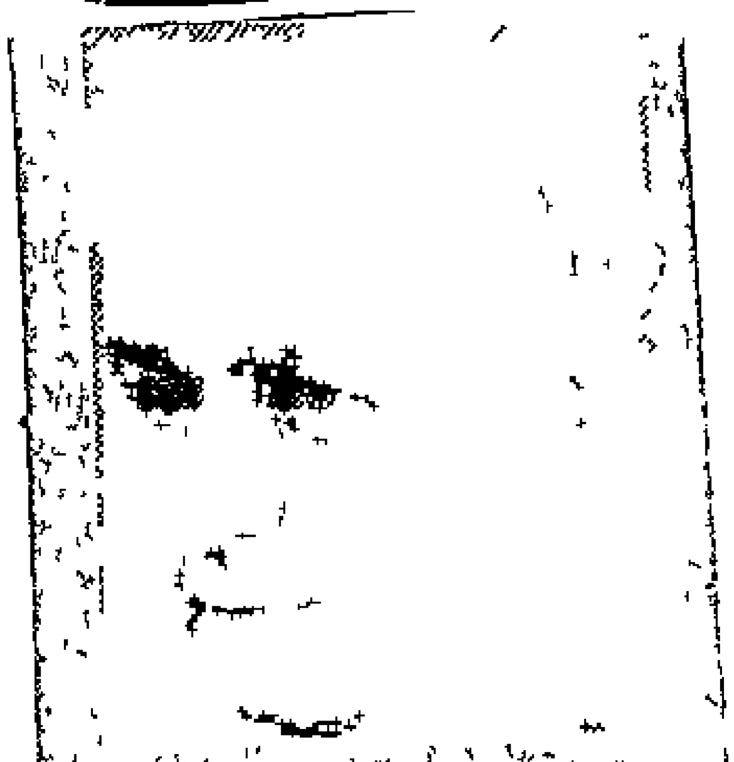
Mr Jean Basson, marketing manager of Irvin and Johnson in Cape Town, said the lower prices were made possible by better crops and new technique in production. The most economic methods of packaging were also being used.

● Table Top's marketing manager, Mr Collin Callister, confirmed yesterday that his company had taken up the challenge and reduced prices.

● Representatives of the motor industry met the Minister of Economic Affairs, Mr J C Heunis, yesterday to discuss an increase in motor vehicle prices.

● The Trade Union Council of South Africa yesterday assured its 210 000 members that during the next six months it would see that commerce and industry stuck to the price restraint undertaking incorporated in the Government's anti-inflation programme.

Further reports, Pages 5 and 7



Mr Roelofse

Cape Times 9/10/75

Roelofse unhappy with pact

150 A

MR EUGENE ROELOFSE, former director of the Co-ordinating Consumer Council, has called the Government's programme to fight inflation a "very disappointing document".

Speaking from his home in Johannesburg last night, Mr Roelofse said: "Everybody seems to have shouted hip-hip hooray for the newly announced programme but I regret that I am the odd man out.

"There has been so much ballyhoo about it that few people seem to have realized that the declaration says nothing about a possible shake-up in the Price Control department.

"It also says nothing about the re-marking of old stocks and about firms who are known to be reaping extra windfalls out of inflation because of the stocks they are carrying," he said.

Mr Roelofse said he had seen two invoices where an item charged out at R29 on the day devaluation was announced was charged out at R36 the following day.

"I presume the firm concerned is a member of one of the organizations that signed the Heunis pact," he said.

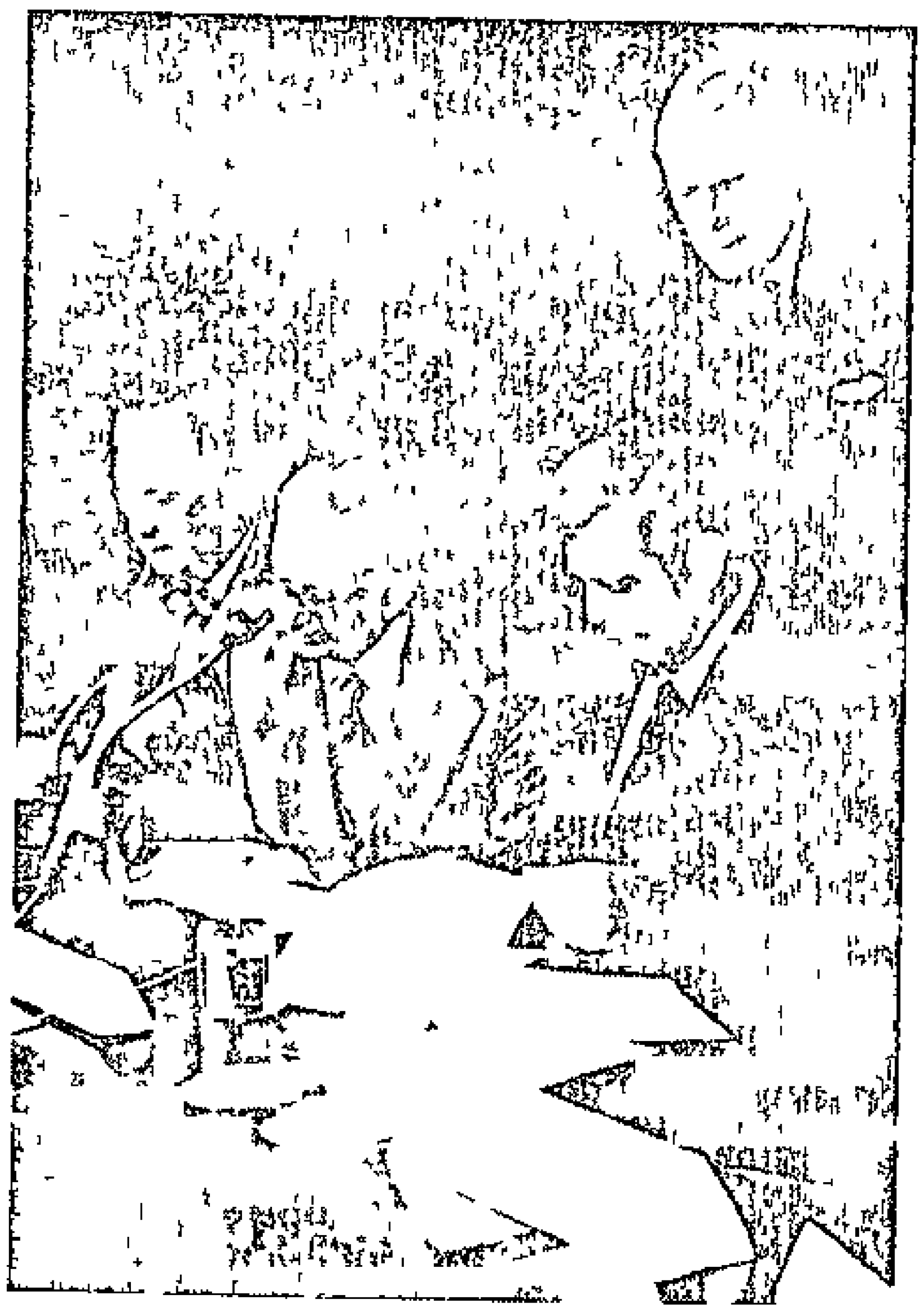
"The ordinary consumer is going to be looking for a whole lot more than the mere polite, patriotic and inoffensive terminology which in fact is what the Heunis pact amounts to," Mr Roelofse added.

FINANCIAL MAIL

10/10/75

150A

The road to Hell



The Manifesto . . . a politician's delight

Unfortunately most of the good intentions in Tuesday's Social Contract are irrelevant to the rate of inflation. And if they deflect attention away from its real cause, which is unsound government finance, they could be downright dangerous

No doubt the anti-inflation Manifesto is a politician's delight Its 70-odd proposals will provide plenty of scapegoats for those who seek to shift the blame for inflation away from the real villains — the Cabinet and Reserve Bank — and onto the shoulders of businessmen and their employees

But as far as effectively fighting inflation is concerned, its 28 pages of vague promises, evasive commitments and lack of new ideas may well prove to be not worth the paper they are written on

Certainly it is no mean achievement for the heads of 25 diverse private and public sector organisations to agree on any wide-ranging wage-price-policy package. All credit to them for that But in the final analysis, its success will be judged not by the degree of consensus achieved on Tuesday but by the rate of inflation next year What with devaluation and the government's explosive borrowing requirements, that will almost certainly remain up in the stratosphere of double digits

The cornerstones of the programme are firstly, the commitment by some upper and middle income workers to limit wage demands for the next six months (see box on next page), and secondly, the promise by some firms earning more than 15% on *total* capital before tax and interest (whatever that may mean) to pass on only 70% of "unavoidable" cost increases (what then is an avoidable cost and how much of that may be passed on? 100% or 0%?) in the form of higher prices

Since simple arithmetic shows that these constraints are not likely to have much of a *direct* effect on the rate at which costs and prices are rising, presumably it is hoped that the main impact will be psychological, ie there will be a dampening of inflationary expectations But since inflationary expectations are likely to be as high as ever in six months' time, the programme may well have merely bought time at the cost of distorting the whole fabric of private business.

⊙ Cost-raising factors already in the economy are going to send prices soaring sooner or later A petrol price shock is around the corner and the overall inflationary effects of devaluation have still to take their toll Hefty jumps in rail tariffs are also on the cards

⊙ Voluntary restraint (or a compulsory wage and price freeze for that matter) is not in itself a change in expectations. It is merely acquiescence in the postponement of those expectations

Though the Manifesto lays down that neither workers nor firms may recoup their sacrifices after the end of the six-month restraint period, how on earth will anyone be able to determine the motives behind each fraction of a price increase or wage demand after next March? Or is the government's intention to extend the programme after then?

⊙ Many companies are already seriously under-capitalised. Long term loans at reasonable rates are difficult to come by, and Hollard Street is in the doldrums. Quite rightly the anti-inflation plan recognises that companies will have to finance more and more of their capital requirements from profits — government even undertakes to investigate tax incentives to help firms plough back more.

Yet incredibly, the same plan provides that 30% of almost all cost increases will have to be absorbed by profits, while no business (with a few exceptions) will be

DEAR BOSS,

In the past year, I have continued to make my contribution to this company and to the State In the first instance I have worked hard and conscientiously, improving, at least to some degree, my productivity as my responsibilities have widened

At the same time I have always responded to calls by management to cut down on costs when necessary. And it is with some pride that I look back on yet another year in which the company has, through good management and good sense, achieved its profit goal

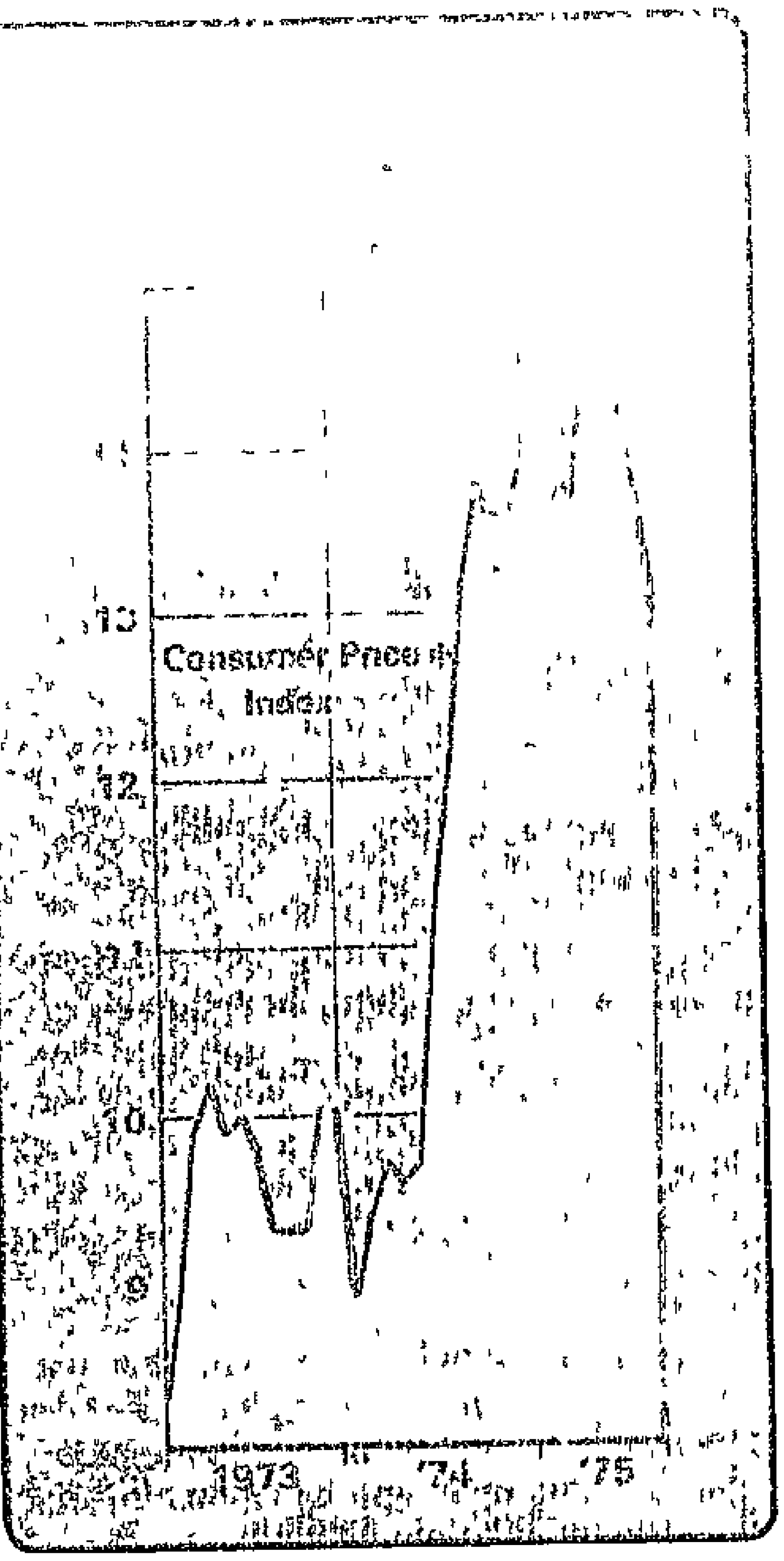
As to my contribution to the State, I have continued to pay my taxes, on income and on goods bought I have even managed to save a little, have incurred no credit obligations — in short, though not without a struggle, have managed to live within my means.

I am most discouraged, therefore, that the State should think to penalise me, by suggesting that you limit what salary increase you intend for me this year as a reward for my labours, as part of a more-than-somewhat belated exercise to combat inflation.

I see no signs of the State having fulfilled its obligations to its citizens It certainly has not lived within its means, its spending has been profligate, its debts unchecked Where have been its efforts to increase productivity? I still cannot telephone a government department after 16h00 nor can I pay my electricity account or telephone account after 15h30 (the offices are closed)

That we have grave inflation and that it must be controlled I don't deny. But must I and thousands like me be made scapegoats?

Your faithful employee



allowed to post price increases "merely with the object of raising its level of profitability".

- The curb on profits is of course likely to seriously damage corporate financial structures Corporate credit ratings and companies' ability soundly to finance new investment will suffer So will their ability to raise Black wages, particularly if a large part of their workforce is earning below PDL levels and thus not only desperately in need of decent wage hikes but [illegible] from [illegible] their demand

Is it wise, for example, to [illegible] Iscor's efforts to restore [illegible] yet another [illegible] month? Indeed, the restrictions on company profits could lead to a thousand Iscor type situations, but in their case without the prospect of unlimited amounts of taxpayers' money to keep them in business

Private enterprise and wage earners are being called on to make specific and hurtful sacrifices Yet the real villain of the inflation piece — government — is hedging *its* commitments with any number of if's, and's and but's It will prune its spending "wherever possible", and then only spending "which bears no relation to productive capacity and infrastructure" (Is Defence then a candidate for major cuts? We doubt it)

It will ensure that the money supply does not rise "excessively" in relation to GDP (even though it is helping it so to rise right now) It agrees merely "to give consideration" to the removal of infrastructure bottlenecks and to the establishment of capital spending priorities

What does all this mean in terms of hard cash? Not much, judging by Pretoria's past record of permissive finance and its refusal to commit itself to specifics now

Another disappointment is the total lack of any meaningful or explicit commitment to better use of the country's labour resources There is no sign in the programme that Pretoria has agreed to a sufficiently fast Black advancement in semi-skilled and skilled jobs Indeed, a large number of the proposals dealing with labour are merely designed to communicate more effectively to businessmen *existing* government policies on immigration, Black training and productivity.

And do we really [illegible] re-[illegible] the [illegible] [illegible] from the [illegible] [illegible] [illegible] [illegible] labour [illegible] ability of extending the system [illegible] for minor offences and will [illegible] look at its policy on road transportation permits for private business

Laudable as they are, measures such as these will have no effect at all on the wage/price spiral so long as inflation is not tackled at its roots. What the plan fails to recognise is that the basic cause of inflation in this country is not excessive profits, exorbitant wage demands, shortage of immigrants and creches, or wrongly-trained architects

VOLUNTARY?

Wednesday's *Star* quotes Dr Lawrence McCrystal, chairman of the anti inflation sub-committee dealing with publicity, as saying that "price increases will not be permitted merely to enable firms to raise their level of return above what previously prevailed".

What does he mean by "permitted"? We thought this was a voluntary programme.

Our inflation is the result of misguided fiscal, monetary and exchange rate policies which have encouraged the nation to live beyond its means to try to accomplish too many things at the same time and without facing up to harsh economic realities

We simply cannot afford a government borrowing requirement which this year could be R1 000m up on last year; we just cannot go for rapid growth and at the same time successfully protect the balance of payments, shore up the price of gold and fight inflation, we certainly cannot go in for huge increases in defence spending without paying the price in higher taxes, and most certainly we cannot have a massive devaluation without both aggravating inflation and accepting cuts in living standards.

Inflation will not be cured by price and wage curbs, nor by well-intended but incredibly vague promises in a manifesto. Besides a tight money policy to shore up the balance of payments, and pave the way for sounder growth in 1977, what we need now are *immediate* tax hikes to finance the yawning government deficit in a non-inflationary way, coupled with specific cuts in public spending and above all, an honest and realistic admission by our politicians that a drop in living standards over the next few months is both necessary and inevitable.

WHO'S ALLOWED WHAT

Workers are asked to build into wage demands, based on cost of living increases and negotiated after October 1, only 70% of the rise in the consumer price index from October 1-March 31 next year Demands for increased pay based on productivity, supply and demand, etc, are unaffected

All rises in the rate of inflation outside these six months can be claimed in full

In practice, says Tucsa General Secretary Arthur Grobbelaar, the curbs will work like this. Assume a wage agreement comes up for annual renegotiation on January 1 next year and that the rise in the CPI is 10% from January to September and 4% from October to December 1975 The union will be entitled to claim the full 10% for the first nine months of the year and 2,8% for the last three months In other words, instead of asking for a 14% increase, the union will be entitled to claim only 12,8% as CoL compensation

In addition, when the next wage settlement comes up in December 1976, workers can put in for only 70% of the CoL increase between January and March, but for the total increase from March to December

All workers below a still-to-be-determined Minimum Living Level are exempt from the curbs The programme also makes no provision for those whose wage and salary increases are based on productivity, promotion, job reclassification, automatic annual reviews or blackmail Nor are restrictions placed on improved fringe benefits

FM 10/10/75

150 A

Apartheid wins again

As far as Black labour is concerned, government's much-vaunted campaign against inflation is a non-event if ever there was one. If it goes down in SA's labour history at all (which is extremely doubtful), it will go down not for what it says, but for what it leaves out

For example the trade unions undertake "to continue with the rationalisation of artisans' work," with "due regard" (predictably) to "the government's policy in regard to the labour structure"

No mention of scrapping the jobs colour bar, which these very same unions have by one means or another effectively written into dozens of industrial agreements, no mention of scrapping closed shop arrangements (in which both government and employers acquiesce), whose effect — and intention — is to keep Africans out of a large range of jobs, and no mention of allowing Africans to be trained as mechanics, say — which would do more to bring down the soaring cost of motor repairs than a hundred anti-inflation manifestos signed with such fanfare in Pretoria

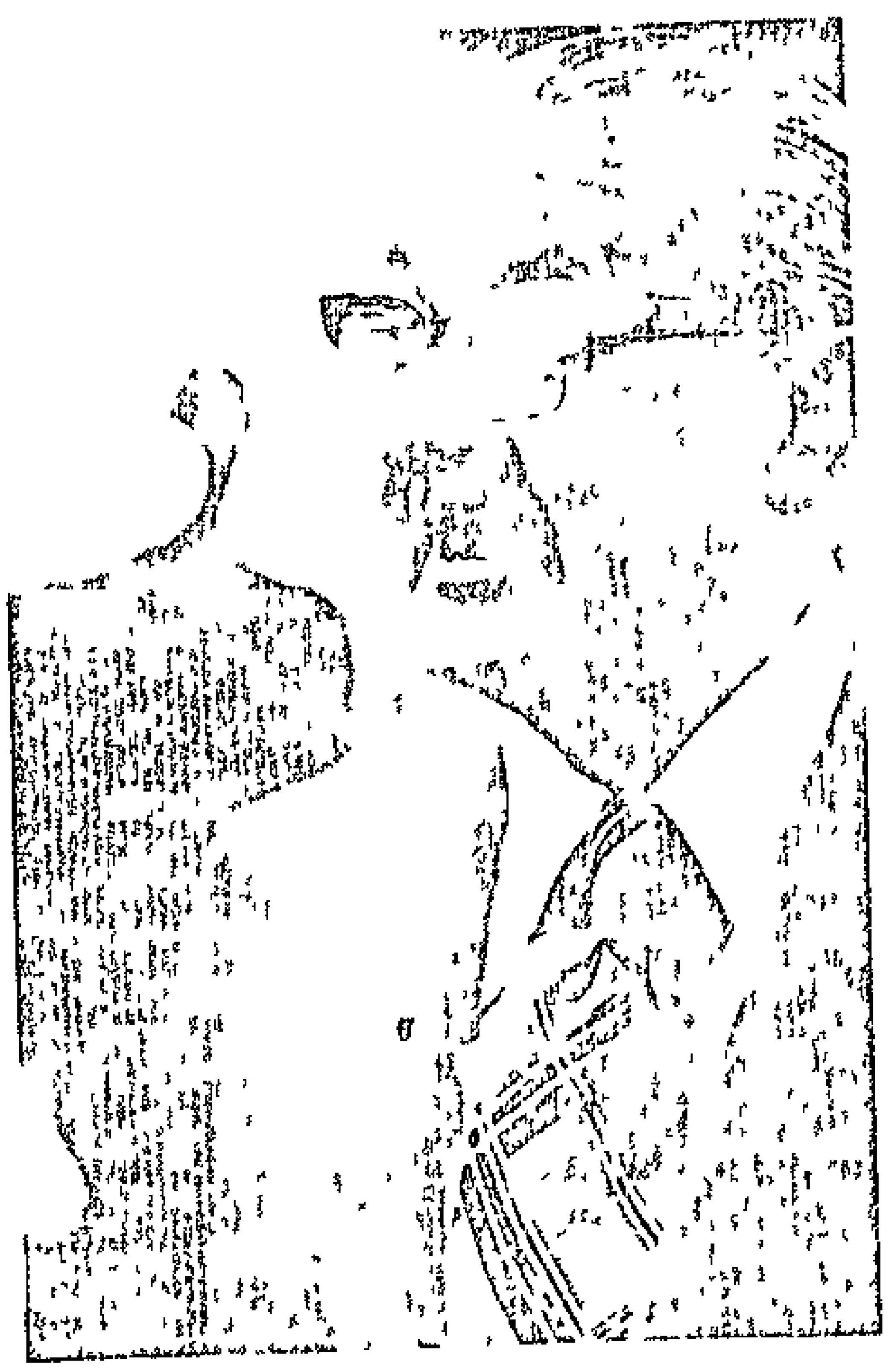
No mention of scrapping the untold number of restrictions which the unions still impose on the movement of Africans up the jobs ladder, thus creating artificial manpower shortages in many sectors of the economy and thereby pushing White wage rates way above the minima laid down in industrial agreements

Nobly enough, the unions have agreed to exercise restraint in wage claims But as far as the more productive use of African workers is concerned, one is left with the sneaking suspicion that the trade unions could happily sign the manifesto secure in the knowledge that nothing is really going to change any faster than hitherto when it comes to the jobs colour bar.

For its part, government solemnly promises that when unions and employers don't want to reclassify jobs, it will continuously "motivate" them to do so No mention of whether or not government and the unions are going to scrap their own aversion to the employment of Africans as artisans in the Common Area

The immediate abolition of this grossly unjust bar would do more to improve labour productivity in SA than a hundred conferences to "alert businessmen to the exact nature of productivity problems" organised by the NDMF or anyone else If the NDMF is going to hold a conference, perhaps it could invite the entire Cabinet and alert it to a few problems

For example if large-scale systematic training of Africans as artisans is not going to start *now*, by the time the economy picks up again there is simply not going to be the manpower to produce the goods to meet stepped-up demand — and a situation like that can send prices sky-high.



Viljoen . . . Never mind, you can always go to a Border Area

But businessmen — and Black workers — should not despair There's always a Bantustan or a Border Area. Government undertakes to furnish information "on the opportunities available to them in border areas for the introduction and utilisation of *ad hoc* training schemes for their workers And it undertakes to tell them — "more pertinently," what's more — about paragraph 11 of the White Paper on Decentralisation

The manifesto proclaims that this paragraph deals with "exemptions . which will be considered by the government in cases of shortages of skilled labour in Border Areas so that Bantu may perform the advanced types of work which would otherwise have had to be done by other groups of the population"

What the manifesto does *not* mention, however, is that paragraph 11 also says that these exemptions will be granted on certain conditions workers of different "national groups" may not be employed on the same level of work, separate facilities must be provided, Blacks cannot supervise Whites, there may be no displacement of White workers, and "in these Border Areas no Bantu apprentices will be trained"

Furthermore, the exemption[illegible] withdrawn if White workers [illegible] available at a la[illegible] stage. So [illegible] "not condoning [illegible]

How's that for an incentive to [illegible] industrialist — if he can be cajoled into going to a border area in the first place — to upgrade African workers and spend money on training them and increasing their productivity?

The Social Contract also says that government is "sympathetically disposed towards cases where additional Bantu labour is required in terms of the Environment Planning Act to replace Bantu labourers who are receiving training in the metropolitan training centres" But it then adds "any allocation of Bantu for this purpose will, however, be made on a purely temporary basis"

Government also "undertakes to review the existing procedures relating to the registration of Bantu labour with a view to the simplification of such procedures." As of Wednesday this week, the usually well informed PRO of Bantu Administration knew nothing about this and "would have to go into it"

As far as the training of Africans in the Common Area goes, the manifesto refers to the "good progress" being made with the private industrial training centres, and government and employer organisations undertake to "propagate" their use amongst industrialists

But as far as the development of a free and fully competitive labour market, or the free and fully productive use of SA's Black workers, is concerned, the Social Contract is not worth the paper it is written on

Apartheid wins again.

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Builders first for pay curb?

STAR 10/10/75

Labour Reporter

The Transvaal's 60 000 building workers — more than 10 000 of whom are well-paid Whites — could be the first to be called on for sacrifices in terms of the manifesto

"We are looking into the possibility of applying the provisions of the manifesto," Mr Z L Pretorius, director of the Witwatersrand Master Builders' Association, said today

He was asked about the possibility of changes in automatic pay adjustments in line with the rise of the Consumer Price Index Adjustments were due to be made next month

Mr I J Els, assistant general secretary of the Building Workers' Union, said his union had not yet taken a stand on the matter He felt the November increase would not be affected

Artisans in the Transvaal building industry were to receive a 5c-an-hour rise next month under a special provision of their latest agreement, this in addition to the cost of living adjustment

Meanwhile, three trade unions representing almost 60 000 workers are meeting employers in Port Elizabeth next week to start negotiations on a new industrial agreement to replace the one expiring next June

The collective programme against inflation and its bearing on the new agreement will be thrashed out first.

It was also learnt today that arrangements have been made for a meeting on pay between the South African Society of Bank Officials and the Standard Bank and Barclays Bank.

The negotiations are not expected to affect normal notch increases due in January

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UNIONS TO DEMAND MORE

By Christopher Prophet

MANY trade unions are going ahead with wage increase demands in spite of the undertaking of certain trade union organisations to recommend wage restraints in the months ahead. They feel many of their workers are living below the poverty datum line.

The South African Confederation of Labour and the Trades Union Council are to ask workers considering wage negotiations to take into account only 70 percent of the increase in the consumer price index.

Both organisations have a proviso that sections of the community have differing abilities to make sacrifices in the anti-inflation battle. It is upon this that many unions are to negotiate new wage claims.

This is in accordance with the national agreement by the Government, trade unions and employer groups, but it highlights that many feel unable to cope with rising costs and that they are unable to make ends meet on their present incomes.

The secretary of the Western Province Building Workers' Union, Mr R. G Simmons, said. 'Of course we are pushing for wage increases Wouldn't you? All our unskilled workers are below the poverty datum line. Most get about R25 a week. They are unable to come out on this.'

Referring to the national agreement, he said. 'We never belonged to the Trades Union Council of South Africa. They cannot speak for the majority of workers They are taking advantage of the fact that they are a registered organisation'

Mr L. A. Petersen, secretary of the Garment Workers' Union of the Western Province, said: 'We are negotiating at present for wage increases and are going ahead with our wage claims. We feel many of our workers are below the poverty datum line.' He said the wage claims were proposed before the national agreement.

The area official for the Electrical Workers' Association and secretary of the Electrical and Allied Trades Union of South Africa, Mr C. Shield, said. 'We've got no option but to ask for a wage increase. Our agreement expires in December We have submitted proposals to employers and negotiations will start soon. The claims will probably be pruned in accordance with the national agreement as regards wage increases.'

He said the pensions for his workers were 'miserably low' and the union would now 'go for fringe benefits more than ever'

The secretary of the Tramway and Omnibus Workers' Union (Cape), Mr D C. Benade, said 'We have just concluded a number of wage agreements, which are going to outlast the period of restraint. We asked for increases commensurate with the consumer price index'

He said the agreements would last for a year and he fully supported the Government's proposals to curb inflation.

The secretary of the National Union of Distributive Workers, Mr J. R. Altman, said: 'We have got a promise of a wage board revision from the Minister of Labour for early next year. We hope it will be after the six-month period of restraint Then we will be free to put forward motivated demands'

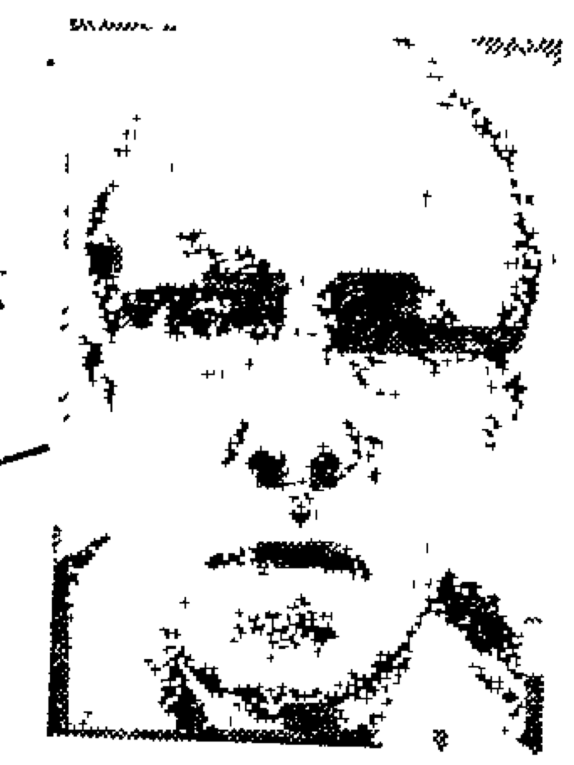
The secretary of the Textile Workers' Industrial Union, Mr Norman Daniels, said: 'Our union is affiliated with Tucsa. We have pledged our support to fight inflation. We want to see the evil of inflation controlled

'But most of our workers are below the poverty datum line While we will do what we can to fight inflation, we will certainly ask that our lower-paid workers be given wage increases

'We will ask for increases by negotiation, in an orderly and rational manner, but we are not subject to the limitations of the agreement because many of our people are below the poverty datum line.'

Controls in US failed miserably

SUN. TIMES
Bus Times
12/10/75
150A



George Shultz . . . "I did my best."

By LEWIS JAMES

WASHINGTON. — George Shultz, the ex-US Treasury Secretary, was reminiscing the other day on his rather unique Government career, unique in that he held three separate Cabinet posts in the Nixon administration and emerged with his personal and professional reputation as economist untarnished.

What, he was asked, did he consider his greatest failure as a Government officer?

"Wage and price controls," he said without hesitation.

"In 1971, I fought as hard as I could against the imposition of wage and price controls as a cure against inflation. At one time, the fight narrowed down to where I had only President Nixon on my side and then he, too, gave in. So I did my best to make the controls work even though I knew I would fail.

"Had I known just how badly the controls would do I might have fought harder. I don't know, I might even have resigned or something like that out of protest. I just can't help feeling I didn't fight hard enough," Shultz said ruefully.

Hard words from a normally gentle man yet the subject of wage and price controls is one on which both conservative and liberal American economists can agree up to a point .. starting with Richard Nixon's Phase One up through the oil price controls set to expire November 15, the experiment has done more harm than good.

In retrospect however, not even the doubting Shultz could tell how badly they would fail. There had not been any experience with controls as they were fashioned by the Nixon team. During the Second World War and the Korean war, controls were part of an over-all clampdown during full wartime.

However much the Vietnam war was distorting the American economy at the time, the architects and administrators of the various Nixonomic phases considered controls a basically domestic affair. One could still have guns and butter as late as 1971, they thought.

And also in retrospect, the problems faced by Shultz and the other advisers in the 1970-1971 period were relatively benign by today's standards. Inflation was averaging 5,2 per cent (9,8 per cent today) with unemployment edging up to an alarming 6 per cent (down from 9 per cent to 8,2 per cent now). And the war, after all, was winding down Talk of a "peace dividend" was respectable.

But the summer of 1971 saw the White House looking as much at the 1972 re-election campaign as at economic indicators. And although gross national product was increasing at 7 per cent annual rate, less than two per cent of that was real growth. Distortions were creeping into various industrial sectors. Congressional pressure for controls mounted.

• On August 15, 1971, Phase One. The President devalued the dollar and froze wages, prices and rents in place for 90-days. Inflation was stopped nearly in its tracks. Prices of over all retail items rose only 1,7 per cent, because raw foods had been exempted from controls. Prices of industrial commodities were almost flat.

• From then on, it was as a man on the back of the tiger. Phase Two set up a pay board to rule on pay increase requests and a price board to administer prices and the economy was divided into administrative sectors with the resultant surge in bureaucracy and slippage in efficiency as public support dissipated.

Phase Two lasted through 1972 and could only reduce inflation to a four per cent annual increase. In the meantime, pressures were building from labour unions to "catch up" on wage demands and wholesale prices were rising at nearly 7 per cent, creating distortions against the retail controls. Shortages of consumer products appeared.

• Through the rest of the phases, all gradually lessening controls over various sectors of the economy, the Government continued radically stimulative fiscal and monetary policies. Budget deficits and money supply growth of more than 7 per cent drove interest rates higher and increased the competition for goods and services and the prices for them.

From January 1973, through September 1974, the index of retail consumer prices had risen 19 per cent, wholesale prices 34 per cent

The distortions of the oil embargo and subsequent OPEC price hikes have finished the job

Not that the debate over controls is ended by any means. While conservatives such as Shultz say, "never again" their liberal colleagues complain that the Nixon controls were poorly administered.

What Shultz and his allies charge is that one can never truly control a complex industrial economy for very long, the longer one tries, the worse it gets, and quickly arrives at the point where the damage outweighs the gains.

But for liberal economists, such as Arthur Okun of the Brookings Institution, what the Nixon teams should have done was impose credit controls as well as tighten reins on wages and prices

And the Government defeated itself by following a stimulative policy itself while it was trying to cool down everyone else.

If we fail in SA it's more tax and. . .

INFLATION: The world's cancer

By COLIN CAMPBELL
Investment Editor

HIGHER TAXES, and the prospect of a second devaluation, are in store for South Africans if the Government's anti-inflation programme does not work

Racial peace could be shattered if inflation's gallop is not checked, because Blacks will be hardest hit.

The Newcastle bus boycotts are indicative of how sensitive Black incomes are to rising prices.

Also, the detente promises, which are so closely linked to economic co-operation with other states in Africa, could be shattered if South Africa's economic stability is weakened.

These are the stark consequences if the anti-inflation manifesto is frustrated by any sector of the economy.

That the Government recognises these dangers is illustrated by the prominence given to the question of social peace in its anti-inflation manifesto launched in Pretoria on Tuesday.

It declared: "We regard the present rate of inflation in the Republic of South Africa as a source of hardship for all sectors of the community as well as a serious threat to the maintenance of social peace and our country's existing economic system".

What has gone wrong?

Gold, which has been the backbone of the economy, no longer commands the high price on which Government revenue estimates were based.

Our economic difficulties have been compounded by the later, and slower-than-expected, economic recovery in the Western world, particularly the USA, on whom we all depend.

What is the best South Africa can expect?

• An average gold price of \$140;

• A third consecutive good agricultural season,

• A faster recovery in the Western world

At worst, South Africa could be faced with a gold price of \$130 and below; a poor agricultural season; and a stall in the Western world's recovery

In either inflation case, the anti- programme is essential.

But, there is the very real danger that if voluntary restraints are not effective, the Government will force them to work through tough laws.

The legal action by the Government could be coupled with harsh Budgetary measures, and a further Rand devaluation.

The programme will be constantly monitored, and will be reviewed in six months .. when the 1976 Budget is due

The British tried it too

By CLIFFORD GERMAN

LONDON — The map of Europe is littered with prices and incomes policies of various shapes and sizes, and varying degrees of efficiency. Nearly every country has a policy, and each one is tailored to the needs of the particular country and the details vary from place to place, and from time to time.

But no student of the subject can complain about a lack of variety.

The mildest policies are to be found in countries which have traditionally taken care not to run the risk of serious inflation.

Germany and Switzerland, which have persistently adopted cautious, orthodox, monetary policies, have virtually no controls.

As an official German publication says, the Federal Republic has learned the lesson of severe inflation Wages are not subject to controls but are supervised by "concerted action" by the unions, the employers, the federal and regional administrations.

The Federal Government applies any necessary corrective by raising or lowering taxes and monetary policy Price controls are also virtually non-existent Rents have now been unfrozen, leaving only a few controls in transport and agriculture. Price controls are superfluous because of the force of competition

Elsewhere, the complexity of the policies reflects the complexity of the economy and the size of the problem Britain's current pay controls are voluntary because bitter experience showed that tight statutory controls are politically unenforceable in the present state of British society. Even in the sixties rigid controls worked only for short periods, and pay tended to shoot up again when the controls were lifted

Even the new voluntary controls may come under severe strain next spring when the Government tries to extend them into a second year

Price controls were introduced for the first time in peace-time Britain in 1972 in an attempt to encourage acceptance of the Edward Heath government s ill-fated pay policy and although that policy failed, price controls have never been removed. Except for a few basic foodstuffs, they operate indirectly by pegging profit margins to reference levels and limiting the amount of pay rises which can be passed on to the consumer. They remain in force although competition and cheaper commodity prices have reduced the practical need for them

TED HEATH . . . An ill-fated policy

France has recently introduced a six month price freeze, encouraged by the relative efficiency of the French bureaucracy, and backed it with a plan to index wages and family allowances to the cost of living.

Italy, the traditional home of index linking of wages to price rises, has relied on soaring prices and savage deflation to mop up the excess pay rises

In the smaller countries pay and price policies are often most effective because the economy itself is smaller and less complex. Interests of Government, unions and employers are more easily shown to lie in the same direction and pay and price rises have not been allowed to get out of hand.

In Sweden, which has a long history of co-operation between unions and employers, centrally-negotiated pay targets are still the usual formula and have successfully kept the rate of inflation below the European average, leaving no real need for price controls

Norway has adopted an indexing system for pay, and has this year agreed through its national agreement between unions, employers and Government, that unions will take only 80 per cent of entitled pay rises this year in return for a price freeze which the Government will supervise.

In Denmark, the wage agreement between unions and employers' representatives broke down this year and the Government had to intervene to decree pay rises of 2 per cent, plus cost of living thresholds for the year, backed by a general policy intended to keep increases in prices, costs and incomes from accelerating.

Ireland is another small country with a central system for negotiating pay agreements, based on indexing linked to price rises The National Economic and Social Council agreed this year to forego a 5 per cent pay entitlement in exchange for tax cuts and more subsidies, which are easy to apply in a country where the State controls many industries

Price controls are effective too, in Austria because the State sector administers a large part of industry and can fix prices. There is no formal incomes policy but mixed commissions of employers, unions and Government have been working on a basis of 3 per cent real growth a year

The Belgian Government has recently intervened to make the automatic cost of living pay rises smaller and less frequent for the next nine months, and to compile a new cost of living index to base them on This has been matched by a package of rent and dividend freezes, and "limits" on pay rises

The Dutch economy, a remarkable achievement for a country which, until the late sixties, had strict controls and suffered explosive pay rises when they were abandoned

There are no easy lessons to draw about the effectiveness of these policies. The lowest rates of inflation have been in Germany and Switzerland where there has been no need for controls, or in countries such as Austria and Sweden where controls are longstanding and effective

Inflation has been worst in Britain, where the current policy is very new, and in Italy which has relied on fiscal policy to cure a severe case of neglected inflation.

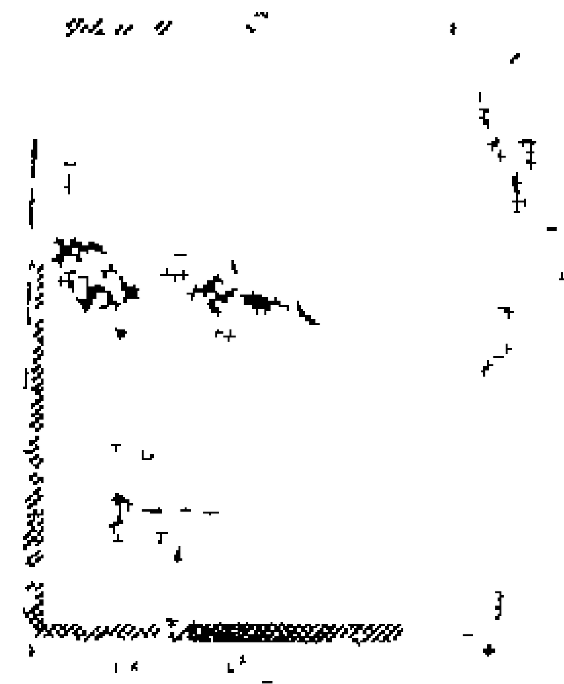
The Cape Times, Tuesday, October 14, 1975

150 A

Roelofse to attack inflation manifesto

Cape Times Chief Reporter

MR EUGENE ROELOFSE, former director of the Co-ordinating Consumer Council, is expected to deliver a "fighting" reply in a speech in Johannesburg tomorrow to statements that South Africans must accept an immediate lowering of their living standards.



Mr Roelofse

The anti-inflation manifesto signed in Pretoria last week will be Mr Roelofse's theme, in an address to the Housewives' League of South Africa He is expected to say that the public will require certain undertakings from the Government and from organized commerce and industry before it is prepared to reduce its present standard of living

It is understood that Mr Roelofse will reply to a statement in Cape Town last week by Dr Jan Hupkes, assistant general manager of Federale Volksbeleggings Beperk

Dr Hupkes was quoted as saying the public must be educated in the real purpose of devaluation which was acceptance of an immediate lowering of living standards so as to obtain eventually higher standards than would have been the case if the rand had not been devalued.

Mr Roelofse is known to be dissatisfied with the Government's price-control system as well as with the role of the commercial branch of the CID in protecting the public from exploitation He has hinted that he will have a lot more to say about this tomorrow — as well as about areas of the South African economy in which he feels excessive profiteering is occurring at the expense of the man and woman in the street

In Cape Town yesterday Mr Ray Altman, secretary of the National Union of Distributive Workers, said he had been surprised to read in the Cape Times last week that the Secretary for Commerce and Price Controller, Mr Joep Steyn, did not intend expanding the national price-control machine because he considered the anti-inflation manifesto as "an act of faith"

Mr Altman added, "I don't see how Mr Steyn can avoid increasing the size of his price control administration in the present situation. There is every indication that the public is becoming more price-conscious and if, as they should do, people report what appear to be unjustified price increases, as well as public exploitation, Mr Steyn will have no option but to take on more staff"

Curbs may have to stay longer

Cape Times Correspondent

PRETORIA — The Government may have to extend its six-month anti-inflation programme if it wants it to make a significant impact

This is the view of a leading business man spoken to yesterday

Dr M D Marais, chairman of Union Steel Corporation and a director of Iscor and more than 30 other companies, said yesterday that the full inflationary impact of the recent devaluations would probably not be felt till the second half of next year

If after the end of the six-month period it could be seen that the programme had not had the desired effect then the Government might appeal for further voluntary sacrifices If these were not forthcoming, it might have to impose new measures.

Manifesto backed

PRETORIA — The legal profession yesterday expressed full support for the collective campaign against inflation and appealed to attorneys to limit costs, wages and fees

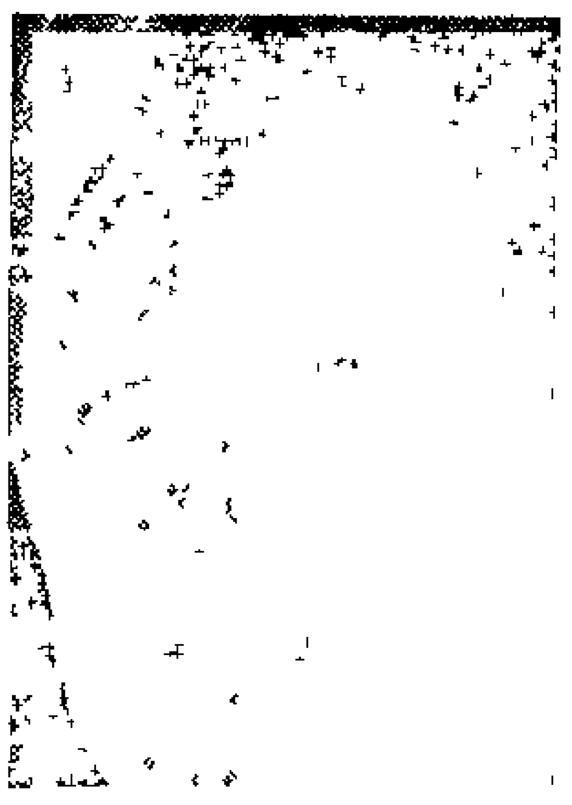
In a joint statement released here by the Association of Law Societies the presidents of the four provincial law societies said the anti-inflation campaign deserved the support of every attorney.

"The legal profession unhesitatingly supports the purpose of the declaration, despite its not having had a part in the discussions which led to its issue," the statement said

Another professional group not included in the signatories to the manifesto, the South African Medical Association, had also expressed full support for the campaign — Sapa

Blunt warning on growth of inflation

Star 14/10/75 STAR 14/10/75



SEN OWEN HORWOOD

DR FRED DU PLESSIS

Michael Chester

Blunt warning was issued in Johannesburg today that inflation is likely to be even worse next year — even if there is fair success with the sweeping attack on prices under the inflation manifesto

The warning came from man of Senbank and a Dr Fred du Plessis, chair prominent member of the Prime Minister's Economic Advisory Council

He told business leaders at the annual Financial Mail investment conference

"Taking into account the effect of devaluation, and even allowing for a fair measure of success in the anti-inflation campaign, the inflation rate will be higher during 1976 than in 1975"

FORECAST

He forecast that the next three months should show signs of a slight decline in the rate of inflation, mainly as a result of success with the anti-inflation drive

However, inevitable and unavoidable price increases were in the pipeline and would emerge early next year

Price increases on capital goods from overseas and other imported items could not be ruled out because of the delayed impact of devaluation

It was also likely that evidence of price increases would appear next March when the public drew near the end of the six-month period of voluntary price and wage resraints under the inflation manifesto

DANGER

The danger was that there may well be disillusionment about prices among the public who would then decide to withdraw their efforts in the anti-inflation programme.

"I don't want to be pessimistic but these are the realities," said Dr du Plessis.

All will depend on how well the Government runs its publicity campaign under the manifesto to try to make sure that disillusionment does not set in and make inflation worse and worse

Horwood happy over future

Jonh Patten, Political Correspondent

The Minister of Finance, Senator Horwood, said in Johannesburg this afternoon he was confident that investment prospects for the South African economy were "second to none."

Senator Horwood spent much of his keynote address to the Financial Mail's investment conference justifying the Government's devaluation action, explaining his confidence in the future role of gold and expressing optimism on the future prospects for the South African economy.

Dealing with present conditions, the Minister said a credit squeeze would be out of place in an economy running below full capacity.

A credit squeeze formed "no part of our financial strategy at this juncture," he said

For this reason the decline in State revenue arising from the fall in gold mining and other profits — and the consequent probable upward pressure on the money supply — did not disturb him unduly at present

In the medium term, however, it was not desirable to allow the money supply to increase "to such an extent as to threaten an upsurge of demand inflation when the upswing in our economy gets under way."

He said that certainly during 1976 "I would expect economic recovery overseas to exert a favourable influence on our economy"

The extent to which export industries would be able to take advantage of an improvement in overseas markets would depend on the country's success in containing inflation so as to preserve the advantage gained by devaluation

This also applied to the ability of local industry to supply the local market in competition with imported goods

The Minister gave the assurance the Government was determined to scrutinise State expenditure at levels and to "prune ruthlessly those services which are not urgently necessary." This would be done in accordance with the anti-inflation programme

Anti-inflation is 'legal'

The legal profession has pledged its full support for the anti-inflation campaign and appealed to attorneys to limit costs, wages and fees.

The presidents of four provincial law societies said in a joint statement released by the Association of Law Societies that the campaign deserved the support of every attorney.

Attorneys were urged to apply to six main principles during the six-month campaign period.

● To bear 30 percent of unavoidable cost increases in determining fees where tariffs were not applicable.

● To give particular attention to effecting savings and to increasing the individual's productivity.

● To limit employees' salaries, and in particular not to offer higher salaries to entice employees away from other attorneys.

Employees with incomes equal to, or lower than, the poverty datum line would be excluded from this provision.

The four law societies undertook not to ask for an increase in tariffs which were fixed some four to five years ago, despite substantial cost increases.

The South African Medical Association has also expressed full support for the anti-inflation campaign.

Mercury 15/10/75

150A

Warning on inflation battle-plan

Mercury Reporter

MARGATE — The implementation of the country's anti-inflationary programme had to be monitored carefully to ensure a balanced outcome, Mr. J. Melville Pels, president of the Association of Chambers of Commerce of South Africa (Assocom), said last night.

He warned that the economic machine which sustained and expanded the country's standard of living for all sections of the population was so delicately balanced that the dangers and risks of interference were as great as anywhere else on the continent.

Mr. Pels was giving his presidential address at the 73rd annual congress of Assocom.

He said the consequences of severe inflation and its correction could defeat all efforts to achieve economic goals.

"Production is set back, often very sharply, employment declines, unemployment, especially among Africans in a country like South Africa, rises and incomes are reduced.

"In the process, financial losses are incurred by individuals and families on a large scale and, sad to say, will be felt most severely by those least able to protect themselves."

Although, in a limited sense and for a limited time, controls could prevent this they were precisely what should be avoided.

"Our object is to achieve our economic goals within the framework of a free economy and not introduce a battery of controls in its place, abandoning the institutional framework of open, competitive markets in the process. At present there is no alternative to an anti-inflationary policy.

"That is why Assocom has pledged itself to support the Government's anti-inflation programme.

"No doubt there will be those who find fault with the programme, as one always can with any compromise formula which involves a balance of interests in the economy.

"But it is a programme which enjoys the full co-operation of the private sector in the economy and which — in the aftermath of devaluation — is required more urgently than ever before."

Mr. Pels said that Assocom intended to be active in promoting the image of private enterprise in the years ahead and would try to reduce the ignorance and misunderstanding upon which so much of the anti-business sentiment was based.

150A

PREDICTION OF WORSE INFLATION

Mercury 15/10/75

JOHANNESBURG — A blunt warning was issued here yesterday that inflation is likely to be even worse next year—even if there is fair success with the sweeping attack on prices under the new inflation manifesto.

The warning came from Dr. Fred du Plessis, chairman of Senbank and a prominent member of the Prime Minister's Economic Advisory Council.

He told business leaders at the "Investment in 1976" conference: "Taking into account the effect of devaluation and even allowing for a fair measure of success in the anti-inflation campaign, the inflation rate will be higher during 1976 than in 1975."

He forecast that the next three months should show signs of a slight decline in the rate of inflation, mainly as a result of success with the anti-inflation drive.

However, inevitable and unavoidable price increases were in the pipeline and would emerge early next year.

Price increases on capital goods coming from overseas and other imported items could not be ruled out because of the delayed impact of devaluation.

It was likely that evidence of price increases would appear next March when the public drew near the end of the six-month period of voluntary price and wage restraints under the inflation manifesto.

The danger was that there might well be disillusionment about prices among the public who would then decide to withdraw their efforts in the anti-inflation programme.—(Sapa)

150A

Inflation pact is 'anaemic'

Star 15/10/75

The former director of the South African Consumer Council, Mr Eugene Roelofse, today launched a hard-hitting attack on the Government's inflation manifesto — which he described as "nothing more than threadbare and anaemic"

During a talk to a meeting of the Housewives' League in Bedfordview, Mr Roelofse said the best that could be said of the pact was that it was sincere, polite and entirely inoffensive

PROBLEMS

"The present document is threadbare, anaemic and tries to be all things to all people I would not be a bit surprised to learn the whole idea was dreamed up by some public-relations consultant.

"If this is the best our leaders can do then we are in for some serious problems," he warned.

Mr Roelofse continued: "This well-meaning but patently woolly effort is hardly going to appease consumers faced with the stark reality of rising prices and pegged incomes, once all the ballyhoo has died down."

Mr Roelofse, who told Housewives' League members that he was standing before them as an individual consumer "and not a representative of a 100 percent State-subsidised organisation," said he did not have to obtain prior approval for his speech today

OBJECTIVE

He stated that the first objective of the pact on inflation was to educate the "poor, ignorant" consumers.

"No doubt we will be urged to shop around, buy for cash and be more responsible, to be constructive and to co-operate.

"What's the bet we won't be told how to spot racketeers, con-men and price-jugglers, that we won't be told what the fair price for a TV set is, or why so few prosecutions for retail-price maintenance take place?"

150 A

New moves in inflation fight

RDM 16/10/75

Labour Reporter

Efforts are being made to join the forces of consumer interests and the entire labour movement in a plan to monitor the collective programme of action against inflation.

Hundreds of thousands of South Africans could be called on to implement the plan

Such a move would counter the big shortcoming of the manifesto — its lack of "teeth"

It would also constitute the first joint action by the country's divided labour factions — the 210 000-strong Trade Union Council of South Africa and the 190 000-strong Confederation of Labour.

The first suggestion of such a move came last month when the president of the confederation, Mr A I Nieuwoudt, called for "much closer collaboration between Tucsa and the Confederation and other associations in the fight against inflation."

He suggested combined planning to ensure the success of the collective programme against inflation by "playing policeman" to see that the other side contributed its part.

Nine days ago, Mr S C "Neels" Botha, the railway union leader, said all trade unions should join forces to expose malpractices and breaches of faith.

BACKBONE

This week, Tucsa announced that "some planned developments in which the full trade union movement will play a leading role will be brought to fruition in the near future"

The announcement came in a circular explaining the manifesto to all Tucsa unions.

Mr Arthur Grobbelaar, general secretary of Tucsa, declined to elaborate. "All I can say at this stage is that something big is afoot," he said

But in previous statements reported by The Star, Mr Grobbelaar made it clear that a public outcry against profiteers, backed up by a publicity campaign, would be the backbone of the manifesto.

Among other things, he said, Tucsa would call on its members to bring to its attention any breaches of the collective programme.

Manifesto is toothless, says Roelofse

16/10/75 (150A)

Cape Times Correspondent

JOHANNESBURG — A woolly, toothless politician's dream fit for a Robert Kirby satire is how Mr Eugene Roelofse yesterday described the recent inflation manifesto.

Former director of the Co-ordinating Consumer Council, Mr Roelofse was addressing the Housewives' League in Bedfordview.

The "threadbare, anaemic document" would hardly appease consumers faced with the stark reality of rising prices and pegged incomes once all the "ballyhoo" had died down, he said.

Mr Roelofse said that "not surprisingly, the first objective of the pact is to 'educate' us poor, ignorant consumers. No doubt we will be urged to 'shop around', to be 'more responsible', to buy for cash — if we still have cash, that is — to be constructive' and to 'co-operate'.

"But I'm willing to bet that we won't be told how to spot racketeers, conmen and price jugglers, that we won't be told what a fair price for a television set really is; that we won't be told the profits of oil companies, and that we won't be told why so few prosecutions for retail price maintenance contraventions take place."

The Government should also have promised

- To expand the staff of the Registrar of Financial Institutions for steps to be taken against those who exceeded the finance charge rates laid down by law on hire purchase transactions.
- To restructure the price control system.
- To let applications for price increases on controlled goods be heard in public
- To let local manufacturers' applications for protective duties be heard in public.
- To allow supermarkets in Black townships.
- To place all petrol in a national pool and ban advertising which exaggerated the differences between brands.
- To shake up the commercial branch of the police

The Motor Industries Federation should reduce the more than 200 models of cars being offered and put an end to the sale of complete assemblies to customers who only needed a small replacement part.

The Federated Chamber of Industries should create a public rogues' gallery of shoddy and dangerous products

Assocom and the Handelsinstituut should sack any member found guilty of a second price control offence and formally object to renewing the trading licences of firms which make Blacks pay more for goods than Whites, Mr Roelofse said.

Natal Mercury

150A

Curb price rises says economist

Mercury Correspondent

THE MOST urgent challenge facing commerce and all other sectors of S.A.'s economic community in coming months was to contain price rises to the absolute minimum, Dr. P. J. Riekert, Economic Adviser to the Prime Minister said here yesterday, addressing the 3rd annual congress of the Association of Chambers of Commerce (Assacom.)

Dr. Riekert said only in this way could the disadvantages of devaluation be checked and the advantages exploited Unbridled price increases would simply froth away the benefits of devaluation into the inflation gap.

"The rate of price increases has decreased considerably since the third quarter of 1974 and this downward momentum will still exert pressure for some months."

He said the stimulating effect of devaluation on the demand for local products could easily be absorbed by the idle capacity in secondary industry.

"I am convinced that although sectors such as the oil and motor industries have been hard hit by recent overseas price increases and devaluation and that compensating price increases will have to be granted to them, our rate of price rises can be kept on a lower level than those of our trading partners without depressing unduly our development rate."

GOLD PRICE

Dr. Riekert said he was confident that the dramatic drop in the gold price a few weeks ago was no indication of future trends.

Another speaker Mr. F. R. Dolling managing director of Barclays National Bank, said South Africa's financial institutions should operate proportion of the community's savings was taking place through financial institutions.

Efficient use of available capital resources would therefore depend on the effectiveness and foresight with which banks and other financial institutions allocated those resources.

A call for better labour management in the current period of change in Southern Africa was made by Mr. D. A. Jackson, executive director of the Institute of Personnel Management of Southern Africa.

Mr. Jackson said the outlook for labour and South Africa were synonymous.

Attention should be paid to improving communications and industrial relations management.

He said a drama was being enacted on the world stage which would almost certainly see the end of capitalism "as we have known it."

The worker management conflicts so apparent in numerous countries were signs which at times had led to "the collapse of national and international economic systems."

150 A

MANIFESTO TO FIGHT INFLATION

NINE Cabinet Ministers met representatives of commerce, industry, agriculture and labour in Pretoria on October 7 to sign a "manifesto of firm undertakings . . . to launch a collective campaign against inflation."

The manifesto makes six main points and is reportedly augmented by a 28-page annexure which details proposals accepted by both the Government and the private sector as firm undertakings in the fight against inflation

Groups earning at or below the minimum living levels are specifically excluded by the manifesto from those who will have to sacrifice earnings in the national interest

The general principles signed at the meeting make the following points, reports the South African Press Association

- The present rate of inflation creates hardship for all and is "a serious threat to the maintenance of social peace" and the country's economic system
- Further positive steps should be taken to reduce inflation to an acceptable level
- Additional direct Government control should preferably be avoided and a country-wide programme pursued in which everyone makes "concrete contributions towards the battle against inflation"
- The voluntary temporary sacrifices which will inevitably follow, will not jeopardise further economic progress and all sections will eventually reap positive benefits from their respective contributions
- Unanimous approval is given to the various steps set out in the annexure which have been recommended as a means of "launching a collective campaign against inflation"
- The signatories commit themselves to full observance of all the undertakings and principles contained in the annexure to ensure their faithful implementation

The manifesto advocates maximum coluntary wage and price restraint, a review of all Government spending, increased workers' training facilities to boost productivity and the introduction of a country-wide educational, publicity and information programme

Training at all levels is to be increased The Government, to increase productivity, undertakes to reclassify work and thus facilitate the upgrading of White workers and in some cases to replace them by Blacks

All firms are to be asked to absorb 30 per cent of unavoidable cost increases Only 70 per cent of these rises between October 1 and March 30 next year should be added as effective price increases

Labour groups, in turn, undertake to recommend that only 70 per cent of the increase in the consumer price index be taken into account in wage and salary adjustments based on cost of living increases

Businesses are to be told that no price increases may be made merely to raise profitability Companies with profits before tax of less than 15 per cent may increase prices to bring them up to this level Those whose profitability drops below 15 per cent because of the restraints may increase prices for the same reason

Government measures include curbing State expenditure, maintaining price stability and avoiding the creation of money

MUNICIPAL FINANCE

Cut-back on debt

150A

FM 17/10/75

Sharply rising costs, historically high interest rates, and the recently announced anti-inflation programme are causing municipalities numerous headaches. They are being forced to review expenditure programmes in general and capital projects in particular.

A number of municipalities scheduled to come to the market have already withdrawn, or intend withdrawing: Germiston (R8m), Pinetown (R4m), Witbank (R3m), Uitenhage (R3,5m), Welkom (R2m), Pietersburg (R1,5m) among others. Alternatively, loan requirements have been scaled down: East London reduced its issue from R6m to R4m, Kempton Park (R8m-R7m), Alberton (R3m-R1m); Worcester (R3m-R2m). And further cuts are planned — Johannesburg has indicated that its forthcoming loan may be reduced.

These moves reflect a determined attempt to pare non-essential expenditure. Germiston, for instance, has decided to postpone indefinitely the construction of its proposed new R14m civic centre. Alberton intends deferring the construction of non income earning facilities, such as parks and sportsgrounds until next year. Cape Town has lopped R20m off the first draft of its 1976 capital budget, by delaying road-widening and other schemes. And Kempton Park hopes to save R1m by postponing the building of certain main road arteries, a branch library and municipal stalls.

Serious consideration is also being given to revenue accounts, though pressure from ratepayers — following substantial rate increases over the past few years — has already ensured tight budgeting.

Johannesburg's Management Committee has requested all department heads to attempt at least a 10% saving on revenue expenditure. A 10% reduction in staff numbers — through natural wastage — is also being sought.

In Alberton budget estimates are being maintained despite the 18% increase in many costs as a result of devaluation. Kempton Park is clamping down on outstanding rates to improve its cash flow.

It is thus clear that the coming year will see tight finance in all areas of municipal affairs — and that ratepayers cannot expect much relief.

Staggering in the dark

Depression and inflation between them have shattered investor confidence. They have also shattered the pundits' crystal balls

FM 17/10/75 150 A

If ever there were a need for a one-armed economist, it was at the *FM*'s conference this week on Investment in 1976 On the one hand, things were bad but could improve. On the other, they were bad and might worsen.

It was a hazardous season for economic forecasting The gold price has taken a beating The stock market is in retreat Inflation mounts, the rand has suffered a hefty devaluation, bank liquid asset requirements have been tightened, and the world economy is taking longer than anticipated to recover (see previous story) from the worst depression since the 1930s

In the circumstances, it would take a brave man to stick out his neck Fortunately, there were several

For Finance Minister Owen Horwood, who delivered the keynote address, negative thinking had reached unreasonable proportions He had confidence in business cycles, and he wasn't alone It was a theme repeatedly mentioned, most forcefully by Hambro Life chief executive Mark Weinberg "Investment managers" he said, "are better for having lived through a depression"

On the SA scene, naturally enough, theorising concentrated particularly on the future of the gold price As usual, Horwood was bullish The recent IMF "understanding" gave new life to the monetary role of gold because official gold reserves would again become usable, being bought and sold by central banks among themselves and in the private market If the metal were to be revalued at its present price in the private market, "as would be logical under the new understanding", it would jump from 20% of official reserves in non-communist countries at the old official valuation, to 50% The understanding would enhance its importance as a primary reserve asset, and make it more usable as such

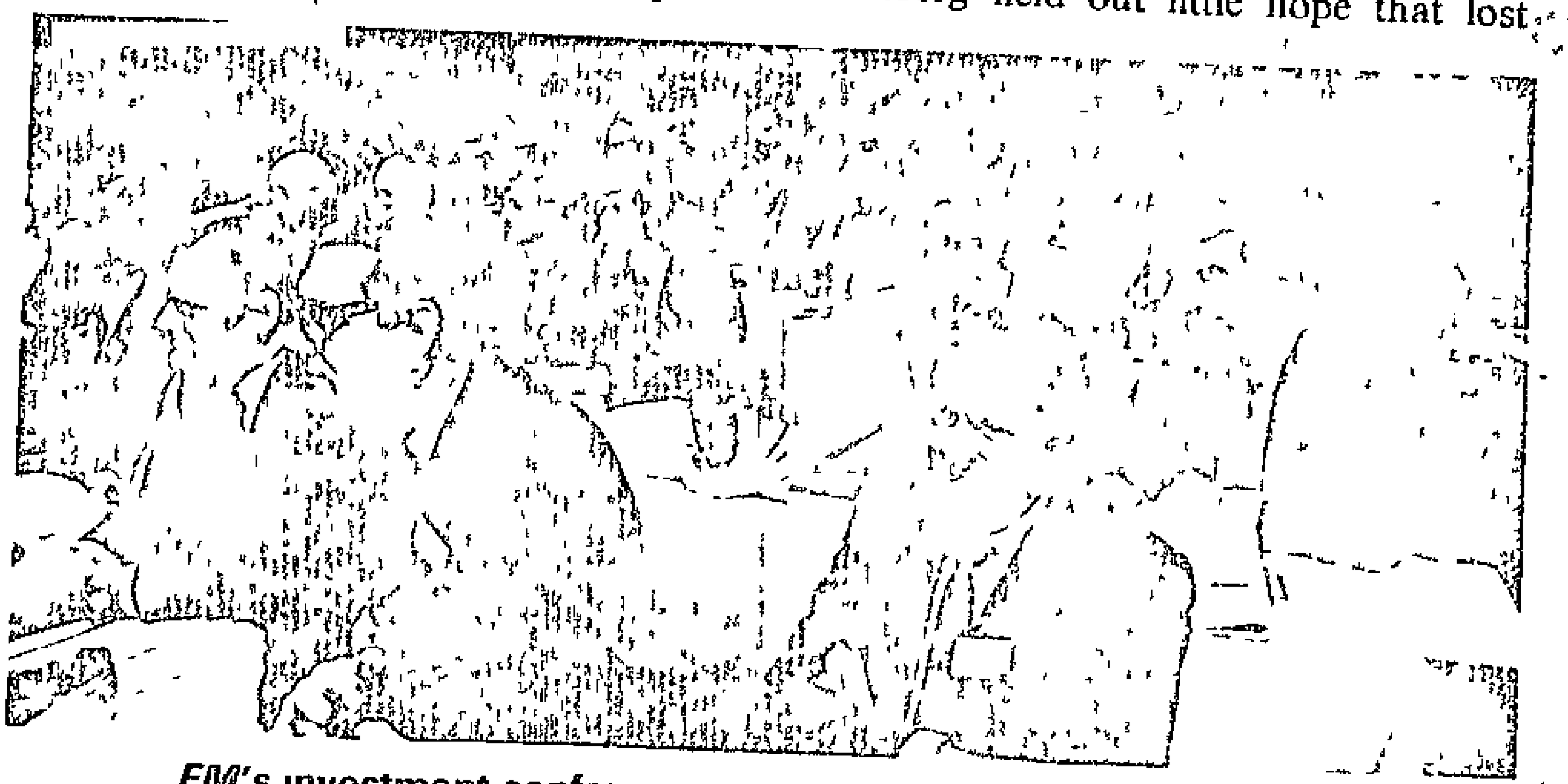
Horwood was supported by Rothschild's Robert Guy, chairman of the London Bullion Market, who considered it unlikely that gold will disappear for some considerable time from the international monetary scene"

It was essential, he argued, that for the IMF to be successful in its selling, it should also be successful in convincing buyers that sales will be conducted in such a manner as not to depress the price Central banks would not buy if the price did not merit support and the free market would not buy unless the sales "are orderly and initially phased over perhaps a longer period than may have been envisaged"

There were "far too many vested interests in ensuring that the price maintains at the very least its current levels"

As with Horwood, Guy too believes that with the threat of a new bout of international and even greater inflation, the strength of gold will correspondingly grow

At the local investment level, Sage GM Alf Field concurs He sees a "reasonably positive year for gold" and "cannot rule out" a sudden, sharp increase in its price



FM's investment conference . . . goodbye go-go, hullo caution

However, without a "very sharp rise in the gold price in the immediate future", he predicts a downtrend in the industrial equity market which could take the *RDM* index from its current 193 to 150 and possibly lower, a decline which "should last at least until the second quarter of 1976, but could well last somewhat longer"

Should the gold price drop to below $128/oz for an extended period, the *RDM* index could fall to "well below" 150

Adding to this gloom was Weinberg's reminder that in the UK equities had failed as a hedge against inflation

However, investment criteria had radically changed and, provided the investor knew what to look for, he enjoyed a reasonable prospect of seeing his wealth restored

The new criteria, though well known, are worth repeating Earnings and PE ratios now take second place to dividend yields and the prospect of continued dividend payments — particularly since reported earnings are often boosted by inflationary profits and bear little relationship to the ability to pay dividends

High gearing, viewed with favour four years ago, is viewed with extreme caution these days as spiralling interest rates have knocked returns on capital employed And instead of the "financial conjurers" who used to be in vogue, when cash in the bank was considered a sign of unaggressive management, analysts today seek a track record of management which actually knows the businesses it is running

As for fixed interest investments, Weinberg held out little hope that lost fortunes would be recovered

Nor did Senbank's chairman, Fred du Plessis Rates could hardly come down, he said, because of the vast sums needed for financing capital projects in the pipeline, and because the inflation rate (on which long-term interest rates largely depend) is likely to be higher next year. Further, a possible official policy action would be to restrict a rise in interest rates at the risk of causing a new issue to fail, which would in turn strengthen investor anticipation that rates would rise

If investors take the view that rates are going to harden during 1976, which certainly appears to be Du Plessis' view, his advice would be to "postpone investment in long-term securities for some time"

All in all, though, the future seemed unusually cloudy and delegates could depart in little more than enlightened confusion As Weinberg summed up the investment mood for 1976 "The imponderables have become so large and difficult to assess that rational analysis is really impossible"

ASSOCOM FEARS FM. 17/10/75

Hard yardstick

150 A

The **anti-inflation** pact was endorsed by delegates at Assocom's congress in Margate this week But they expressed some reservations and made it clear they'll be keeping a close watch on government to see that it keeps its side of the bargain

Assocom past president Lou Sher, for instance, feared the restraint on firms earning more than 15% on capital — though only a guideline for the next six months — could become a permanent government yardstick which could send some firms into bankruptcy overnight and would be useless in attracting long-term risk capital

Durban's Gordon Bond criticised devaluation as smelling of panic, called on government to be more frank and lay facts, however unpleasant, before the public instead of trying to gloss over them The lack of information about the need for devaluation could only create uncertainty and so strike at the heart of the economy.

What was needed was sober assessment instead of Finance Minister Owen Horwood's complacency and even optimism Cracked Bond: If Horwood was right that devaluation was such a good thing then "we can expect it regularly "

Secretary for Finance Gerald Browne denied devaluation was either a panic move or one of weakness, and said there was still every reason for confidence in gold While it could be argued that instead of devaluation there could have been intensified import control or drastic deflation, neither was reckoned the right course

As for inflation, he noted that though the rate of increase had come down markedly since the second half of last year, it was still unacceptably high Government, he assured, would be sticking to its undertakings to reduce it further

Assocom executive director Raymond Parsons pointed out government's commitment was to consult wherever possible in advance with the private sector What was needed, he said, was "more use of the radar and far less of the rear view mirror" in running the economy.

150A

WEEKEND ARGUS, OCTOBER 18 1975

CAR INDUSTRY PAY FREEZE DECISION

1) 172
2) 150A
3) 326
4) 324

Weekend Argus Bureau

PORT ELIZABETH. — One of South Africa's biggest trade unions — the powerful Motor Industry Employees' Union — has agreed here not to press for a new wage agreement until after the six-month period of the anti-inflation manifesto.

The National Industrial Council for the Motor Industry meeting which followed the annual congress of the Motor Industries Federation was adjourned late yesterday after the union and the employers' association had agreed to a deferment of six months on wage talks

However, the employers' association agreed to an immediate 15 percent pay rise to labourers and some operatives in the trade

This increase for lower paid workers follows hard on the heels of a 3c an hour increase which came into effect on September 1 It means that the workers will be getting nearly 25 percent more in pay.

The increase will come into effect as soon as it can be gazetted, probably in six weeks' time

In an interview, the president of the employers' association, Mr E. J. Keevil, and the president of the employees' union, Mr Clive Pinnock, said both sides had agreed that it would be in the best interests of the motor trade and the country as a whole to wait six months before negotiating a new agreement.

'At the same time we felt that those who are really feeling the pinch, living close to the breadline, should be given another increase,' said Mr Keevil

150A

(2) 150A

3

New car prices roll in

STAR 21/10/75

Five of the major motor manufacturers have announced their new car prices following a decision by the Price Controller to allow a 10 percent increase

The increase in the retail prices of motor cars were granted to the manufacturers to help compensate for the cost increases resulting from the devaluation on September 19.

Price rises have been announced by Alfa Romeo, Mazda, Volvo, Volkswagen/Audi, and the commercial range of Chrysler.

Not all the manufacturers have increased their prices by the maximum of 10 percent, and those who have, not said that their present increases do not take into account the full effects of the devaluation, and more increases are likely in the future.

Following on the agreement between the manufacturers and the Government, the 10 percent maximum increase is effective until the middle of next year, and the manufacturers have undertaken to absorb up to 30 percent of the cost increases.

FULL IMPACT

Statements made by some of the manufacturers have said that they will not be passing on the full impact of the losses brought about by the devaluation to the consumer, but will assist the Government in all its anti-inflationary measures.

Some manufacturers have been reluctant to announce their price increases, and are waiting to see what the general trend in increases is going to be. It is expected, however, that by the end of the month they will have announced their increases.

Mazda and Volkswagen further stated that the price increases would only affect the 1976 models in the case of Volkswagen, and the new stock in the case of Mazda.

Greed fever

Union vice president Mr Sakkie Uys assesses South Africa's latest anti-inflation project

(1) 1504
(2) 334
(3) 262

ARGUS 23/10/75

The Argus Municipal Reporter

WORKERS' union official Mr Sakkie Uys speaks for 4 000 people in Cape Town who have sacrificed a possible pay increase to help the national economy. And he says: 'Greed will rule in South Africa — I don't think the industrialists are going to stick to the agreement.'

MR SAKKIE UYS: Someone must take the lead.

Mr Uys is president of the City Council branch of the South African Association of Municipal Employees, and national vice-president of the 45 000 strong union.

The agreement which disturbs him is the set of rules drawn up by the Government to elicit public co-operation in a tough bout against inflation. The agreement was recently dismissed by consumers' advocate, Mr Eugene Roelofse as a toothless political dream more at home in satirical theatre.

Mr Uys and SAAME colleagues recently told the Cape Town City Council the association was withdrawing a claim for wage improvements which would have added about R5-million to the city's bills for next year and no doubt would have given ratepayers cause to shout.

OUTSPOKEN

Now he says. 'SAAME, as a whole is hoping that others will follow suit elsewhere in the country. As we see it, for every rand extra we earn, we are paying more all round.'

Blunt and outspoken, yet a mediator, not a militant, Sakkie Uys has been president of the SAAME branch for nine years, and a member of the local executive for 16.

He smokes almost continuously—perhaps partly because of the average four hours 'free time' work he puts in each day for the association.

STRANGE THING

But his working day is spent in a drab Electricity House office where he heads the dog licensing section. Revenue has climbed since he took over, but it's a simple case of productivity,' he says. 'I don't think the answer is just screaming for extra wages.'

He believes workers always get the thick end. 'A very strange thing has been happening in this country. Whenever anyone talks about wage increases, costs go up immediately. And I wouldn't say industry is taking the knocks.

BIG BOYS

'We must give industrialists the chance to prove their good faith the same as the workers. But I don't think industrialists will stick to the spirit of the agreement. Greed will rule.'

And if wage demands do build up soon, in spite of the anti inflation plan, says Mr Uys, it will be no fault of the country's workers.

'They have shown they are trying to help. We thought if we show the Government that we are willing to go along, perhaps they could force the big boys to follow.

'Someone must take the lead. We are willing to help, but the other side must do its bit.'

Industrialists and agricultural unions, says Mr Uys, have the country 'in the palm of their hand.'

AS THEY WISH

By law workers are forbidden to strike and must put claims and grievances through arbitrators.

'But there is no arbitration industrialists have to go to if they want to put up costs. They do it just as they wish. That is why I say, the only thing that happens is the rising cost of living or inflation that the worker suffers.'

SAAME has agreed to re-assess the position of Cape Town's White municipal employees in March next year. This year, in January, they received 10 percent of their average 17 percent claim from the City Council.

SERIOUSLY

But even that improvement, says Mr Uys, only just matched the pace of inflation and CoL.

He says by next March a salary revision will be needed in the municipality. 'We will have to think very seriously then, because the workers cannot be expected just to sit back in the face of all this and say. "We have to take it."'

But he is satisfied that the City Council will stand by a promise to re-evaluate posts in its structure.

'In this we can probably put everything right. We are confident that we will get things right.'

> '. . . there is no arbitration industrialists have to go to if they want to put up costs. They do it just as they wish.'

150A

RAND DAILY MAIL Friday October 24 1975

24/10/75

1 133
2 28
3 47
4 150A

Plan to bolster private enterprise

By CLIVE EMDON

THE subject will be the merits of capitalism and the free enterprise system, and the pupils will be the Government, consumers, businessmen and even school children.

These are the ingredients of a long-term research and education project to be launched by the Association of Chambers of Commerce (Assocom) within the next few months.

The executive director of Assocom, Mr Raymond Parsons, said yesterday the project, already termed commerce's "counter attack" in the Press, was no such thing. It did not relate directly to the Government's programme to combat inflation, but to a world problem — "increasing lack of confidence in private enterprise".

He said it was the duty of the business community through organised commerce and industry to present a long view of the future of the competitive system.

"The benefits of competition must be positively demonstrated and not left to the vagaries of ill-informed opinion."

Bound up with the need to inform and educate government at all levels, consumers and businessmen themselves, and school children, was the need "to promote economic liberalism as a key to the survival of the capitalist system".

Mr Parsons said discussions at the recent International Chamber of Commerce Congress in Madrid related closely to the relationships and balance of power between governments, private enterprise, trade unions and the general public.

The talks centered on how private enterprise could come to terms with the mixed economy of today and still retain a positive role in the economic system.

It was established that there had been no satisfactory alternative to the market economy and emphasised that profits were fundamental to social progress.

Mr Parsons said acute inflation had led people to question the system. "The result has been that the case for capitalism had largely gone by default. Hence the need for a long-term educative project for all."

Mr Parsons is to spend the next two weeks addressing Chambers of Commerce round the country on the Government's plan to fight inflation. He will also gauge the effectiveness of the campaign so far.

He declined yesterday to list the proposals he will be outlining during his tour.

D.D. 24/10/75 (1504)

Wage, price restraints can work, says Cloete

JOHANNESBURG — Wage and price restraints could work — that is the opinion of Dr Johan Cloete, chief economist of Barclays National Bank Ltd, writing in the latest issue of Barclays Business Brief

Dr Cloete argues that if the South African economy is to derive any benefit from devaluation, then the inflationary effect of the devaluation will have to be effectively counteracted

"Strict control over the money supply must be an essential part of any such anti-inflationary action, and this presupposes in particular that the Government should keep its money creation through the banking system down as much as possible," he says. "No anti-inflationary policy will be effective if there is too much money around, which people can and will spend. However, it seems that the wage and price restraints which the Government has now introduced also have an important — and perhaps even the most important — part to play in the efforts that are being made to contain the inflation."

If Government policy could operate to hold back wage and price increases directly, then the inflation rate could be brought down without the need to create a large amount of unemployment first.

"The application of wage and price restraints will mean, of course, that we will still be called upon to give up part of our claims on the domestic product as well as on products from overseas — and hence give up part of our standard of living — in the same way as a restrictive monetary policy would operate to reduce our demands for and force us to cut back on our consumption of goods and services," says Dr Cloete.

"But wage and price restraint is a reduction in living standards that is controlled. Nobody needs to lose his or her job, and no employer needs to go out of business, as would be the case with the application of an anti-inflationary monetary policy which first causes unemployment and business shut-downs, and only then brings down prices.

"With a wages and prices policy, the adjustment need not be via unemployment and a cutback in output; prices, or the rate at which prices are increased, are influenced first and directly, and there is no need to go through the painful process of having to bring down prices by first bringing down output and employment"

Dr Cloete emphasises that an important part of the anti-inflationary package is the undertaking given by Government to cut back on the rate of increase in public sector spending.

"Only an integrated policy consisting of a simultaneous roll-back in the rate of increase in the money supply, in the rate of increase in wages and in prices, and in the rate of increase in Government expenditure can cope with the present inflationary problem," he says. "We now have all three, or at least the promise of all three. We can only hope that the promises given will be kept"

Dr Cloete adds that a weakness of the anti-inflationary package is that the extent to which Government expenditures and the increase in the money supply during the six months ahead are to be curtailed, have not been quantified.

"Objectives that are expressed in general terms seldom yield satisfactory results, and indeed, do not permit of measurement of any progress made," he claims.

A further potential weakness of the wage and price restraint policy was that it was voluntary, and there were those who would say that incomes policies — whether voluntary or not — had never worked overseas, and when the price and wage controls were taken off, then prices would just shoot up once more.

"However, we should not give too much credence to the detractors of a prices and incomes policy within the present South African context," Dr Cloete adds. "Incomes policies have not been very successful overseas largely because governments there have not been strong enough to enforce them, and to keep employers and employees to the guidelines laid down, or because the controls over prices and incomes have not been accompanied by adequate control also over increases in the money supply and in government expenditure.

"Wage and price restraints, will, of course not be effective if the Government and the banking system are left free to increase the money supply at excessive rates." — DDC.

F.M. 24/10/75 (150 A)

That one of the more interesting things to do with the Anti-Inflation Manifesto is to compare it in its final form with earlier drafts — to see what got left out along the way?

One draft listed "the education, training and employment of Blacks in more skilled occupations in White areas" as an item requiring "further attention" by the public and private sectors. It also referred to "attempting to remove any legal or social impediments in the way of more productive use of Black labour in better paid jobs in these areas".

Neither of these key points was specified in the manifesto finally adopted, whose section on African labour is another pipe-dream about Bantustans and border areas.

50

Taking inflation by the tail

150 A

Sun. Times
26/10/75

THE DEVALUATION of the rand announced by the Minister of Finance, Senator Horwood, on Sunday, September 21, is now history, but four vital facts must now be stated.

By HARRY SCHWARZ MP and GORDON WADDELL MP

They are that

- The economic circumstances against which the Government took its decision were in large part due to its mismanagement of the economy.
- There were other courses of action apart from devaluation open to the Government
- The devaluation will cause further price increases.
- An immediate result will be a reduction in living standards of South Africans of all races, even if the hope is that it will prove to be temporary.

This Government, by its failure to exercise self-discipline in its own expenditure, produced the situation in which we, as a country, were living beyond our means. And the day of reckoning had to come, as it did on Saturday, September 20.

The tragedy is that the bill is paid by all 25-million of us and the irony is that it is the policy of this Government to refuse to turn to best possible account the manifold riches of our land, and thereby restrict the means available to it.

Campaign

As we face the aftermath of devaluation, it must be realised that all of us will have to work harder and sell more to other countries to try to get back to where we were, or merely experience a cost-raising inflationary boost in terms of our own money

The Government has now sponsored a voluntary campaign against inflation. It is overdue since this is a disease from which no person is immune While we will co-operate and support the plan, we believe that it cannot succeed if the Government is not prepared to tackle the root causes of the problem

If we fail to win the struggle against it, inflation will severely impair White, Black and Brown hopes for an enduring partnership between those of different colour in our land In our case, the implications of the fight against inflation are much wider than for elsewhere

The cruelty of inflation is that its effects are the most devastating upon those who are in the worst position to defend themselves against it.

These are the old, the pensioners, and those who live off fixed incomes and then those on the lowest rungs of the earnings ladder. To both of these broad categories, an immense debt is owed — to the one, based on a recognition of our enjoyment of the fruits of their past labours and to the other, because it is upon their natural aspirations that the future fulfilment, in one important sense, of our land for all could be based.

The crunch is going to come next year — and not in the immediate months that lie ahead — as the effects of devaluation percolate through the system by way of the increased cost of imports many of them essential such as oil and capital equipment and the receipt of more rands for a given volume of exports.

Nor is there encouragement to be drawn from the vague threat that the period of voluntary restraint might be extended or legislation introduced to bring about what would be, in effect, a prices - and - incomes policy

Experience elsewhere has shown that this tends to worsen rather than alleviate the disease and it is unlikely to encourage the capital from overseas, which is essential to our country

We have warned the Government that if it should continue to be profligate, then sooner or later it would lead to devaluation — as has been proven — or to higher taxation which may be on its way, in order to finance the transfer of resources from the more productive private sector to that of the Government But that is the root-cause of the disease from which we are now suffering

Let the Government say what it will in attempts at self-justification — and no doubt devaluation may bring in the near future benefits in reversing the previous outflow of money But the cost in increased inflation outweighs that

Presumably, too. the loss of its nerve on Saturday, September 20, will cause it to be more prudent when it budgets in the future as to the price of products, such as gold, over which it has no control

The question must be asked whether our economic future need look so gloomy The answer is no, but we must start from a different set of premises from this Government

The alternative is to realise that we have only one economy and must manage it on that basis. We must not work on the basis of one White and a number of Black economies The criterion therefore must be the long term interest of the majority of all who live here

The acceptance of that, with its implications, will create a new framework within which to foster and encourage the economic growth for which our country has been so richly endowed

To state the obvious, our objective should be to increase the real living standards of all who live here as continuously and as rapidly as possible To achieve it, we need to import from overseas, capital, both equity and loan, as well as machinery oil and know-how

Equity

Internally, we need to abolish all that stands in the way of the vast increase in productivity that could be released and practise as opposed to preach, prudent control over the creation of money

The latter combination in time will substantially reduce the rate of inflation and increase our wealth, thereby enabling us to pay for the former and thus the two sides of the coin will interact to realise our objective

The Government should abandon the road down which it is travelling and

(a) Remove all barriers to mobility including job reservation within the labour market whether they have been set up by custom or law

(b) Accept the right of all South Africans to earn for themselves the ownership of a place of permanent residence

(c) Cut back 15 per cent on current Government expenditures — both by it and through the public corporations —and postpone schemes which have not yet started This would release, in the former case, R975-million a year and, in the latter a minimum of R2 5-billion over the years ahead

(d) Maintain tight control over the creation of additional money

(e) Remove any impediment, other than on merit, to higher education and expedite training programmes

(f) Abolish the policy of separate economic development and decentralisation, where it is based on ideology.

(g) Conduct campaigns to save fuel; to minimise non-essential imports (encourage the public to buy South African) and to prevent exploitation

If these seven steps are taken, then immediately resources will be released for the purposes we set out below, which, in turn, will increase the momentum of our economy

Naturally we appreciate the R2,5-billion would not become available at one hit, but the point is that in time, with the recurring savings from cutting back on current expenditures, now and in the future, it would be much more than sufficient to finance what we set out below

Education

The Government should apply the resources so freed to.

(a) Give free compulsory education to all, at an initial cost of about R159-million for salaries and R415-million for classrooms — though naturally that would diminish because classrooms do not have to be built every year

(b) Expand facilities for technical education

(c) Raise substantially expenditure on social welfare and pensions for White Black and Brown South Africans

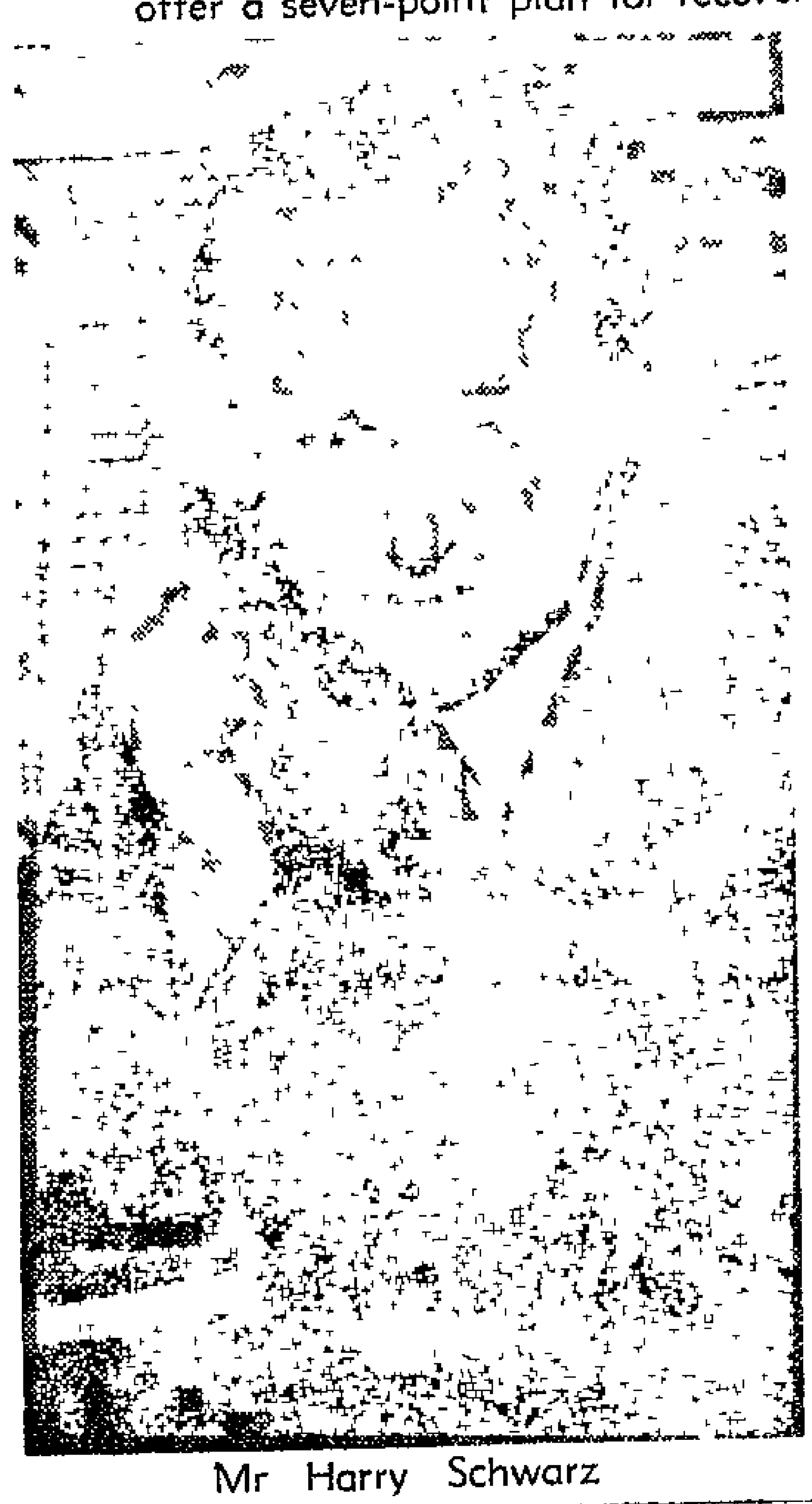
(d) Finance a housing programme for the construction of 100 000 basic housing units a year until the shortage has been eradicated, at a cost of R400-million a year

The list is by no means comprehensive, but they go to the heart of increasing our productivity As our wealth expands so will our ability to pay for the dismantling of the multitude of other barriers which now exist Undoubtedly, others will fall away naturally

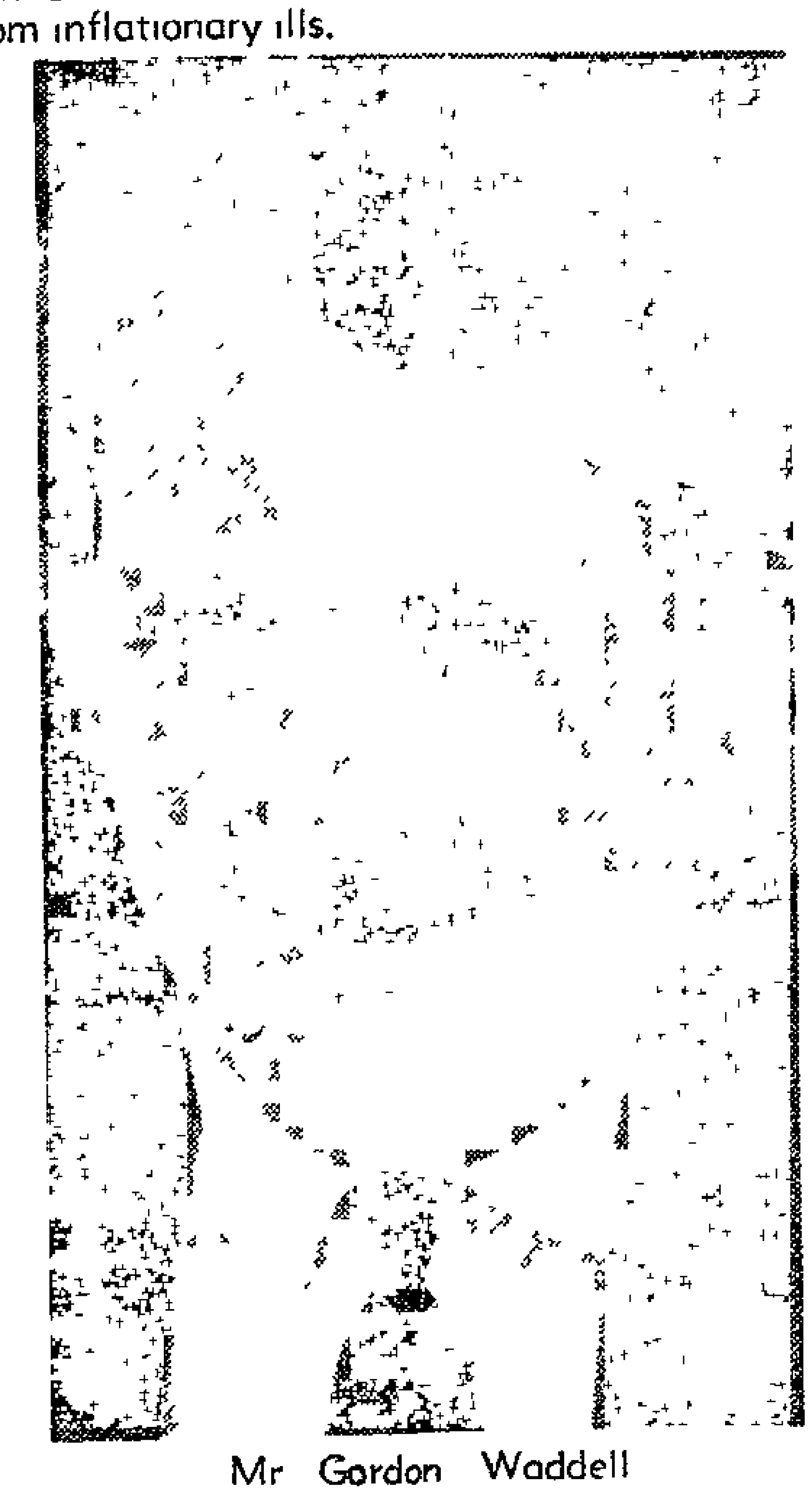
Conversely, if the Government does not press ahead with such a programme, or something similar to it, it will be acting to the immediate and future detriment of all.

A plan for prosperity

Mr Harry Schwarz, MP, and Mr Gordon Waddell, MP, spokesmen on finance for the Progressive-Reform Party, and leading business men in private, analyse the Government's devaluation move and offer a seven-point plan for recovery from inflationary ills.



Mr Harry Schwarz



Mr Gordon Waddell

150A

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(2) 150 A

First shots fired in price war

27/10/75

Cape Times Reporter

WHAT promises to be one of the fiercest price-slashing wars in South African supermarket history starts today.

While the supermarket barons line up their guns for the coming battle at [illegible] one of the smaller chains intends firing a few telling shots as well.

Mr M Khan, owner of Kaybees and Junction Supermarket and Motor Spares, Bonteheuwel, one of the leading chains in the township, said yesterday: "I will freeze prices until Christmas — and that's a promise."

One of the better deals for housewives which Mr Khan announced to the Cape Times was the price of sliced bread. "I know the big supermarkets are cutting the price of bread to 14½ cents a loaf. We intend selling sliced loaves at the same price."

Mr Khan did not believe it would do the inflation-hit families any good if only luxury lines were cut. "The battlefield will be the bread and butter lines, the daily lines, the things the housewife has got to buy. This is where we'll wage our war."

On the national front the war is bidding to be a furious if not vicious one. Mr Raymond Ackerman, managing director of Pick 'n Pay said, all lines would be slashed in a hard-hitting price war. "This is to be a war with no holds barred," he said.

Last week, Checkers, who fired the first shots in the price war, announced they would be selling 100 lines at cost. Grand Bazzaars has also announced they would join the battle

ARGUS 28/10/75

150 A

Argus 28/10/75

CITY PRICE-FREEZE FRENZY

FRANTIC activity was taking place behind the scenes today as supermarket heads worked out the details of their price war.

Some shoppers were disappointed on Monday to find goods still on sale at the old prices at branches of Pick 'n' Pay and Grand Bazaars.

This was because there had been no time to change them since the heads of these chains decided to accept the challenge of Checkers — the group which started the price war

Cuts are now being made daily at Pick 'n Pay branches and Grand Bazaars announce that although they have made some already, the main price cuts would come later this week.

Meanwhile, Checkers have announced they are freezing the prices of their 'own brand' canned goods for at least six months, however much production costs go up

And Checkers, Grand Bazaars and Pick 'n Pay have all succeeded in lowering the price of frozen chicken, although there were forecasts of a rise still before Christmas.

A spokesman for Pick 'n Pay said today they were cutting more prices as they went along

A spokesman for Grand Bazaars said the public would have even more to gain if manufacturers joined in the price war.

'Many of them have no competition,' he said, 'and if their costs go up, because of increased petrol prices for instance, they pass it all merrily on to the public.'

Mr Larry Olivier, provincial general manager of Checkers in the Western Cape, said his firm had decided to freeze prices of their 'own brand' tinned jams, fruit and vegetables for at least six months.

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3) 150A.

ARGUS 29/10/75

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150A

FOOD MANUFACTURERS are helping the supermarkets in their war against prices. Supermarket executives are trying this week to negotiate lower prices with suppliers so that further reductions can be made in the shops.

And a spokesman for Grand Bazaars said today: 'We are getting quite a lot of co-operation from all the people we have approached.' So far Checkers and Pick 'n Pay, the two chains who began the price war, are the only ones with their new lower prices in force.

Some prices have been reduced at Grand Bazaars, who entered the battle late on Monday. But the main ones are still to come.

'We stock about 30 000 items,' explained a spokesman. 'We have decided on price cuts for things important to the consumer But it takes some time actually to change the price tickets on goods in 15 stores.'

It was only this morning that Pick 'n Pay had altered the tickets on a quarter of their range to be cut in price.

'But we are reducing more prices as we go along,' said a spokesman.

'Massive'

OK Bazaars, who decided yesterday to enter the price war, will have some prices reduced by tomorrow.

'But the whole impact of our campaign will come at the end of the week,' said regional manager Mr Carlo Pullini. 'It will be a massive operation.'

Mr Pullini said the OK price-cutting campaign would be carried on for as long as possible, to support the Government's anti-inflation manifesto. No time limit had been set.

The crunch will come at the end of the week, when thousands of people who have just received their monthly pay cheques do their shopping.

Volume

The price cuts mean the supermarkets will need a greater volume of trade to make up their losses.

A Grand Bazaars spokesman said: 'Without that I do not see that the price war can be carried on for very long'

Both he and a spokesman for Checkers said they were disappointed to find the public thought the price-cuts should be more than a few cents.

'I think that when they have seen how much these cuts of two or three cents an item reduce a big monthly shopping bill, housewives will appreciate their effect,' said a Checkers spokesman.

Two other firms said today they had been waging a war against high prices for years

A spokesman for Ackerman's department store said. 'We have been selling some basic necessities, including milk and bread, at cost price for years'

And Mr S. Khan, head of Robot Supermarkets, who have six branches in the non-White areas, said his policy had always been to sell as cheaply as possible.

Roelofse questions R2-m consumer plan

ARGUS 29/10/75

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(4) 248

KEMPTON PARK. — The Government's plan to spend R2-million on a publicity campaign to educate the consumer raised many questions, Mr Eugene Roelofse, the former chairman of the Consumers' Council, said last night.

'Judging from Press reports we ordinary consumers are indeed an uninformed, ignorant bunch of wastrels. Presumably few of us think before we spend money, few of us try to live within our means, few of us try to buy the best quality and few of us compare prices.'

He said Dr Lawrence McCrystal, the Chairman of the Government's Inflation Committee, should be well placed to broaden the consumers' minds

CONSUMER LEADER

Dr McCrystal, an economist who is also director of the Grocery Manufacturers' Association, had an expert knowledge of the marketing policies of grocery manufacturers, he said

However, he asked, 'Why did the powers-that-be, not, appoint a consumer leader as chairman of the committee which is going to educate us consumers?'

Mr Roelofse said it was nonsense for the Association of Chambers of Commerce (Assocom) to suggest that there was a 'rising tide of anti-business sentiment.'

'The sentiment which is rising is an anti-exploitation sentiment, an anti-price-juggling sentiment and an anti-fiddle sentiment,' he said.

Referring to Assocom's plans to spend R100 000 per annum to educate the consumer on the free-enterprise system, Mr Roelofse said the consumer already knew its advantages and appreciated its benefits — Sapa.

1504

VIR VRYSTELLING : 29 OKTOBER 1975 OM 8h30.

KONFERENSIE OOR "SOEKLIG OP INFLASIE - DIE KRUIDENIERSBEDRYF SOEK ANTWOORDE".

OPENINGSREDE GELEWER DEUR DIE SEKRETARIS VAN HANDEL, JOHANNESBURG, 29 OKTOBER 1975.

Mnr. die Voorsitter en Geërde Aanwesiges -

Ek verwelkom die geleentheid om u vanmôre namens my Minister te kan toespreek by die aanvang van hierdie Konferensie wat u Vereniging belê het om die inflasieprobleem van Suid-Afrika onder die soeklig te stel.

En, laat my ook dadelik byvoeg, ek vind dit besonder paslik dat u Vereniging, waarby die verskillende ondernemings in ons land wat kruideniersware vervaardig, ingeskakel is, 'n Konferensie van hierdie/...

hierdie aard belê het in 'n poging om antwoorde vir ons land se inflasieprobleem te vind.

U is almal bewus van die skerp reaksies wat die standhoudende stygings van voedselpryse by die publiek gaande gemaak het. Hierdie is ook 'n heel natuurlike verskynsel indien ons in gedagte hou dat besteding op voedsel so 'n aansienlike deel van die verdienstes van die laer- en middel-inkomstegroepe van die gemeenskap absorbeer. En, waar die kruideniersware bedrywe so regstreeks betrokke is by die voorsiening aan die publiek van vervaardigde voedselsoorte, in teenstelling met vars voedsel, verwelkom ek die inisiatief wat u Vereniging geneem het deur hierdie bespreking van ons inflasieprobleem te belê. Hierdie Konferensie sal hopelik ook gedagtes na vore bring/...

bring oor stappe wat die kruideniersware bedryfstakke kan doen om die pryse van vervaardigde voedselsoorte binne redelike perke te hou.

This Conference is meeting at an almost unique time in the economic history of our country - a time when South Africa is experiencing a relatively low rate of economic growth, a downward trend in consumer expenditure, a fair degree of surplus productive capacity in manufacturing industry, a relative easing of the pressures on our available manpower resources and, by way of contrast to these conditions of relative slackness in the economy, a high rate of inflation which is a cause of deep concern to all sections of the community.

But, also in other respects, the Conference is meeting under

somewhat/...

somewhat unique circumstances. Firstly, we have witnessed during the past year or more the emergence in South Africa of a strong wave of public resentment towards the constant wave of price increases which have so seriously eroded the purchasing power of our consumers. These feelings of resentment have, almost without exception, been accompanied by persistent accusations from the public that the problem of inflation is, in essence, a reflection of practices of greed and exploitation by the private entrepreneur at the expense of the consumer.

And, secondly, on a more positive note, we have experienced in recent times one of the most constructive examples of close co-operation between the Government and all private groups in the community in an effort to seek solutions to a problem of such

national/...

national importance as our high rate of inflation.

The constant wave of price increases with which South Africa has been confronted in recent years has undoubtedly caused great hardships to the lower and middle income groups of our community. These people have suffered greatly under the impact of our high rate of inflation. And it is only natural, therefore, that they should be filled with deep resentment because they find themselves totally powerless in the struggle to maintain a reasonable standard of living at a time when they see their earnings being constantly eroded by price increases.

It would be entirely inequitable to dismiss these critical reactions on the part of our consumers as a mere reflection of prejudice on /their part towards the private entrepreneur in South Africa who, generally speaking, belong to the more prosperous section of the community/...

community. And it would be equally unkind simply to blame the con= sumer for not understanding the fundamental principles of our economic system and of also contributing to the disease of inflation because of the inadequacy of his contributions to the total produc= tion of goods and services in our country. Similarly, the argument frequently used in our country that during the past decade or more the income levels of our wage and salary earners have, in real terms, risen appreciably more than the rate of increase in the con= sumer price index cannot reasonably be expected to satisfy the feelings of this particular section of our community.

We have to bear in mind the fact that there are vast diffe= rences in/the income levels and standards of living of the higher in= come groups of our society and the rest of the population. It is also/...

also essential in the broader national interest that we should progressively work towards a narrowing of the more extreme diffe= rences in the income levels and living standards of the various sections of the community. In fact, the Government is very con= scious of this need and has already on various occasions expressed itself in favour of a progressive raising of the earnings and living standards of the lower income groups in the community, particularly if this could be achieved with some increases in their output levels and standards of productivity. In these circumstances it is only natural that wages and salaries should have risen more in real terms in recent years than increases in the consumer price index.

In terms of the Collective Programme of Action against Inflation the workers in our country have, of course, temporarily accepted the

principle/...

principle that there should be a departure from this process in the sense that they have agreed not to seek wage and salary increases during the period of the Action Programme which would compensate them for more than 70 per cent of the actual increase in the con= sumer price index during that period.

But I do not think that we could justifiably maintain a situa= tion in this country where a large section of the community, which has to be satisfied with living standards vastly different from those of the rest of the community, should be filled with deep feelings of resentment and suspicion about the ways in which the privileged people in our midst are protecting their high living standards against erosion by inflation.

Maar, laat my nou dadelik ook byvoeg dat, in die huidige

omstandighede/...

omstandighede in ons land, alle seksies van die gemeenskap hulself liefs streng moet weerhou van die versoeking om die blaam vir ons inflasieprobleem aan die deur van ander groepe te werp. So 'n proses van rekriminasie en wedersydse beskuldigings kan slegs tot uiteindelike gevoelens van vyandskap en vervreemding tussen die verskillende groepe in ons samelewing lei.

Die Regering het 'n dure plig om in sy pogings om oplossings vir ernstige vraagstukke te vind, noodwendig die belange van alle groepe van die gemeenskap deeglik in aanmerking te neem. En dit geld eweseer vir sy pogings om die inflasieprobleem te verlig. Hy sou beslis teen die breë landsbelang optree indien hy hierdie probleem sou probeer oplos deur middel van maatreëls wat die verbruiker se belange in alle opsigte bo dié van ons ondernemersgroepe sou plaas.

Hy/...

Hy moet dus noodwendig in al sy pogings om die inflasieprobleem te verlig, daarna strewe om 'n redelike balans tussen die belange van die verbruikers en ondernemersgroepe in die land te handhaaf.

Ons ekonomiese stelsel is inherent gegrond op die beginsel dat alle persone 'n redelike geleentheid moet hê om hulle besondere vermoëns en talente aan te wend in daardie rigtings waar hulle, volgens hulle eie oordeel, die grootste mate van sukses kan behaal. Wat meer is, hierdie soort ekonomiese stelsel moet noodwendig erkenning gee aan die vryheid van die private ondernemer om sy bedrywighede op die winsmotief te baseer en om hierdie winsmotief met die nodige verantwoordelikheidsin na te streef. Indien ons hierdie algemene beginsels nie langer kan onderskryf nie, en indien die funksies van die private ondernemer by wyse van regstreekse owerheidsmaatreëls

aan/...

aan bande gelê moet word in 'n poging om die verbruiker teen die ontberings van standhoudende prysstygings te beskerm, moet Suid-Afrika noodwendig sy huidige ekonomiese stelsel in so 'n mate omskep dat hy 'n sosialistiese staat sal word.

In terms of the Collective Programme of Action against Inflation the signatories to this document have all accepted the principle that our problem of inflation is due to the action, or lack of action, of all sections of the community, and that this problem can, therefore, be relieved only by means of positive contributions and sacrifices on the part of all sections of the community. This philosophy of the Action Programme is also completely consistent with the views of many overseas experts of repute who in recent times have made a study of inflation as an international problem and

who/...

who have contributed their own particular views about the best ways in which this disease of the economic system can be cured.

Professor Bach, of the Stanford University in the United States of America, very appropriately summerised the views of these experts when he recently stated that the underlying cause of the problem of inflation in all Western countries was the fact that the income claims of all major groups engaged in the economic activities of these countries exceeded the total national real output at current prices of these countries.

In other words, every section of the community is claiming for itself income levels and standards of living in excess of its actual contributions to the gross domestic product in the form of the production of goods and services.

13/...

I want to reiterate that the Government has nothing against high income levels and high living standards as long as these good things of life are being fully earned by those enjoying them.

En, as ons nou meer in besonder kyk na die kruidenierswarebe= dryfstakke in ons land wat, soos ek reeds gesê het, verantwoordelik is vir die vervaardiging van so 'n groot verskeidenheid van voedsel= produkte wat alledaagse benodigdhede van die verbruiker verteenwoor= dig, dan is dit na my mening absoluut noodsaaklik dat die bestuurs= personeel van hierdie ondernemings onder die huidige inflasietoe= stande die grootste mate van verantwoordelikheid, beheersing en besigheidsvernuf aan die dag sal lê ten einde kostebesparings as die eerste prioriteit van hulle funksies te aanvaar, en om enige koste= besparings wat hulle in hulle ondernemings mag verwesenlik, tot voor= deel van die verbruiker aan te wend.

Ek/...

Ek begryp terdeë dat die vervaardigers van kruideniersware, net soos bykans alle ander ondernemersgroepe in ons land, ook van tyd tot tyd met onvermydelike kostestygings te kampe het. Maar ek wil ern= stig waarsku teen 'n neiging wat in die jongste tyd homself in 'n toe= nemende mate by die prysbeleid van verskeie ondernemersgroepe in ons land, wat nie aan prysbeheer onderhewig is nie, geopenbaar het, en wat daarop neerkom dat enige kostestygings waarmee hierdie onder= nemersgroepe te kampe mag kry, eenvoudig deur hulle in geheel of grootliks by wyse van prysverhogings van die verbruiker verhaal word.

Ek begryp maar alte goed dat in die tye van hoë inflasie waarin ons tans lewe, hierdie ondernemersgroepe, net soos alle ander seksies van die gemeenskap, graag die inkomstepeile van hulle ondernemings, en dus ook hulle eie verdienstes, teen erosie as gevolg van koste= stygings wil beskerm.

Dit is/...

Dit is die natuurlikste ding in die wêreld vir hierdie onder=nemers om, wanneer hulle met kostestygings te kampe **kry**, maar net eenvoudig hierdie kostestygings op iemand anders se skouers - en dit is die verbruiker - te wil afwentel solank hulle weet dat die verbruiker nie sonder hulle goedere of dienste kan klaarkom nie.

Maar hierdie soort van optrede is eintlik geen ware maatstaf van die betrokke ondernemer se besigheidsvernuf nie. 'n Veel meer betroubare aanduiding van die besigheidsbestuurder se bekwaamheid is sy vermoë om, wanneer hy met kostestygings in sy onderneming te kampe het, al sy deskundige kennis, ervaring en vernuf aan te wend ten einde moontlike vorms van optrede te vind waarvolgens hy in staat sal wees om enige kostestygings waarmee hy te kampe mag kry, deur middel van besparings en groter doeltreffendheid in alle afdelings van sy onderneming se bedrywighede te neutraliseer.

However/...

However, this is not solely the task of management in our busi=ness and industrial undertakings, but it is also a philosophy which should be purposely cultivated at all levels throughout each of these undertakings. And it is a philosophy that should be developed throughout our private sector by means of the introduction of posi=tive management techniques and the positive motivation of workers at all levels.

When we now look more specifically at the role which our gro=cery manufacturers may be able to play in the national compaign against inflation, I would ask all these manufacturers please to consider carefully whether the time has not arrived for them to em=bark on a greater degree of standardisation and a reduction in the ranges of products which they supply to the consumer.

I know/...

I know it is frequently being said that the manufacturer who wishes to retain his share of the market, must consistently intro= duce such innovations in his product ranges as will enable him to make available new products to the consumer. I also know that some of our dealers are equally at fault in the sense that they constantly demand new products from our manufacturers which they can offer to their customers in an attempt to maintain or to boost their sales. This is the inevitable result of our society's constant craving for progress, innovation and novelties which, more often than not, show a total disregard of the cost of these concepts to the community.

But I must seriously question the justifiability of this craving for constant change in the product ranges supplied by our

grocery/...

grocery manufacturers at a time such as the present when the need for greater standardisation and longer production runs in our factories as a means of reducing unit costs has become a matter of prime national importance.

I suggest that this is a field in which the manufacturers and dealers in South Africa should now urgently join forces in order to convince the consumer that his constant craving for variety and diversity can be satisfied only at great cost to himself.

There are also two other fields of action in which substantial cost savings could, I believe, be attained by our grocery manufac= turers as a positive contribution from their side towards our fight against inflation.

Firstly, I would suggest that they should resist the temptation

of/...

of continuously using more expensive forms of wrapping and packa= ging for their products merely in an attempt to satisfy the con= sumer's constant craving for novelty and luxurious outward appearances. It is certainly regrettable that, at a time when the cost structure in the economy as a whole is continuously escalating, so much ex= pensive materials should be used for the wrapping and packaging of various types of goods in this country merely in order to give brief feelings of inward satisfaction to the buyer after which these materials are usually thrown into the garbage bins of the house= holder. I feel that these expensive forms of wrapping and packa= ging could, in many cases, be dispensed with without in any way jeopardising the security of the contents of individual parcels and that the elimination of this wasteful application of expensive ma= terials could result in substantial cost savings by the manufacturer

and the/...

and the dealer to the ultimate benefit of the consumer. I trust that this matter will likewise receive the serious attention of your Association.

Finally, I would ask our grocery manufacturers to look carefully into their advertising practices and to consider whether substantial cost savings could not be effected by the elimination of unneces= sarily lavish and expensive forms of advertising.

I fully realise that advertising is an essential ingredient of our type of economic system. And I do not advocate the substantial curtailment or elimination of this form of sales promotion. But I do feel there is definitely scope for some restraint in the extent and the nature of the advertisements which frequently appear

almost/...

almost in a monotonous sequence in our advertising media and which must contribute substantially to the distribution costs of our goods without necessarily bringing positive rewards to the advertisers in the form of increased turnovers and lower unit expenses.

I understand that the Grocery Manufacturers' Association has already actively pursued a number of projects designed to reduce the distribution costs of its members, such as the promotion of a closer understanding amongst its members of the modus operandi of the South African Railways; the analysis of off-loading problems at retail outlets; and, more recently, the launching of an in-depth study of the whole distribution function. I would also like to point out that the number of persons employed by the members of the Grocery Manufacturers' Association did not increase during the past year, whereas the volume of their turnovers increased by 6 to 7

per cent/...

per cent which is indicative of a substantial productivity improve= ment compared with the food manufacturing industry as a whole where employment rose by 3,75 per cent during the same period.

A substantial productivity improvement of this nature by all sectors of manufacturing industry will provide the best ultimate solu= tion to our problem of inflation. However, as I have already poin= ted out, I am certain that there also is still scope for further produc= tivity improvements amongst manufacturers in the grocery industry.

I trust that these manufacturers will do their utmost, in collabo= ration with the retailers, to keep the costs of groceries at the lowest possible levels. I am sure that there must still be many spheres in the chain of distribution from the manufacturer to the consumer which leave scope for rationalisation and cost savings to

the/...

the ultimate benefit of the consumer.

On the other hand the consumer can also make a positive contri= bution towards the fight against inflation by spending judiciously and by satisfying his daily needs from those dealers which offer their goods at the lowest prices. By doing so, the consumer will be able to reap the full benefits of the competitive conditions created by our free enterprise economic system.

The annual sales of grocery articles in the country are esti= mated to amount to some R1 500 million which represents almost 30 per cent of all retail sales in South Africa. Of this amount the sales of members of the Grocery Manufacturers' Association alone account for almost R650 million per annum. It is clear, therefore, that a massive volume of goods which constitute day to day require= ments of the ordinary householder, is represented at this Conference

and if/...

and if this is at all an indication of the measure of concern with which the grocery industry is approaching the problem of inflation, then we have every reason to be optimistic about the results which will be achieved at this Conference.

We cannot win the battle against inflation if all of us merely adhere to practices which collectively have contributed towards this serious economic disease. President Ford, of the United States, has described inflation as a cancer of the economic body. And everybody knows that a disease of this nature in the human body cannot be cured without timeous and painful treatment. The same applies to the treatment of such a serious disease in the economic body. The American President has said that if the disease of in= flation is not treated intelligently and in good time, the economies

of the/...

of the Western World must inevitably die.

I trust that your discussions at this Conference will enable you to identify areas in which the grocery manufacturers can con= tribute in a more positive manner to the healing of this serious economic disease, and thus also to the restoration of the health, the stability and the strength of the South African economy.

ISSUED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST OF THE DEPARTMENT OF COMMERCE.

PRETORIA.

29th October, 1975.

150 A

Action needed, says economist

People living in inflation syndrome

Mercury 31/10/75

Industrial Reporter

PEOPLE are living in an inflation syndrome where they expect their incomes to keep pace with increasing costs and that prices should always rise. Firm and long-term action had to be taken to correct these trends.

Dr. Lawrence McCrystal told the Institute of Cost and Management Accountants this at a conference in Durban yesterday.

While there had been previous bouts of inflation none had been so long as the present phase which started in 1966.

The course of annual price rises since then was: 1966 — 3,7 percent followed by 3,4 percent; 2,1 percent; 3,2 percent; 4,1 percent in 1970; 5,7 percent; 6,5 percent; 9,5 percent; 11,6 percent last year and an estimated 14 percent this year.

Dr. McCrystal said inflation had not been as steep as or followed by the kind of collapse seen in the 1930s. It had been a process of attrition, where purchasing power was eroded.

Criticising the abandonment of conservative fiscal policies in South Africa he said that the 1971 Budget was a fiasco the effects of which the country was still trying to overcome.

This had been followed by a spending spree as the price of gold rose. Two other factors were the huge American deficit financing of the Vietnam war and efforts to demonetise gold.

Other contributors to inflation had been the Government's aim of full employment and the agreement with the demands of trade unions for "more pay and less work."

Dr. McCrystal said technological developments had slowed down but a large number of unproductive workers who expected annual rises were being employed.

There had been a decline in the rate of improvement in output of the worker as a result of improved technology and this meant that it could not be assumed that incomes should rise each year.

Pointing out that the inflation syndrome was deeply rooted in the fabric of society he said that short-term measures might help but would not eliminate the expectations bred in society.

These were that prices would rise, living standards increase, wages rise, full employment would be maintained.

Poverty guideline of R125 set by State

Star, 31/10/75

Labour Reporter

The Government has set R125 a month as a poverty guideline in terms of the manifesto against inflation

R125 is the income limit for workers who are not expected to make a sacrifice under the manifesto

The Trade Union Council of South Africa welcomed the figure — the first poverty guideline issued by the State — as "what we have been striving for over many years"

But a spokesman for the Department of Statistics insisted "This limit should not be interpreted as a poverty line or a minimum living level"

He confirmed that all available studies on minimum levels had been referred to in arriving at the figure, but added "It represents only a guideline in terms of the manifesto"

RELEVANT

The guideline, regarding the application of the "utmost measure of restraint" in increases of wages, salaries and prices, is in a circular sent to signatories of the manifesto

It refers to the relevant passage in the manifesto and goes on "The limit for workers who are not expected to make a sacrifice in terms of the manifesto in respect of income in the campaign against inflation is set as R125 a month (including remuneration in kind, such as housing, etc)"

Mr Arthur Grobbelaar, general secretary of Tucsa, commented: "Now at last we have an authoritative figure."

"The discrepancies between poverty lines set by various institutions had been used by employer interests to counter trade union pressures for an adequate minimum income level.

"Now we have a figure which — in spite of its limitations — we can use as a starting point in efforts to adequately reward the least skilled worker in an industry," Mr Grobbelaar added.

1 150 A
2 ~~243~~
2 ~~334~~

150 A

EMBARGO: SPERTYD

PERSVERKLARING DEUR DIE MINISTER VAN EKONOMIESE SAKE, MNR. C. HEUNIS, OOR DIE ANTI-INFLASIE PUBLISITEITS- EN OPVOEDINGSVELDTOG: SPERTYD 18h30 SATERDAG 1 NOVEMBER

"Ons gaan nie Suid-Afrika voeg by die lys van lande wat deur inflasie lamgelê is nie", sê die Minister van Ekonomiese Sake, mnr J C Heunis.

Hy sê die privaatsektor werk geesdriftig saam met die regering in die stryd teen inflasie.

"Waar die Staat hom tot die volle implementering van die gesamentlike manifes verbind het, is dit redelik om te verwag dat die privaatsektor as geheel dit ook doen - vir sukses teen inflasie kan die stryd nie net in die hande van die amptelike manifes-ondertekenaars geplaas word nie.

"Ek is bly om te kan noem dat die reaksie reeds op hierdie stadium van beide manifes-ondertekenaars en ander groepe wat hulle ook openlik by die manifes-beginsels geskaar het, vir my optimisties maak oor die krag van ons poging teen inflasie.

"As deel van hierdie manifes is verklaar dat 'n opvoedkundige en publisiteitsveldtog onderneem gaan word. Aan die stuur van hierdie veldtog staan 'n komitee wat in hoofsaak die private sektor se denke verteenwoordig, terwyl die Staat die fondse voorsien.

"Die komitee, onder die voorsitterskap van dr L P McCrystal, het reeds met die organisasiewerk vir die veldtog begin en sal bygestaan word deur 'n private firma, wat gespesialiseerde reklame en publisiteit betref.

"Die veldtog sal bestaan uit 'n aksieprogram waarin aangedui gaan word wat elke sektor van die gemeenskap self kan doen. Ons verwag dat die sakeman produktiwiteit gaan

2/...

bevorder en dat hulp hiermee verleen gaan word deur die Nasionale Produktiwiteitsinstituut en die Nasionale Ontwikkeling- en Bestuurstigting. Ek self gaan aan al die besturende direkteure van alle maatskappye in Suid-Afrika skryf om te sê wat van hulle verwag word. Die werkers van die land word gevra om die besture met hierdie produktiwiteitskampanje te help.

"Ons verwag ook van verbruikers om vermorsing in hul huise te verminder en om verstandig vir uitgawes te begroot sodat die land se inkomste so doeltreffend moontlik in die bevrediging van verbruikersbehoeftes gebruik word.

"In hierdie veldtog gaan ons u almal betrek -- deur u sosiale klubs, stads- en dorpsrade, vakbonde, beroepsliggame, handelsverenigings en verbruikersorganisasies. Ons gaan die pers, die radio, Televisie, bioskope, spesialistekomitees en gemeenskapsleiers gebruik om die boodskap aan u oor te dra. Mediahoofde gaan Donderdag in Pretoria 'n openbare loodsing van die opvoedkundige veldtog bywoon, wanneer verdere besonderhede verstrek sal word.

"Was dit nie vir die basies gesonde ekonomie waarvoor ons almal so hard gewerk het nie, sou ons die uitwerking van inflasie veel kwaaier gevoel het as wat tans die geval is. Maar selfs die gesondste ekonomie kan net soveel dra, en niks meer nie. Ons moet dus nou, voordat inflasie 'n onbeheerbare monster word, ons ekonomie 'n blaaskans gee van al die aanslae wat dit moes verduur.

"Welslae in die bestryding van inflasie gaan tot ons almal se voordeel wees -- vir huisvroue, deurdat dit makliker gaan word om gesinsuitgawe te hanteer; sakelui, deur dit makliker te maak om u besigheid te bestuur; en werkers, deur u te help om genoegsaam vir u gesinne te voorsien. Hoe gouer ons inflasie kan klop hoe gouer kan ons die ekonomie weer tot sy volle potensiaal laat groei."

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING OP VERSOEK VAN DIE MINISTERIE VAN EKONOMIESE SAKE.

PRETORIA 31.10.1975

Blacks and Whites in efficiency agency

SUN. TIMES (B.T.) 2/11/75

(1) 150 A

~~(2) Management~~

~~(3) 249~~

PROBABLY the first management consultancy in South Africa to specialise in efficiency, productivity and assimilation of problems in areas of commerce and industry where Blacks and Whites work together has opened in Cape Town.

Vic Maharaj, managing director of V. Maharaj Associates, says the anti-inflation manifesto demands improved productivity from all population groups.

"The manifesto raises the question that if Blacks are to receive more skilled training, does the environment provide for their entry into the economy?" says Mr Maharaj, an MBA graduate of the University of Cape Town.

"At the moment it doesn't, and this is where we come in. We are working on an interface to create change . . which will satisfy the aspiration levels of Blacks, on the one hand, and rationalise this change for Whites on the other."

Star 3/11/75

(1) 150 A

~~(2) 180~~

Inflation piles pressure on SA manufacturers

Ivan Philip

What are South Africa's manufacturers doing to fight inflation? Plenty, according to a leading maker of household appliances — and the figures seem to bear him out.

His is a story of struggle to absorb the increasing costs of labour, power and raw materials by devising more efficient means of production and distribution.

But the strain is beginning to tell, and prices must go up again soon before they reach a plateau.

For all that, price increases in these products have nowhere near matched the steep upward trend in the manufacturer's basic costs. The degree to which these costs have been absorbed by the company is impressive.

WASTAGE

Said a company spokesman: "We have had to clean up our operation, cut down on labour and the wastage of raw materials We even collect and sell waste paper"

"But South African industry is now working more efficiently than ever," he added. Again, the figures bear him out

"We were spoiled in the past," he went on, "and we have wasted labour Now we are spending a lot on training, but it will pay off"

But what about the facts behind this manufacturer's claims of greater efficiency?

But what has happened to the prices of the company's appliances in the same 2½ years?

These are the increases in factory gate prices for five of the most popular models in the range: Washing machine — up 33 percent, medium-size cooker — up 19 percent, medium refrigerator — up 16 percent, medium freezer — up 12 percent, double-door refrigerator — up 10 percent

The units used for this comparison are of the same quality and capacity in each case

Starting in January 1973, before the oil crisis and the raw materials boom, the figures below represent the increases in costs of factory inputs up to mid-September — just prior to the devaluation

Wages and salaries	Number employed
Salaried staff up [illegible]0 percent	400
White wages up 29 percent	320
Black wages up 59 percent	1 650
Power Up 60 percent (1973 now 4 000 kWh)	3 500 kWh.

Raw materials	Percent rise
Enamel raw materials	94
Steel	80
Plastics	60
Fibreglass	48
Stainless steel	46
Copper	40
Cartons	40
Aluminium	35
Chemicals	28
Paint	14

SIMPLIFIED

Increased costs have been largely absorbed by greater working efficiency in the plant and by changes in design

Components have been simplified and standardised throughout ranges Another example of cost cutting has been the redesign of liners to reduce the man hours needed to fit them

The company says that the bigger increase on the washing machine is accounted for by the number of imported parts in this model. One of these parts went up from seven dollars to 15 in a five-month period — before devaluation.

Since the 18 percent devaluation, the company has started a crash programme to substitute locally-made parts for imported wherever possible

suppliers gave notice of price increases ranging from 10 to 30 percent following devaluation — and none of these increases have been withdrawn, despite the announcement of the "social contract"

Furthermore, a 59 percent increase in the price of industrial gas has been announced since then.

Most suppliers have cited devaluation as their reason for price increases — others are laying on general increases. The timing varies from immediate in some cases to year-end in others

Adding to the pressure, Black workers have called for a wage increase

A company spokesman says that "all the screws are on" in an attempt to further increase plant efficiency.

Among measures being taken are "talk-ins" with Black workers, explaining why more economies are vital The response is reported to be very favourable

So far, price increases in the company's products do not match the rapid climb in costs over the past 30 months and much of these costs are being absorbed.

Employer body warns on wages

(1) 150 A
(2) ~~334 7~~
(3) ~~326~~

Cape Times 4/11/75

THE TRADE union commitment to the recent anti-inflation manifesto was "relatively meaningless" the Cape Employers' Association said in its latest newsletter to members.

The reason for this, according to the association, is that very few wage agreements fall due for renewal during the period covered by the manifesto.

"And even in the case of those that do, the 70 percent of the increase in the consumer price index is more than what a number of trade unions have settled for in the past."

The association said that the manifesto was therefore mainly a plea to employers for restraint in the matter of wages.

The only specific guideline in the manifesto was a statement that people with incomes below or equal to minimum living levels could not be expected to make further sacrifices.

The association suggested that employees who earned R25 a week or less should be given pre-manifesto increases.

(1) 150 A

(2) 197

Mobeni strikers 'scared'

Mercury 9/11/75

Mercury Reporter

INTIMIDATION is keeping more than 500 workers from the Natal Cotton and Woollen Mills at Mobeni away from work, directors of the company say.

About 600 Blacks at the mill went on strike on Monday after they claimed 20 had been unjustly dismissed. All 600 were fired and told yesterday they could re-apply for their jobs.

However only about 50 of the workers turned up.

"I know that 95 per cent of them want to work, but intimidators are keeping them away," said Mr. S. Johnson, a director.

"We have observers out, and we know who the culprits are. They are standing in strategic positions and are keeping people away from work."

Mr. V. Daitz, managing director, confirmed that only 50 workers had returned.

"They are drifting in slowly. We have employed about 40 new workers. If they don't come back we will just hire new workers."

He was adamant the company would not give in to demands by the workers that the mill's new personnel manager be fired.

Anti-inflation manifesto is a naive exercise

STAR 5/11/75 (150A)

The past few years demonstrated that South African economists should not focus their attention purely on local factors when they consider the inflationary problem. Yet this is precisely what Government economic advisors are doing.

No man is an island. All attempts and proposals to counteract inflation in South Africa are unlikely to succeed unless world inflation is destroyed. NEIL BEHRMANN explains why money flows between countries are likely to frustrate any anti-inflation plans.

The anti-inflation manifesto is a naive exercise It has little chance of success because of international money flows.

For instance the devaluation — a highly inflationary move — came about because of overseas events. Now money pours into the country on revaluation rumours This too, is inflationary because the inflow increases the country's money supply.

DOOMED

Arthur B Laffer, associate professor of economics, Chicago University Graduate School of Business, recently wrote in the Wall Street Journal that national attempts to hold prices are doomed to failure if world inflation continues.

Money can easily move across borders because of the close interrelationship of world financial markets

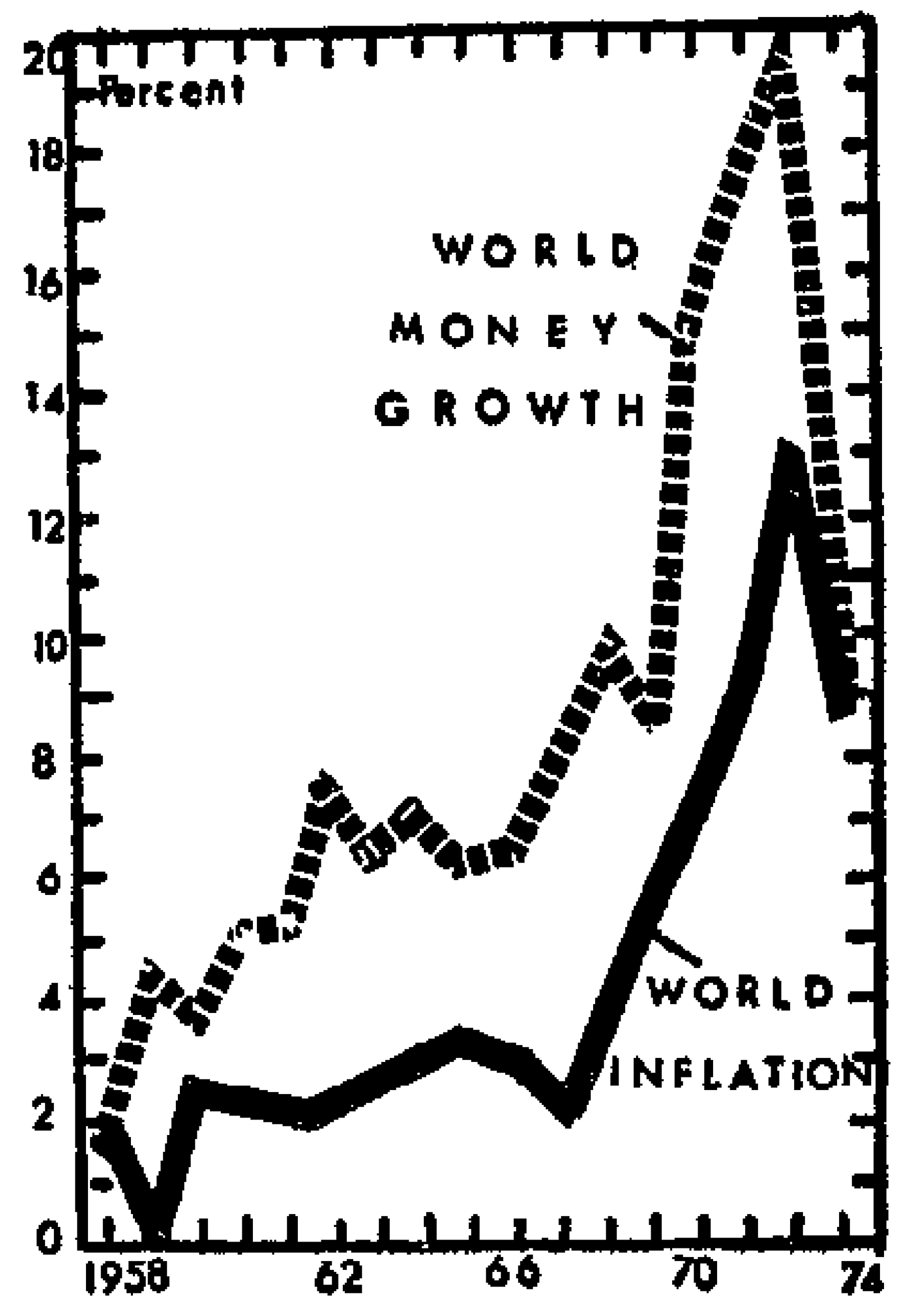
Restrictive money policies at home will not work against inflation if the world money supply is this growth

Mr Laffer's chart illustrates the close association between world inflation and money growth. The United States money supply, Eurodollar market exchange rate fluctuations and cash supplies of other nations all contribute to this growth.

SOUTH AFRICAN MONEY GROWTH AND INFLATION

	Gold price Rands	Money supply % increase	Inflation % increase
1970	25,67	+ 5,5	+ 4,2
1971	29,27	+ 7,3	+ 7,0
1972	45,07	+13,7	+ 7,3
1973	65,26	+23,1	+10,0
1974	108,31	+22,3	+14,1
1975*	117,2	+12,2	+13,0

* Denotes eight months ended August.



The growth of the world money supply — the domestic money supplies of 15 nations converted into dollars plus Eurodollar deposits — compared with the world inflation rate — also measured in dollars.

cont ↓

VILLAINS

Mr Laffer contends that other countries, rather than the United States were the villains behind the expansive rise in world money over the past five years.

He calculates that American money growth accounted for less than 25 percent of total world cash expansion during this period. Eurodollars were a more important source than United States domestic dollars too — and in the past six years increased international money by as much as 20 percent

Eurodollar growth moved in an opposite direction to domestic money supplies and tended to offset the actions of national monetary authorities

Mr Laffer concludes that with inflation a world-wide phenomenon, policies of individual countries are far less potent in the inflation fight, than is currently believed.

South Africa is a prime example.

HUGE RISE

The huge rise in the world's money supply and the inflation which followed in its wake encouraged the run into gold Commodity prices boomed too.

The table shows what happened. Money poured into the country as gold revenue jumped. As the gold and foreign exchange reserves grew the money supply escalated and was followed by accelerating inflation.

Economic policy in 1972 aimed at "growth" Yet had the Central Bank attempted to cut the increase in money supply at the time, it is likely that it would have been unsuccessful.

For example, the Reserve Bank tried to neutralise the big cash inflow into the banking sector during the past few weeks. Yet revaluation rumours are drawing cash into the country and the Central Bank's holding attempts are failing

The banking system is awash with cash and short term interest rates are falling despite the declared intention of the authorities to keep them high

So again international flows are offsetting efforts against inflation.

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2) 150 A

WE WANT TO RETURN DECIDE SACKED WORKERS

Mercury Reporter

MORE than 400 sacked workers from the Natal Cotton and Woollen Mills, Durban, will go to the factory gates this morning to demand re-employment.

This was decided by the workers at a lengthy meeting, attended by more than 400 at which their union officials reported on talks during the day with the factory management.

Both sides have made concessions since the start of the dispute which began when workers demanded the sacking of a personnel officer at the factory.

Management refused to discuss the question and workers were later locked out.

Since then there have been many discussions with factory management, representatives of the Industrial Council, union officials and Department of Labour Officials.

A breakthrough came yesterday when workers and management both made concessions.

The workers have now agreed to return to the factory even though the personnel manager is still employed there in the belief that he will be fired at a later stage.

It is believed that the management will not dismiss the manager immediately because they do not want to appear to be forced to do so

On the other hand the management has agreed to re-hire workers at the same rates of pay. They have also said that the workers will not lose any other benefits such as possible increases and long service [illegible]

[illegible] building block left [illegible] whether the factory [illegible] all the [illegible] or only th[illegible] picked by them

A further [illegible] is that the factory has already hired other new [illegible]

(1) ~~197~~

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Workers hopes dashed

Mercury 9/1/75

Mercury Reporter

THE 400 sacked workers at the Natal Cotton Mills yesterday collected pay due to them at the factory and have decided to hold another meeting on Monday to discuss their next move.

The workers' hope that the dispute would end yesterday were shattered when they were told by management that it would decide which of the workers would be re-employed.

The stoppage has now lasted for two weeks.

A large number of police and security branch members were present at the factory when the workers arrived to collect their pay.

A security branch member with a video camera filmed workers and also a Mercury Reporter who was at the scene.

4 — The Cape Times, Thursday, November 13, 1975

Question

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1501

Article hits at manifesto

THE importance of the Government's anti-inflation manifesto should not be be over-stressed, according to a leading article in the November edition of the Postal and Telegraph Herald, a monthly magazine published by the Postal and Telegraph Association of South Africa.

The plan set out in the manifesto, says the article, is "unfortunately nothing new and consequently not imaginative.

"It is simply the same plan which was made known in June 1975 . . . and since that date very little has happened to inspire the ordinary man in the street to do his share.

"With the exception of the salaried officials in the public sector who have already been disappointed since their demands were finally refused on August 17, 1975, when the Prime Minister made his radio speech, nothing further has happened with which we can go to the man in the street and say 'Here is positive proof that it is the duty of every citizen to make sacrifices in the fight against inflation.'

"We still find ourselves in the dark mazes of planning hoping that everything will go according to plan and that the inflation bug will turn up its toes at the end of six months and thereafter remain a thing of the past."

But, the article asks, what will happen at the end of six months? "Has so much progress been made in the planning that things will remain stable after that, or will there be a wild rush which will destroy everything which may, hopefully, have been achieved?

"We are part of the wide world and . . . cannot throw up defences to keep us economically healthy in isolation. Imports and exports there will always be and we shall have to take account of world conditions and adjust ourselves to them."

CO-OPERATION

"Immediate action is necessary to obtain the co-operation of the ordinary man in the street, otherwise the plans will not be successful. We must get away from vague concepts and expectations — they do not inspire the masses.

"Long-term planning is absolutely essential but it should not be delayed: it should be combined with short-term action.

"Please, not too much stress should be laid on the so-called Manifesto. History has taught us that a manifesto is not always honoured and that there is very little that can be done about that."

RDM 14.11.75

Question
Write on both sides of the paper

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(2) 150A

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Sacked biscuit workers taken back

Labour Correspondent

WESTON BISCUITS has reinstated the 16 African women workers sacked earlier this week and the company will hold talks with the Sweet, Food and Allied Workers' Union, to which the women belong.

This was confirmed by Weston's managing director, Mr Albert Yates, yesterday and by the union's general secretary, Mr Shakes Sikhakhane.

Both also confirmed that the women would be taken on in the same capacity as all other workers, except they would not be forced to do night work and would not have to work overtime if they did not want to.

Mr Yates said the women had also been given an assurance there would be no victimisation resulting from their sackings.

He said he wanted to meet the union general secretary to thrash out a number of issues.

Mr Sikhakhane said one issue which the union would take up with the company was the question of night shift for women.

"We want this scrapped for all women workers," he said.

The women who have been reinstated were sacked on Monday. Management at Weston claimed this was due to their falling productivity as a group. The women said they were sacked because they had refused to work 12-hour shifts on night work.

Pay claims of 10% are expected

Mercury: 20/11/75

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3 150A

Mercury Correspondent

PRETORIA. — Senior Government officials expect an across - the - board increase in salaries and wages in the public sector of at least 10 percent from April next year.

The Government's total wage and salary bill for the State departments — including police, prisons and SADF personnel and provincial administrations — amounts to more than R1 500 million a year.

This means that if the minimum expectation of public servants is met the Minister of Finance, Senator Horwood will have to make provision for an additional expenditure of R150 - million in the 1976 77 budget.

The R150-million, according to economists, would be almost totally inflationary money as little if any increase in productivity could be expected from the public service

Public sector workers got their last increases in July, 1974.

The Government, according to authorities in Pretoria, dare not delay increases beyond next April. To do so would be to risk an increase in the already disturbingly high resignation rate in the service.

F.M. 21/11/75 (150A)

Rand spent is a rand earned

David J Rees and Patrick Gardiner, School of Economics, University of Cape Town:

Is the general public fully aware of the implications of the Annexure to the Anti-Inflation Manifesto?

The document states that organisations representing firms, wage earners and farmers will ask their members not to recover through price or wage increases more than 70% of the unavoidable costs incurred by them during the six months from October 1 1975.

For example, if costs (of firms and wage earners) rise by 10%, prices and wages will not be increased by more than 7%

However, one person's expenditure is another person's income. A rand spent is also a rand earned Bearing this in mind, consider the economy as comprising three sectors: private, government and foreign.

In equilibrium, total expenditure must equal total income Thus we can say that if government expenditure (GE) + private expenditure (PE) = government revenue (GR) + private revenue (PR) then exports (X) must equal imports (M). If GE + PE is greater than GR + PR then clearly X is less than M because elementary national accounting tells us that. GE + PE + X = GR + PR + M.

Suppose that PE rises by 10% in money terms If PR rises by only 7% then one or more of the other variables must change for the identity to balance. GE and/or X must fall or GR and/or M must rise. In other words, a change in the relative amounts of PE and PR must be accompanied by a compensating change in one of the other variables

In the present situation this can be achieved by a tighter fiscal policy. The government can increase GR, by raising taxes or the price of public services, or decrease GE by reducing expenditure.

The alternative is a fall in X and a rise in M, in other words a deterioration in the balance of payments situation (despite any advantages that may accrue from the recent devaluation)

We must choose our strategy. An improvement in the current account of the balance of payments can only be achieved by an increase in GR or a decrease in GE. This necessitates tightening belts. We must accept a lower standard of living until the economy has made the structural changes needed to ensure recovery.

If we won't accept this strategy, the only alternative is to continue to pile up debts abroad and hope for an improvement in the terms of trade and the price of gold. But the risk in following this is surely quite unjustifiable. We would be relying for our salvation on the thrift and savings of others and not on our own. In the present economic climate this is not the answer to our problems.

1504

FOR IMMEDIATE RELEASE

MEETING OF THE CONTINUATION COMMITTEE ON THE IMPLEMENTATION OF THE PROGRAMME OF ACTION AGAINST INFLATION ON 17 NOVEMBER 1975

PRESS STATEMENT ISSUED BY THE MINISTER OF ECONOMIC AFFAIRS

As I indicated in my address on the occasion of the signature of the Manifesto in connection with the Programme of Action against Inflation on 7 October 1975, a Continuation Committee was appointed to meet from time to time to review the progress made with the implementation of the Programme and to report thereon to the ministerial committee entrusted with the execution of the Programme.

The Continuation Committee met for the first time in Pretoria on 17 November 1975. On this occasion the representatives of both the private and public sectors reported fully on the progress already made by their respective organisations with the execution of the specific commitments which the latter entered into in terms of the Programme of Action.

According to the reports submitted by the respective representatives good co-operation is forthcoming on the part of all the signatories to the Manifesto and encouraging progress is being

2/.....

made with the implementation of the Programme. Details of the steps already taken by the various sectors to give effect to the commitments entered into by them in terms of the Programme will be announced at an early date through the medium of the Publicity Committee.

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(2) 150A

Zulu leaders back call

Natal Mercury 21/11/75

African Affairs Reporter

NONGOMA — The KwaZulu Executive Council decided yesterday to support the Prime Minister's appeal for action against inflation and has empowered KwaZulu heads of departments to take all the steps necessary to implement such action.

The Council also approved the appointment of two members to the KwaZulu Public Service Commission.

They are Mr. D. September, of Mahlabathini, and Mr. H. J. Bhengu, of Durban.

A proposed group life insurance scheme for the KwaZulu Public Service was agreed to in principle.

The Executive Council was addressed by a delegation from the Department of Health on enrichment of the staple diet of the Zulus.

The delegation recommended that certain vitamins were necessary, especially vitamin B.

The Council gave the project its blessing in principle, in the interests of physical and mental health of the Zulus.

The council passed a resolution on the centenary celebrations planned for the commemoration of the Battle of Isandlwana in 1879, when the Zulu impis wiped out British forces

November 21, 1975. 3

RDM

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Those with a lot may get only a little

By JOHN IMRIE

THE wage restraint agreed to by trade unions as their contribution to the anti-inflation programme may be extended to high-income employees.

The Minister of Economic Affairs, Mr Chris Heunis, confirmed yesterday that proposals for this were discussed this week by the special committee set up to monitor the progress of the anti-inflation campaign, but said no decision had been reached.

I understand it was proposed that.

- People earning more than R15 000 a year should be asked to go without a salary increase altogether during the six-month wage restraint period October to March,
- Those earning between R12 000 and R15 000 should be asked to absorb three-quarters of the increase in the cost of living, by accepting a wage rise equivalent of only 25 per cent of the rise in the Consumer Price Index;
- Those earning between R9 000 and R12 000 should be asked to absorb half of the cost of living increase, by limiting their wage demands to 50 per cent of the rise in the CPI.

Pressure for these "sacrifices" to be extended to higher paid employees is said to have come from the trade union movement, which has committed its membership — mainly people earning well below R9 000 a year — to limit their wage demands to 70 per cent of the rise in the CPI, a "wage rise sacrifice" of 30 per cent.

The feeling among trade unionists is that it is only equitable that higher-paid workers should make a proportionately greater sacrifice.

The committee, which represents Government, employers and trade union leaders, is said to have been in favour of the proposals but the final decision rests with the Government.

Bonus boost for inflation

R.D. Mercury 1/12/75

150 A

Mercury Correspondent

PRETORIA — Millions of rands in year-end and holiday bonuses will be paid to thousands of workers throughout commerce and industry and parts of the public sector during the next few weeks.

The bonuses will give a new thrust to the Christmas shopping spree and unhappily, according to economists, boost the country's inflation rate.

In February the Department of Inland Revenue will repay the 1969 savings levy plus interest — an amount of about R80 million.

It is expected that the bulk of this amount will be spent on settling accounts accumulated during the Christmas and New Year period.

Over the past 20 years, and particularly during the past decade with its acute shortage of skilled workers, the year-end bonus has been used increasingly by employers as a lure to fill vacant posts.

At the end of last month the 240 000 White and Black railway workers shared an amount of more than R25 million in holiday bonuses

Nearly 100 000 workers in the country's building industry will get leave pay and bonuses totalling more than R12 million.

About 35 000 workers in the Transvaal furniture industry will share nearly R4 million.

In other industries, too, big pay-outs will be made before the industrial shut-down on December 12.

Labour union backs petrol price cuts

Star 25/11/75

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4 15C A

Labour Reporter

The 190 000-strong Confederation of Labour is sending a telegram to the Minister of Economic Affairs, Mr Heunis, to condemn efforts to stifle petrol price cutting

"Why should there be such an outcry when a single petrol outlet in this vast country acts in the spirit of free enterprise," asked Mr Attie Nieuwoudt, president of the confederation.

"We welcome this breakthrough in a field which is notorius for its non-competitive, and inflation-fueling practices — from petrol price fixing right through to high repair bills and exorbitant prices for spare parts.

"That is why we are anxious to give the East Rand hypermarket every support at a time when all of the country is fighting to keep prices down '

"We only hope that others will follow this commendable example," he said

Mr Nieuwoudt said the confederation's telegrams to Mr Heunis would also express members' concern about the recently announced rise in short-term insurance premiums

"We are not happy with the explanation given for the premium increases. We don't believe they are in the spirit of the manifesto against inflation," Mr Nieuwoudt said

(1-37)

12 BOH

Longer work week to fight inflation

Cape Times 12/12/75

Staff Reporter

THE Murray and Stewart group of companies has introduced a 5½-day working week for all monthly paid staff members as the giant construction firm's contribution to South Africa's economic fight against inflation

This was announced by the managing director, Mr D E Baker, in a press release yesterday

The scheme was started at the head office in Cape Town and the more than 50 subsidiary companies throughout the country have been asked to follow suit

Two reasons were advanced for the decision to introduce longer working hours The first was that it would be anti-inflationary and the management of Murray and Stewart wished to play an active part in the country's drive towards higher productivity The longer hours would help in this respect, the release said

The other reason was that the new scheme would bring white-collar workers in line with construction workers on all Murray and Stewart sites who already worked Saturdays and even on Sundays

SURVIVAL

A Murray and Stewart spokesman had also said that such moves were not only anti-inflationary but essential to the survival of capitalism and freedom in the country

"With Marxist states building up on our borders, it becomes imperative that we prove to labour forces as fast as possible that the individual is better off under a capitalist system than under any others yet devised

'This can only be done by stepping up training, increasing productivity and giving them the chance to better themselves further"

PS 23.9.1975

have you found staff and tutors. Comment

12. Should there be more or fewer tests? Essays and tutorial exercises?

13. General comment

For Release: Immediate

1504

PROGRESS WITH THE IMPLEMENTATION OF THE PROGRAMME OF ACTION AGAINST INFLATION

PRESS STATEMENT ISSUED BY THE MINISTER OF ECONOMIC AFFAIRS

The Honourable the Minister of Economic Affairs, Mr. J.C. Heunis, stated today that he was very pleased with the active support which the Collective Programme of Action Against Inflation had received from a large and fully represen= tative section of private entrepreneurs and consumers in the country.

Positive evidence of this support had emerged not only during the first meeting on 17th November of the Continuation Com= mittee of Government and private sector representatives which was appointed to review from time to time the progress made with the implementation of the Programme, but was also re= flected in the press statement released a few days ago by the Publicity Group appointed in terms of the Programme.

The aforementioned statement which was published by certain sections of the press on 4th December, had referred to the action which had been taken by various sectors of com= merce and industry in order t^ keep their costs and prices as low as possible.

Mr. Heunis added that, as Chairman of the Cabinet Committee which took the final decisions in respect of all important applications from price controlled firms for price increases, he had had lengthy discussions since the signature of the anti-inflation programme with industrial and commercial

organisations/...

organisations about the applications for price increases they had submitted on behalf of their members and which were fully justified in terms of the relevant sections of the anti-inflation programme.

In the course of his discussions with them the majority of these organisations had agreed, as a further contribution from their side to the anti-inflation campaign, to abide by price increase awards which were substantially less than those to which they were entitled even in terms of a very conservative interpretation of the relevant terms of the Programme.

The Minister said that this applied particularly to his discussions with the motor manufacturing industry in respect of its application for increases in new motor vehicle prices, as well as his discussions with the oil companies about their application for increases in petrol prices.

Referring to the five main components of the Programme, Mr. Heunis said that a Publicity Committee had been constituted to supervise the implementation of the educational, publicity and information campaign which represented one of these five programme components. The Minister added that this Committee had employed the services of a private sector public relations organisation in order to disseminate, on a country wide basis, full information to the public about the reasons for, and the dangers of the problem of inflation, and to urge everybody within the limits of his or her own particular ability and circumstances to make a positive contribution towards the fight against inflation. The Committee, in

conjunction/...

The Price Controller has also entered into arrangements with the importers/wholesalers of motor vehicles spare parts as well as with the local component manufacturers in order to ensure that their prices for spares will likewise be kept at reasonable levels in future.

As far as the retail distribution of vehicle spare parts is concerned, the Price Controller has entered into a firm agreement with the Motor Industries Federation and the Motor Chamber of the Afrikaans Handelsinstituut which are the representative bodies of garages in the country, in terms of which the latter's prices will not exceed the suggested maximum retail selling prices of the motor manufacturers and other suppliers of spare parts, while garages may also not increase their existing tariffs for repair work to vehicles without the approval of the Price Controller. However, if their cost structures should enable them to do so, garages would of course, be free - and indeed, would be expected by the Government to pursue this line of action - to reduce their selling prices for spares as well as their repair charges to the public.

I am confident that all the abovementioned arrangements will ensure that the prices of motor vehicle spares as well as motor vehicle repair charges will henceforth be kept at reasonable levels.

ISSUED BY THE DEPARTMENT OF INFORMATION AT THE REQUEST OF THE MINISTRY OF ECONOMIC AFFAIRS

CAPE TOWN

10 December 1975

ADDRESS BY THE MINISTER OF FINANCE, SENATOR THE HONOURABLE OWEN HORWOOD, AT THE SUNDAY TIMES TOP 100 COMPANIES BANQUET, JOHANNESBURG, 8 DECEMBER 1975.

150 A

For Release : 20h00 on 8/12/75

It is appropriate on an occasion such as this to reiterate the Government's commitment to private enterprise as the basis of the South African economy. Both on the broader philosophic ground of spreading the economic power in our country, and on the more pragmatic ground of securing the most efficient use of our resources, the Government is convinced that private competitive enterprise is the best foundation for our economy.

Gedurende .... 2/.

Gedurende die afgelope jare is kritiek uitgespreek oor toenemende Staatsdeelname in ekonomiese bedrywigheid. en bewerings van "kruipende sosialisme' is gehoor. Myns insiens is hierdie kritiek oordrewe. Daar was altyd goeie redes vir die uitbreiding van hulle bedrywighede deur die Staat of die openbare korporasies, hoewel daar natuurlik meningsverskil kan wees oor die geldigheid van hierdie redes. Ek kan u egter verseker dat 'n uitbreiding van aktiwiteite nie ligtelik aangepak word nie. Voorts het die Departement van Nywerhede, op aanbeveling van die Ekonomiese Adviesraad, masjinerie daargestel vir oorlegpleging met die private sektor waar 'n Staatsdepartement of semi-Staatskorporasie na bewering die terrein van die private sektor oortree.

'n Verbintenis tot private onderneming impliseer eerbied vir die winsmotief, en as Minister van Finansies het ek

die .... 3/.

die grootste agting vir winste. Ek sê nie dat alle winste geregverdig is nie; dié wat uit die monopolistiese uitbuiting van die verbruiker of werknemer ontstaan, byvoorbeeld, is sekerlik nie geregverdig nie. Maar aangesien die Staat sowat 40 persent van sy inkomste vanuit maatskappywinste verkry, is daar algemeen gesproke niks wat my harr so verbly soos hoë en stygende winste nie.

The Anti-Inflation Campaign

The collective campaign against inflation is consequently not aimed at profits as such, any more than it is aimed at wages and salaries. Since there still seems

to .... 4/.

to be some misunderstanding about this, I should like to say something about the nature of the campaign.

The main thrust of the campaign is the promotion of productivity and efficiency and the elimination of waste. In the modern competitive world our economy must be fighting fit if we are to build the sort of South Africa that we should like to bequeath to our children. There can be no room for inefficiency or feather-bedding, whether in management in labour or in government. The penalty for failure here will be, not only further inflation, but a decline in our sense of values and, in due time, in our status as a nation.

As a more immediate measure against inflation, both the Government and the private sector felt that some action

on .... 5/.

on prices and wages was essential. But in South Africa's situation price and wage freeze, such as has been tried in some other countries (usually with little or no success) does not seem to be the answer. Firstly, in our open economy where imports of capital equipment, raw materials and semi-finished product play such an important part, a price freeze which takes no account of rising prices of imports is obviously impracticable. Secondly, in our dynamic economy a wage and price freeze would be unduly rigid and would tend to stultify economic growth.

The collective campaign against inflation therefore provides, not for a wage and price freeze, but for

moderation ...... 6/.

moderation and restraint in wage bargaining and price fixing. The manifesto spells out guidelines to be observed in this respect.

The success of the campaign will therefore have to be judged, not on whether price and wage increases still take place (as they must do) but on the moderation of such increases. In this respect I have been greatly encouraged by the spirit of co-operation and good faith shown thus far, not only by organised agriculture, mining, industry, commerce and labour but also by individual firms and entrepreneurs.

The Government is also one of the partners in the collective campaign and will rightly be expected to play its part.

One .... 7/.

One contribution from the Government side which has, I believe, received inadequate recognition is the fact that there has been no general increase in public service salaries and wages for the past eighteen months. In the spirit of the collective campaign, no general increase is contemplated at present. In this way the public service is, I believe, playing a decisive role in the campaign.

I must emphasise that the Government and, I believe, the public at large are placing the greatest reliance on the private sector to practise an equal measure of wage and salary restraint. I hope that the business sector will co-operate to the full in this important sphere of

the .... 8/.

the anti-inflation campaign.

Government Expenditure Policy

It is in respect of restraint on State expenditure in general, however, that the Government's contribution will be mainly judged. For the past several weeks the Government has been wrestling with this problem, and as Minister of Finance I fear I have had to play a part not at all in keeping with the generous spirit of the Christmas season which is fast approaching. Nevertheless, I must pay tribute to the co-operation and understanding of my Cabinet colleagues in this difficult and thankless task.

In passing I should like to say that there has been much irresponsible talk about Government over-spending in the

past .... 9/.

past few years. Between 1971 and 1974, for example while the gross domestic product increased by 61 per cent, total Government expenditure (on Revenue and Loan Account) rose by 65 per cent - not, I would have thought, a very serious degree of over-spending. But, furthermore, if defence expenditure is excluded - and who, in today's conditions, would question the Government's wisdom in stepping up defence expenditure - then the increase in all other State expenditure over the same period was 59 per cent, which is actually less than the increase in the gross domestic product. This, however, does not reduce either the need or the Government's determination, in present circumstances, to keep an even tighter rein on its expenditure.

It .... 10/.

It is not easy to cut State expenditure, especially at short notice. One cannot simply turn off the tap. Salaries, wages, pensions and interest have to be p[aid], orders have been placed, contracts have been signed - often with escalation clauses to cover increased costs. Moreover, the Government cannot disregard the urgent requirements of the country for essential and costly infra-structure or the interests of industries largely dependent on Government orders.

With the increase in costs (other than salaries) since the current financial year began last April it is inevitable and indeed normal that few Government departments will be able to cut this year's expenditure below their budgeted amounts and that some will require additional money before the end of the financial year.

In .... 11/.

In fact, Government departments requested a total net increase of 5 per cent above the amount originally budgeted for 1975/76. Their requests have, however, been severely pruned and the actual increase permitted will be very much less than that.

Confusion seems to have arisen in this connection because there was a considerable concentration of Government expenditure during the first half of this financial year, and fears have been expressed that, on this basis, expenditure over the whole year may be very much higher than originally budgeted. This, however, is definitely not the case; Departments will have to keep within their budgeted amounts and only the barest

minimum .... 12/.

minimum increases have been allowed where absolutely essential.

Even for the next financial year which begins in April 1976 it is not easy to cut expenditure, since inevitably many contractual commitments have been entered into far in advance. Nevertheless, the Treasury has had to be ruthless and even the most sacred cows have not been spared.

In putting forward their requests for funds for the financial year 1976/77 most Government departments have shown a realistic sense of moderation, but even these requests have been pruned by a total well in excess of R800 million.

The cuts in expenditure range over the whole field of Government activity. Important priority decisions are

involved .... 13/.

involved, and particular attention has been paid to those forms of spending which can reasonably and with the least disruption be reduced, eliminated or post=poned. It is invidious to single out particular departments by name because the circumstances differ in each case, but I can tell you that in the case of six major departments the pruning has been [illegible] [illegible] of 9%, 12%, 12%, 16%, 21% and 22%.

The point I wish to stress is that total State expen=diture will exceed the current year's figure by a smaller percentage than the expected increase in prices and costs. In other words, what I am saying is that State expenditure in real terms will be reduced in the

coming .... 14/.

coming financial year. In view of the many fixed commitments to which the Government is bound, and the cost escalations involved, this is no mean achievement, and I should again like to express my appreciation to my colleagues for their co-operation in this extremely difficult operation.

Non-Inflationary Financing of State Expenditure

The Government's task does not end here. It is also committed to financing its expenditures, as far as possible, from non-inflationary sources, that is, from current revenue and savings. I think this calls for a little explanation.

My budget of last March was designed, in the prevailing circumstances, to be moderately stimulatory. Because

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the economy was in a phase of slower growth, a mild fiscal stimulation seemed appropriate. For this reason, rather than to increase taxation further, it seemed preferable to draw upon our accumulated surpluses and reserve funds to finance a portion of the budget. This policy undoubtedly helped to sustain the growth of the economy during recent months.

The comparative stagnation of the gold price up to August and its subsequent decline in September have led to a substantial fall in the revenue from gold mining taxation, so that the deficit to be financed from sources other than current revenue will be larger than originally expected. On the other hand, the

prolongation ... 16/.

prolongation of the depression overseas, as well as the fall in the gold price, made our balance of payments more vulnerable. It is also desirable, with a view to countering an eventual re-emergence of demand inflation, to keep the money supply under control. For these reasons it is necessary at least to restrain the expansionary influence of the financing of State expenditure.

One method of doing this is by normal monetary policy measures, that is, by increasing the minimum liquid asset ratios of the banks. This the authorities have done twice - in August, and again after the devaluation in September. In August also the Bank Rate was raised to 8 1/2 per cent.

Last .... 17/.

Last September the Government issued domestic loans on very favourable terms, to which, I am glad to say, there was a good response. The weekly issue of Treasury Bills has also been stepped up to record levels.

Further measures are desirable, however, to obtain additional loan funds for the Exchequer. Four steps are being taken with this object in view.

Firstly, as recently announced, the 10-year and 25-year Government loans issued in September have been re-opened and are still available to investors through the Public Debt Commissioners.

Secondly .... 18/.

Secondly, as has also been announced, the Registrar of Building Societies has withdrawn his approval of investment by building societies in negotiable certificates of deposit issued by banks, and I am directing an appeal to the societies to divert the funds so made available to investments in the Government sector.

Thirdly, I have addressed a letter to every insurance company and pension fund in the country, asking each to invest, before the end of 1975 - that is, as a purely temporary measure - an additional 2 per cent of its liabilities or assets (as the case may be) in Government securities which will involve an amount of about R160 million. As pension funds and insurers are among the main sources of non-inflationary funds for the public sector, and as these institutions themselves have a

strong .... 19/.

strong interest in the success of the fight again inflation, I hope for and expect a good response to this appeal.

Fourthly, I have authorised the issue of a new 4-year 8 1/4 per cent Government stock, which will be of especial interest to banks in their present liquid condition. The issue will, however, be open to all subscribers and will be made available through the Reserve Bank in amounts of not less than R100 000 as from tomorrow. I want to appeal to banks in particular to support this issue, which has the double attraction of carrying a relatively high interest rate and of becoming a liquid asset before the end of next year.

It .... 20/.

It will remain open for approximately two weeks.

If these steps elicit the response for which I hope, then there is every chance that, despite the fall in State revenue, we shall be able to conclude this financial year without drawing upon our reserve funds for financing the Exchequer Account - and, what is more, we should have achieved this in a substantially non-inflationary manner.

I have tried to show that the Government is doing its part in the battle against inflation. In the long run, however, the future of our economy will depend far more upon what you, the private sector, can achieve in improving efficiency and productivity. I should like to express my appreciation to the Sunday Times for this annual event, which must help to stimulate interest in

this .... 21/.

this vitally important field. I also wish to congratulate those companies which have achieved the distinction of being in the Top 100; may their taxable incomes continue to increase in the years to come.

In conclusion, my message to you is one of good hope and a sure faith in the future for all South Africans. If we can, together, hold the line against the most intractable inflation the world has ever seen, and if we can keep our eyes rivetted on raising efficiency at all levels, all the time, we shall rise above the challenges engendered by a current world depression worse than anything experienced since the Great

Depression ..... 22/.

Depression of the early Thirties, sustain the soundness of our economic institutions, and raise the living standards of all sections of our growing population.

ISSUED BY THE DEPARTMENT OF INFORMATION
AT THE REQUEST OF THE MINISTRY OF FINANCE.

PRETORIA. 8 December 1975.

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING
OP VERSOEK VAN DIE MINISTERIE VAN FINANSIES.

PRETORIA. 8 Desember 1975.

Vir onmiddellike vrystelling

(150 A)

PERSVERKLARING UITGEREIK DEUR SY EDELE J.C. HEUNIS, MINISTER VAN EKONOMIESE SAKE

VERGADERING VAN DIE VOORTSETTINGSKOMITEE INSAKE DIE IMPLEMENTERING VAN DIE AKSIEPROGRAM TEEN INFLASIE

Tydens 'n vergadering op 8 Januarie 1976 in Pretoria het die ondertekenaars van die Manifes teen inflasie die verslae van die onderskeie samestellende lede bespreek en dit het uit die verslae en die besprekings wat daarop gevolg het, geblyk dat 'n aanmerklike mate van sukses met die veldtog behaal is deur die samewerking van die onderskeie samestellende organisasies, instellinge, hul lede en die breë publiek.

Daar was algemene eenstemmigheid dat, terwyl die uitwerking van die anti-inflasie veldtog op die koers van inflasie nie in terme van 'n spesifieke persentasie gemeet kan word nie, hierdie uitwerking soveel meer opmerklik sou gewees het as dit nie was vir die inflasionistiese uitwerking wat die onvermydelike devaluasie van die rand op die korter termyn gehad het.

Daar was algemene ooreenstemming dat die program vir 'n verdere ses maande eindigende 30 September 1976 voortgesit behoort te word. Die ondertekenaars het onderneem dat hulle die omvang, aard en inhoud van die voortsettingsbepalings met hul samestellende organisasies sou bespreek.

Daar is ooreengekom dat gedetailleerde inligting so ver moontlik oor die openbare sektor se bydrae om die doelstellings van die veldtog te bevorder aan die breë publiek beskikbaar gemaak sal word met die oog op die verdere effektiewe toepassing van

.../

die program.

Daar is 'n versoek gestel dat die Minister van Ekonomiese Sake die Konferensie van Redakteurs sal ontmoet om metodes vir verdere en noue samewerking tussen die komitee en die pers te bespreek. Daar is verder besluit dat gereelde perskonferensies gehou sal word.

Dit is noodsaaklik dat almal sal verstaan dat die program nie 'n algemene bevriesing van salarisse, lone, pryse en winste behels nie.

Die Komitee wil herbeklemtoon dat die program redelike ruim laat vir beperkte aanpassings in die loon- en prysstruktuur om die regmatige belange van alle sektore te beskerm, om onbillike opofferings deur bepaalde gedeeltes van die gemeenskap te vermy en om wanaanpassinge in die volkshuishouding te voorkom.

Ek wil graag afsluit met 'n beroep op alle betrokkenes om net soos in die verlede saam te werk en te help om van die program 'n sukses te maak en om daardeur die noodsaaklikheid vir die instelling van ander maatreëls te vermy.

'n Verdere vergadering van die Komitee sal op 12 Februarie 1976 gehou word.

PRETORIA
8.1.1976

1150 H 1

Our current world inflation started during the Second World War. It has now lasted for thirty years and has been quite relentless.

Professor Ludwig Lachmann, until recently senior research fellow in the Department of Economics at the University of the Witwatersrand, points out that during this period we find not a single year during which retail price indices were not higher than the year before "This experience has affected our expectations When we learn that the price of coal or milk has once again gone up, none of us expects to see it back at the old level during our lifetime

"In former ages of inflation this was not so It is a social fact which lends a unique character to the inflation of our age It also helps to explain why it has by now become so difficult to stop it it would be necessary to break these expectations before prices could become stable Needless to say, this is no easy matter, nor can it happen now without causing economic and social shock "

To be sure, there have always been periods of rising prices, but they were followed, and were expected to be followed, by periods of falling prices Why, then, asks Professor Lachmann, has our experience been so different?

Causes

In the first place, ever since World War II, governments have been pursuing policies of full employment and rapid economic growth The 1950's and 1960's witnessed an unprecedented rapid increase in living standards particularly in the industrialised countries From this followed an accompanying improvement in education and in communications

This served to raise the expectations of the working classes According to Dr Johan Cloete, chief economist of Barclays National Bank, "People generally, and hence also their governments, have come to regard security of employment and increases in living standards year by year not only as an inalienable right of every able-bodied member of society, but also as virtually automatic Moreover, the working classes have come to believe that they are being deprived of their fair share of the total national cake and have become very much concerned that their share should be

"The present inflation is due to all people together trying to buy more than there is on the market and insisting that they be given enough money to enable them to buy at current prices what they expect to get. In this, they must always be disappointed by a new rise of prices caused by their demand, and the vicious circle can be broken only by people contenting themselves with a somewhat lower real buying power than that which they have been vainly chasing for so long."
Friedrich von Hayek – joint winner of the Nobel Prize for Economics in 1974.

CAUSES AND EFFECTS OF INFLATION

Dr. Johan Cloete, Barclays National Bank

increased

Cloete notes that five important results have flowed from the heightened expectations of society as a whole and of the worker groups in particular

Firstly, it has become an accepted social norm that no wage earner, for whatever good economic reason, need ever suffer a drop in his money wage On the contrary, regular increases in wages have come to be the norm The acceptance of this norm in the Western World has had far-reaching repercussions

In the words of Professor Lachmann, "A world in which money wage rates can never fall is a world in which prices can never fall, since prices must at least cover costs — of which wages are the most important ingredient Thus the market economy of the West has suffered a far-reaching curtailment of its capacity to respond to economic change "

Changes in relative price resulting from changes in taste or technology now have to take the form of increases of some prices, while the rest remains the same (Normally, of course, some prices would rise and others fall) The result is an increase in the general price level Lachmann continues, "We are in a world in which, during boom periods excess demand makes prices rise, but during slumps excess supply can no longer drive them down Such an economy obviously contains a strong bias towards permanent inflation "

Secondly, the rising expectations of workers and of the community in general, and their constant demand for further wage increases has evoked protective countervailing action on the part of employers in the form of constant price increases "In fact," says Barclays' Cloete, "employers and employees have come to play a wage/price 'game' Employers merely build provisions for wage and other cost increases into their budgets — allowing for a safety margin Commonsense prompts employees, for their part, to protect themselves from rising prices by including a substantial risk premium in **their** calculations And so the process continues, with prices and wages going up to ever higher levels

Thirdly, the removal of the fear of unemployment, coupled with the relatively easy way in which profits are made in a situation where governments operate to maintain high levels of demand in their economies, tends to affect adversely productivity and efficiency — both of employers and employees This adds to costs and hence leads to further price increases

Fourthly, it stands to reason that the rising expectations of countries throughout the world, and the demands for ever more goods and services to which such expectations give rise, must inevitably place increasing pressure on scarce resources of production — capital, management, materials and, of course, labour itself It inevitably requires more and more effort (that is, it costs more and more) to provide the raw materials and capital resources needed to produce the ever larger product required

"If," says Cloete, "we add to this the tremendous pressure exerted on productive resources and on raw materials by the war in Vietnam and by the 'cold war' in general, the sharp rise in prices of commodities and of industrial raw materials during the early 1970's is not at all surprising

"These price increases enter as rising costs into productive processes throughout the world and contribute materially towards continual cost-push inflation "

Fifthly, in addition to the constant struggle for the available cake that is taking place within countries, there is also a wider struggle — a struggle for a bigger share of the global product among different countries According to Cloete, "This is basically a struggle between the 'have' and 'have-not' countries The 'have-nots' are no longer satisfied with their relatively small share of the global product and, in an effort to redress the position more in their favour, they are using their political power to negotiate higher prices for the commodites that they produce and supply to the industrialised countries The recent increase in the oil price is, of course, an example of this

"The industrialised countries, on the other hand, protect their share of the global product by continually raising the prices of the capital goods and industrial materials which they supply to the undeveloped countries — with inevitable inflationary consequences for the world as a whole "

Thus, the underlying causes of inflation are to be found in our socio-economic attitudes and in the way we organise our economic activities The direct cause of the inflation of our times, however, is the excessive demand for goods and services and for the good things of life to which our attitudes and our actions have given rise

Now, the fact that there is an excessive demand for goods and services will not in itself lead to inflation "Indeed", says Cloete, "given our basic economic problem of scarce resources and of insatiable wants, we are always faced with a situation of excessive demand It is only when additional **money** is provided to translate this excessive demand into actual demand and actual bargaining between different groups in the market place that we get inflation In other words, there can be constant increases in wages, in costs and in prices only if there are corresponding increases in the money supply to finance these increases "

The political and moral obligation of governments to maintain full employment and to promote constantly rising living standards has led to deficit financing and to the creation of new money at a fast rate This deficit financing, according to Cloete is "undoubtedly one of the most important factors responsible for constantly pushing up inflation rates in western economies

"Through the credit process — that is, by borrowing from the banking system — it has been possible for consumers, firms and government to obtain money — or purchasing power — in excess or ahead of their contribution to the total output of goods and services available in the market " It is this excess of money in relation to the available goods and services that has lead to price increases

Inflation in South Africa

If these are the causes of inflation throughout the Western economy, in what specific form have they contributed to South Africa's current inflation rate of 12 per cent?

The huge rise in the world's money supply six years ago and the inflation which followed in its wake encouraged the run into gold **Figure 1** shows what happened — money poured into the country as the gold price jumped five-fold This was followed by accelerating inflation

Figure 1

South African money growth and inflation

Year	Gold price Rands	Money supply % Increase	Inflation % Increase
1970	25,67	+ 5 5	+ 4 2
1971	29 27	+ 7 3	+ 7 0
1972	45 07	+ 13 7	+ 7,3
1973	65 26	+ 23,1	+ 10,0
1974	108,31	+ 22,3	+ 14,1
1975 *	117,2	+ 12,2	+ 13,0

* Eight months ended August

'The Star', 5 November, 1975

Notwithstanding the increase in gold revenue, our imports shot ahead of our exports The value of the goods we export amounts to a little over 70 per cent of the value of those we import

Compounding this situation, Government spending in the past eighteen months, instead of drawing on current income, has drawn on loans from the banking system In this way, Government, is in fact, printing money The very rapid increase in Government spending — 21 per cent in 1971 compared to a growth rate of only 3 per cent — has further

This, of course, adds to inflationary pressures and contributes to the increasing shortage of capital needed to expand our existing productive capacity The result is that, particularly where there is a growing population, sufficient employment opportunities cannot be provided, a satisfactory rate of increase in the standard of living cannot take place, and satisfactory productivity-and efficiency levels cannot be maintained

Beating inflation

Since we cannot live with high inflation, how should we go about reducing it to a more acceptable level?

If it is accepted that excessive demand made possible by excessive money and credit creation is the cause of inflation, it seems that all that needs to be done to overcome the problem is to see that money is not made available to finance it This is, however, easier said than done

Dr Johan Cloete indicates that the main obstacle in the way of restricting monetary expansion to fight inflation, is the substantial unemployment this would cause "In this country in particular," says Cloete, "it is probably out of the question to rely solely on traditional monetary and fiscal policies to bring down the inflation rate This is because of the hardship that it would impose on our Non-White population and the adverse socio-political consequences that might ensue "

The second argument against reducing the money supply to fight inflation is that this will not necessarily have the desired effect The process of wage/price bargaining is now so firmly embedded in our attitudes that even a drop in demand and the resultant unemployment may not stop worker insistence that their wages should continue to rise "Thus," says Cloete, "rigidities in the economic system could maintain prices at an inflationary level despite a falling-off in demand This could lead to the under-employment of resources and the seemingly anachronistic situation of inflation with some unemployment (stagflation)."

But, as indicated above – whether we cut back on monetary expansion or not – we cannot have a continuation of the current rapid rates of inflation plus full employment and rapid economic growth for any lengthy period of time

The 1974 joint winner of the Nobel Prize for economics, Friedrich van Hayek, puts the position this way

"We have, in fact, been led into a frightful situation All politicians promise that they will stop inflation and preserve full employment But they cannot do this And the longer they succeed in keeping up employment by continuing inflation, the greater will be the unemployment when the inflation finally comes to an end There is no magic trick by which we can extricate ourselves from this position which we have created

"We must face the fact that, in the present situation, to stop the inflation or even to slow down its rate will produce substantial unemployment Certainly nobody wishes this, but we can no longer avoid it "

Cloete and other leading South African economists three years ago proposed that steps should be taken to bring down the inflation rate **gradually** over a period of years, so as to avoid inflicting substantial unemployment and loss of production on the economy

Moreover, to avoid the negative affects of suddenly reducing monetary expansion, they proposed the introduction of prices and income policies They felt that, since our inflation is generated largely by the bargaining process between employees and employers, it is here that corrective action should begin This implies that the bargaining parties must somehow be persuaded to cut back on excessive wage demands and on excessive price increases and, in particular, to keep their demands within the realms of what can be produced

Their gradualist policy envisaged 'coercion' along three directions simultaneously

- a gradual roll-back of the rate of increase in the money supply until its rate of growth has been brought in line with the rate of expansion of real output
- a gradual roll-back also in the rate of increase in annual government expenditure
- a gradual roll-back in the rate of increase in prices through exerting pressure fairly directly on the main price setters and possibly also on the main wage setters in the economy

This 'programme' the economists felt would reverse the process whereby prices continually climb to even higher levels In particular, says Cloete, they felt that "once success had been achieved by the initial roll-back of price increases, and a reduction in the inflation rate became visible, expectations about likely future inflation would change and it would become progressively easier to bring about still further reductions in the inflation rate "

The Government's Anti-inflation Campaign does, in fact, contain all three of the elements that were originally proposed It now remains to be seen what impact this campaign will have

If the campaign were to fail, it would not be because there is something inherently wrong with the policy, but because the authorities have failed to apply it with sufficient resolution and skill "It is for this reason," he says, "that prices and incomes policies and anti-inflationary policies in general have so far failed elsewhere in the world "

How can South Africa succeed in an area where other countries have failed? Says Cloete, "There is little doubt in my mind that the key to the solution of the problem of inflation in South Africa is in the hands of our business managers themselves It is largely up to us to see that – in our headlong pursuit of profits – wages are not increased above productivity and prices are not increased at a rate faster than wages

"Unless we accept the measure of discipline that has been imposed on us in a form that represents only a very moderate sacrifice of profits, I am afraid we will plunge steadily deeper into the mire of inflation "

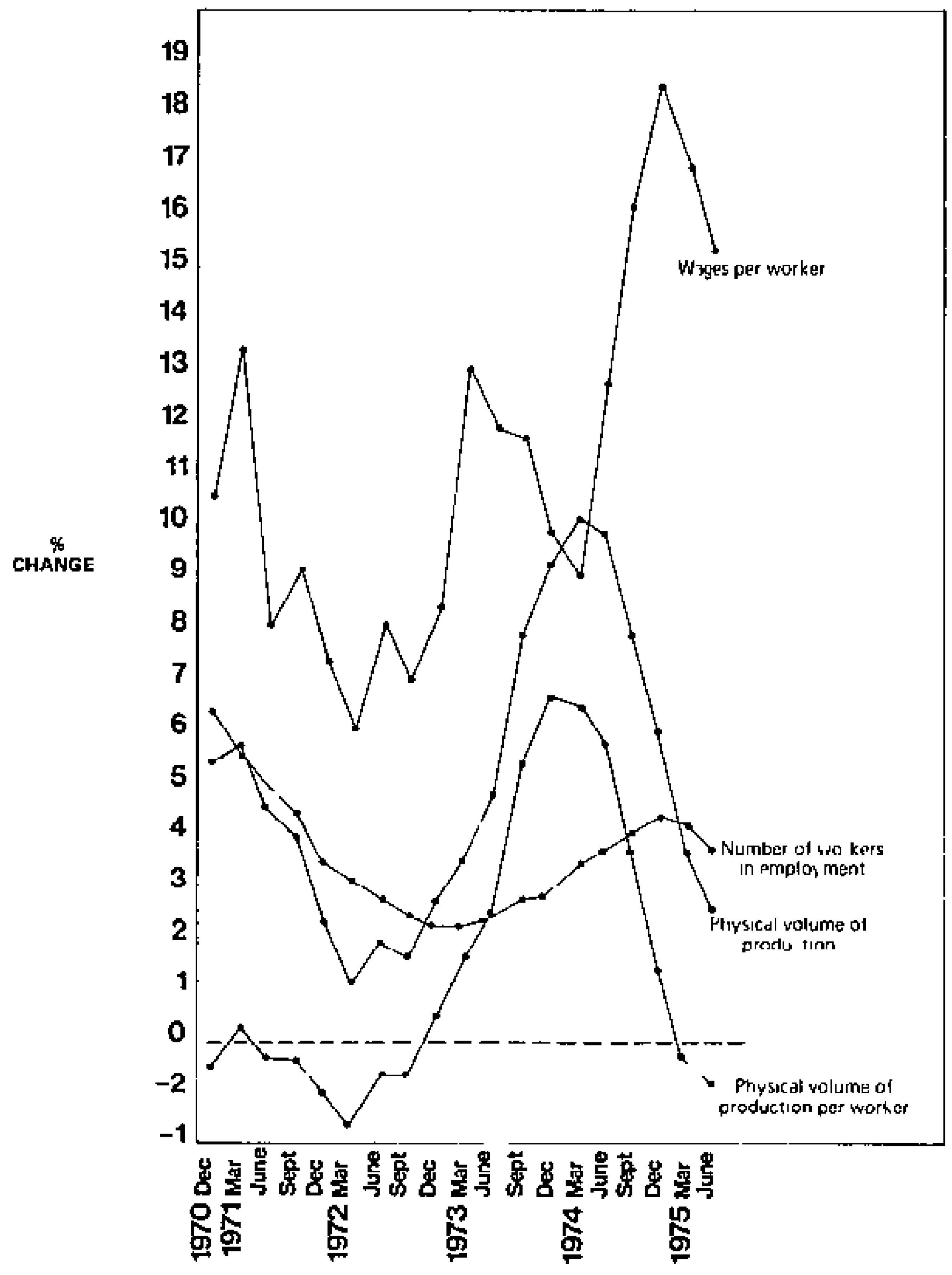
Price/income restraint is one way of containing inflation However – because our inflation is the result not only of an over-supply of money, but also of a low level of efficiency – it is equally important for us to increase productivity and efficiency – that is, to boost output

Much of the material for this section is adapted from the Inflation Supplement to Barclays National Review, December 1974.

place is better equipped to make maximum use of all the means of production This doesn't necessarily mean he has to work **harder**, but he must work **more effectively** "

Figure 4

Productivity and Pay in the Manufacturing Industry



National Productivity Institute

Figure 5

Sales per employee - 1971

United States	39 941
Japan	51 477
Europe	26 216
South Africa	13 197

Top 10 companies – Fortune magazine

Pay

Against South Africa's poor productivity record, we must look at the potential use of goods per head as measured in the growth of wages per worker According to Dr Dawie Gouws, associate professor at the University of South Africa's Graduate School of Business, there has been an imbalance between productivity and pay over the past thirteen years or longer, and our unrealistic salary and wage practices have been a major inflationary factor

"Since at least 1963, the annual increases in average remuneration per worker have been **consistently** higher than was warranted by the corresponding increases in average real product per worker While between 1963 and 1969, the increase in per capita remuneration was 3,6 per cent p a higher than the corresponding increase in real product per worker, during the period 1970 – 1974, it was 8,9 per cent per annum higher – and the gap was increasing " As indicated in **Figure 4,** even when productivity dropped drastically during 1974, wages continued to rise rapidly

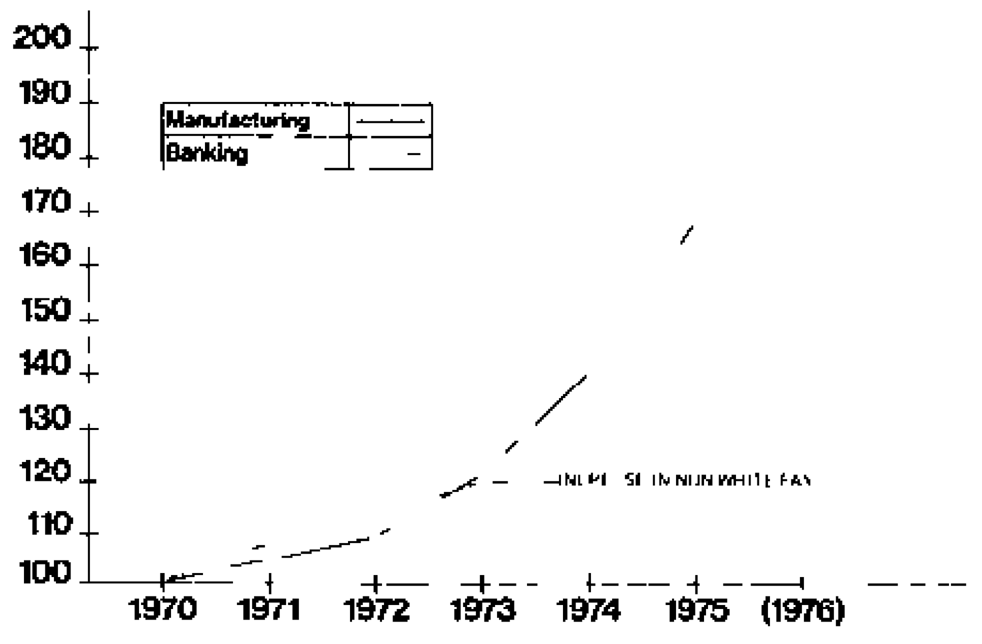
The recent increases in Black wages – which have not been met by increased productivity – have been particularly inflationary Black wages have gone up by about 13 per cent per annum over the past two years, whereas the output of Black workers has gone up by about 2 per cent

"Even after correction for increases in the Consumer Price Index (CPI)," Gouws points out, "the annual increases in per capita remuneration were higher than the annual increases in real product per worker in 9 out of the 11 years between 1964 and 1974

"What", Gouws asks, are the implications of these pay increases for individual organisations?" **Figure 6** shows the escalation of costs of a manufacturing and of a banking operation from 1970 to 1976, in a situation where the manpower composition of the firms has remained constant

Figure 6

Manpower Costs of a Manfacturing and of a Banking Operation 1970-1976



Peromnes Salary Surveys

In 1973 – because of the rapid increase in Non-White pay – costs began rising much more rapidly for the manufacturing operation employing a majority of low-level workers, than for the banking operation In the case of the manufacturing firm, the **basic** salaries and wages bill will have escalated from R7 860 00 p a in 1970 to R14 930 000 p a in 1976

In Gouws' words, "A labour intensive operation faced with this kind of manpower cost explosion (90 per cent in 6 years) would give careful consideration to increased mechanisation and automation If the real growth rate of the economy should lag at the same time, increased unemployment must follow – and this would become a serious threat to social peace "

Since the cost of labour is an important component of the price of most goods and services, there can be no doubt that the pay practices that we have followed over the past decade have contributed markedly to the escalation of prices Gouws continues, "The vicious cycle will be in full swing when we as employees – after having for so long enjoyed increases far in excess of increases in productivity – demand, and get, increases that at least equal the corresponding increase in the CPI The initial losers will be (and already are) those with fixed incomes, such as pensioners, those whose wages are near the subsistence level and those who have low mobility or little negotiating power

"However, if inflation increases by 14 per cent or more during 1976, and present pay trends continue, even the remuneration of higher level Whites will start falling behind There should be no doubt about it – if inflation isn't checked, all of us will eventually suffer "

The productivity figures in this section were provided by the National Productivity Institute, and the pay figures by Peromnes Salary Surveys.

tions have been promised These include the taxation of working married couples which has discouraged some women from working, replacing the sales duty by a system of retail turnover tax, standardising building regulations for all local authorities, investigating service requirements prior to establishing new townships, and simplifying procedures for registering Black labour

The Anti-inflation Manifesto has been criticised on the grounds that it lacks new ideas and that many of the proposals dealing with labour are merely designed to communicate more effectively to businessmen **existing** government policies on immigration, Black training and productivity While this may be true, the reluctance on the part of industrialists to participate in existing programmes — for example, a mere 300 applications for the registration of in-company training schemes have been received since the government's tax concession plan was announced two-and-a-half years ago — indicates that such a reminder is more than timely And the fact that the private and public sectors have committed themselves to operating within the framework of the Manifesto hopefully means that we will see some action

Another problem is that no definite target has been set, although the objective is to get the inflation rate down to single figures According to McCrystal, 7 per cent by the end of this year "should be feasible" The Anti-inflation Committee will also have to take steps to ensure that prices — and wage demands — don't shoot up when the six-month campaign ends in March

Meanwhile, if McCrystal refers to the Campaign as "mobilising the entire nation in an efficiency drive," how is this to be accomplished?

Top management

McCrystal believes that, "If ever we had the chance to get productivity up, it's now We have the tools and the climate is right We must build on this to create the right attitude on the part of employees, management and top management The economic development programme's target for productivity improvement per worker of 2,9 per cent per annum doesn't stretch the individual We must try and get up to the levels of 4 to 6 per cent that have been reached by other more advanced economies And let's not exclude Japan before the recession, which was reaching productivity improvement levels of 10 per cent per annum "

Both McCrystal and NPI's Jan Visser agree that — because productivity improvement is a holistic concept, embracing all facets of the organisation — the responsibility for its implementation rests squarely on the shoulders of **top management** Says McCrystal, "Top management mustn't delegate productivity improvement to a staff department while it concentrates on 'more important things' — like short-term profits "

It must instead take the initiative in implementing productivity improvement drives, and it must set an example to the rest of the organisation through its own more efficient operation

McCrystal believes that management's pre-occupation with next month's, or at most next year's, profits may result in a cutback on training But, he stresses, "training is the **very last place** that we would like to see cutting back " Management should utilise to the full the available facilities for the training and development of workers at all levels — provided that this follows an accurate diagnosis of training needs and forms part of a comprehensive programme for organisation development

McCrystal and Visser see the personnel manager's role in boosting productivity as one of creating a climate in which top management is prepared to undertake its multi-dimensional productivity drive The personnel manager will also assist in actually implementing the productivity improvement programme through providing specialist personnel and training skills formance and contribution of divisions or functions, and they may relate to specific products, markets or levels within the company

INDICES

The next step is the identification of indices reflecting performance trends in the key result areas selected The relevant index may be an output/time ratio or an output/wage ratio or single figure measurements such as wastage level, customer complaints, or debtor age It's important, Jackson stresses, that monitoring of the chosen index (by means of a chart or daily print-out) is communicated, understood and accepted by all those who can contribute to its rise and fall

CAUSES

Now the problem analysis process begins What influences are causing the results to be unsatisfactory? The possible alternatives vary enormously depending on the nature of the business, but in most enterprises they might include matters relating to

- marketing — e g , uneconomical product ranges
- finance — e g , unsound credit policies
- work organisation — e g , cumbersome methods and procedures
- work competence — e g , skill deficiency in employees

STRATEGIES

A decision must now be made regarding the strategies to be adopted to reduce costs, improve efficiency and boost revenue The selection of strategies is naturally dependent on the analysis of causes and the location of the problem in terms of level and function Typical strategies might include method improvement, organisational restructuring, better staff selection, training, supervision, communication or reward, or streamlining of administrative systems

OVERALL PLAN

The establishment of co-ordinated plans, the allocation of specific personal accountabilities, and the definition of realistic targets and deadlines, must precede the implementation of the action

MONITORING PROGRESS

The final step is the creation of a system for **monitoring** progress and feeding back results and for **motivating** progress through setting up a reward system that rewards productive effort, both by individuals and teams

Cost

Many managers will ask, "How can we find the time to do all this in addition to our day-to-day jobs? How can we afford the commitment not only of time but also of money and personnel?" The answer depends on an analysis of the cost of living with present problems, and a comparison of this with the cost of solution, analysed over a two to three year period

Jackson believes that, all too frequently, managers compare the cost of solution with the cost of not implementing that solution in the sense that 'not implementing' is so much money saved "The true comparison – of the solution plus its likely impact on savings and revenue, with the cost of unresolved problems plus their impact on market standing and internal efficiency – is seldom made In terms of this second type of analysis, the solution is unlikely to prove more expensive than the problem "

Structure

It is one thing to list a number of isolated factors influencing productivity, and another to be able to co-ordinate these within a framework that spells out who should do what, in what order There is hardly a person in the organisation who is not likely to become involved in some way or another, but the nature of that involvement will differ

Figure 7

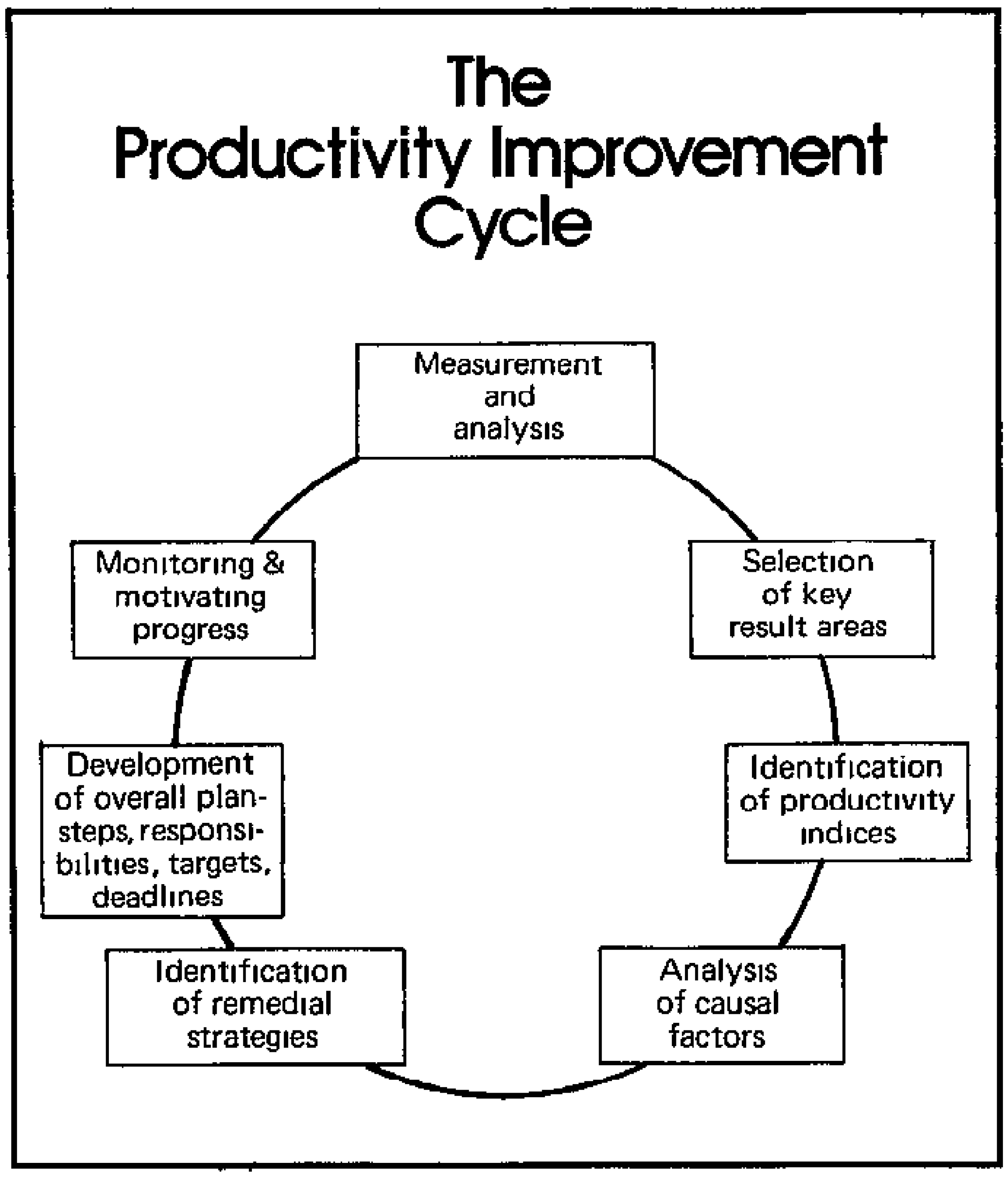
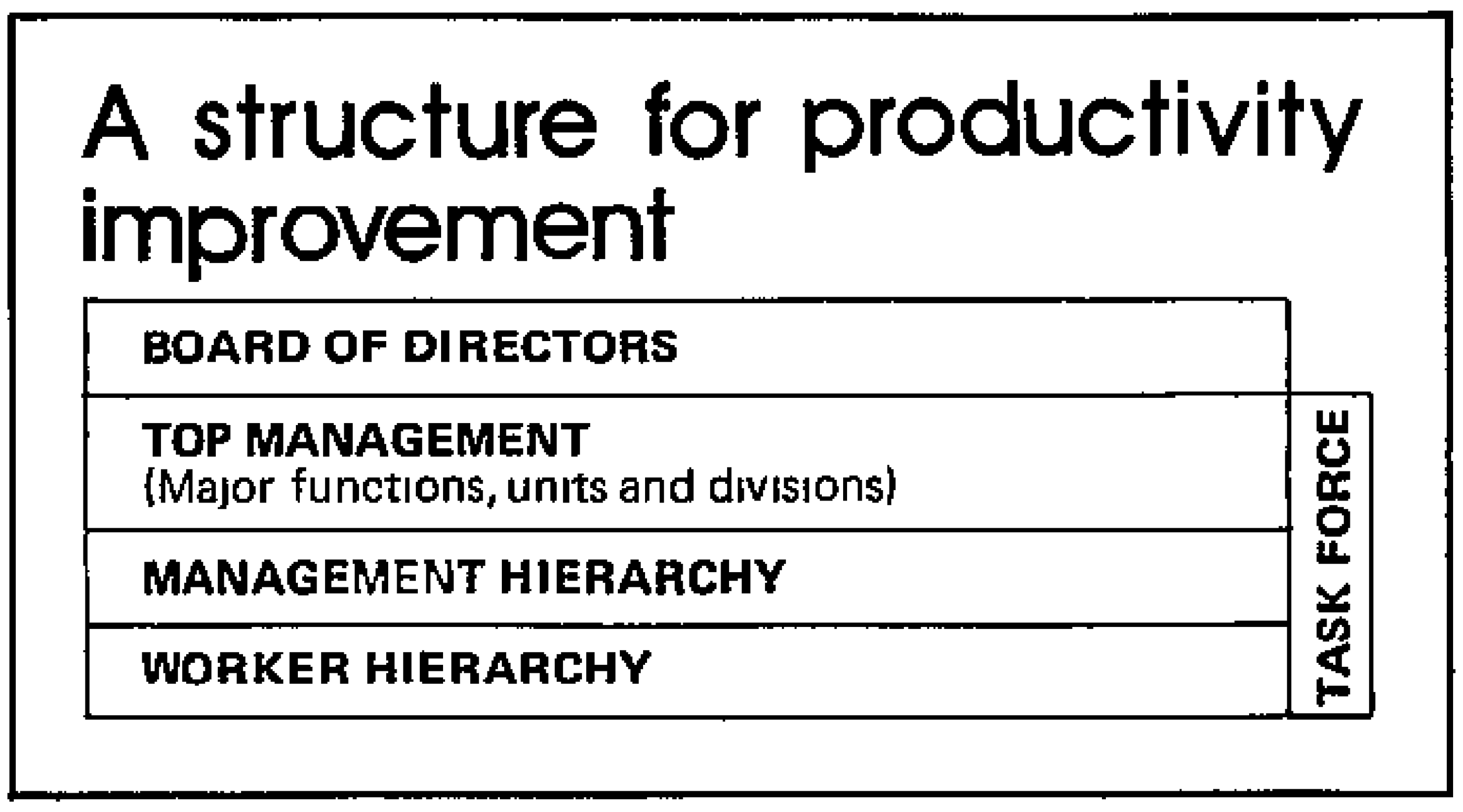


Figure 8



The five structural elements which are particularly important in productivity improvement are shown in **Figure 8.** They are the board of directors, top management, the management hierarchy, the worker hierarchy and the task force, which comprises representatives from each of these levels

Strategy

We come now to the strategy by means of which the key factors for productivity are set in motion within the structure of the work force

The Institute of Personnel Management's action plan for productivity improvement consists of ten steps These are shown in **Figure 9** and set out below

BOARD-LEVEL APPRECIATION

The first step — and for that matter, the plan as a whole — hinges on the realism of the board of directors Jackson believes that, "Truly economic attempts at productivity improvement must derive their initiative, their authority, their direction and their sustaining force from this level Somehow, the board must be persuaded to commit itself to the cause of productivity improvement — or the programme will run out of steam "

The directors must be convinced of the need for productivity improvement and made aware of the problems that companies typically encounter in achieving it They must have some understanding of the key factors related to productivity improvement in various types of business enter-

Figure 9

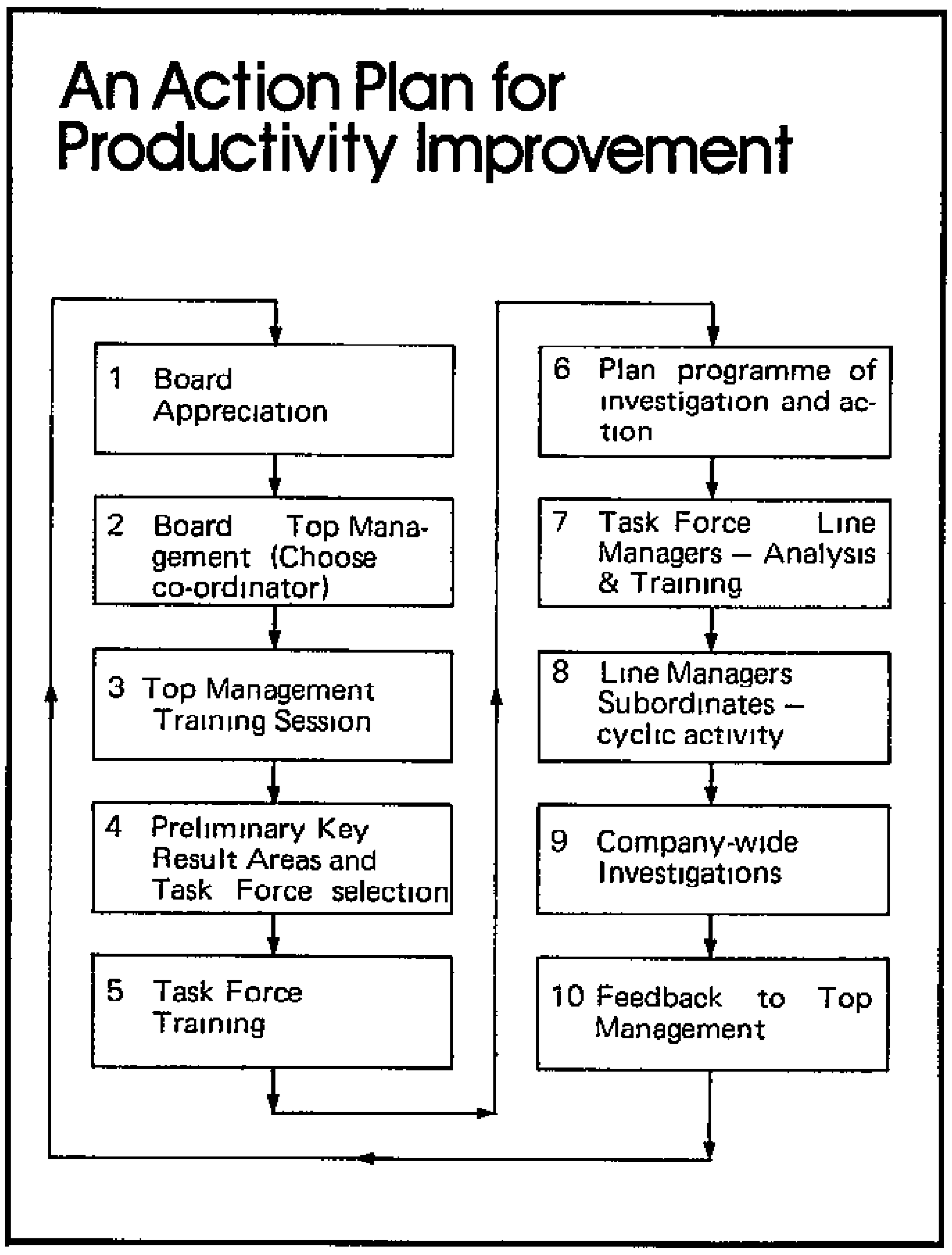
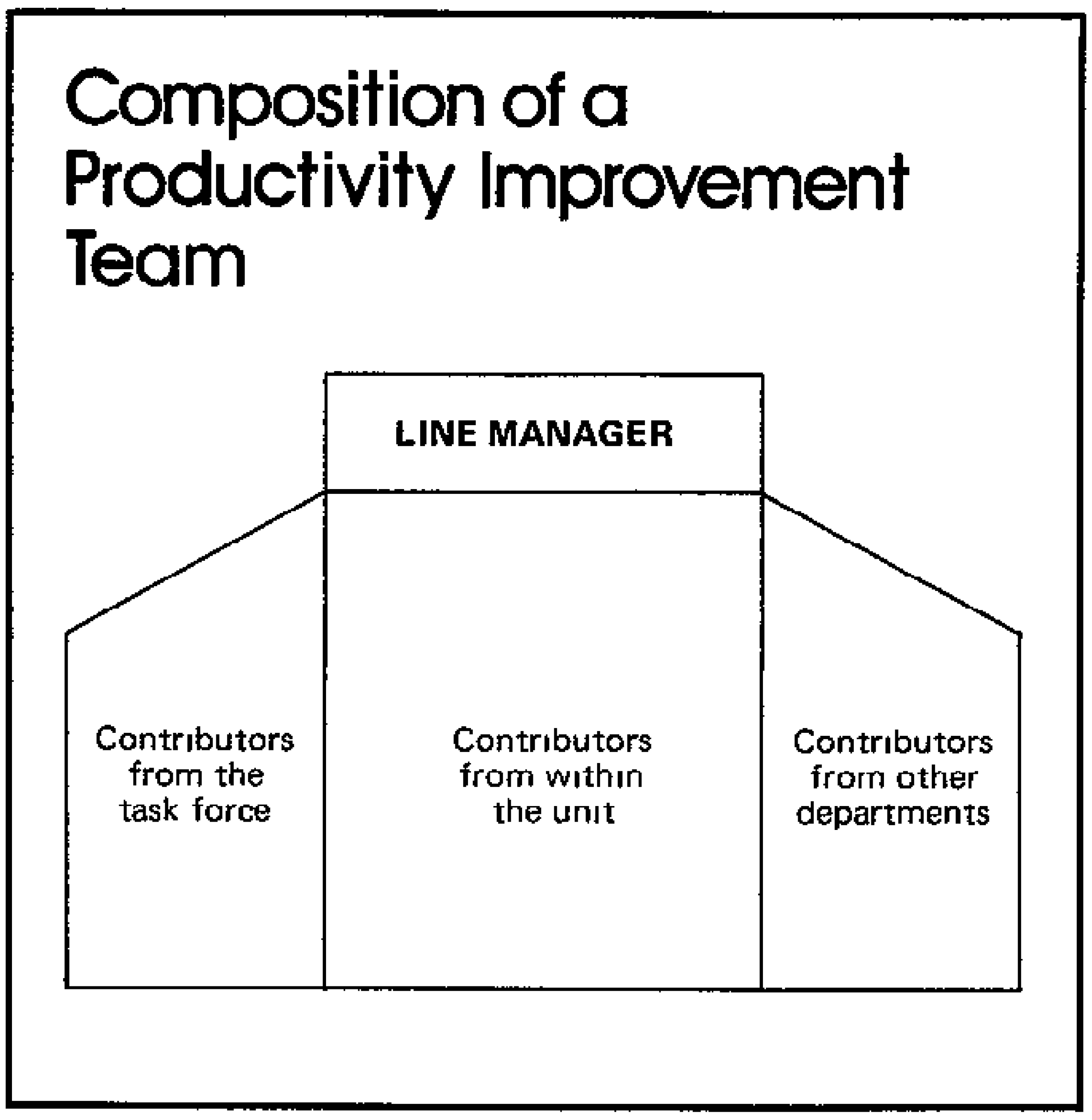


Figure 10



prise and the kind of interaction between supervisors and subordinates which will lead to its achievement They must study the strategy required to achieve this end result, and decide who needs training in order to bring about the change Finally, the implications for responsibility at top management level must be analysed

The immediate steps which confront the board if it wishes to proceed with the action plan include a detailed discussion with top management and, in collaboration with them, the selection of a task force co-ordinator

TOP MANAGEMENT COMMITMENT AND SELECTION OF TASK FORCE CO-ORDINATOR

The next step is the discussion with the top management team including representatives from all major functions, divisions and operating units These are the people who must commit themselves to successful management of the programme They have the authority to ensure that all sections of the organisation contribute to the programme, and it is their determination and discipline which ensures that the all-important monitoring and feedback of results happens

Top management must be given an outline of the entire action plan and its implications for people at various levels in the company

If the plan is accepted, top management and the board must select a co-ordinator to lead the task force This person is critical to the success of the whole programme In Jackson's words, "He or she must be the manager who the company can **least** afford to spare Delegating the responsibility to a man near retirement as a token of management's esteem for his loyal service will be the kiss of death for the whole project "

TOP MANAGEMENT TRAINING

The next step is for the co-ordinator and the top management team to undergo training to equip them with the knowledge and skill to fulfil their responsibilities In addition to reviewing the picture presented at board level, the training must deal in depth with six very important responsibilities which top management must fulfil The first concerns an initial identification of key result areas for productivity improvement in terms of company perspectives The emphasis is on determining the areas where effort and attention is likely to yield the greatest benefit, and the analysis is critical because says Jackson, "It determines the direction and emphasis of the whole programme It also influences the second responsibility, which is to select the remaining members of the task force "

The third responsibility of top management is to determine at company level the indices which will measure progress and the sort of objectives or targets which should be achieved Equally important, top management carries the responsibility for planning the sequence of action plan activities at company level, and the introduction of the programme to the company

Top management is also responsible for authorising a review of any company-wide systems on which the success of the programme may depend Finally, it is top management's responsibility to monitor progress on the action plan Strategies for doing this effectively must be discussed in detail during the training session The training should focus finally on the immediate action steps required

KEY RESULT AREAS AND TASK FORCE SELECTION

The training enables the action plan to move into its fourth phase – preliminary identification of key result areas with potential for productivity improvement In terms of this analysis, it is possible to select the members of the task force These must include people with technological know-how relevant to the areas and functions which are to be the focus of the programme This phase is carried out by top management together with the task force co-ordinator

TASK FORCE TRAINING

Now it is the task force's turn for training This, according to Dave Jackson, is the most critical of all the development sessions, for, through the task force, key skills will have to be communicated to line managers and supervisors, enabling them successfully to achieve the cyclic process of activity leading to productivity improvement There are a number of reasons why an independent inter-disciplinary task force is required

"To begin with," Jackson says, "special effort to improve productivity requires time and normal business activities and the priority of 'keeping the wheels turning' squeezes out the additional tasks and actions required unless they are the **prime** responsibility of some individuals Secondly, the very sections of the business where improvement is most jusfified will tend to be those where vested interests will resist

he multiracial face of Tucsa

In a country where both law and ejudice segregate people of different ces in almost every facet of life it is not ten realised that one organisation anscends these racial barriers.

That organisation is, of course, Tucsa which had a non-racial constitution ever since its ception in 1954. For more than 21 years there ve never been any limitations on the direct rticipation of its non-White members as posed to its White members.

TUCSA at present comprises some 62 trade ions, and of those 62 only 11 are White unions; of the unions are Coloured or Indian unions; are "mixed" unions, (White Coloured and dian membership), and 3 are African trade ions.

These 62 trade unions represent some 2 304 individual members of which 61 835 are hites, 148 169 are Coloureds or Indians and 300 are Blacks. It can thus be en that by far the majority of the membership the Council consists of non-Whites.

VOTING RIGHTS

What is even more important, however, is to ok at the composition of the governing bodies of JCSA. The premier governing body is its ational Executive Committee, whose members e elected at annual conferences, when equal ting rights apply for all individual members of e Council.

The 21st Annual Conference of the Council cted the N.E.C. members in a pattern that has ained virtually unchanged over the last few ars, which is basically a form of electing stman Government, irrespective of race, lour, or creed.

ine present N.E.C. of TUCSA has in its 25 mbers, fivepersons who are either members of Coloured or Indian groups. The rest are all hites, but in many instances these Whites are officials of either the 'mixed' trade unions, or officials employed by the Coloured or Indian unions.

If a clear differentation had to be made as to which persons on the N.E.C. of TUCSA are representing purely White interests, then only 3 persons fall into this category. However, because TUCSA is a non-racial institution, it does not like to have individuals labelled as representing a particular racial group. They are elected as representative of the total membership of TUCSA, irrespective of the racial group to which they belong.

Of significance is the fact that of TUCSA's Vice-Presidents, two of the six are Coloureds — the First Vice-President of TUCSA being a Coloured!

Of the Council's 11 specialist committees, approximately half of the membership of these committees consist of members of the Coloured and Indian racial groups, and in addition, not only Coloureds and Asiatics, but also Africans are co-opted into serving on these Committees, in view of their specialised knowledge in certain subjects.

There are five Area Divisions as part of the structure of TUCSA and a classic example as to how non-Whites actively participate in the activities of TUCSA, and in the decision-making bodies of the Council, is to quote the composition of the Officers' Committee of the Natal Area Division of TUCSA.

The Officers' Committee of this Area Division consists of five people — a Chairman, Vice-Chairman, Secretary/Organiser, and two Trustees. The Vice-Chairman and one of the Trustees of the Natal Area Division are members of the Asiatic racial group.

TUCSA works on a system of universal franchise and open elections for positions on the various committees and boards of TUCSA. It is one of the few institutions in South Africa which can proudly claim that it functions as a meritocracy.

atecrashers at the annual conference

A group in Durban is, Tucsa believes, trying capture control of the African trade union vement in South Africa and to do so finds it ecessary to prevent African unions from king up with the other registered unions in country. We suspect this is the reason why ve Durban African unions invited to this year's ucsa conference did not attend but instead the oup referred to the Durban-based Trade Union dvisory and Co-ordinating Council (TUACC), ied to gatecrash the conference in the name of five unions.

The group did not succeed, because they iled to prove to the satisfaction of Tucsa's redentials committee that they were the operly elected delegates to represent the five nions.

The TUACC, incidentally, announced in a atement in Durban before the Tucsa onference that it had decided it was emature" to join Tucsa and that it would try nd set up a national conference of unregistered nions — supportive evidence to us that an effort being made to fence off the African unions, to up them in a kraal away from the established ade union movement.

The reasons advanced for doing this are that is more important to get co-operation between e Black and other unions in the factories, that e Black unions have common problems and so ust stick together and that Tucsa s"maintained a policy of apparent disinterest" the relationships its member unions establish ith Black unions.

Our reply to the first claim is that if African ions want to co-operate with the other unions people to start co-operating with are the ders; co-operation at leadership level brings [illegible] help they need from their fellow workers.

Our reply to the second point, that Black workers have common problems and so must stick together, is that there is nothing to stop them from doings so - but this should not mean rejecting co-operation with other workers.

The garment unions have a consultative committee because they have a common industry with common problems, but they are still in Tucsa.

Our reply to the third point, that Tucsa has "maintained a policy of apparent disinterest" in the relationships its member unions establish with Black unions is that this is a lie. Without actually interfering in the affairs of its member unions (which Tucsa's constitution prohibits and which its member unions themselves would never tolerate) Tucsa has unceasingly over the years urged its member unions to encourage and assist African workers to organise and the fact that there is an African trade union movement at all is testimony to this.

PRESSURES

These pressures by Tucsa over the years have generated a climate in which African unions are now beginning to take off, and with the co-operation and friendship of other unions we hope they will flourish and give stiffening to the whole trade union movement in the interests of everyone.

This attitude of Tucsa, which the Durban group find so lacking, goes back a long, long way: in fact South Africa's biggest African 'union, the National Union of Clothing Workers, was born out of it long before the TUACCfounders ever came on the scene.

OFFICE-BEARERS FOR THE NEXT YEAR

At Tucsa's recent annual conference in Cape Town the new president and six vice-presidents who together comprise the Officers' Committee, which runs Tucsa's day-to-day business, were elected.

They are E. Van Tonder, president; R. C. Webb, first vice-president; A Malherbe, second vice-president; L. C. M. Scheepers, third vice-president; J. Daniel, fourth vice-president; L. A. Petersen, fifth vice-president, and C. A. Botes, sixth vice-president.

Three alternate members of the Officers' Committee, who polled the highest number of votes in the Transvaal and who may participate on the committee when any of the other officers are absent, were also elected

The are L. R. Findley, A Klein, and H. B. Barnard. Members elected to the National Executive Committee who live within 80 kilometres of Tucsa's headquarters in Johannesburg are: L R Findley, A. Klein, H. B. Barnard, O. J. Oosthuizen. M. Kagan, B. J. Smith, A. Hammon, J. F. Barnard (Mrs) T. De Klerk (Mrs.), B. Flusk (Mrs), G. Burrell. A further six living further than 80 kilometres from Johannesburg were also elected They are G. Munsook, J. R Altman, C Du Preez (Miss), D. C. Benade, N. Daniels, L. W. Allen

Wage Board probe into laundry trade

The laundry and dry cleaning and rubber and rubber products industries fall under the Wage Board's scrutiny during November

The following are the dates and venues for the Board's public sittings to hear evidence:

November 10 — Pietermaritzburg, laundry and dry cleaning trade;
November 12 — Durban, rubber and rubber products;
November 17 — Pretoria, rubber and rubber products.
November 19 — Johannesburg, laundry and dry cleaning;
November 24 — Worcester, laundry and dry cleaning;
November 25 — Cape Town, rubber and rubber products;
November 26 — Kimberley, Port Elizabeth, East London and Bloemfontein, dry cleaning and laundry.

The Wage Board has completed investigations into the wool industry and the brush and broom industry and is busy compiling its reports and recommendations for these industries.

In the pipeline is an investigation into road passenger services in the Pretoria-Witwatersrand- Vereeniging complex. Hearings may be held before Christmas.

LETTERS

The General Secretary,
Tucsa
Dear Mr. Grobbelaar,

This is just a note to thank you once again for your invitation to attend the proceedings of your Council's twenty-first annual conference.

I am very grateful for having been given the opportunity of attending the conference It taught me much, not only, about labour and Tucsa matters but also and [illegible] about the competent, mature and responsible [illegible]

RDM 8/1/76 RDM 8/1/76 (150A)

We want new manifesto, say labour men

By CLIVE EMDON
Labour Correspondent

THE TWO major labour federations, representing more than 400 000 workers, say that when signatories to the Government's anti-inflationary campaign meet in Pretoria today there is little chance of the federations agreeing to a six-months extension

The Minister of Economic Affairs, Mr Chris Heunis, and the Price Controller and Secretary for Commerce, Mr Joep Steyn, meet today with 60 representatives of industry, commerce, agriculture, labour and the State to review he campaign

It is known that the State, organised agriculture and certain manufacturing interests will propose an extension of the austerity programme six months beyond April — "to ensure that the full effect of the campaign is felt throughout the economy."

However, Mr Attie Nieuwoudt, president of the SA Confederation of Labour, said yesterday. "There is no chance of us agreeing to any extension.

And Mr Arthur Grobbelaar, general secretary of the Trade Union Council for South Africa, said: "We are not prepared to enter into another six month period unless the manifesto is totally redrawn We would want significant changes."

Mr Nieuwoudt said the unions he represented — White workers in the Railways, Iscor, mines and municipalities — would not agree to any extension of the programme.

They had made sacrifices through their full commitment to the programme and had been through hard times Despite a firm commitment to the programme by industry and commerce, prices had continued to rise

Mr Grobbelaar spelt out the kind of changes in the programme Tucsa would demand before agreeing to any extension:

- The programme would have to be broadened to include some interests not a party to the programme — such as banking and other financial institutions, particularly the insurance companies.
- Bigger sacrifices had to come from wage earners in the higher income groups. The unions had agreed to curtail COL demands to 70 per cent of the rise in the Consumer Price Index.

Those earning R9 000 to R12 000 a year should have their salary rises cut to 50 per cent of the CPI; those earning R12 000 to R15 000 a year to 75 per cent of the CPI, and those earning more than R15 000 should not receive any increases during the programme.

- The current minimum wage level to which the programme applies is R125 a month at present This should be raised to R300 a month.
- Loopholes in the manifesto should be closed to ensure stronger commitments from entrepreneurs.

AFFLUENT

Mr Grobbelaar said the more affluent sections of society had been the cause of inflation and should make the greatest sacrifice

He said Tucsa felt the publicity campaign organised to run during the programme had not been the success it could have been

In the first three months of the campaign six Tucsa unions — representing about 70 000 workers — had negotiated new wage agreements

More than half of these workers were in wage categories which were not affected by the campaign, but about 24 000 bank workers, to whom it did apply, gained an 8,5 per cent rise.

SUN. TRIBUNE 14/12/75

MORE WORK ... SAME PAY

White-collar workers told: Give up your Saturdays in fight to beat inflation bogey

(150A)

CLERKS, secretaries and other white-collar workers will find themselves working longer hours without extra pay at more than 50 companies next year.

The companies have decided to bring in a 5½-day working week for their monthly paid staff as an anti-inflationary measure.

More than 4 500 workers, Black and White, are already affected in a move which could snowball through the country.

By ROLAND STANBRIDGE

The scheme has been started in Cape Town at the head office of the Murray and Stewart group of companies. Their subsidiaries have been asked to follow suit.

Spokesman for other large employers told the Sunday Tribune yesterday that they would also consider adding Saturday mornings to the salaried staff's working week if the scheme appeared satisfactory.

duals are better off under a capitalist system than any other."

Under the new scheme, white-collar workers will not be required to work every Saturday morning.

Cont

The list

The industries involved include electrical, mechanical and other specialist contractors, quarrying firms, brick manufacturers, construction concerns, ship repairers, producers of metal pressings for motor cars, helicopter services and many others.

The Bureau for Economic Research at the University of Stellenbosch has welcomed the move and Mr Attie de Vries, deputy director of BER yesterday called on the Government to start a 5½ day working week in all its departments.

The problem

"It does create some problems if Government departments are not open on a Saturday morning to get licences and so forth, so perhaps it would help if the service industries introduced a 5½ day week."

Two reasons for the decision to introduce longer working hours have been given in a statement by Mr D. E. Baker, managing director of the Murray and Stewart group.

It was anti-inflationary, and white collar workers would be brought closer in line with workers at country sites, many of whom worked a 7am to 7pm seven-day week.

A group spokesman said such moves were essential if capitalism and freedom were to survive.

"With Marxist states building up on our borders, it becomes imperative that we prove to labour forces that indivi-

Public relations officer Mr Tim Cartwright said: "The two main problems are that there is a certain amount of sport on Saturday mornings and, in the case of women employees, shopping. But there are shops that stay open in the evenings.

The effort

"It's very unfair that a chap here should have time to go home, play squash, go to his club and then have a good dinner. It just doesn't seem right, with the effort put in on site.

"At Rossing uranium mine, people work 12-hour shifts, seven days a week and get every eighth weekend off.

"At Saldanha Sishen, people who for four years have been working a 12-hour day definitely have picked up the feeling that they are 'carrying' the people in the offices."

Mr Cartwright said he thought the 5½ day concept would snowball.

A warning that the five-and-a-half-day week might not lead to increased production came from the Bureau of Economic Research.

Said Mr Attie de Vries: "If the people spread their usual work over five-and-a-half days then it's no use"

He added: "This whole business is, in a way, unique for South Africa in that, in the past they have all clamoured for a shorter working week and more pay. Now it's the other way round." It does show a change in attitude on the part of the workers. I find this very encouraging."

Inflation fight extended

150 A

DD 9/1/76

PRETORIA — The signatories to the anti-inflation manifesto have agreed that the campaign should be extended for a further six months to the end of September.

This was announced last night by the Minister of Economic Affairs, Mr Heunis, after an all-day meeting of the signatories here yesterday

Mr Heunis said a marked measure of success had been attained in the campaign by the co-operation of the various constituent organisations, institutions, their members and the general public

"The signatories undertook to discuss the scope, nature and contents of the continuation provisions with their constituents," he said

It was generally agreed that while the effect of the campaign on the rate of inflation could not be measured in specific percentage terms, this effect would have been much more noticeable had it not been for the shorter term inflationary effects of the unavoidable devaluation of the rand

It had been agreed at the meeting that for the further effective implementation of the programme, detailed information as far as possible of the public sector's contribution in furthering the objectives of the campaign should be made available to the general public.

"There has been a request that the Minister of Economic Affairs meet the Conference of Editors to discuss ways and means of further and closer co-operation between the committee and the press.

"It is imperative that everybody should understand that the programme does not involve a general freezing of wages, salaries, prices and profits," the minister said

The committee re-emphasised that the programme provided reasonabl room for limited adjustments in the wage and price structure to safeguard the legitimate interests of all sectors, to avoid inequitable sacrifices by particular sections of the community and to prevent distortions in the economy

"I would like to conclude by appealing to everybody involved to co-operate and assist as in the past in making the programme a success and thus obviating the need for other measures to be introduced," Mr Heunis said.

A further meeting of the committee would be held on February 12

The chairman of the Federal Consultative Committee Council of Railway Staff Associations Mr Neels Botha said last night the railway unions would ask the Minister of Transport for substantial cost of living relief even if the anti-inflation programme was extended.

Mr Botha said railwaymen were at the end of their tether and needed financial relief urgently

They were prepared to play their part in the inflation struggle but were not convinced that all those who should be involved were making the same effort

Mr Botha said prices were rising daily and the Government appeared to find justification for the increases — DDC SAPA.

CoL soars as price-war ends

EAST LONDON — The pre-Christmas price-war is over and the cost of a wide range of groceries has shot up an average of 10 per cent over a week

The prices of tea, coffee, cereals, toiletries, some baby products and certain varieties of canned foods are starting to soar and many other articles seem certain to follow

Devaluation of the rand, the effect of which is only now beginning to be felt, is blamed for the upsurge in the cost of living.

The biggest price hike is for coffee, up 25 per cent

East London's chain store manager, Mr N. Bing, said that as Christmas stocks were depleted he has had to order new stock and pay new prices

"Everyone held back until January and then had to put up their prices," he said.

Mr J. Shaw said his store had not yet put up their prices but said they would definitely be up within the next few weeks.

"The only thing we can do is cut profit down even more, and it's getting ahead of us now We can't cut much more," he said.

Mr Shaw said he anticipated many commodities to increase by more than 10 per cent

Another store manager, Mr T Carroll, said the increases were difficult to assess, but certain commodities were definitely going up

He said company policy was to buy ahead so the increases would not necessarily affect them soon because of their large stock. —DDR

Chou dies of cancer

TOKYO — Chou En-lai, Premier of the People's Republic of China since its creation in 1949, died yesterday in Peking after a long illness

The 78-year-old descendant of Mandarin forbears, who turned communist revolutionary in his youth, had been confined to a hospital for much of the time since 1974 when he was stricken with a heart ailment

His death was announced by the official Hsinhua News Agency, monitored in Tokyo He was said to have died from cancer. — SAPA-AP

(150 A)

Some doubts as costs pact is extended

STAR 9/1/76.

Labour Reporter

The signatories of the manifesto against inflation have reached "general consensus" that the programme should be extended to the end of September

But adaptations to the original provisions of the manifesto were not ruled out today as the various parties prepared to put the six-month extension to their members.

The president of the Confederation of Labour, Mr Attie Nieuwoudt, said he was arranging a special meeting of his organisation within a fortnight.

His membership was worried about the rising cost of living and might not be in a position to go ahead with the anti-inflation programme in its present form for an additional six months

"Serious attention must be given to Government employees who have been making sacrifices in excess of the provisions of the manifesto," he added

"In effect these people have been experiencing a wage and salary freeze for the past 1 months".

Included in this group were teachers, about whose position he was particularly worried

In a statement after yesterday's meeting, the Minister of Economic Affairs, Mr Heunis, said a marked measure of success had been attained in the collective programme against inflation.

It was imperative that everybody should understand that no general freezing of wages, prices and profits was involved, the Minister said

He concluded with an appeal for co-operation and assistance in making the programme a success, thereby obviating the need for other measures

Mr Harry Schwarz, the Progressive-Reform spokesman on finance, said in Pretoria today that the Government was doing the least and the little man the most in the inflation battle

He called on the Government to curb its spending, "especially its ideological expenditure," and asked for more information about the Government's anti-inflationary activities

Higher rail pay demand in offing

Pretoria Bureau

Railway workers are poised to demand more pay to compensate for the rising cost of living

Mr J Zurich, president of the Artisan Staff Association, said in Pretoria today, that his 20 000 members have contributed their share in the anti-inflation programme

They have made wage demands, but have decided to wait until April when they would have an interview with the Minister of Railways

He said he did not have details of the latest anti-inflation programme, but his members were not prepared to wait another six months They already estimate they should be compensated by a 20 percent wage rise

The association would hold its annual meeting in March in Johannesburg and wage demands would be the most important item on the agenda

The SA Footplate Staff Association will hold an executive committee meeting soon to decide on their next steps in pressing for higher pay

QUESTIONS AND ANSWERS

The war on inflation

FM 30/1/76

1504

If the inflation rate is down to single figures by the end of the year — and stays there — much of the credit will go to Economic Affairs Minister Chris Heunis. He's the man charged with ensuring the success of the Anti-Inflation Programme.

Are you disappointed with any aspects of the campaign so far?

There has been a marked measure of success I don't want to imply for one moment, that there is no room for improvement.

An improvement that could be made would be to ensure that the sectors that have not been involved by actually signing the agreement should now become involved We are taking steps to arrange this

The professions should be brought into this the legal profession, the medical profession, the architects, the engineers, and also financial institutions and insurance companies

Are there people who have committed themselves to the programme but not lived up to their commitments?

Apart from exploitation in certain instances my Department has identified, people have been adhering to the commitments of the programme I think the inflation rate is evidence of that

In price-controlled industries like Iscor is there not a danger that prolonged restraints on price increases will so erode their profitability as to do real damage to their financial structures?

I wouldn't want to discuss Iscor because it's a State corporation with certain wider responsibilities which distinguish it from private enterprise

As for private enterprise, it is clear in the programme that only under circumstances where the profitability of companies exceeds a certain margin in terms of return on capital do they have to absorb part of their cost increases

I think if the danger mentioned by you had in fact existed then all the undertakings subject to price control would have been out of business today, because the yardstick for price disciplines that we have formulated under the programme is very much in line with the general policy which is being applied by the government with respect to price controlled undertakings. What we tried to do was put the non-controlled undertakings temporarily on the same basis as the controlled ones

At the moment we are at a low level of economic activity. The sacrifices that are being made by private enterprise in terms of the programme are not as great as one might think

The 15% cut-off point is for some industries a very low figure. Is there not a danger that the mood of the programme will tend to cut into profits just when profits should be rising so that we can encourage a new investment upturn?

Theoretically you are right But you must understand industries have bound themselves to this programme and the impression that I have is that the industries are prepared in the short-term to weather that particular problem so that in the longer-term they can improve their position

Would fiscal and monetary measures not have been a more effective way of slowing the inflation rate — without resorting to the Pretoria manifesto?

If you think you can solve this problem only by monetary and fiscal measures, I believe you are completely misinterpreting the causes of inflation, because the causes are not only to be found in excess money supply, for example

> "If you think you can solve this problem only by fiscal and monetary measures, I believe you are completely misinterpreting the causes of inflation."

It is generally accepted by all economists of standing that we have cost-push inflation The National Productivity Institute has undertaken investigations in respect of measurable levels of productivity of seven industries With one exception they found that these industries have not performed to 50% of what could be expected of them. Is there not reason then in general terms at least to improve productivity?

Do you think that improving efficiency brings down the rate of inflation?

Of course it does.

Why has government delayed announcements of increases in certain administered prices — tyres for instance?

I know of no government announcement that has been issued about the recent increase in tyre prices or, for that matter, about any increases in administered prices With few exceptions, such price increases are not formally announced by government

It is, however, a long-standing practice that decisions by government in respect of applications for price increases do not necessarily become effective immediately they are taken

In fact, it frequently happens that such decisions are taken well before the relevant price increases may be made effective The applicants are then advised of government's decisions on a strictly confidential basis, particularly since some of them need some time to have new price lists published and issued to their dealers.

In the case of the recent tyre price increase, the Press apparently came to know of government's confidential communication to the industry that its prices could be increased as from January 1976

Unless this disclosure of confidential advance notifications to price increase applicants of the government's decisions on price increases can be effectively eliminated, we will have no alternative but to discontinue the procedure of advance notification, since it is clear that disclosure to the public of this type of information invariably results in a consumer scramble for supplies at the lower prices before the increased prices become effective, and a consequent disruption of distribution of the relevant commodities.

By tampering with the passing-on of devaluation costs, are you not in fact destroying some of the purpose of devaluing?

I don't think so It depends on the priorities that you have as your objectives

After all, devaluation was intended for the purpose my colleague, the Minister of Finance, indicated at the time. Because of the depression in other countries our exports had gone down, the price of gold had gone down considerably, there had been speculation against the rand, and the leads and lags went against us. We devalued to protect our reserves and our balance of payments on current account. Naturally we had to see how the inflationary effect of devaluation could best

Africa — is there still time?"

? F.M. 19/12/75

150A

That the guidelines of the anti-inflation programme aren't as voluntary as you might think?

Honorary life president of the Transvaal Chamber of Industries, Ernest Klopfer, this week appealed to Chamber members to co-operate in achieving the aims of the programme. He reminded them that "the Price Controller wishes to be informed of *any* (our italics) proven price increases which have taken place since October 7 1975, in order to establish if such increases have been justified and sanctioned by his department".

Surely the implications of such disclosures go beyond the "voluntary" nature of the anti-inflation guidelines?

?

F.M. 9/1/76

150A

What's Steyn going to do ?

The anti-inflation pact has made its mark and support is growing for its extension. But is that the best way to cool expected price and wage demands?

The Anti-Inflation Campaign has passed the half-way mark Or has it?

Despite last October's agreement between government, employers, trade unions and farmers to stick to specific wage and price guidelines until the end of March, it's now on the cards that some restraint will be called for after that. Indeed, extension of the guidelines beyond March 31 was on the agenda of yesterday's meeting of the Anti-Inflation Continuation Committee which meets regularly to review the campaign.

The *FM*'s enquiries reveal a strong groundswell of opinion in favour of extension. Not only has Secretary for Commerce Joep Steyn warned that government will not tolerate massive price increases after the end of March, many leaders in commerce and industry support some form of extension SA Agricultural Union's Chris Cilliers, for instance, would like to see guidelines maintained for up to two years, though most go for a three- to six-month extension.

One exception is organised labour Says Tucsa General Secretary Arthur Grobbelaar "I won't be prepared to recommend extension of our commitments beyond the end of March without substantial revisions to the restrictions"

It's not unlikely revisions will be made to favour labour It's recognised (even among some employer groups) that wage restraints cannot stick much longer without causing widespread dissatisfaction among workers And the main economic effect so far of the anti-inflation pact has undoubtedly been a squeeze on wages rather than prices — not only have negotiated wage settlements been smaller than they might otherwise have been, but the manifesto has given many companies a ready excuse to chop Christmas bonuses and salary increases

What can be gained from continuing the campaign after March 31? Those in favour argue it has only just started to gain momentum and that an every-man-for-himself may erupt if wage and price restraint is abruptly abandoned at the end of the six-month period

They also claim that recent warnings of price shocks after March will increase inflationary expectations and destroy the work done since last October both to cool price hikes and to make the public more aware of the inflation problem

Others favour a gradual de-escalation of restrictions on wage and price hikes. This could hopefully avoid the much-feared avalanche of increases when the restrictions are finally lifted while, at the same time, sustaining the "do something now" spirit

This alternative has many pitfalls Who will be favoured in the de-escalation process? How long should it take? Might de-escalation not have the same "damming up" effect on price and wage demands as a continuation of the present set-up?

It's fair to ask whether wage and price restraints won't have served their purpose by the end of March, and whether an extension in any form isn't both unnecessary and undesirable?

Remember that only the commitment to pass on no more than 70% of cost increases in the form of higher prices comes to an end at the end of March. Wage negotiations after that will still be based on only 70% of the CPI increase between October 1975 and March while commitments on productivity, training, government spending and so on continue unaffected.

As for prices, the deepening recession will in most cases ensure that increases are kept to a minimum And growing consumer awareness could act as a deterrent to those trying to recoup in full costs absorbed during the six-month restraint period. Devaluation's after-effects and hikes in administered prices are inevitable whether or not restraints are extended

There are also several real dangers in extending the wage and price chill

- The main attraction (and achievement) of the present campaign is its voluntary nature Pretoria has long rejected a statutory freeze. But the longer the restraints last, the greater the sacrifices involved and thus the more difficult it will be to sustain voluntary commitments.

Already there are signs that voluntary commitments are on thin ice. Civil engineering contractors and the building industry met with the Department of Commerce earlier this week to argue their inability to limit price increases as envisaged in the programme Not only is it difficult to apply its provisions to one-off tenders, but engineers and builders claim they are already working to such fine profit margins that it's impossible to absorb even 30% of cost increases

- By asking the private sector to absorb

What's the anti-inflation pact's next stop?

150A

Staggered pay days and flexible hours move

DD. 16/2/76.

EAST LONDON — In a major effort to reduce wastage, one of the primary aims of the fight against inflation, the National Development and Management Foundation, under the auspices of the Collective Campaign Against Inflation, will launch a nationwide campaign in which flexible working hours and staggered pay days will be propagated

According to Dr Ray Hinds, senior manager of the NDMF, flexible working hours and staggered pay days would definitely reduce daily peak hour traffic, which would lead to an enormous saving of time and fuel

He added that an important spin-off of this scheme would be that productivity would automatically be increased

After the Collection Action Movement against Inflation had asked municipalities throughout the country to give consideration to the possibility of introducing flexible working hours and staggered pay days, the NDMF has invited 31 000 companies in South Africa to take part in the workshops which will be staged in all major urban centres

The workshop leader will be Dr Johan Gouws, an expert on personnel matters, according to the notification from the Collective Campaign's publicity committee

East London's workshop is scheduled for 2 March, from 08H30 until 12H30

While any effort to increase production and efficiency, and to eliminate peak hour traffic snarl-ups, I cannot raise any enthusiasm over these workshops

Taking the claims one at a time First, that flexible working hours will lead to increased productivity Perhaps, if the system worked as well in practise as in theory, but flexible hours have been tried in this country over a period of years, with a marked degree of failure

In fact, one firm at least in Johannesburg, even went to the expense of committing itself to a large number of special machines which record individual hours, giving running totals and showing when a person had completed the required number of weekly working hours

So many worked extra hours early in the week, then took Friday (and even Thursday afternoon as well) off for a long, long week-end, that utter chaos was the end result

That staggered pay days will also help This has also been tried to some extent, with the sole result that fewer "special, month-end offers" are available at retail outlets, as with spending-spread evenly over the month, they have no need to try to attract the "last cent" out of the housewives before pay day. So, to me, staggered pay days is inflationary if nothing else.

Then we come to the workshop leader himself, Dr Johan Gouws, "an expert on personnel matters" Dr Gouws was the subject of a leading article in the Daily Dispatch on 22 April, 1975, under the heading There are none so blind

The leading article was critical of Dr Gouws, who had told a symposium in Johannesburg the previous week that a black worker should not be paid the same as a white worker could manage on R136 a month while the white worker would need R342 a month, and this would leave the black worker with much more left over to spend than the white worker "

Dr Gouws, the expert, added that paying the same rate to black and white would lead to industrial unrest

While he may be an expert in flexible working hours and staggered-pay days, I would hardly consider Dr Gouws an expert on "personnel matters" as expressed in the notification from the publicity committee of the Collective Campaign against Inflation for, as was pointed out in the leading article, unions will only accept "rate for the job" circumstances when bringing other "factions" into their particular trade

And this is accepted fact throughout the world, let alone in South Africa

For these reasons my personal view is that the workshops will not be as successful as the NDMF expects Still, it will cost little to go along and listen on 2 March, except four hours of productive time for representatives of local companies Multiply that by 31 000 throughout the country and, to use the Campaign's own advertising-theme, "We could assemble goodness knows how many vehicles ".

Who buys the products of extra production?

EAST LONDON — There is something about the anti-inflation campaign that has been puzzling many people, myself included. It is this.

We have been urged to increase production at all costs, even to the extent (accepted by some firms) of working on Saturday mornings without extra pay, and even though they were not in the habit of working more than five days a week.

We have also been urged to reduce spending, especially on luxuries (although few can afford luxuries nowadays anywhere, to my knowledge, one would presume they include such items as television sets, hi-fi sets, new cars, refrigerators, deep freezes, washing furnishings, and even wines, spirits, beer and smoking requisites such as cigars, cigarettes and tobacco.

In other words, everything except essentials, although to many people some of the above listed items would be considered essentials rather than luxuries.

But, that's what the Collective Campaign to Fight Inflation has asked everyone to do, so presumably they know what they are asking for.

Now, the problem is if everyone increases production as they have been asked to do, who is going to buy all the goods they are producing if everyone is cutting down on their purchases?

Of course, if manufacturers took the obvious line and reduced production because of the anticipated reduced demand, unit costs would increase, in some instances quite considerably, so those who ignored the Campaign's plea and continued to buy would have to pay much more for the goods concerned.

And, of course, those firms would require less labour to produce those fewer goods, so there would be mass unemployment, and that would not look good in the Government's statistical reports, or in the Government's stated intention of maintaining a certain growth rate.

But on the other hand, what are those companies going to do with all the surplus goods they are producing? It is a question I have so far been unable to have answered. Has any reader a solution?

150A

16/2/76

DUAL THREAT TO THE ECONOMY

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Mercury Correspondent

PRETORIA — South Africa will this year have to face up to the twin threats of economic stagnation and mounting unemployment, according to Mr Chris Heunis, Minister of Economic Affairs.

Mr. Heunis has warned that 1976 could be the second successive year of negative growth. And in spite of this, demands for higher earnings by public sector workers will have to be satisfied, at least in part.

This will significantly aggravate the fight against inflation. Any increase granted will largely not be accompanied by higher production.

The increases will neutralise at least part of the anti-inflationary effects of the R800-million cuts in State spending promised by the Minister of Finance, Senator Horwood.

Another grim prospect is the expected all-round increase in basic food prices. The South African Agricultural Union's Commodity Committee starts a series of meetings next month to study the extent of production cost rises during the past 12 months.

The S.A.A.U. has indicated there will be ample justification for higher prices, and the committee is expected to ask for hikes in maize, wheat, meat and dairy products.

Unless the Government agrees to raise food subsidies, the Black population will be hardest hit. And if the higher basic food price rises go with greater unemployment — a distinct possibility — a seriously disturbed socio-political situation could result.

The unemployment situation would be exacerbated by more than 100 000 new African male workers who come onto the labour market every year.

150 A

11½pc inflation 'too high'

Cape Times 12/3/76

DR LAWRENCE McCRYSTAL, chairman of the Collective Action Movement Against Inflation, said in a statement yesterday that South Africa's inflation rate was still too high at 11,5 percent a year.

Although the rate of inflation in January was lower than in December and well below the 15,2 percent of January 1975, "the unavoidable devaluation of last September is starting to work through now and that is one reason why the rate of inflation is still too high".

And in a press conference in Pretoria yesterday he said South Africa had one of the most successful anti-inflation movements in the world

About 90 percent of Whites were aware of the campaign, 75 percent thought it was in the country's best interest, and 70 percent were doing something about it by cutting down on consumer credit, shopping around and reducing fuel c onsumption, he said

At the same time, he said, there was a recession in South Africa. "It is not so severe that there is vast unemployment, but there are companies with liquidity problems

"It is not so bad that there is zero or negative economic growth but a two percent growth is recessionary because it means that the per capita income is decreasing"

Speaking about overcharging on price-controlled goods, Dr McCrystal said it was a matter of the public becoming more aware "It is up the public to create a massive police force, and to report cases of overcharging," he said.

He said the increases in rail tariffs should have little effort on prices, Transport accounted for less than five percent of the cost of most products and a 12 percent increase in rail tariffs meant a rise of 0,6 percent in the producer's costs

He said it was also felt that too much use was being made of consumer credit and this would be emphasized later this month

TYPE OF FARM EMPLOYEE - REGULAR   RACE - COLOURED   YEAR - 1972/73

AVERAGE MONTHLY KIND WAGE FOR ALL ECONOMIC REGIONS = R 6•44

DEVIATIONS FROM AVERAGE MONTHLY KIND WAGE BY ECONOMIC REGION

EC REGION	1	2	3	4	5	6	7	8	9	10	11	12
DEVIATION	,41	2,08	-,74	2,86	-2,17	-,41	-2,29	-3,76	-3,79	-2,88	4,25	1,54
EC REGION	13	14	15	16	17	18	19	20	21	22	23	24
DEVIATION	3,62	5,59	2,46	,15	-2,36	-2,61	-1,93	-,71	2,31	4,15	8,21	-2,15
EC REGION	25	26	27	28	29	30	[illegible]	32	33	34	35	36
DEVIATION	-2,75	-3,75	-2,02	12,38	-1,37	-,59	[illegible]	-,33	,00	-3,50	1,69	-5,98
EC REGION	37	38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	44	45	46	47	48
DEVIATION	-1,62	-3,94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3,33	-1,62	2,22	-1,30	3,59
EC REGION	49	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	56	57	58	59	60
DEVIATION	-1,22	2,11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,80	-2,41	-1,70	7,04	-4,35

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TYPE OF FARM EMPLOYEE - REG   YEAR - 1972/73

AVERAGE MONTHLY TOTAL WAGE

DEVIATIONS FROM AVERAGE MO

EC REGION	1	2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8	9	10	11	12
DEVIATION	-222,81	42,02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-74,10	-24,24	-7,54	-77,60	-60,76
EC REGION	13	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20	21	22	23	24
DEVIATION	-38,67	-15,18	-51,68	17,58	-75,36	-70,95	-41,92	-2,80	-64,18	-69,81	-71,54	122,86
EC REGION	25	26	27	28	29	30	31	32	33	34	35	36
DEVIATION	38,17	-3,30	-19,15	23,54	111,32	109,70	71,97	-30,84	122,44	53,22	-13,29	47,38
EC REGION	37	38	39	40	41	42	43	44	45	46	47	48
DEVIATION	3,69	85,04	32,08	-66,62	37,39	6,42	108,11	10,97	61,43	1,76	39,35	3,98
EC REGION	49	50	51	52	53	54	55	56	57	58	59	60
DEVIATION	34,14	-24,96	56,98	108,55	-4,77	-42,83	11,94	-21,61	21,22	6,22	-86,64	58,77

(✕) **Cost of anti-inflation movements**

348. Mr. H. H. SCHWARZ asked the Minister of Economic Affairs:

What amount (a) has been spent to date and (b) is planned to be spent by the (i) Anti-inflation Education and Publicity Committee and (ii) Collective Action Movement.

The MINISTER OF ECONOMIC AFFAIRS:

(a) R340 258.

(b) (i) R591 742 for the initial duration of the Programme of Action. For the continuation of this Programme after 31 March 1976, additional funds will have to be provided. The preparation of the budget for the continuation of the Programme of Action for a further period of 6 months has not yet been completed.

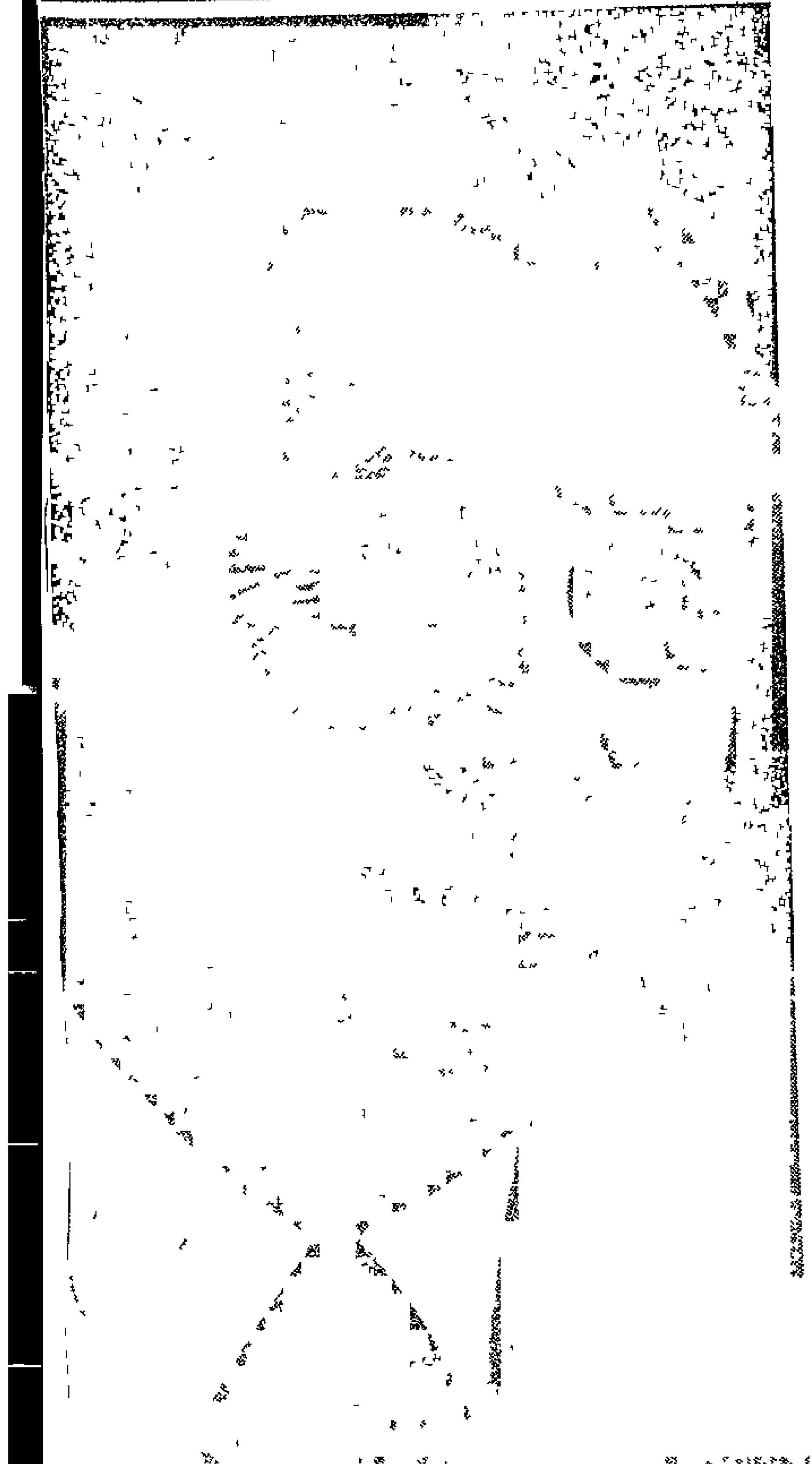
(ii) None. The Collective Action Movement is merely an expression used by the Education and Publicity Committee to engender a feeling of solidarity among members of the community as a whole in the battle against inflation.

Time for radical appraisal

RDM 25/2/76

J A GROBBELAAR, General Secretary of the Trade Union Council of South Africa.

● Lenin was certainly right; there is no subtler, no surer means of overturning the existing basis of society than to debauch currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose. — JOHN MAYNARD KEYNES, 1919.



ARTHUR GROBBELAAR . . spelling out inflationary factors.

WHATEVER else he might have been, Lenin was not an economist. Neither am I Perhaps I should be profoundly thankful for this fact, because I was not exposed to, nor indoctrinated by, the various economic theories

Inflation is, however, nothing more than the debauching of our material and money values, and if it is not a product of the capitalistic system, it cannot be denied that the capitalistic system is a suitable host for its ravages More importantly, it needs to be recognised that citizens of the Western world are increasingly questioning the philosophies and ideas of the economists, when it comes to contending with inflation

The fault lies squarely on their shoulders, because despite all the varied attempts that are made based upon some economic theory, inflation continues, and temporary improvements are negated by succeeding cycles.

Most countries' economic policies thus stagger around aimlessly over the years, mainly because the economists do not know where they are going from one year to the next South Africa is just starting to experience the presentation of relatively radical philosophies against a long history of conservative policies, and the future could be vastly different from the past

I must incline towards favouring the more radical policies, since I believe they are necessary at this point in time to ensure South Africa's continuing development

As a rapidly developing industrial nation, only radical economic policies will be able to keep pace with the rapidly changing nature of our society

The numerous factors which cause inflation have

"Citizens are increasingly questioning the ideas of economists".

been spelt out on many occasions Some of those advanced in so far as South Africa is concerned, are listed below, and merit comment

● Demand inflation, or too much money chasing too few goods, resulting in rising prices.

While this contention might be true of the more affluent White section of the population it hardly holds true for the masses

Too many of our people live on or below the breadline Their purchasing power is utilised for the essentials of life There is thus no validity in the argument that price rises flow from demand in this context

It is rather the imbalance in earnings which creates the problem, because of small purchasing power, low production runs, and thus no economies of scale are possible

● Fall-off in savings — people spending NOW because of the erosion of their savings due to inflation.

This is also only true of the more affluent White section. The masses are not able to save They have nothing left over to save, after buying the essentials.

● Too much credit — and too easy credit facilities.

This is unfortunately true in all respects, for ALL of the South African population The "buy-now-pay-later" concept has become a way of life.

For obvious reasons, the practice is prevalent among the poorer sections Unfortunately, they are also constantly encouraged through advertising, sales promotions, the non-restricted use of credit cards, hire-purchase arrangements, and other measures designed to give them easy buying facilities.

● Too much Government spending.

Government is invariably guilty of spending too

"Only radical policies can keep up with a rapidly changing society".

much in the wrong directions, and over the years the Government has also financed its own spending on a credit basis.

It is also guilty of practising the "buy-now-pay-later' methods It relies too much on anticipated sources of future revenue, such as estimating receivable taxation on gold prices (and the price fluctuates).

It provides excessive quantities of new paper money to stimulate demand, and is then not able to guarantee the issued paper money with gold reserves. The sharp bookkeeping practice of devaluing paper currency is then invoked to evade international trading debts, and protect limited gold reserves.

● Monopolistic practices — excessive profits — stockpiling.

There is no doubt that many of the present mono-

"The masses have nothing left over to save".

polistic practices stifle the concept of the free-market economy, and thus create inflation. Business conducted on the retail price maintenance concept, and the manipulation of scarce commodities, prevents competition, and fuels inflation

Excessive mark-ups in wholesaling and retailing, aimed at gaining excessive profits, are a major cause of inflation

Land and property speculators, who capitalise on that increasingly scarce commodity which cannot be increased in volume — LAND — are the prime creators of inflation.

● Wage and salary increases — not related to productivity improvements.

A small percentage of wage and salary earners have possibly gained improvements which are out of proportion to their contribution to the economy The majority of workers' earnings have, however, hardly managed to keep

"Government is guilty of spending too much in the wrong directions".

pace with the rate of inflation, and in many instances the workers' situation has shown no real improvement in recent years.

Wages and salaries have also — in many instances — declined as a proportion in the total costs of production, with an inordinate rise in the costs of other factors Classic examples are the escalating proportionate rises in sales and promotions costs for many commodities — which have a dubious value in any event — when compared with the costs of labour in the production processes.

● Artificial restrictions on the use of labour and the lack of training and education.

Restrictive practices on the use of labour, and the under-utilisation of labour, are primary causes of inflation Lack of policies which will equip and train

"Property speculators are prime creators of inflation".

the labour force with the skills demanded by an industrial society also stoke the fires of inflation.

● Low productivity and inefficiency.

The levels of South African productivity and efficiency need to be improved They are far too low, but much of this is due to the under-utilisation of our labour force, artificial barriers preventing changes in job practices, lethargic and incompetent management.

In general terms, the work force (particularly Blacks) interprets calls for improved productivity as meaning that sacrifices will have to be made by them in terms of blood, tears and sweat

Too many in management are far too comfortable to even want to do anything about it.

Lack of efficiency is also wide-spread, and ranges from shortcomings among senior public servants to the inefficiency of the "tea boy"

● Political ideology

The implementation of economically unsound Political policies does much to worsen South Africa's inflationary problems. A long, hard look needs to be taken at the adverse economic effects which our political philosophies and policies create.

● The public attitude

The apathy of the South African population towards the need to come to grips with inflation is perhaps the most alarming feature of all. There is too little knowledge about inflation, a general feeling that nothing can be done about it, and a general acceptance that we have to live with it.

★

I believe it is also necessary to furnish comment

"Levels of productivity and efficiency need to be improved".

on some of the contradictory reasoning of our more conservative economists I am particularly critical of that school of thought which contends that one of the effective means of fighting inflation is to have a degree of unemployment, resulting in a reduction of demand

How in the name of heaven does this conform to the opposite contention (which is presented simultaneously) that productivity must be increased? The unemployed are totally unproductive, and a glance at countries like the United Kingdom, where unemployment benefits are provided to large numbers of unemployed, must make it apparent to even these economists that any improvement in national productivity levels are completely negated by emptying the State's coffers in the provision of these social welfare benefits

Another contradiction is that of calling for measures which will restrict demand and then, ignor-

"The apathy of the population is perhaps the most alarming feature".

ing the need for action against the forces which stimulate the demand—sales promotion, advertising and other media inducements

Persuading the public to buy recklessly, while at the same time calling upon them to spend wisely, are self-defeating anomalies.

By the same token, the call to improve productivity (generally on the factory floor level, and too much emphasis placed on manufacturing industry) becomes meaningless as an achievement, if these improvements are offset by granting bigger money allocations to sales promotions and advertising activities.

Only recently a Sunday newspaper carried a full-page advertisement for the Collective Action Committee for Combating Inflation, which exhorted the public to spend wisely and carefully, while on the opposite full page was an advertisement from a prestigious bank, offering the public credit-card facilities so that they could buy now — and pay later.

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ANTI-INFLATION SUPPLEMENT

Unemployment is threat to expansion

RDM
25/2/76

CLIVE EMDON

THE THREAT of substantial unemployment is the main obstacle in the way of restricting monetary expansion to fight inflation, says Dr Johan Cloete, chief economist of Barclays National Bank

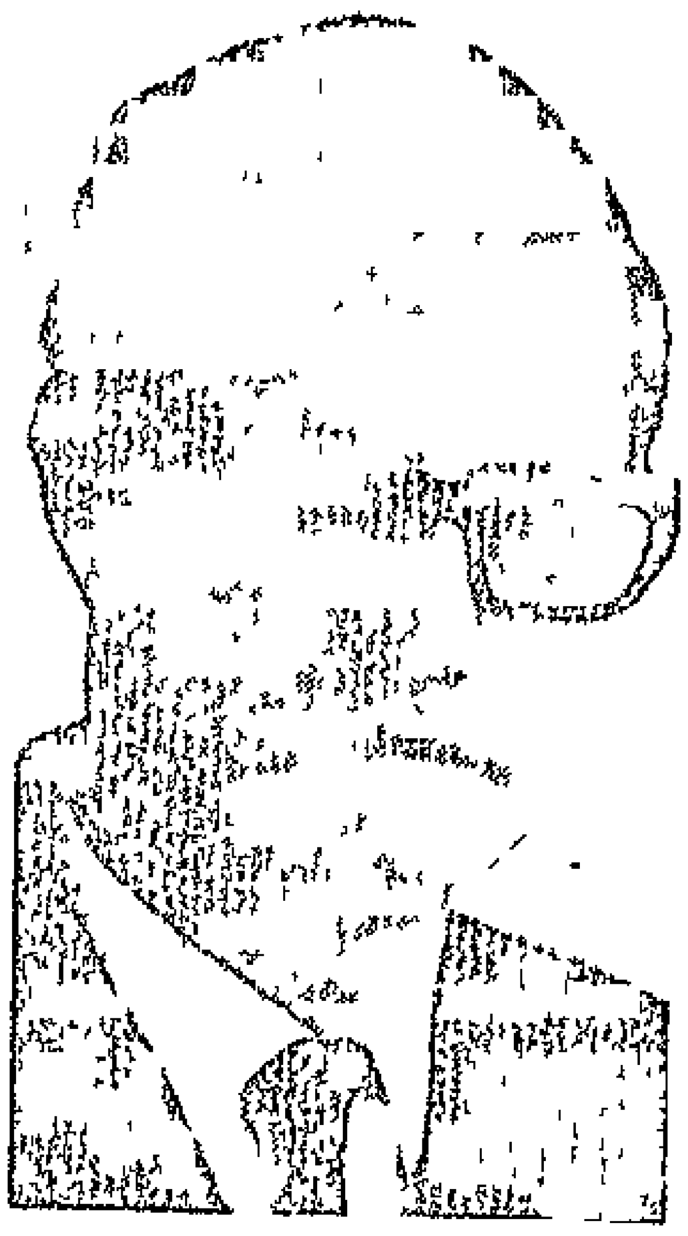
He warns that in South Africa in particular it is probably out of the question to rely solely on traditional and fiscal policies to bring down the inflation rate

This is because of the hardship it would impose on the Black population and the adverse socio-political consequences that might follow.

Dr Cloete argues that the process of wage/price bargaining is so embedded in South African attitudes that even a drop in demand and the resultant unemployment may not stop worker insistence that wages should continue to rise.

Friedrich van Hayek, joint winner of the Nobel Prize for economics in 1974, puts the problem in the following way "We have, in fact, been led into a frightful situation. All politicians promise they will stop inflation and preserve full employment But they cannot do this And the longer they succeed in keeping up employment by continuing inflation the greater will be the unemployment when the inflaton finally comes to an end. There is no magic trick by which we can extricate ourselves from this position which we have created."

Van Hayek states that to stop inflation or even to slow down its rate will produce substantial unemployment. "Certainly nobody wishes this but we can no longer avoid it"



DR JOHAN CLOETE .. beware of unemployment.

Dr Cloete and other leading economists proposed three years ago that steps should be taken to bring down the rate of inflation gradually over a period of years, so as to avoid inflicting large-scale unemployment and loss of production to the economy

And to avoid the negative effects of suddenly reducing monetary expansion, they proposed the introduction of prices and incomes policies

They felt that since inflation was generated largely by the bargaining process between employers and employees it was here that the corrective action should begin

This implied that the bargaining parties should somehow be persuaded to cut back on excessive wage demands and on excessive price increases, and in particular to keep their demands within reasonable limits

Their gradualist policy envisaged coercion along three lines simultaneously.

- The gradual roll-back of the rate of increase in the money supply until its rate of growth has been brought in line with the rate of expansion of real output;
- A gradual roll back in the rate of increase in

Campaign successful – McCrystal

Rate of price rises falling

NM 12/3/76

PRETORIA — The rate of price increases was coming down and there was every indication that the South African anti-inflation campaign was one of the most successful in the world at present, Dr. Lawrence McCrystal, chairman of the Collective Campaign against Inflation, said here yesterday.

150 A

About 90 percent of the White population was aware of the campaign, 75 percent believe it was in the country's best interests, and 70 percent were doing something about it by cutting down on consumer credit, shopping around and reducing fuel consumption.

"I believe we have one of the more successful anti - inflation campaigns going in the world at present," said Dr. McCrystal, at a Press conference in Pretoria.

At the same time, he said, there was a recession in South Africa.

"It is not so severe that there is vast unemployment, but there are companies with liquidity problems.

INCOME RISING

"It is not so bad that there is zero or negative economic growth — there will be : modicum of growth in the rest of this year — but a 2 percent growth is recessionary because it means that the per capita income is decreasing."

Dr. McCrystal added: "We can say with a fair degree of assurance that the larger companies are playing the game, but it is the thousands of smaller companies we are worried about."

He said that the regional committees of the campaign had been asked to "keep an eye on them" and that it was "up to the public to act as a massive police force."

RAIL TARIFFS

Referring to the recently announced increases in rail tariffs, Dr. McCrystal said that they should have little effect on prices. Transport accounted for less than 5 percent of the cost of most products and a 12 percent increase in rail tariffs thus equalled a raise of 0,6 percent in the producer's costs.

Dr. McCrystal pointed out that South Africa was a "free enterprise country" and that free enterprise and rigid price control were not compatible. — (Sapa.)

• The Anti-Inflation Campaign has given many employers an excuse to prune bonuses and salary rises. Others have been forced to cut back because of the squeeze on their profit margins. It will be some months before the expected public service pay increases come into effect. Overall consumption spending is thus likely to stagnate for the time being,

• Pretoria's squeeze on public spending will hit many businesses hard, especially in the civil engineering and construction sectors. Work was given out until late last year but since then several big tenders have been cancelled or projects delayed;

• High interest rates, restricted credit and a lifeless stock exchange make it difficult for businesses and corporations to raise money for new investment

Last year's estimates of a 2%-3% growth in real GDP for 1976 now look wildly optimistic We'll be lucky to get 1%

Rumblings among the unions

150A

As the Anti-Inflation Campaign enters Phase II, union leaders representing about 400 000 White workers this week warned government of snowballing pay demands unless steep price rises are rapidly curbed. What lies behind the unionists' tough stand?

The working man is a victim of inflation, not its cause, and we cannot associate ourselves with a campaign which penalises victims

— Richard Beech, general secretary, Amalgamated Union of Building Trade Workers

As Phase II of the Anti-Inflation Manifesto gets under way, trade union leaders are men in the middle of a potentially explosive situation Prompted by intense grass-roots disaffection, unionists have been indulging in tough rhetoric directed at the role of employers and government in the programme's implementation Some, unaffiliated to the major trade union confederations, will have nothing to do with the programme. Others, while unwilling to employ the ultimate sanction of withdrawing, face repeated requests to do so from branches.

Where will the rhetoric lead? Many of the unionists, of course, were involved in the negotiations which led up to the signing of the Manifesto and therefore regard it with a fair measure of paternal pride Threats of pull-outs, therefore, will be fought off within union ranks.

It should be remembered, though, that the issue of the Manifesto is something of a decoy. While the unionists' criticisms and suggestions for the programme's improvement are important, much of the disaffection felt by union members is a reflection more of the economic climate than of the failures of the programme which seeks to improve it.

In a situation in which all economic sectors are feeling the pinch, it is inevitable that a need for tough wage demands will be felt, and equally inevitable that employers, facing a profit squeeze, will not be able to satisfy all expectations. It was a similar situation which led to widespread grass-root revolt in British unions during the late Sixties and early Seventies.

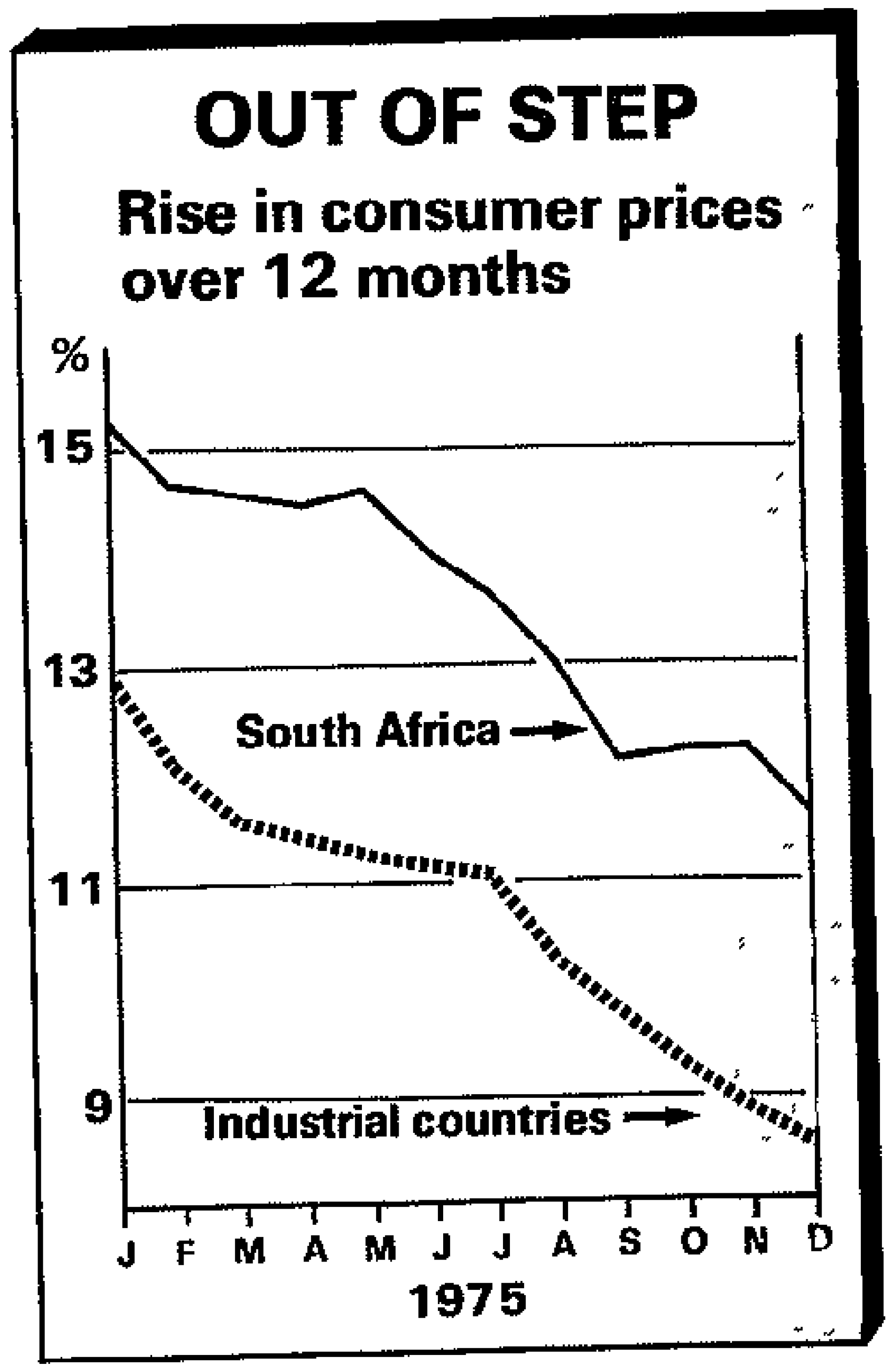
While the relatively privileged position of White workers in SA should head-off a confrontation of that intensity, the groundswell is still important The unionists' bark may be worse than their bite, and the programme itself may be in no immediate danger, but the criticism is still a foreboding barometer of a stormy economic climate.

Thus, for example, Ken du Preez, general secretary of the SA Engine Drivers', Firemen's and Operators' Association, writes in the union's journal· "All the workers have seen is a continual rise in prices . . they can hardly be blamed if they come to the conclusion that labour is bearing the brunt in the fight against inflation."

"When Phase II came up for endorsement," says Confederation of Labour general secretary Wallie Grobler, "we barely obtained the two-thirds majority required by our constitution If the CPI doesn't level out in the next few months we can expect severe criticism from our members."

The unions, then, hardly greeted Phase II with a fanfare of delight Confederation President Attie Niewoudt was quoted as opposing a renewal unless price rises were curbed, and Tucsa was only prepared to renew if the wage floor of R125 was raised to R200. Tucsa got its way, the Confederation didn't — but both voted to support Phase II.

Nevertheless the unions are pointing a warning finger at employers and government. "Our members are forced to work overtime to make ends meet while employers fill the golf courses on Wednesdays", says SA Boilermakers' Barney Bouwer. "Managerial efficiency still leaves a great deal to be desired, and prices continue to rise. On the government side, the Railways Budget is hardly likely to help Our members are growing restless, and are demanding full compen-



sation for CPI rises."

Some unionists claim that employers are using the current climate as a pretext for denying legitimate increases. "Profits in our industry seem to have remained good," says Transvaal Distributive Workers' vice-president Morris Kagan. "Nevertheless some firms have deferred traditional increases." Kagan points out that many workers in his industry fall below the R200 formula. This does not mean that they are unaffected, however.

"A factor which is often hidden is the effect the programme has had on actual wage rates, rather than the statutory minimum It is here that our members are affected " The case of the distributive and catering industries may be an isolated one. But complaints about price rises are

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F.M. 16/1/76

ANTI-INFLATION PACT

The tug-'o-war is on

Last week's meeting of the anti-inflation men raised more questions than it answered No sooner had Minister of Economic Affairs Chris Heunis announced that "the signatories agreed that the programme should be extended for a further six months to the end of September" than the Press reported strong resistance among organised labour to extension of the campaign

Will the pact be renewed, or won't it? Chances are that it will, but there's no saying in what form.

Few of those attending last Thursday's meeting had mandates to bind themselves to any specific formula (which explains the vagueness of Heunis' statement), and bargaining is likely to be tough when the parties meet again on February 12 to thrash out details

Pressure for far-reaching changes comes mainly from organised labour which is likely to ask that:

- The net of price restraints be spread more widely (On the other hand, some employer bodies fear real harm to company balance sheets if the "30%-of-cost-increases-to-be-absorbed" rule were prolonged. Already, the construction industry and the Department of Commerce have discussed new guidelines)
- More low-income workers be exempted from wage restraints. Tucsa general secretary Arthur Grobbelaar for instance thinks the present cut-off point of R125 should be raised to R300.
- Higher-income groups should make greater sacrifices. For instance, it's proposed that earners of salaries above R9 100 should be called on to limit increases to 50% of the increase in the consumer price index, while those drawing over R15 000 would forego all

I'm overpaid, says R18 000-a-year boss

Cape Times 21/5/76

JOHANNESBURG. — A company chairman earning R18 000 a year who believed himself to be overpaid, said yesterday that there was too much personal greed among senior executives and people of all professions. Mr S E Dawson, president of the South African Federation of Civil Engineering Contractors, told a contractors' seminar here that not all senior executives accepted their responsibilities in the anti-inflation campaign. "There is little doubt that personal avidity is the most devastating problem with which we have to deal if some semblance of stability is to be restored in the national economy," Mr Dawson said. He was asked how much he earned in the light of his remarks. Mr Dawson, who is the chairman of the Group Five Consortium, said he only accepted two thirds of his authorized salary from the company — giving him R18 000 a year. "I consider I am overpaid," he said. This applied not only to the construction industry, but also in the legal, medical, accountancy and consulting professions. — Sapa

(1) 384
(2) 128
(3) 150 A

(1) 13/6
(2) 150 A

CAPE TIMES 30/4/76

Railmen out of inflation fight

JOHANNESBURG. — The Artisan Staff Association, representing 20 000 railway workers, has withdrawn from the anti-inflation campaign and "will do its utmost to persuade the SA Confederation of Labour (200 000 members) to follow suit", it was announced by the ASA president, Mr Jimmy Zurich, yesterday.

It was also announced that the Minister of Transport, Mr S L Muller "would not and could not" depart from the 10 percent increase with effect from July 1 and the possible further increase of five percent in January.

Mr Zurich's statement says his executive committee had a "strong confrontation" with the Minister at their meeting in Cape Town on Tuesday.

The confrontation, on the modus operandi for future salary negotiations, ended in the extraction of a declaration that there would not be any future salary announcements till the Minister had completed the round of negotiations with the railway unions.

"The association is disgusted not only with the modus operandi followed in this instance but also with the inequity of the 10 percent salary handout," Mr Zurich said.

He said that the union demanded a rise of 16,66 percent for the bulk of its membership.

(1) ~~265~~
(2) 150 A

Inflation savings of R50m

NM. 26/5/76

Mercury Correspondent

PRETORIA — The Minister of Transport, Mr. S. L. Muller, yesterday said the National Road Fund and his department had saved R50,6 million in their fight against inflation

He was replying to the Collective Action Movement against inflation which has asked the signatories of the joint manifesto against inflation what progress they have made carrying out the undertakings given in the manifesto.

Mr. Muller said the National Road Fund effected a saving of R34 million for the 1975/76 book-year, while the Department had saved R1 380 000 for the 1975/76 book-year and R15,2 million for the 1976/77 book-year.

(1) 246
(2) 150A

Angry unions will attack prices policy

RDM 31/5/76.

By GERALD REILLY

REPRESENTATIVES of more than 200 000 White workers at the annual congress of the SA Confederation of Labour in Johannesburg this week, will attack the Government for its failure to slow down the price spiral.

The unions affiliated to the Rightwing confederation are expected to voice their dissatisfaction and anger at the apparent collapse of the anti-inflation programme after only marginal success.

This anger has spread throughout the trade union movement, including the giant Trade Union Council of South Africa.

Two weeks ago the executive of the confederation considered withdrawing from the inflation fight but it decided to continue its support "for the time being."

The executive warned however that continued support would depend on the ability of the Government and the private sector to slow down the price spiral.

According to the president of the confederation, Mr A. I. Nieuwoudt, the congress is likely to call on the Minister of Economic Affairs, Mr Chris Heunis, to convene an urgent meeting of the signatories to the anti-inflation manifesto.

Earlier this week Mr Nieuwoudt said breaking point had been reached and drastic measures were needed to slow down erosion of workers' living standards.

Other prominent members of the confederation, including railway union leaders, supported Mr Nieuwoudt and said there was ample evidence that the Government in particular was not playing its part in the battle to keep prices down.

They claimed the trade union movement had lost faith in the programme which called for a maximum sacrifice from wage and salary earners while the Government continued to authorise price increases and the private sector to raise prices with little or no justification

The confederation meets against a background of a series of recent price increases — all sanctioned by the Government.

These include steel, mealie meal, margarine, power — and within the next few weeks coal will rise by at least 35 per cent.

A prominent member of the confederation Mr Jimmy Zurich, president of the Railway Artisan Staff Association, said· "The Government has the power to stop price rises but it has failed to do so Virtually every organisation or company which asks the Price Controller for a price increase gets it"

The Government should review its formula for granting price increases and reduce the permissible profit margins, he said This was the only way to fight inflation

"Workers alone cannot win this fight. Workers feel the programme is riding on the backs of wage and salary earners with only token support from other sectors."

(1) 2686
(2) 150 A

Railmen protest at impact of CoL

STAR 1/6/76.

Angry railwaymen, asserting that the spiralling cost of living has cancelled out their 10 percent pay rise, are to hold more protest meetings

Mr Wallie Grobler, general secretary of the 21 000-member White Artisans' Staff Association, said today that there was widespread dissatisfaction among most railwaymen over wage and salary negotiations

Protest meetings would be held in Pietersburg on June 12 and in Maritzburg and Durban Meetings had already been held on the East and West Rand and union members were upset about the 10 percent pay hike, which becomes effective on July 1

"The Prime Minister, announced the increase in April, but this hike does not come close to restoring the purchasing power of our pay packets," he said

Since June 1974, when railwaymen last had a pay increase, the consumer price index had shot up 21 percent, he added

Negotiations were being carried out with the Minister of Transport, Mr S L Muller, at the time of the Prime Minister's announcement

Mr Vorster's statement annulled these talks

"The effect of this is that our salaries have been frozen," Mr Grobler said "Members are fed up, and motions of no-confidence in Mr Muller have already been passed,"

Railwaymen had made representations to the Administrators of the Transvaal and the Cape on the increase in motor licences, he added.

(1) 150A
(2) 334
(3) 252

Trade unions angry over wage increase

22/4/76 DD.

JOHANNESBURG — Trade union leaders reacted with anger at the Prime Minister's statement on wages yesterday

The 65 unions affiliated to the Trade Union Council are likely to withdraw from the anti-inflationary campaign, while the railway unions find the ten per cent wage hike to them totally unacceptable

Mr Arthur Grobbelaar, general secretary of Tucsa, representing 230 000 workers of all races in the private sector described Mr Vorster's statement as shocking

"It spells the end of trade union participation in the anti-inflationary manifesto for the government has clearly reneged on this agreement "

Referring to the wage rises to the public sector he said "you may get the Civil Service Association accepting the ten per cent rise, but I'm quite sure the trade unions will not

"We entered into an extension of the anti-inflationary campaign two months ago and the only changes demanded to the programme came from Tucsa Now there has been an abbrogation of the conditions of the agreement," he added

The trade unions accepted in the manifesto that wage increases during the period of the campaign would be geared to only 70 per cent of rises in the consumer price index

Mr Grobbelaar said last night he would be calling an urgent meeting today of Tucsa's officers committee to discuss the Prime Minister's statement

Mr Wally Grobler, general secretary of the Artisans Staff Association for railwaymen said. "This wage rise is totally unacceptable to our members The ten per cent doesn't even touch sides

Mr Grobler added: "We were called on to make sacrifices in the anti-inflationary campaign, and this we have done This increase is way way below what we expected."

He said he expected all the railway unions to reject the increase

Meanwhile economists and trade unionists yesterday described the salary increase to civil servants as "very little" but necessary, and "not inflationary "

Mr J R Altman, general-secretary of the National Union of Distributive Workers, said the increase could have a 'dis-inflationary" effect because employers in the private sector may now hold back from granting larger wage increases

Dr S van der Merwe, of the University of Stellenbosch's graduate school of business, said it was not a question of whether the increase was good or bad because the government had little option

"Strictly speaking, the increase could have an inflationary effect, but the government has a responsibility to maintain the standard of living People need this to be productive and productivity counteracts inflation "

Prof Z S Gurzynski, director of the school of economics at the University of Cape Town, said no specific provision was made in the 1976 budget, but allowance had been made for necessary increases

The increases would not have a worse effect than any other government expenditure, he said

"Most civil servants will gain something, but with the progressive tax structure a good portion will go back to the government On one hand they are giving, and on the other, taking," Prof Gurzynski said

The South African Teachers' Association welcomed the "interim relief" of the increase, but said it was basically the structure of teaching posts which was unsound.

Mr J H van Zyl, vice-chairman of the Public Service Commission, said he was surprised by the Prime Minister's announcement

"We have been negotiating wage increases for sometime but we did not expect them so soon " — DDC-SAPA

(1 1.C.A
~~Capital~~

Back to the old pound note!

ARGUS 8/6/76

WHEN the R1 note is replaced shortly by a new nickel coin more people will switch to drawing R2 notes for spending money, a Reserve Bank spokesman believes.

But he does not think this will have an inflationary effect or encourage people to spend more.

'I do not think that the fact that the R1 will be a coin instead of a note will have the psychological effect of making people feel it is worth less,' he said

AVERAGE LIFE

'And the replacement of a R1 note by a coin will fight against inflation by saving the Government money. There are 75-million R1 notes in circulation — it is a popular note — and their average life is five or six months

'That means that the press are continually busy printing new ones and that is a costly business. The new nickel coin will have a life of about 20 years.'

A spokesman for Nedbank in Cape Town said. 'I am sure people will draw money out in R2 notes instead of in piles of coins. It will really almost be a reversion to the old £1 note.

'POPULAR'

'When the R1 note came in it replaced the old 10 shilling note and it became very popular People did not seem to take to the R2 note so easily

'But in fact a R1 note does not buy very much these days!'

(1) 150A
~~(2) 334~~
(3) 134

Plea to unions on wage claims

By ALAN DUGGAN

CAPE TIMES 3/4/76

THE Minister of Economic Affairs, Mr J C Heunis, yesterday appealed to trade unions to avoid "unrealistic" wage demands while the country laboured under economic stress.

The appeal comes against a background of criticism from trade unions and salaried workers as the country reels from the latest Budget increases.

In an interview in his Cape Town office yesterday Mr Heunis said labour had so far exhibited a responsible attitude.

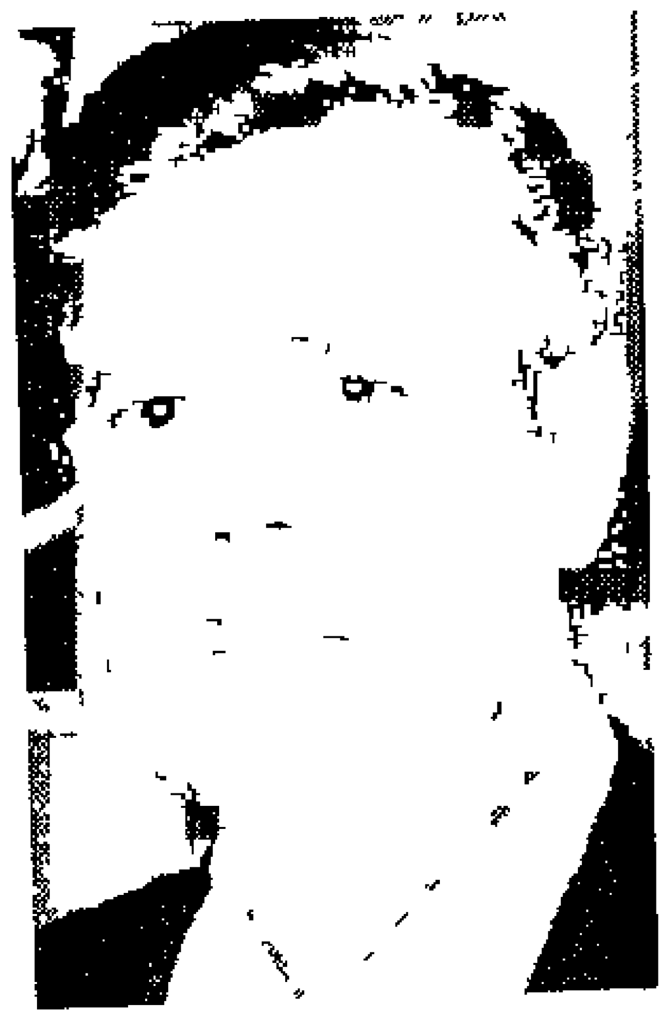
He hoped trade unions would maintain their restraint in the continuing battle against inflation

Mr Heunis was unable to say at this stage whether he would recommend an extension of the wage restraint policy after its expiry in September, but said that most of the plans were medium- and long-term anyway, and would be unaffected by expiry dates

WINNING

The minister's advice to the man in the street was' "Spend your earnings judiciously, work as efficiently as possible and hold on to your job."

South Africa was slowly winning the war against



Mr Heunis

inflation, but caution was necessary and people should not live beyond their means.

One method of combating inflation was by buying South African goods. "From time to time this country suffers from balance of payments problems. I therefore regard it as obligatory in the national interest that everyone give consideration to the idea of buying South African products

"Our economy will benefit from reduced imports, our balance of payments situation will be far healthier and local industry will be stimulated. And I give my assurance that in many cases locally manufactured commodities compare very favourably with imported products."

For the consumer he had this advice' "You have material short-term sacrifices to make if you want security and long-terms benefits Spend money on the right things and not on things neither you nor the country can afford "

PRODUCTION

Commerce and industry could contribute by applying scientific methods of utilizing labour forces and increasing production

Continued growth and the maintenance of South Africa's high standard of living was dependent on the curbing of inflation and its reduction to acceptable levels.

On the question of commercial exploitation of inflation the minister said' "I am aware that there are abuses. But these should be eliminated without destroying our system of free enterprise

"There are two ways of doing this Firstly, there can be voluntary action by commerce in adopting a code of business ethics. Then there is Government intervention Steps have alreay been taken in regard to price control, rent control, price binding an monopolies.

ENTERPRISE

"What we want to avoid, however, is too much interference, which can have the effect of stifling free enterprise."

Mr Heunis said he frequently received complaints from consumers who compared prices of commodities in various firms and then claimed that those charging more were guilty of exploitation.

"But the fact that different firms charge different prices for the same article places the onus on the customer to exploit his freedom of choice to his own advantage"

On the other hand, the businessman's future was dependent on his ability to provide goods or services to the public at prices they found acceptable If he could not do this, he would have to cease operations.

There were instances in which businesses were exploiting the public with exorbitant prices, but these were being fought by the Government, said Mr Heunis.

-150 A

The Budget

Unions warn of R500m pay demands

RDM 6/4/76.

By GERALD REILLY

REPRESENTATIVES of workers in the private and public sectors yesterday warned of the certainty of pay increase demands which could pump more than R500-million of inflationary money into the economy before the end of the year

Their warning comes hard on the heels of last Friday's appeal by the Minister of Economic Affairs, Mr Heunis, to unions not to make "unrealistic" demands.

The country's two largest trade union organisations, Tucsa and the SA Confederation of Labour which represent about 400 000 White workers — are committed to the wage restraints in the collective action programme against inflation

Leaders of both organisations warned that the extent of claims would be measured by the rise in the consumer price index (CPI).

Railway union leaders said they want what they are entitled to — the CPI increase minus the restraint commitment

All seven Railway unions meet the Minister of Transport, Mr Muller, later this month and early in May to press for rises which most want backdated to April 10.

The Artisan Staff Association is to ask for at least 20 per cent to fill the gap which has opened since the last round of rises in July 1974

The Public Servants Association has again stressed the urgent need for salary adjustments in representations to the Public Service Commission

Senior Government workers expect a 10 per cent rise for Government workers from the beginning of October

The President of Tucsa, Mr E van Tonder said there was a great need for pay adjustments. Within the framework of the anti-inflation manifesto, unions would demand full compensation for rises in the CPI.

150 A

In the face of it all, will the labour movement scuttle restraint?

FIN. MAIL 2/4/76

(1) 150 A
(2) Taxation

Hammering the workers too

The Budget will jolt the country's labour movement It could also jeopardise the anti-inflation campaign

Although the bulk of the trade union leadership is committed to the Anti-Inflation Manifesto, there have been rumblings at grass-roots (*FM* March 26) Some unions have been facing demands from branches to withdraw, complaining bitterly that businessmen are not playing the game because they are not holding down prices

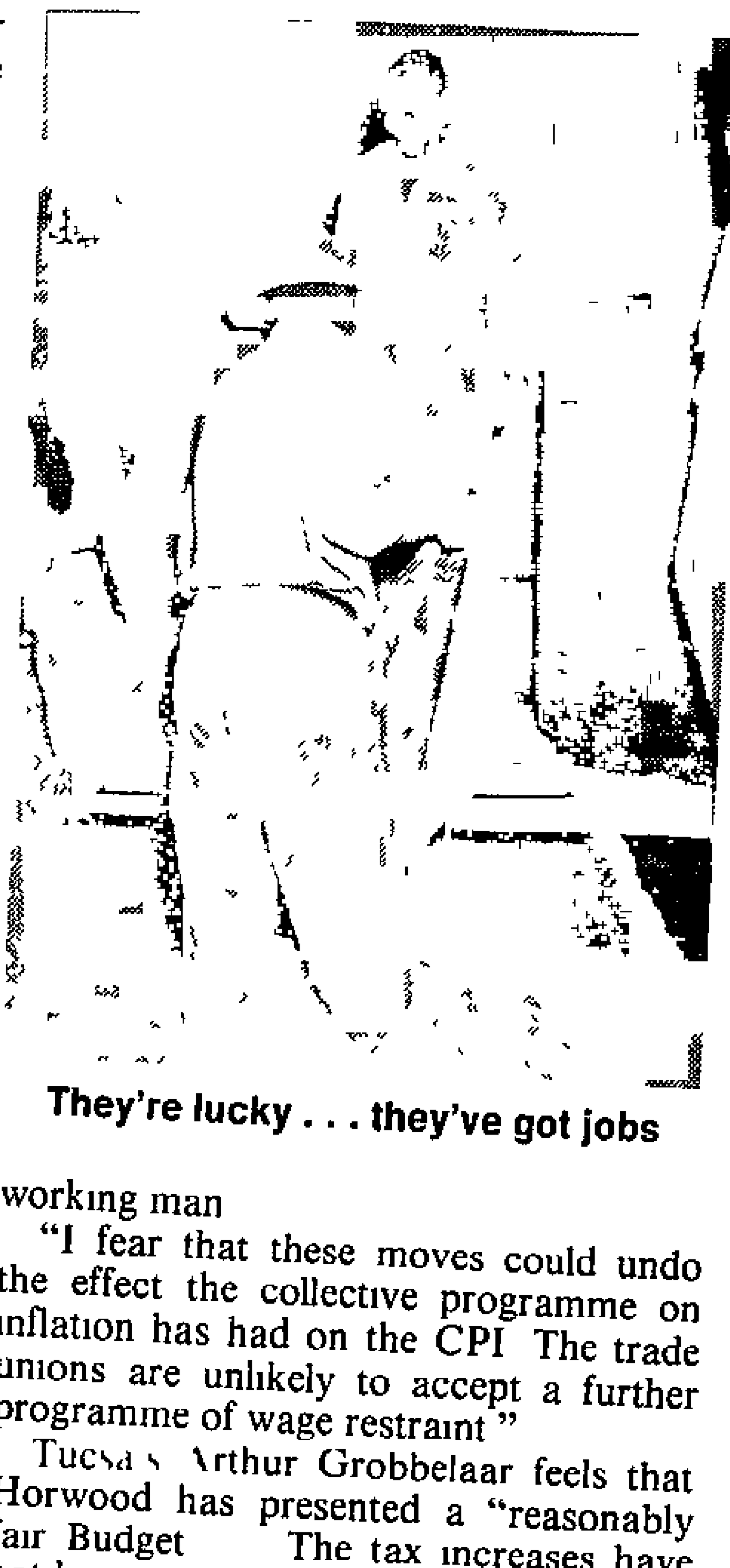
Steeper income tax, sales duties, heavier excise on booze and smokes, and the extra 2,5c that Horwood has slapped on petrol, will fuel the flames of discontent.

Ben Nicholson, general secretary of the SA Electrical Workers' Association, tells the *FM* "The increases in sales duties, and particularly the rise in the petrol price, seem to knock the anti-inflation programme on the head "

He warns. "The working man is in for a tough time and the rises will have considerable influence on trade union thinking — in particular our attitude to forthcoming wage negotiations The restraint which trade unions have shown up to now will be severely jeopardised."

Piet Roodt, general secretary of the SA Footplate Staff Association on the railways echoes these sentiments. "The Budget will hit us hard We have got no choice but to press a bit harder for increases now "

Ray Altman, secretary of the National Union of Distributive Workers and of the National Union of Commercial and Allied Workers, tells the *FM* the anticipated higher petrol price "will not do the working man any good", since it will push up transport costs and consumer prices Sales duties would also hit the working man



They're lucky . . . they've got jobs

"I fear that these moves could undo the effect the collective programme on inflation has had on the CPI The trade unions are unlikely to accept a further programme of wage restraint "

Tucsa's Arthur Grobbelaar feels that Horwood has presented a "reasonably fair Budget The tax increases have not been as severe as anticipated "

Grobbelaar adds, however, that sales tax should not have been increased at all — "as the poorer sections of the community will have to bear a disproportionately heavy burden " He is disappointed that sales tax has not been discarded in favour of a turnover tax

While the registered union movement, on the one hand, will find itself under stronger pressure from the grass-roots to press for wage increases, businessmen, on the other, will also find themselves squeezed for cash There is the making of a clash here, particularly in the public sector, where employees have done without wage rises for nearly two years.

African workers, of course, are excluded by law from the registered trade union movement They too will be hit by the CoL rises which will come in the wake of the Budget

Granted, Horwood had to be ruthless with departmental spending requests. But did he really have to be so niggardly when it came to African pensioners? He has increased White pensions by R8 to a maximum of R72 a month (Last year White pensions went up R7) But Africans get a smaller increase than last year — R3,50 as against R3,75 — to a new maximum of R18,50. Would it have been that difficult to give them more?

The next year is going to see very little, if any, increase in general living standards. Everyone — bar the successful profiteer — is going to pay the price for government's prodigality in the past.

When all is said and done, the real brunt of this Budget is going to be borne by SA's unemployed Africans. Various estimates from the universities put the figure at anywhere between 1m and 2m. Coming in the midst of an economic recession, this massively deflationary Budget is going to slow down even further the country's already parlously slow rate of job-creation for Africans — particularly in the Bantustans

This crucial and disturbing fact should not be overlooked

You haven't got the picture, Dr McCrystal

Sun Times (Bus) 18/4/76

Gerrit van Zyl, Lecturer in Economics, Graduate School of Business, Cape Town.

DR LAWRENCE McCRYSTAL seems to lack clear understanding of the causes of inflation He has demonstrated this clearly in remarks attributed to him in last week's Sunday Times He was commenting on the views of Professor Milton Friedman who recently visited South Africa

Inflation is a monetary phenomenon If there were no money and all transactions were barter transactions there would be no inflation. Inordinately large increases in the money supply causes inflation. All the other so-called causes are effects of inflation The trade unionist demands higher wages to protect his members' incomes The business man requires higher prices to protect his return on investment and his ability to invest in new machinery

Money supply increased dramatically over the past five years and so has the rate of inflation

Dr McCrystal speaks of "an inflationary attitude of mind" as being the origin of the problem Have our attitudes and spending habits really changed dramatically over the past four years to cause the quadrupling in the rate of inflation ? I doubt it.

Dr McCrystal cites the Arabs and oil prices as another cause. If petrol prices go up and the money supply is held constant, consumers will either buy less petrol or less of something else

Indeed, the prices of some other goods and services might be driven down by decreasing demand It is only when the money supply is increased that consumers can continue to purchase oil-based products without cutting back elsewhere

Under these circumstances, inflation certainly will occur But notice that the money supply first had to be increased.

Through recorded history, inflations have always been associated with large increases in the money supply I fail to see why South Africa should be any different in this respect or why indeed, Professor Friedman needs to have a depth of knowledge of South Africa's special conditions before he can point to the obvious

An anti-inflation manifesto campaign will, in the short-term, curb the rate of price increases But the only permanent solution to inflation is to cut back the rate at which the money supply is growing.

Neither business men nor trade unions can directly affect the rate of money supply growth. Only the Government has this power Any attempt to implicate these parties in an anti-inflation campaign only serves to draw attention away from the real causes of the problem.

MONEY SUPPLY INCREASE	
1971	7%
1972	12%
1973	23%
1974	22%
1975	16%

CONSUMER PRICE INDEX INCREASE	
1971	6%
1972	6%
1973	10%
1974	14%
1975	11%

150A

Tell workers about those profits—TUC

ARGUS (BUS. ARGUS) 24/4/76

Financial Staff

WAGE restraint has brought home to the average worker the need to overcome the problem of inflation, Mr E. van Tonder, president of the Trade Union Council, told employers in Cape Town this week.

'He is better off with wage restraint and sincere co-operation by employers in keeping prices to a reasonable level and not exaggerating increases,' he said at a symposium held by the Cape Employers' Association.

The majority of trade unionists believed they were better off supporting the wage restraint aspect of the Government's anti-inflation programme.

But it was difficult to explain away imported inflation and rising prices over which employers had no control

GREEDY

'The average worker, even in the more sophisticated sectors of industry, still regards employers as greedy money makers,' added Mr van Tonder

'He sees you 'pocketing millions' while paying him a mere subsistence wage or salary

'His understanding of company balance sheets is frighteningly limited. He sees only one item — gross profit — and interprets this to be the amount pocketed by employers

TAXATION

'He does not consider taxation, the replacement of equipment or the shareholders' return on their investment'

The worker needed much closer co-operation from his employer, who should take him into his confidence about the company's financial situation

Mr J. R. Altman, vice chairman of the Western Province Area division of TUCSA, told the conference 'It is easy to see if trade unionists in their wage demands are observing the pay-restraint formula.

'But how can we be sure that employers are observing it and absorbing 30 percent of rising costs?

'Employers who are co-operating in the anti-inflation programme should hold seminars for their workers and explain their financial position.

'If that kind of rapport could take place between employer and worker it would go a long way towards achieving mutual confidence in the country's present situation'

1 150 A

2 ~~334~~

3 ~~251~~

150 A

Kaapstadse komitee is op en wakker

Vasbyt

Een van die jongste advertensies oor die stryd teen inflasie wat deur die Kollektiewe Aksiebeweging geplaas is om die publiek in te lig oor die verskillende organisasies wat die Anti-Inflasie Manifes ondersteun Elk van die betrokke leidende persone het 'n spesiale boodskap gerig

'n Jeugsimposium en 'n simposium vir die publiek onder die voorsitterskap van dr Jan S Marais is twee van die aktiwiteite wat reeds deur die Kaapstadse streekkomitee van die kollektiewe Aksiebeweging teen Inflasie gereël en aangebied is.

Die komitee het ook reeds suksesvolle onderhandelinge gehad met die Direkteur van Onderwys in Kaapland

Die komitee het reeds heelwat bereik en goeie steun kom veral van die kant van die Kaapse Kamer van Nywerhede en die Kaapstadse Chamber of Commerce Die Kaapse Kamer van Nywerhede het besluit om die anti-inflasie embleem in al sy briefhoofde te inkorporeer, terwyl sowat 1 500 afskrifte van die anti-inflasie advertensies aan die Kamer besorg is wat dit aan al sy lede sal versprei

Onlangs het die Rondebosse tak van die Housewives League 'n omvattende lys van wenke vir huisvroue saamgestel wat aan al die Kaapse koerante versprei is en ook deur hulle gepubliseer is

Die Kaapse Kamer van Nywerhede en die Kaapse Chamber of Commerce beoog ook om 'n vergadering van alle belanghebbendes te belê om die probleem met vertragings van die aflewering van goedere by winkels te bespreek

Versoek

Die komitee het ook 'n brief aan die Registrateur van Finansiele Instellinge gerig waarin hy versoek is om aandag te gee aan die verhoging van premies van korttermyn-versekeraars In sy antwoord sê die registrateur dat die versekeraar ook gebuk gaan onder die inflasie-probleem en hoewel 'n veertig persent verhoging van hul premies geregverdig was, 'n verhoging van twintig persent toegestaan is

Hy het bygevoeg dat gehoop word dat in die huidige Parlementsitting wetgewing aangeneem sal word wat aan die Minister van Finansies die bevoegdheid sal verleen om maksimum kommissiekoerse vas te stel en om strenger solvensievereistes vir korttermynversekeraars neer te lê Volgens die brief word gehoop dat gebruikmaking van hierdie bevoegdhede beter orde in die korttermyn-versekeringsbedryf tot gevolg sal he en die uitwerking sal hê dat die behoefte aan markooreenkomste om ongedissiplineerde optrede te verhelp, uitgeskakel sal word

CPI rise was expected

As forecast earlier this year, the Consumer Price Index has risen at this stage This was envisaged early in the anti-inflation campaign as a result of devaluation and various other cost-raising factors then in the pipeline, a spokesman for the Collective Action Movement against Inflation said recently

This will probably be somewhat prolonged by the sales and excise duty increases announced in the Budget What this means is that the anti-inflation campaign will have to be maintained at a high level of intensity, the spokesman said

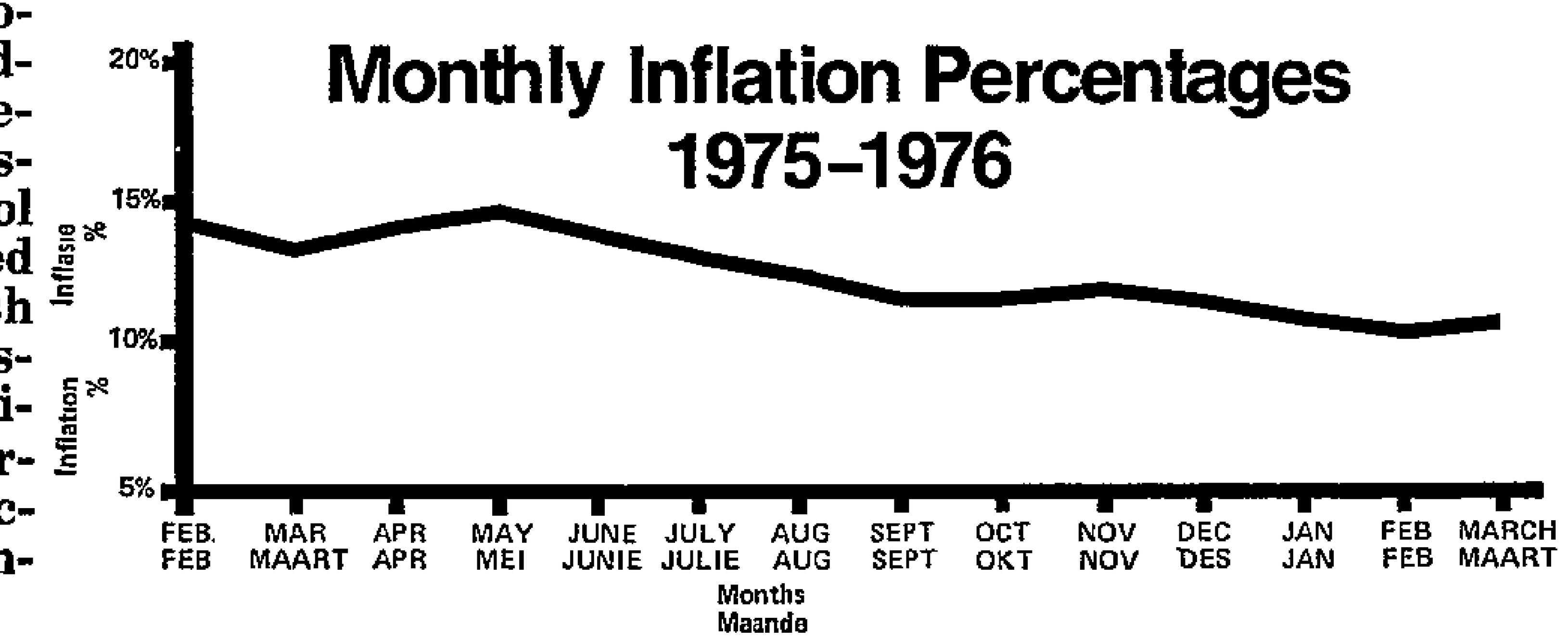
Hierdie nuusbrief word uitgegee deur die Kollektiewe Aksiebeweging teen Inflasie Privaatsak X152 Pretoria 0001

KOLLEKTIEWE AKSIE- BEWEGING NEWS·NUUS COLLECTIVE ACTION MOVEMENT

MAY 1976 MEI

McCrystal outlines CAM campaign

Visiting American economist Prof Milton Friedman's categorical statement that inflation is caused only by a lack of control of the money supply has led him into a headlong clash with Dr Lawrence McCrystal, prominent South African economist and chairman of the Collective Action Movement against Inflation.



In the past 12 months the rate of inflation in South Africa has dropped by around a quarter, as the graph indicates However, the present inflation rate of 11,2 per cent is still well above the Collective Action Movement against Inflation's goal of between six and eight per cent, which the movement has stated is attainable if everyone plays their part

During his recent visit to South Africa, the Chicago economist instigated a lively debate in the local media when he attributed South Africa and the world's inflationary problems purely to governments' lack of control of the money supply

Prof Friedman stated that because governments had failed to control the money supply they alone were responsible for inflation, and therefore, they alone could solve the inflation problem

Controversy

The Friedman-McCrystal controversy came to a head when Prof Friedman stated that the Anti-inflation Manifesto was nothing but a smoke-screen to cover up the Government's errors Dr McCrystal retorted by stating that Prof Friedman was "talking nonsense "

Dr McCrystal explained "The inference of Friedman's, at best ill-considered statement, is that the hard-nosed men of FCI, Assocom AHI, TUCSA, Seifsa, the NDMF, the Chamber of Mines, the GMA, and so on, who helped to draft the manifesto, are either naive and gullible to an infantile degree, or they are prepared to allow their organisations to do a cover-up job for the Government This is so insulting and preposterous a suggestion as to be breath-taking in its implications " He continued "No one connected with the anti-inflation campaign has, to my knowledge, since signing the manifesto, denied the role of lax control of the money supply and over-spending by government as being major causes of our inflationary problems Everyone connected with the manifesto recognised that inflation and the excessive growth of the money supply are related That's why these issues are explicitly covered in the manifesto

"But having accepted that is a vastly different matter from the constructive action necessary for the practical handling of an inflationary situation This cannot merely be theorised away by stating that the actions which gave rise to it should never have been taken"

Dr McCrystal concluded "The crisp issue then is – do we take the simplistic view of the academic monetarists that all we need to do is to control the money supply and all will come right, or do we side with the practical decision-makers and work on a broader canvass, which includes the monetary aspects, but covers, in addition, wages and salaries, and structural aspects relating to such matters as productivity, and thrift and efficiency at all levels of our society? The Anti-inflation Manifesto takes the latter practical approach

"Our public education programme which is but one part of the Manifesto, aims at promoting a climate in which the various steps the Manifesto signatories are committed to, can take place as well as providing motivation and explaining the need for such steps to the public "

Concerned

The Collective Action Movement against Inflation has in letters to the authorities concerned expressed its concern over the expenditure the South African Broadcasting Corporation and the South African Railways incurred with the official openings of the Auckland Park Centre and Richards Bay, respectively.

Kaapstadse komitee is op en wakker

'n Jeugsimposium en 'n simposium vir die publiek onder die voorsitterskap van dr Jan S Marais is twee van die aktiwiteite wat reeds deur die Kaapstadse streekkomitee van die kollektiewe Aksiebeweging teen Inflasie gereel en aangebied is.

Die komitee het ook reeds suksesvolle onderhandelinge gehad met die Direkteur van Onderwys in Kaapland

Die komitee het reeds heelwat bereik en goeie steun kom veral van die kant van die Kaapse Kamer van Nywerhede en die Kaapstadse Chamber of Commerce Die Kaapse Kamer van Nywerhede het besluit om die anti-inflasie embleem in al sy briefhoofde te inkorporeer, terwyl sowat 1 500 afskrifte van die anti-inflasie advertensies aan die Kamer besorg is wat dit aan al sy lede sal versprei

Onlangs het die Rondebosse tak van die Housewives League 'n omvattende lys van wenke vir huisvroue saamgestel wat aan al die Kaapse koerante versprei is en ook deur hulle gepubliseer is

Die Kaapse Kamer van Nywerhede en die Kaapse Chamber of Commerce beoog ook om 'n vergadering van alle belanghebbendes te belê om die probleem met vertragings van die aflewering van goedere by winkels te bespreek

Versoek

Die komitee het ook 'n brief aan die Registrateur van Finansiele Instellinge gerig waarin hy versoek is om aandag te gee aan die verhoging van premies van korttermyn-versekeraars In sy antwoord sê die registrateur dat die versekeraar ook gebuk gaan onder die inflasie-probleem en hoewel 'n veertig persent verhoging van hul premies geregverdig was, 'n verhoging van twintig persent toegestaan is

Hy het bygevoeg dat gehoop word dat in die huidige Parlementsitting wetgewing aangeneem sal word wat aan die Minister van Finansies die bevoegdheid sal verleen om maksimum kommissiekoerse vas te stel en om strenger solvensievereistes vir korttermynversekeraars neer te lê Volgens die brief word gehoop dat gebruikmaking van hierdie bevoegdhede beter orde in die korttermyn-versekeringsbedryf tot gevolg sal hê en die uitwerking sal hê dat die behoefte aan markooreenkomste om ongedissiplineerde optrede te verhelp uitgeskakel sal word

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Hierdie nuusbrief word uitgegee deur die Kollektiewe Aksiebeweging teen Inflasie Privaat sak X152 Pretoria 0001

Vasbyt

Een van die jongste advertensies oor die stryd teen inflasie, wat deur die Kollektiewe Aksiebeweging geplaas is om die publiek in te lig oor die verskillende organisasies wat die Anti-Inflasie Manifes ondersteun Elk van die betrokke leidende persone het 'n spesiale boodskap gerig

CPI rise was expected

As forecast earlier this year the Consumer Price Index has risen at this stage This was envisaged early in the anti-inflation campaign as a result of devaluation and various other cost-raising factors then in the pipeline, a spokesman for the Collective Action Movement against Inflation said recently

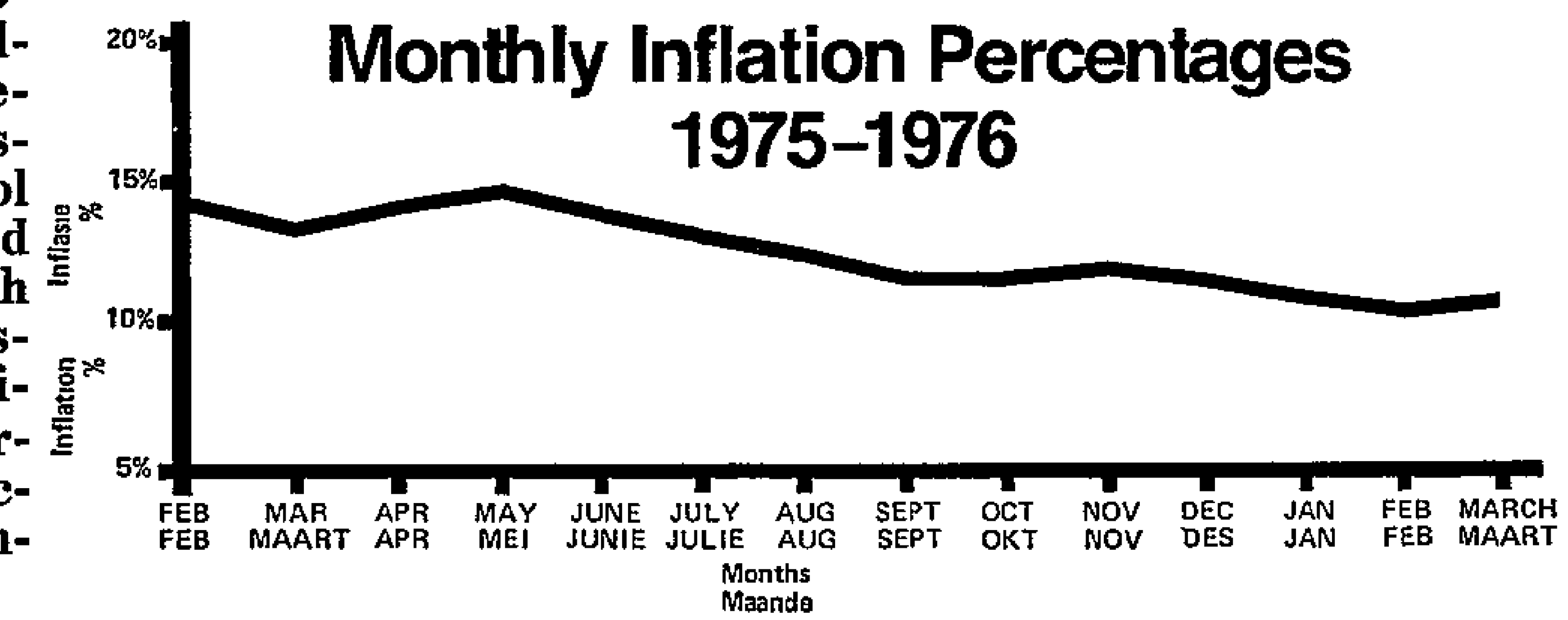
This will probably be somewhat prolonged by the sales and excise duty increases announced in the Budget What this means is that the anti-inflation campaign will have to be maintained at a high level of intensity, the spokesman said

KOLLEKTIEWE AKSIE-BEWEGING NEWS·NUUS COLLECTIVE ACTION MOVEMENT

MAY 1976 MEI

McCrystal outlines CAM campaign

Visiting American economist Prof Milton Friedman's categorical statement that inflation is caused only by a lack of control of the money supply has led him into a headlong clash with Dr Lawrence McCrystal, prominent South African economist and chairman of the Collective Action Movement against Inflation.



In the past 12 months the rate of inflation in South Africa has dropped by around a quarter, as the graph indicates However, the present inflation rate of 11 2 per cent is still well above the Collective Action Movement against Inflation's goal of between six and eight per cent, which the movement has stated is attainable if everyone plays their part

During his recent visit to South Africa, the Chicago economist instigated a lively debate in the local media when he attributed South Africa and the world's inflationary problems purely to governments' lack of control of the money supply

Prof Friedman stated that because governments had failed to control the money supply they alone were responsible for inflation, and therefore, they alone could solve the inflation problem

Controversy

The Friedman-McCrystal controversy came to a head when Prof Friedman stated that the Anti-inflation Manifesto was nothing but a smoke-screen to cover up the Government's errors Dr McCrystal retorted by stating that Prof Friedman was "talking nonsense "

Dr McCrystal explained "The inference of Friedman's, at best ill-considered statement, is that the hard-nosed men of FCI, Assocom, AHI, TUCSA, Seifsa, the NDMF, the Chamber of Mines, the GMA, and so on, who helped to draft the manifesto, are either naive and gullible to an infantile degree, or they are prepared to allow their organisations to do a cover-up job for the Government This is so insulting and preposterous a suggestion as to be breath-taking in its implications " He continued "No one connected with the anti-inflation campaign has, to my knowledge, since signing the manifesto, denied the role of lax control of the money supply and over-spending by government as being major causes of our inflationary problems Everyone connected with the manifesto recognised that inflation and the excessive growth of the money supply are related That's why these issues are explicitly covered in the manifesto

"But having accepted that is a vastly different matter from the constructive action necessary for the practical handling of an inflationary situation This cannot merely be theorised away by stating that the actions which gave rise to it should never have been taken"

Dr McCrystal concluded "The crisp issue then is – do we take the simplistic view of the academic monetarists that all we need to do is to control the money supply and all will come right, or do we side with the practical decision-makers and work on a broader canvass, which includes the monetary aspects, but covers, in addition, wages and salaries, and structural aspects relating to such matters as productivity, and thrift and efficiency at all levels of our society? The Anti-inflation Manifesto takes the latter practical approach

"Our public education programme which is but one part of the Manifesto, aims at promoting a climate in which the various steps the Manifesto signatories are committed to, can take place as well as providing motivation and explaining the need for such steps to the public "

Concerned

The Collective Action Movement against Inflation has in letters to the authorities concerned expressed its concern over the expenditure the South African Broadcasting Corporation and the South African Railways incurred with the official openings of the Auckland Park Centre and Richards Bay, respectively.

150A

VIR ONMIDDELLIKE VRYSTELLING

AKSIEPROGRAM TEEN INFLASIE

PERSVERKLARING UITGEREIK DEUR DIE MINISTER VAN EKONOMIESE SAKE

Na aanleiding van berigte dat Tucsa homself vandag onttrek het uit die anti-inflasie program het ek met mnr. Arthur Grobbelaar persoonlik in verbinding getree en hy het my meegedeel dat die Eerste Minister se oproep aan die private sektor se werkgewers en werknemers om 'n gelyke mate van dissipline toe te pas met betrekking tot die verhogings in hulle verdienstes as wat van werknemers van die owerheidsektor verwag word, vatbaar is vir interpretasie dat dit 'n afwyking van die riglyne van die Gesamentlike Aksieprogram verteenwoordig.

Op 'n versekering van my dat hierdie oproep hoegenaamd geen verandering of afwyking van die vaste ondernemings in die program verteenwoordig nie en nie as sulks deur werknemers of werkgewers geïnterpreteer moet word nie, het mnr. Grobbelaar my meegedeel dat Tucsa hom soos in die verlede aan die program gebonde beskou.

Duidelikheidshalwe moet ek byvoeg dat die Eerste Minister se verklaring betrekking het op werknemers in die openbare sektor en werknemers en werkgewers wat nie kragtens die program gebonde is nie.

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING OP VERSOEK VAN DIE MINISTERIE VAN EKONOMIESE SAKE

KAAPSTAD

23 APRIL 1976

Anti-inflation plan in danger

24/4/76

STAR

150 A

Labour Reporter

The anti-inflation campaign remains shaky despite the dramatic reversal in the leading labour signatory's decision to withdraw from it.

The 250 000-strong Trade Union Council of South Africa resumed its support of the anti-inflation manifesto after receiving satisfactory assurances from the Minister of Economic Affairs, Mr Heunis.

But the general secretary of the 200 000-strong Confederation of Labour, Mr Wallie Grobler, still regards the manifesto as being "in jeopardy".

WITHIN SPIRIT

Before receiving Mr Heunis's assurances, Mr Arthur Grobbelaar, general secretary of Tucsa, said the only thing that could save the manifesto was "strong, straightforward statements by employer organisations that they will negotiate within the spirit of the manifesto."

Later yesterday, the Minister of Economic Affairs assured Mr Grobbelaar that the Prime Minister's call "was in no way a change or deviation from the fixed undertakings in the programme and should not be interpreted as such by employees or employers".

SHOP WORKERS

Hefty increases in the basic wage rates of shop-workers and a yearly escalation of not less than 10 percent to compensate for rises in the consumer price index are being sought by three trade unions — the National Union of Distributive Workers, the National Union of Commercial and Allied Workers and the Commercial Catering and Allied Workers Union.

● Natal's 4 000 White railway artisans have rejected the salary increases announced by the Prime Minister because "they are absolutely contrary to the anti-inflation measures and serve to widen the gap between the higher and lower income groups."

150A

READERS' VIEWS

Inflation–businessmen are not the culprits

26/4/76 STAR

As a businessman I feel that the time has come to speak up and to say, "enough is enough."

As a staunch follower of, and believer in, a free enterprise capitalistic economic system, I am becoming increasingly perturbed by local publications, television and radio broadcasts and by the opinions of various members of the public

Insinuations and accusations have been levelled at the South African businessman. He is the ogre who is making excess profits and who is exploiting the people and is therefore anti-South African. Should he achieve a return on capital invested in excess of 15 percent he is almost criminal He must also absorb 30 percent of the increase in any prices or expenses. The worthless anti-inflation smoke-screen document says as much We have been told that he is exploiting the masses. And more.

We have been listening to the opinions, accusations and generalisations of a certain "economist" over the radio and television and he has, in my opinion, done considerable harm in promoting naive theories and in damaging the pro-capitalist faith which the public once had possessed.

Yet, with the Faros coal scandal, the Government land deals that have aroused a little interest, excessive Government spending, wastage and inefficiency in the civil service, inefficiency in Government - controlled and semi-controlled enterprises, support of the television manufacturers cabal and much more, little is heard. The finger still points to the businessman.

The efforts of this "economist" in his accusations and general insinuations of the "guilt" of the businessman as a whole is causing the public to lose confidence in the businessman, resulting in the Government stepping in as the protector of the exploited masses and legislating for more control over private enterprise. This smacks of socialism.

Speaking personally, I am sick and tired of being told that I, as a businessman, am the cause of our present economic ills, the exploiter of the masses and the possible future victim of a Government sponsored witch-hunt or inquisition.

It is high time that ASSOCOM and the Afrikaanse Handelsinstituut stood up and told the Government to keep its hands off the businessman and free enterprise

Capitalist

Klerksdorp.

● The retail trade is tired of being attacked continuously by Government officials regarding "excessive profit margins and malpractices," as Mr Chris Heunis did recently.

Naturally it is popular, especially for a politician, to look for scapegoats for inflation. It cannot be stated clear enough however, that there is only one instance responsible for the existing inflation, and that is the Government itself.

If the Minister and his colleagues would care to study the financial results of the big clothing retail chains, as published, they would find out that the average profit on sales is between 4 and 6 percent.

As far as the small independent retail trade is concerned, the situation is by no means better.

The Minister has asked the Price Controller to report on the advisability of "fixing the maximum retail profit on all clothing." What does the Minister mean? Profits as the result at the end of the year? Or doesn't he differentiate between mark-up and profits?

If the Minister wants to peg the maximum mark-up on clothing, my question is: does he intend treating every retailer on the same basis? The one who pays R6 per sq metre rent the same as the one who pays 30c?

I am convinced that Mr Heunis could do a bigger contribution to our fight against inflation by decreasing our bureaucracy. What about Saturday work for civil servants — something which is common practice in the retail trade?

Claus Kock

Windhoek.

150A

He was

'Stagger time to beat inflation'

STAR 27/4/76.

Own Correspondent

CAPE TOWN — Staggered starting and finishing times for industry, commerce and schools could do more for South Africa's economy and productivity than all the anti-inflation measures together, the Urban Transport Conference was told yesterday.

Mr L R Dickson, general manager of City Tramways, said a "co-ordinated and ambitious scheme" to stagger starting and finishing times was being tackled in Pretoria.

This could ease operating losses on that city's municipal bus system

Peak-hour commuter flows caused problems on railways and main roads in the Cape. "Freeway traffic flow, especially on the Cape flats, is not only slowing down alarmingly, but blocking back from problem interchanges over considerable distances."

Mr Dickson said lower company profits would not necessarily mean lower bus fares

"Nowhere in history has the removal of the profit motive on a large urban public transport system brought lower overall costs The reverse is very much the case"

Mr F A Loots, MEC, in charge of roads in the Cape, said co-ordinated activity, between local authorities, transport media and the public had become imperative

Inflation pact: Heunis plea to artisan body

30/4/76 STAR.

John Patten, Political Correspondent

CAPE TOWN—The Minister of of Economic Affairs, Mr Heunis, today appealed to the 20 000-strong Railway Artisan Staff Association to reconsider its decision announced yesterday to withdraw from the joint action programme against inflation.

150A

"If reports of the association's withdrawal are correct, then I wish to say its action will not be in the interests of the workers or of the anti-inflation programme in general," Mr Heunis said.

"I would appeal to them to reconsider their decision, because with the anti-inflation programme we are achieving results.

The Minister stepped into the dispute between the association and the Minister of Transport, Mr Louwrens Muller, at a critical time when their deadlocked pay negotiations began to threaten national solidarity in the fight against inflation.

Not only did the Artisan Staff Association — angered by the refusal of Mr Muller to consider pay increases greater than the 10 percent hike already announced — decide to withdraw itself from the anti-inflation campaign, but it also made it clear it would "do its utmost to persuade the South African Confederation of Labour to follow suit"

WITHOUT

The Star's Labour reporter has reliably learnt that without that union's support, the Confederation would already be out of the anti-inflation pact.

When the Confederation supported the extension of the manifesto from March to September, it did so with only the bare two-thirds majority required.

Informed sources said only 14 votes were in favour, seven opposed the move and there were many abstentions.

The Artisan Staff Association's change of heart would seem to be enough to reverse the decision now, without any persuasion of other members of the confederation, observers say.

The union's president, Mr Jimmy Zurich, said the Minister of Transport "would not and could not" depart from the 10 percent pay increase scheduled for July 1.

'Disgusted' rail staff quit pay pact

JOHANNESBURG — The Artisan Staff Association, representing 20 000 Railway workers, has withdrawn from the anti-inflation campaign and "will do its utmost to persuade the S.A. Confederation of Labour (200 000 members) to follow suit," it was announced by ASA president Mr. Jimmy Zurich here yesterday.

It was also said that the Minister of Transport, Mr. S. L. Muller, "would not and could not" depart from the 10 percent increase with effect from July 1 and the possible further increase of 5 percent in January.

30/4/76

Mr. Zurich's statement says his executive committee had a "strong confrontation" with the Minister at their meeting in Cape Town on Tuesday.

150A

"The confrontation; on the modus operandi for future salary negotiations, ended in the exaction of a declaration that there would not be any future salary announcements until the Minister had completed the round of negotiations with the Railway unions.

"The association is disgusted not only with the modus operandi followed in this instance, but also with the inequity of the 10 percent salary hand-out," Mr. Zurich said.

He disclosed that the union demanded a rise of 16,63 percent for the bulk of its membership

This was far below the 21,11 percent to which they were entitled," he added.

The claims varied giving the lower - paid workers greater increases in accordance with the spirit of the manifesto.

"Our claim therefore met all the criteria for self - restraint, responsibility, the ability of the employer to pay and the manifesto formula. The Minister, however, shielded behind the Cabinet decision as announced by the Prime Minister," Mr. Zurich said

"We consider that the whole exercise was contrary to the spirit of the anti - inflation campaign manifesto," he added.

"This union therefore no longer feels itself bound by the terms of the manifesto and will do its utmost to persuade the S A Confederation of Labour to withdraw from the anti - inflation campaign." — (Sapa.)

ADRESSE VAN STREEK-KOMITEES

BLOEMFONTEIN:
Mnr A D Viljoen,
Posbus 288,
Bloemfontein 9300
DURBAN:
Mnr J Conradie,
Posbus 3560,
Durban 4000
OOS-LONDEN:
Mnr M G A Luck,
Posbus 1531,
Oos-Londen 5200
KAAPSTAD:
Mnr J C Krynauw,
Trustbanksentrum 2713,
Heerengracht,
Kaapstad 9$$1
JOHANNESBURG:
Mnr R Mitchell,
Posbus 2479,
Johannesburg 2000
PORT ELIZABETH:
Mnr S C Gallow,
Posbus 466,
Port Elizabeth 6000
KOLLEKTIEWE AKSIE-BEWEGING·
Sekretaris,
Mnr F H Land,
Privaatsak X152,
Pretoria 0001

Aankondiging verwelkom

Die aankondiging dat daar geen verhoging in postariewe sal wees nie, is deur die Kollektiewe Aksie-beweging teen Inflasie verwelkom

„Die aankondiging is 'n wesenlike bydrae in die stryd om inflasie te bekamp Ons verwelkom ook die stappe wat die Poskantoor geneem het om die doeltreffendheid van sy werkerskrag te verhoog," het 'n woordvoerder vir die Kollektiewe Aksiebeweging in Pretoria gese

Die aankondiging is in die Volksraad deur die Minister van Pos- en Telekommunikasiedienste, Senator J P van der Spuy, tydens die Posterye-Begroting gedoen

Post Office's year of productivity

The Post Office – one of the leading organisations in the public sector – is making a large contribution towards the fight against inflation and is proud of its internal discipline, which is based on service

The Post Office has decided that the most effective way to keep the wolf of inflation from the door, is to demand full service for a just reward If every worker, regardless of rank or position, were to ensure that his daily work output was commensurate with his daily remuneration – it would considerably contribute to the wellbeing of our country In other words, a full day's work for a full day's pay

There are 67 000 people employed by the Post Office, and a main objective is to motivate every worker to attain maximum productivity The "giving of one's all" should become a matter of personal pride to every individual For example, the seemingly small matter of starting work punctually each morning forms the cornerstone of a productive day

With this in mind the Post Office has declared 1976 its year of maximum productivity with every individual expected to contribute his utmost For Post Office workers it must be a matter of honour that every working day will be utilized for work

As soon as employees' output fail to equate with their renumeration inflation is advanced But the Post Office is determined that their workers will do an honest day's work for a full day's pay

This advertisement of the Collective Action Movement is creating quite a stir In many businesses office workers and secretaries have cut the advertisement out of newspapers and business magazines and stuck it up on the boss' door, or discreetly pushed it through under his door!

The advertisement is one of a series introduced in January to create an awareness of our wastage of time (time wasted also means money wasted) Other advertisements in the series highlighted racecourse-goers, office secretaries wasting time, etc

150-A
SCHOOL OF ...

KOLLEKTIEWE AKSIE-BEWEGING NEWS·NUUS COLLECTIVE ACTION MOVEMENT
APRIL 1976

Anti-Inflation fight to run on

The Collective Action Programme against inflation will continue for a further six months after the present campaign ends on March 31.

This decision was taken after a meeting of the signatories of the Anti-Inflation Manifesto in Cape Town on February 12

The Minister of Economic Affairs, Mr Chris Heunis, said after the meeting that the same principles would apply, but that as a result of trade union representations it was decided that workers earning less than R200 a month would not have to make any wage increase sacrifices

Mr Heunis also said that while in the past the emphasis had been on saving it was now also increasingly on efficiency and productivity

He said it was unlikely that the factors that had affected the economy recently could be dealt with quickly enough to ensure real growth in 1976

Complicated

He said the recession that has troubled South Africa's trading partners since 1974 has been made worse by the huge increase in the price of oil

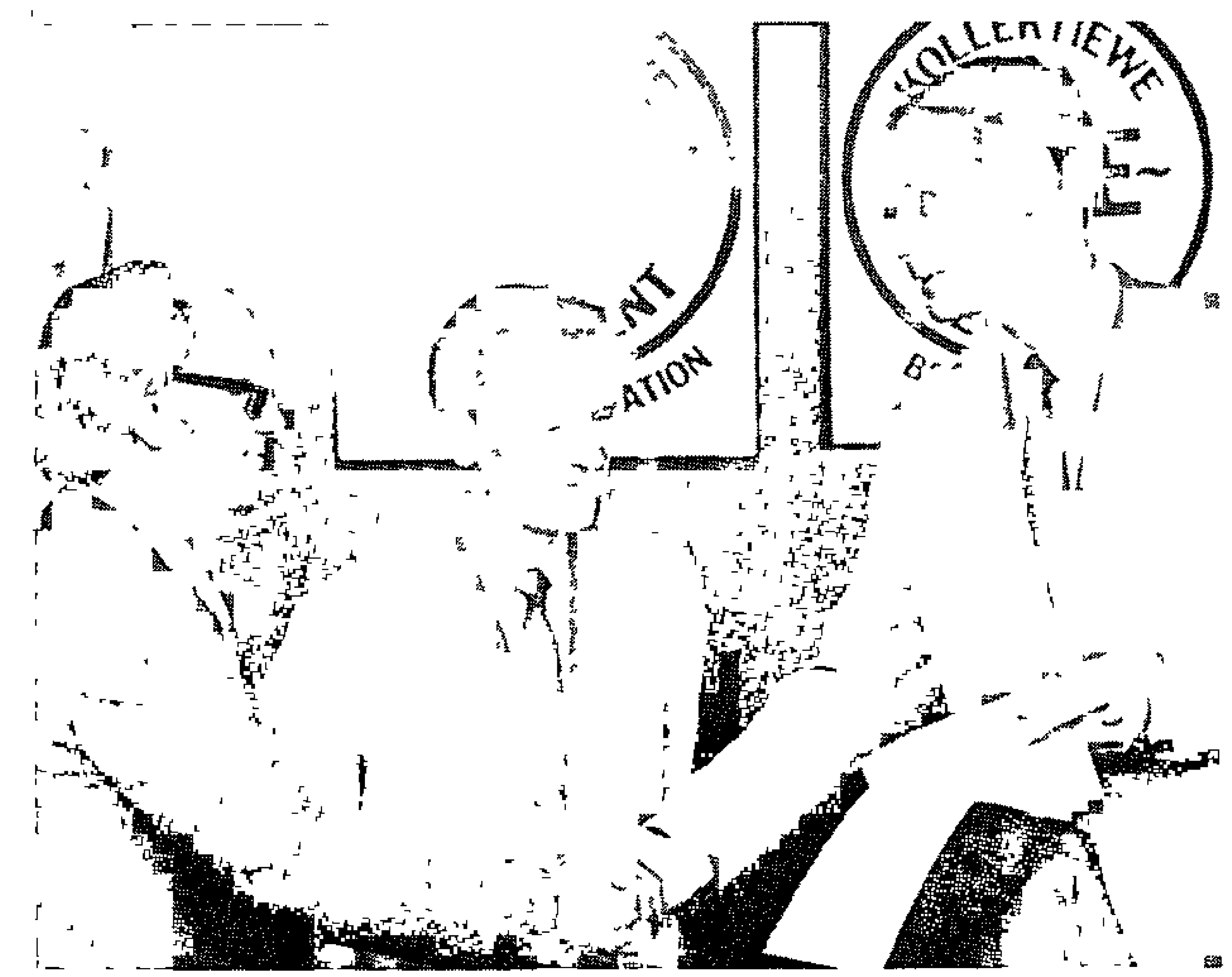
Angola had further complicated the economic situation and it was obvious that defence spending must increase, he added

"It has become more necessary than ever for all South Africans to live within their means this year," he said

If the anti-inflation programme was necessary last year, it was a great deal more so in 1976

Mr Heunis reiterated the Government's intention of keeping its own expenditure in the coming financial year below the expected percentage rise in costs and prices

AWARD



Verwoerdburg

The positive steps by Verwoerdburg's inflation fighting committee has been praised by Prof Leon Weyers, member of the Collective Action Movement and chairman of the Co-ordinating Consumer Council

Prof Weyers said Verwoerdburg was setting an example for the whole country with the recent establishment of its local committee

The committee chaired by councillor P F Smith, is investigating ways in which Verwoerdburgers could co-operate to counter inflation by prevention of wastage It was already encouraging people to drive to work together

The State President's Media Award for January went jointly to the two cultural services of the South African Broadcasting Corporation Here Mr Morkel van Tonder head of the Afrikaans Service, is congratulated by Dr Lawrence McCrystal chairman of the Collective Action Movement against Inflation Looking on is Mr Tony Faulkner, head of the English Service In making the presentations Dr McCrystal said "These two services share the award for the manner in which they generally co-operated in the campaign, particularly in the thoughtfull coverage given by the morning programmes Monitor and Radio Today

Previous winners of the award were the daily newspapers Pretoria News and Beeld

Majority supports inflation campaign

An overwhelming majority of South Africans are aware of the nationwide campaign against inflation, believe the campaign is of benefit to South Africa, and have actually done something to contain the inflation-monster.

A survey by the leading market research company in South Africa to determine the impact of the campaign against inflation among all races in the country revealed that an impressive 78 per cent of Whites interviewed, 84 per cent of Indians, 66 per cent of Coloureds and 37 per cent of Blacks are aware of the anti-inflation publicity campaign, while 75 per cent of the Whites interviewed, 72 per cent of both Coloureds and Asiatics and 49 per cent of Blacks are aware of the Collective Action Movement against Inflation

The immense value of the campaign, which was launched in November last year, is underlined in that no fewer than 92 per cent of all Whites interviewed gave a solid "yes" to the question "Do you think it is to South Africa's benefit to have a publicity campaign to fight inflation?"

The campaign is equally well supported by Blacks, Coloureds and Indians Of the Blacks interviewed, 81 per cent came out in support of the publicity campaign, while 86 per cent of Coloureds and Indians also approved of the campaign

Vital

Probably one of the most vital questions posed in the survey was "Have you personally done anything to fight inflation?"

A solid 79 per cent of Whites and 60 per cent of Coloureds and Indians answered affirmatively while 28 per cent of the Black group surveyed were able to answer "yes"

An important aspect of the battle against inflation is the necessity for people to budget

Proof that the value of this message has been understood by especially Whites was revealed by the survey in which 17 per cent of the Whites interviewed stated that they now budgeted

Die paneel vir landbou-aangeleenthede wat spesiaal deur die Kollektiewe Aksie-beweging teen Inflasie in die lewe geroep is, het onlangs sy eerste vergadering in Pretoria gehou Die paneel sal gereeld vergader om voorstelle en wenke te gee van hoe inflasie in die landbou bekamp kan word Die Kollektiewe Aksie-beweging sal dan die wenke op verskeie wyses toepas in veldtogte wat op die boer en sy werknemers gemik sal word Op die foto verskyn vlnr (agter) mnre F H Land, A Bisschoff, P J van Rooy en J Groenewald en (voor) mnr J Wilkens, dr A P Scholtz en adv P R de Villiers

Binderstelsel by Tvl-skole

Vanwee die groot hoeveelhede papier wat jaarliks verlore gaan omdat leerlinge nie hul skrifte vol skrywe nie, het die Transvaalse Onderwysdepartement onlangs 'n eksperimentele binderstelsel by verskeie hoer en laer skole in die provinsie van stapel gestuur

Daar word voorsien dat groot bedrae geld bespaar sal word indien dit sou blyk dat die stelsel prakties by alle skole in die Transvaal toegepas kan word en so 'n besparing sal ook 'n wesenlike bydrae tot die stryd teen inflasie lewer

Die binderstelsel word op vier primere en vier sekondere skole op die proef gestel

In die primere skole word een klas per standerd gebruik Elke leerling in so 'n klas ontvang dan binders en die nodige los papier Die hoeveelheid papier en binders wat deur 'n klas gebruik word, word noukeurig beheer sodat n vergelykende opname aan die einde van die projek gemaak kan word

In die junior sekondêre fase is een klas in elke standerd gekies terwyl daar gepoog is om soveel moontlike studierigtings in die senior sekondêre fase te dek

'n Binder vir elke eksamenvak, asook een waarin daaglikse werk gedoen word, word aan elke leerling voorsien Die doel hiervan is dat vakbinders tuis gelaat sal word terwyl een binder met genoeg papier saam skooltoe gebring sal word Aan die einde van die dag word vakwerk dan in die vakbinder geliaseer

Die projek is reeds sedert die begin van die jaar in volle gang en sodra die vraelyste wat deur skoolhoofde en onderwysers wat by die projek betrokke is, voltooi is, sal 'n verslag oor die geldelike en opvoedkundige implikasies saamgestel word Hierna sal die Transvaalse Onderwysdepartement besluit of die stelsel in alle skole gebruik sal word

Joint Manifesto: Slight change made

KOM KEER INFLASIE

LET'S FIGHT INFLATION

Die embleem van die Kollektiewe Aksie-beweging (soos bo aan die voorblad van die Nuusbrief) is teen hierdie tyd al baie goed bekend Daar is nou nog 'n embleem, met dieselfde tipe voorkoms en hierdie nuwe embleem kan vryelik deur enigeen gebruik word – op briefhoofde en ander drukwerk, op wenkebussies, in toonvensters, en hoe ook al Die kunswerk van hierdie embleem, „Kom keer inflasie", is gratis op aanvraag te kry van die Kollektiewe Aksie-beweging, Posbus 3443, Pretoria 0001 Die kunswerk is in die vorm van 'n bromide

Die inflasie-koers is nog te hoog

Hoewel die inflasie-koers in Januarie vanjaar laer was as in Desember, en heelwat onder die 15,2 persent van Januarie 1975, is dit nog te hoog teen 11,5 persent per jaar, volgens dr Lawrence McCrystal, voorsitter van die Kollektiewe Aksie-Beweging teen Inflasie

„Die onvermydelike devaluasie van verlede September begin nou deurwerk en dit is een rede waarom die inflasie-koers nog te hoog is Dit is des te meer rede waarom ons ons pogings moet verskerp om te sorg dat almal hulle by die beginsels van die anti-inflasie manifes hou

„Ons het 'n paar gevalle teegekom, veral in klein en mediumgrootte ondernemings, waar die Manifes veronagsaam word deurdat loonverhogings bo die Manifesriglyne van 70 persent van die inflasiekoers toegestaan word

Verslapping

„Ek wil beklemtoon dat dit nie in hierdie stadium op groot skaal geskied nie, maar ons moet probeer om enige verslapping in die nakoming van die Manifesbeginsels te vermy

„Ons doen weer 'n beroep op alle werkgewers om nie verskonings te vind om verhogings toe te staan wat die Manifesriglyne oorskry nie, tensy sulke verhogings werklik gestaaf kan word deur verhoogde produktiwiteit of werkverrigting

„Werkgewers moet ook onthou dat volgens die Manifes, as hulle loonverhogings van bo 70 persent van die huidige inflasie-koers toestaan, hulle nie kan verwag om hierdie verhoogde uitgawe te verhaal deur verhoogde pryse vir dienste of goedere van die publiek te vra nie

„Enigeen wat die Manifesriglyne veronagsaam doen op die ou end skade aan homself en die land as geheel

„Die sukses van die hele anti-inflasie veldtog is daarvan afhanklik dat almal dit aanvaar dat hy of sy op hulle eer geplaas word om 'n bydrae te lewer," sê dr McCrystal

Belangrike wapen in inflasie-stryd

Plaaslike komitees van verbruikers kan 'n belangrike wapen in die stryd teen inflasie wees, volgens prof Leon Weyers, voorsitter van die verbruikerspaneel van die Kollektiewe Aksie-beweging

Burgemeesters oral in Suid Afrika is deur sy paneel versoek om sulke komitees op te rig om inflasie daadwerklik te bestry

Prof Weyers, wat ook die voorsitter van die Koordinerende Verbruikersraad is, sê dat die komitees uit verteenwoordigers van verskillende instansies en organisasies kan bestaan en dat sulke komitees n hele reeks werksaamhede in hul eie gemeenskappe aan die gang kan sit om inflasie kort te vat

Daar is byvoorbeeld ruimte vir gekoordineerde pogings om verkwisting van enige aard teen te werk, om die beste gebruik van materiele en mensebronne aan te moedig, om die beginsel van hergebruik te bevorder, om produktiwiteit te verhoog, en nog talle ander," volgens prof Weyers

Sy paneel het uitvoerige inligting oor inflasie en die oorsake daarvan, asook inligting en wenke oor die bestryding daarvan, aan alle plaaslike besture in die land gestuur

Volgens prof Weyers was die reaksie dusver besonder bemoedigend en 'n groot aantal van die plaaslike komitees is reeds besig om op die been te kom Liggame wat meer inligting oor die projek verlang, kan skryf aan die SA Koordinerende Verbruikersraad, Posbus 3800, Pretoria, 0001

Only one significant change was made in the Manifesto when it was announced in Cape Town in February that the Anti-Inflation campaign was extended until September

The change was made in respect of the permissible wage increase claims of workers at the lower end of the scale

According to the Manifesto, workers earning less then R125 a month were not bound to the wage increase limit of 70 per cent of the consumer price index For the extension period, this minimum wage level has been increased to R200

This means that workers earning less than R200 a month are not required to make sacrifices as far as wage increases are concerned

It was accepted at the meeting that workers earning between R200 and R250 a month should therefore make a sacrifice of 20 per cent (accordingly, their increase claims should be limited to 80 per cent of the consumer price index rise)

Above the R250-level the normal Manifesto principle of a 70 per cent limit still applies

Although people earning less than R200 a month were not expected to contribute to the fight against inflation by way of wage sacrifices, it was felt that they could contribute through increased efficiency

150A

Scrap the manifesto, peg pay rises to six percent — that's Dr Cloete's inflation medicine

FREEZE ALL PRICES

By CHRIS MORRIS

DR JOHAN Cloete, chief economist of Barclays Bank, wants the anti inflation manifesto replaced by tough compulsory prices and income restraints

Dr Cloete said: "We need to get inflation down to well below ten percent, because of the effect it is having on growth Last September we should have set a definite inflation target for the end of this year — say five to six percent

"The Government must set it now and say that for the restraint period, prices and salaries will not rise by more than this amount Inflation will then be forced down

For anybody increasing prices or incomes by more than this amount there should be heavy penalties," he said

The anti-inflation manifesto was weakened this week when the Artisan Staff Asesociation, a rail union withdrew from the manifesto because they feel the recent pay increases are inadequate

"This shows the weakness of applying wage and price policies which are voluntary and half hearted" said Dr Cloete

He conceded the manifesto had been partially successful But for the campaign, he said the inflation rate would now be more than 20 percent, especially following last year's devaluation

"But it has failed to bring down the inflation rate sufficiently," he said "It is the same old story If you apply a measure, you must apply it strongly We need strong measures to rectify the position Later we can relax them again

Control

'Our Government starts with direct control methods then says it does not believe in them because it believes in free enterprise But that is not the point We are trying to restore the free enterprise system and we must get back to a proper basis again"

And that he believes, can only be achieved through an incomes pegging policy

Such a policy was introduced in Britain several years ago, with little success

"We are not Britain and have a strong government here that is not overshadowed by strong trade unions

"If we take people into our confidence, and tell them it is essential we bring this inflation rate down if we are to have sustained growth in 1977, people will respond"

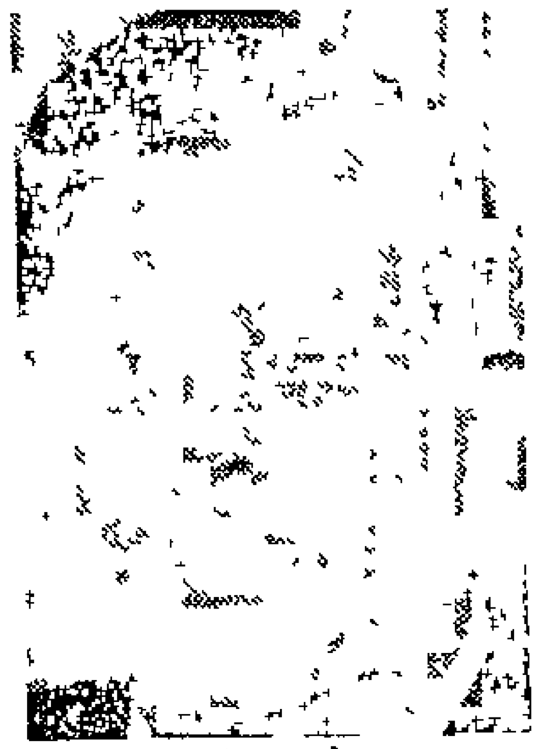
Dr Cloete said that monetary and fiscal policies that the government is following will bring the inflation rate down, but they will take time.

Reducing the money supply, he said, also reduces turnover, by bringing down demand in the economy Costs per item then tend to rise so a cut in the money supply can initially lead to even higher prices 'It's only when people find sales are dropping that they begin to bring down prices — which takes time"

So this type of medicine, he said can be worse than the disease

'This is where the need for an incomes policy comes in Then you do not have to take the very tough alternative medicine

"It's like saying you must have a war to have scientific progress I don't accept this I feel we have not learned yet how to dovetail money policies, government policies, expenditure policies and incomes policies"



Economic Affairs Minister Mr Chris Heunis . . . if he does not stick to his bargain the trade unions could wreck the inflation manifesto, says Trade Union Council secretary general Mr Arthur Grobbelaar. One union has already opted out of the manifesto over a 10 percent rise.

Carolen Clark writes Mr Arthur Grobbelaar, general secretary of Tucsa, says his organisation will stay with the anti-inflation manifesto — despite the likely withdrawal of the South African Confederation of Labour

Mr Grobbelaar stressed that Tucsa's co-operation depended on the Government's willingness to stick to its side of the bargain — allowing salary rises to compensate for 70 per cent of the cost of living increases.

He was not surprised Government employees were up in arms about the proposed 10 per cent pay increases

Reacted

"We reacted in the same way to the Prime Minister's statement last week that people must expect only 10 per cent increases However we have accepted the assurances of the Minister of Economic Affairs, Mr Chris Heunis, that the Government will stick to its side of the bargain'

Mr Grobbelaar said that on his estimate the Artisans Staff Association, which has already withdrawn from the manifesto, should have received slightly over 20 per cent instead of ten per cent

2/5/76. STAR

Present anti-inflation measures will boost costs

Be a business watchdog, says Heunis

By EUGENE HUGO

THE Minister of Economic Affairs, Mr Chris Heunis, suggested this week that the Government might introduce a national code of ethics for businessmen as part of its bid to eliminate trading malpractices.

He told students at Stellenbosch University that such a code could serve as a guide to businessmen in their attitude towards workers and consumers.

Mr Heunis envisaged a code like a doctor's Hippocratic Oath which would have to be displayed by all business undertakings that subscribed to it. But it would have to be thoroughly investigated first.

Every South African could contribute to the ethical level of the business world by setting the right example and acting as watchdogs, he said.

Although it had to be admitted that the structure of the system in the country had certain weaknesses which offered the opportunity or led to unethical practice, this could not serve as an excuse in a Christian country.

Regarding the shortcomings Mr Heunis said adaptions and changes had to be made sometimes, to eliminate malpractices and close loopholes.

Mr Heunis said the Government was hoping to introduce legislation for the disclosure of finance charges and added that the present Hire Purchase Act was also under review.

Population boom will lower living standards

By PETER MASON

SOUTH AFRICANS, and particularly Whites, must learn to accept sweeping changes in their lifestyles and drastic reductions in their overall standard of living, material expectations and personal freedom over the next 10 to 20 years, if the country is to survive uncontrolled population growth

This is the ominous message that emerged yesterday after three days of open debate among the country's top experts on the effects of the population explosion and the methods to cure it before, in the words of one speaker, "it is too late"

In many ways the national conference on the effects of population growth at the university of Cape Town was a low-key affair

The Government did not send a speaker, although health, education and agriculture constituted the three main ingredients of the issues under discussions

The conference highlighted, by bringing together for the first time under one umbrella, the manifold problems facing South Africa's social and economic planners of coping with the rapidly escalating needs of a population which is growing at a faster rate than almost any other in the world

Among the facts to emerge from the conference are

- There has been no real relative improvement in living standards in South Africa in recent years because the population growth rate is considerably outstripping the rate of development and the supply of services
- South Africa's high rate of population increase is one of the most important factors militating against the fight against poverty
- South Africa's family planning programme is a case of too little, too late Most women only come into contact with the subject when they are pregnant, Ignorance, is the principal factor underlying the inadequacy of the programme
- Seventy-five percent of women booking in at the antenatal clinic at Groote Schuur hospital said they had not planned, or did not want, their babies
- The difference between an average family size of two children or three children is the difference between a stable population and one that will double every 40 years
- The only countries that have been successful in significantly controlling population growth are those where abortion in the first three months of pregnancy is legal.

Steyn sounds inflation warning

5/5/76 NM

CAPE TOWN — "If we do not win the battle against inflation, the alternative could be social unrest and there might be no profits at all for you." This was the warning given to industrialists yesterday by the Secretary for Commerce, Mr. Joep Steyn.

He told delegates at the executive council meeting of the Federated Chamber of Industries that the national philosophy must now be: "Less play and more work."

The yardstick laid down in the anti-inflation campaign must remain for the present, he said.

The success of the campaign so far could not be measured in terms of figures, said Mr. Steyn, but he was convinced that without it the inflation rate would have been running at a much higher level than it was today.

The present difficult economic climate should not, however, be allowed to darken the vision of entrepreneurs in the private sector.

The Minister of Economic Affairs, Mr. Chris Heunis, rejected the use of import control as a means of protecting local industry.

At the meeting he gave a "serious warning" to businessmen stockpiling imported goods in anticipation of stricter controls.

"Many of them will burn their fingers and, through holding excessive stock, endanger their liquidity," he said.

The Minister said devaluation had provided increased protection for most sectors of South African industry, but where an additional incentive was required, the proper instrument was the customs tariff and not import control.

"I wish to make it clear," he added, "that the Government's rejection of import control as an instrument of protection does not only arise from its lack of favour, we reject it because it is not in the interest of South Africa."

Mr. Heunis said it could confidently be expected that the deficit in the current account of the balance of payments, expressed as a percentage of the gross domestic product, would decline to a figure much lower than the 6 percent last year.

The Secretary for Industry, Mr. P. Theron, urging industrialists not to talk themselves into a state of depression, said the primary priority for industry must be stability with reasonably full employment and some measure of growth.

Dr. Bram van Staden, head of the Treasury's economics department, said it was impossible to have growth with a high rate of inflation.

"And it's no good saying you want growth with only a little bit of inflation — it's like saying you want a partly pregnant woman."

Dr. van Staden said he was not pessimistic about the balance of payments situation, and it could be improved greatly by improved exports and with inflation curbed to increased competitiveness. — (Sapa.)

150 4

150A

VIR ONMIDDELLIKE VRYSTELLING

GESAMENTLIKE AKSIEPROGRAM TEEN INFLASIE

PERSVERKLARING UITGEREIK DEUR DIE MINISTER VAN EKONOMIESE SAKE

Na aanleiding van persberigte waarin gemeld was dat die Vakbondraad van Suid-Afrika en die Konfederasie van Arbeid gevra het vir 'n onmiddellike samespreking tussen al die ondertekenaars van die Gesamentlike Aksieprogram teen Inflasie ten einde te verseker dat elk van hierdie verskillende groepe hulle onderskeie verpligtinge ingevolge die Aksieprogram getrou sal eerbiedig, het ek vandag met die twee vakbondorganisasies ooreengekom dat ek hulle verteenwoordigers op 12 Mei om 7.30 vm in Kaapstad sal ontmoet vir 'n volledige bespreking van enige bedenkinge wat hulle mag hê vir soverre dit die eerbiediging van die riglyne van die Aksieprogram deur ander ondertekenaars van die Program mag betref ten einde te bepaal watter stappe daar van die Regering se kant gedoen kan word om die vakbondorganisasies se standpunte te bevredig.

Ek het ook met die vakbondorganisasies ooreengekom dat ek na my samesprekings met hulle verteenwoordigers 'n vergadering van die Voortsettingskomitee insake die Anti-inflasieprogram sal belê ten einde aan alle ondertekenaars van die Aksieprogram 'n geleentheid te gee om enige aspekte van die program waaroor daar by hulle bedenkings mag bestaan, volledig te bespreek en om oorweging te skenk aan alle moontlike stappe wat gedoen kan word om te verseker dat die verskillende ondertekenaars van die Aksieprogram hulle onderskeie verpligtinge in verband met die Gesamentlike Veldtog teen Inflasie getrou sal nakom.

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING OP VERSOEK VAN DIE MINISTERIE VAN EKONOMIESE SAKE

KAAPSTAD
5 Mei 1976

150A

Heunis to meet unions over inflation 'misgivings'

RDM 6/5/76

CAPE TOWN. — The Minister of Economic Affairs, Mr Chris Heunis, is to meet delegates of the Trade Union Council and the Confederation of Labour in Cape Town next Wednesday to discuss any misgivings they have on the extent to which signatories are honouring the collective programme of action against inflation.

In a statement issued yesterday, Mr Heunis said he had decided to do this after Press reports that the two bodies had asked for an immediate discussion on the matter.

The discussions would be held, said Mr Heunis, to determine jointly what steps the Government could take to satisfy the viewpoints of the trade union organisations.

Mr Heunis said after the talks he would call a meeting of the Continuation Committee of the anti-inflation programme to give all signatories a chance to discuss fully any misgivings about the programme.

The committee would also consider all possible steps that may have to be taken to ensure that the various signatories faithfully carry out their respective commitments in the anti-inflation campaign. — Sapa.

Unionists welcome Heunis meeting

26/5/76

STAR

150A

Trade union organisations have welcomed the announcement by the Minister of Economic Affairs, Mr Heunis, that he will meet them on May 12 to iron out any misgivings about the anti-inflation campaign

Mr Heunis' announcement follows a suggestion by trade union organisations calling for such a meeting

It indicates the seriousness with which the Government views the dissatisfaction of some groups with the collective campaign against inflation

In addition Mr Heunis announced a meeting of the continuation committee of the campaign, to be held on May 28, and at which all the signatories of the anti-inflation manifesto will be present

Mr Attie Nieuwoudt, president of the Confederation of Labour, said today he was looking forward to meeting the Minister because "there is a lot at stake and because inflation affects everyone."

He said one of the points certain to be raised was the recent increases approved by the Government for civil servants.

150 H

DA

Anti-inflation plan attacked by Cloete

PQ 10/5/76

JOHANNESBURG — A general upturn in the South African economy can be "fairly confidently predicted" about the start of next year, writes Dr Johan Cloete in National Bank Business Brief for May, but with neither the stagflation nor balance of payment problem under control.

Dr Cloete, the bank's chief economist, is also critical of the anti-inflation campaign so far, describing the wages and prices policy as "wishy-washy", and advocating "really tough and, if necessary, compulsory controls over all wage and price increases."

He said "very little seems to have been accomplished" by the anti-inflation campaign launched last September, when the inflation rate was 12,2 per cent Six months later inflation was still running at 11,5 per cent

Having regard to the fact that the index for food prices (which has a weight of 25 per cent in the overall consumer price index) rose by only 1,1 per cent between September and March, "The slow rise in food prices and not the anti-inflation manifesto must be given most of the credit for holding the inflation rate . "

"We are now faced with the unpleasant prospect that we cannot be certain that even by the beginning of next year the inflation rate will have been brought down to a single figure, which is probably essential, if we are to have any sustained growth during 1977 and thereafter," Dr Cloete said.

To achieve a longer and more sustained economic upswing in 1977 and after, "we should from now on apply really tough and, if necessary, compulsory controls over all wage and price increases

"We simply must force the inflation rate down to five or six per cent by the end of this year, and the only way this can be done is by a tough wages and prices policy "

Failure to do this, and persistence with present policies, "will merely destroy growth completely and needlessly, create unacceptable levels of unemployment, and still leave us with an unacceptable inflation rate by the end of the year," Dr Cloete said — SAPA

Inflation: 2 union men see Heunis

ARGUS 12/5/76

150 A

LEADERS of the Trade Union Council of South Africa and the Confederation of Labour, today met the Minister of Economic Affairs, Mr J. C. Heunis, in a bid to avert the crisis that threatens the action programme against inflation.

Both bodies have said they would withdraw from the agreement unless other parties, including employers, played a fuller part.

Mr Arthur Grobbelaar, general secretary of TUCSA, Mr Attie Nieuwoudt, president of the confederation, claim that salary earners are having to make the biggest sacrifice for the action programme.

One of the delegation's chief grievances was the difficulties caused for trade unions by the 'inadequate' 10 percent increase granted to the Civil Service, which may be seen by private sector employers as a precedent.

They felt employers were keen to meet the terms of the manifesto as far as keeping down wages increases was concerned.

They sought assurance that commerce and industry would be compelled to make comparable sacrifices.

An aide of Mr Heunis said the Minister would not make a statement.

150A

RDM 15/5/76

Angry railmen pull out of inflation pact

By CLIVE EMDON

Labour Correspondent

IN AN angry statement rejecting the Government's handling of their wage demands, the seven Railways and Harbours trade unions and staff associations have refused to take any further part in the anti-inflation campaign.

They state that as responsible trade unions they recognise the necessity for the campaign But because of its one-sidedness, seen by the workers as unreasonable and unjust, Railways staff refuse to accept it.

Mr Neels Botha, who released the statement as chairman of the Federal Consultative Council of SA Railways, and Harbours Staff Associations, said the Minister of Railways, Mr Lourens Muller, had been asked for a clear policy statement regarding their grievances.

The council is writing to the Prime Minister, Mr Vorster, to petition him not to make general announcements in future regarding wages for State employees which include the Railways

The seven unions and staff associations, which have a total membership of nearly 90 000 Whites, say Railways personnel could not have made a greater contribution to the anti-inflationary campaign.

The Government's decision to give only a 10 per cent pay rise at this stage "is seen as a method to force the aims of the anti-inflation campaign on a section of the population least able to cope"

The notice that a further five per cent may be given in January would be 15 months too late to absorb the rise in living costs of the third quarter of 1975

The unions ask "Is the State busy creating a second poor White problem out of its own workers such as existed in the 1920s and 1930s?"

The unions say they were completely opposed to the manner in which their pay rises were announced.

They would not be linked to public servants and the Post Office, as was done, and they had received an undertaking from the Minister this would not be the case

The rises were due to come into effect only three months after they were announced, and would be absorbed by new price rises

They viewed the manner in which the rises were announced as a "smack in the face" which said nothing for future dealings with and demands on personnel in the future. This came at a time when there had been good relations between the administration and personnel.

150A

Unions to keep up inflation battle

19/5/76. STAR

The expected confrontation between right-wing trade unions and the Government over inflation fizzled out yesterday when the Confederation of Labour decided to remain signatories to the anti-inflation manifesto

Only two unions openly supported the pull-out move.

A statement issued by the executive committee of the confederation said that after thorough consideration it had decided not to withdraw from the anti-inflation campaign "at this stage"

"Nevertheless we are highly concerned about the recent salary adjustments in the public sector which certainly were not made in the spirit of the manifesto

"We again call on the Government not to repeat this procedure," the statement said

The confederation also expressed its dismay at rising prices "If the Government and other signatories to the manifesto cannot contain these price increases in future, the confederation certainly cannot continue its part in the fight against inflation"

The confederation urged the Minister of Economic Affairs, Mr Heunis, to call a meeting of the continuation committee of the Collective Movement Against Inflation early next month to give workers a chance to voice their feelings

Licence fees protest by Dr McCrystal

CAPE TIMES 22/5/76

150A

PRETORIA. — The proposed increase in licence fees in the Cape as announced in the budget speech of the Administrator, Dr L A P A Munnik, is criticized in a letter sent to him yesterday by the chairman of the Collective Action Movement, Dr Lawrence McCrystal.

The letter says: "My committee is concerned that the increase in licence fees in the Cape Province can only have a harmful psychological effect on the general climate in which the public is becoming increasingly dissatisfied about the various price increases taking place

"The fact that the Natal Provincial Administration can accommodate a cut-back in the Treasury's subsidy without having to increase taxes and licensing fees shows what can be done if the necessary determination is there the appropriate expenditure according to revenue," he said

Dr McCrystal's statement has been echoed by the Cape Town Regional Committee of the Collective Campaign against Inflation which issued a statement yesterday regretting the Administrator's decision to increase licensing fees and asking the public not to "lose heart" in the anti-inflation campaign.

The statement pointed out that if there had been no organized campaign South Africans would have been "worse off".

Meanwhile Mr J B Drake, immediate past president of the Cape Town Chamber of Commerce, yesterday appealed to critics not to scrap the Anti-inflation Manifesto and warned that if they did so mandatory wage and price controls would follow.

The appeal follows threatened rejection of the Manifesto (an agreement to limit wage claims and profits to combat inflation) by all sectors in a wave of disillusionment this month when it becomes apparent that the programme of action against inflation was failing.

With inflation still raging at more than 10 percent, the critics claim public sector spending as a major cause of tax and price rises, and contend that without Government commitment the programme of collective action is a farce.

The Anti-Inflation Manifesto was a step forward in developing consensus between all sectors, including the news media, and it would be "far more sensible to build on this foundation rather than tear down as present critics seem determined to do," said Mr Drake in a statement to the Cape Times

"If the Manifesto does not work I predict price and wage controls"

150 A

Heunis on talks with unions

ARGUS 26/5/76

The Argus Parliamentary Staff

THE Minister of Economic Affairs, Mr J. C. Heunis, has given details of his recent discussions with representatives of the Trade Union Council (Tucsa) and the South African Confederation of Labour on Government pay hikes and the anti-inflation campaign.

He said the trade union representatives contended that the pay increases for employees in the public sector constituted a violation of recognised negotiating rights and procedures of the railway trade unions.

They also claimed the increases were unacceptable to the trade unions, because they were inconsistent with the guidelines for wage and salary increases embodied in the Collective Programme of Action against Inflation.

The increases for railway and postal workers should not be coupled with those of employees of the public service, because they were independent organisations.

MEETING

Mr Heunis said these points were put at a meeting attended by himself, the Minister of Transport, Mr S. L. Muller, and the Minister of Labour, Mr S P. Botha.

The trade union representatives were told that, although it was Government policy not to interfere in normal circumstances with recognised negotiating rights, the Government still had overall responsibility in exceptional circumstances to decide on the particular type of action it regarded as necessary in the national interest.

They were also told the 10 percent pay increases would be implemented for all public sector employees from July 1, but Mr Muller was willing to negotiate with the railway unions after October 1 on further possible pay increases after January 1 next year.

The Government had taken note, the representatives were told, that pay increases for railway and postal employees should not be linked to those of the public service.

But it was pointed out that in particular circumstances it might be essential for the actions of the Railways, the Post Office and the public service to be co-ordinated as when general economic conditions or wider policy objectives demanded this be done.

Mr Heunis gave this information in reply to questions by Mr Gordon Waddell (PRP, Johannesburg North).

UNION CRITICS GET ANSWER

26/5/76. NM

Parliamentary Correspondent

150 A

CAPE TOWN — The Minister of Economic Affairs, Mr. J. C. Heunis, yesterday threw some light on criticisms by trade union leaders over the anti-inflation campaign.

Answering Mr Gordon Waddell (PRP, Johannesburg North), Mr Heunis said the Confederation of Labour charged that the recent Government announcement of wage and salary increases for public sector employees was a violation of the recognised negotiating rights and procedures of the railway unions.

The Confederation pointed out that its members were still bargaining with the Transport Minister when the announcement was made.

The increases were unacceptable to the Confederation "since these were inconsistent with the guidelines for wage and salary increases embodied in the collective programme of action against inflation."

The Confederation also objected to the Railways and Post Office pay increases being coupled to those of the public service.

The Minister said that, although it was not its policy to interfere, the Government still had an overall responsibility in the national interest.

The wage and salary increase of 10 percent, he said, would be implemented for all such employees in July.

"But the Minister of Transport, with the concurrence of the Cabinet, was prepared to negotiate with the railway union after October 1, about further possible wage and salary increases, which could, in the light of economic and financial conditions, be granted to their members after next January."

Finally, Mr Heunis pointed out that under special circumstances it might be necessary for the Railways and Post Office increases and those of the public service to be co-ordinated.

Commenting afterwards, Mr. Waddell said:

"It sounds very well for the Government to express such sentiments. But they must be seen against the extensive and substantial list of price increases they have granted since the collective programme against inflation was launched. This reflects the fact that reality cannot be postponed indefinitely.

"For that programme to redeem its chance of success, the sacrifices must be seen to be asked for on an equitable basis.

"Even then, at best, it is a palliative. The cure to the disease lies in tight control of the money supply."

IN THE FIGHT AGAINST INFLATION...

STRIB 30/5/76.

Bargain breakers

WATCH THESE COMPANIES, TUCSA BOSS TELLS THE MINISTER

By CHRISTOPHER MORRIS

THE TRADE Union Council of South Africa has submitted evidence to the Minister of Economic Affairs, Mr Chris Heunis, to show that certain companies and sectors in the economy are not complying with the terms of the anti-inflation manifesto.

This was confirmed this week by Arthur Grobbelaar, TUCSA's general secretary.

"We remain unconvinced that some of the parties to the programme have scrupulously upheld their commitments. What was agreed to in terms of the programme was that companies should absorb 30 percent of the unavoidable cost increases

We are not satisfied that this is happening.

"To show that this is not being done, we have submitted evidence to Mr Heunis, as chairman of the programme, which is being followed up."

Mr Grobbelaar declined to name specific companies, however, he did say that areas investigated by TUCSA included:

- Parking tariffs in private parking garages
- Increased service and maintenance changes for office equipment
- Rent increases implemented by local authority housing schemes for Coloureds in the sub-economic groups; some rents, Mr Grobbelaar claims, have risen by more than 80 percent
- Short-term insurance monopoly.

On the question of the success of the anti-inflation programme, Mr Grobbelaar agreed there was some dissatisfaction — "I think this is natural when some people are making a sacrifice

"By the same token, I think that most, if not all, parties to the programme are well aware that but for the programme, our inflationary rate by now would have been too terrible for words"

But, he said, all parties recognised that the programme would have to be extended when the second phase reached its conclusion at the end of September. He added "It cannot be renewed in its present shape or form.

"What form it will take I cannot predict, there will have to be more meetings between the parties to see what consensus we can reach for the third phase.

"We have certain ideas that have not crystallised at this point. When they have been we will take them to the other parties"

Mr Grobbelaar said that if a wage and price freeze was instituted "this would not be a complete bogy, as far as the unions are concerned.

"Quite possibly a lot of the trades union might welcome this, bearing in mind that every form of agreement that is entered into by the unions is a freeze on any sort of improvements.

"It could be a bogy to commerce and industry because their prices and costs go up all the time, either due to unavoidable factors or because they choose to raise their prices"

He added that under the present programme the commitment of the unions was specific and easily monitored. "It is the easiest thing in the world to show that the unions are keeping their side of the bargain. Whereas no machinery exists to measure the commitments of the employer entrepreneurial groups, and it is thus virtually impossible to police them"

150 A

NEWS · NUUS
AKSIE- KOLLEKTIEWE BEWEGING
COLLECTIVE ACTION MOVEMENT
JULY 1976

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THE MANIFESTO:

Strong support from ASSOCOM

Mr Raymond Parsons, Executive Director of the Association of Chambers of Commerce, recently addressed the Nigel Chamber of Commerce and Industry The controversial economist, while agreeing that the Manifesto was not the perfect answer to South Africa's problems, pointed out that the critics and sceptics had not offered any practicable alternatives. He stressed that the manifesto included little 'which cannot be justified as worth doing for its own sake'.

'The critics of the Manifesto have not offered a practicable alternative Despite its faults, the Manifesto is very much a case of "always keep hold of nurse, for fear of finding something worse" There is too much preoccupation in public debate with the short term wage and price guidelines in the Manifesto, and not sufficient emphasis on the more important medium and long term aspects relating to matters such as productivity and disiplined State spending Little has been included in the Collective Programme which cannot be justified as worth doing for its own sake Yet even if only half of it were to succeed, we should be better off

'A good case can be made out of a review of the wage and price guidelines in the light of changing circumstances, since it is clear that increasing numbers of businessmen will have great difficulty in complying with these price restraints after September 30 This is not surprising, since the Manifesto was finalised before the devaluation of the rand on September 19 last year, but was only signed on October 7 Indeed, the Manifesto contains a clause asking businessmen to pass on any **reduction** in import costs during the period of the programme, which implies that it was the drop in world inflation at that stage which was uppermost in the minds of the drafters of the document

It is Wrong

"It is wrong to say that commerce and industry have not played their part in the fight against inflation Many responsible businessmen have carried out their obligations, especially the larger companies Just as workers earning less than R200 per month are excluded from sacrifices in terms of the Manifesto, so there are small businessmen who have simply been unable to fully absorb the required 30 per cent of increases in unavoidable costs The price and wage restraints have helped to limit the inflation rate over the past few months, but whether they can continue to do more good than harm after September 30 is what the signatories will have to decide at their top level meeting on August 9

'In any event, we must be careful not "to throw the baby out with the bath-water" Of the 76 clauses in the Collective Action Programme, only 13 clauses deal with the controversial wage and price guidelines – of the remaining 63 commitments, no less than 46 are undertakings by the Government Some of these have already been implemented, others will take some time to show results, but they should certainly not be abandoned lightly They deal with fundamental elements in the fight against inflation, such as labour policy, productivity and controlled State spending

"Many tax payers still do not realise what the new tax rates will mean to their take home pay after July 1, 1976 In an era of unpleasant surprises, a properly organised but simple personal or household budget would act as a shock absorber

Ons boekie bly gewild by almal

Die boekie "Wat is Inflasie/What is Inflation" se gewildheid neem steeds toe en daar is besluit om nog 20 000 eksemplare te druk Deurdat al hoe meer instansies die swaarde teen inflasie opneem, word die aanvraag na hierdie boekie daagliks groter Sommige instansies het reeds op eie inisiatief die boekie gereproduseer en aan hulle lede uitgestuur – daar is geen kopiereg nie

Ongeveer 20 000 eksemplare is reeds aan organisasies dwarsoor die land versprei, wat wissel van munisipaliteite, koopkamers, handelsverenigings tot motorfirmas en ander privaat instansies

'n Versoek het gekom van die Instituut van Bestuur vir 1500 eksemplare, wat aan hulle lede verskaf word

Munisipale verenigings het ook groot bestellings geplaas

"Wat is Inflasie/What is Inflation" is gratis op aanvraag beskikbaar van Kollektiewe Aksie Beweging, Posbus 3443, Pretoria 0001

Payed as you Earn!

A Durban based computer company have given staff an increase to keep pace with inflation, but in return the working day has been lengthened

Mr Dieter Monch, managing director of Nixdorf Computer, said increases of between 13 and 15 per cent had been given to 50 employees and their working day lengthened by 30 minutes This adds up to a little more than an extra working day each month for every employee

MINISTER OF ECONOMIC AFFAIRS

MINISTER OF LABOUR AND OF POSTS AND TELECOMMUNICATIONS

PRESIDENT DIE AFRIKAANSE HANDELSINSTITUUT

PRESIDENT CHAMBER OF MINES OF SOUTH AFRICA

MINISTER OF BANTU ADMINISTRATION AND DEVELOPMENT AND OF BANTU EDUCATION

PRESIDENT ASSOCIATION OF CHAMBERS OF COMMERCE OF SOUTH AFRICA

PRESIDENT ASSOCIATION OF BUILDING SOCIETIES OF SOUTH AFRICA

MINISTER OF TRANSPORT

PRESIDENT MOTOR INDUSTRIES FEDERATION

PRESIDENT NEWSPAPER PRESS UNION OF SOUTH AFRICA

MINISTER OF PLANNING AND THE ENVIRONMENT AND OF STATISTICS

PRESIDENT SOUTH AFRICAN FEDERATED CHAMBER OF INDUSTRIES

PRESIDENT SOUTH AFRICAN CONFEDERATION OF LABOUR

MINISTER OF PUBLIC WORKS AND OF COMMUNITY DEVELOPMENT

PRESIDENT STEEL AND ENGINEERING INDUSTRIES FEDERATION OF SOUTH AFRICA

PRESIDENT TRADE UNION COUNCIL OF SOUTH AFRICA

MINISTER OF AGRICULTURE

CHAIRMAN GROCERY MANUFACTURERS ASSOCIATION OF SOUTH AFRICA LTD

CHAIRMAN SOUTH AFRICAN CO-ORDINATING CONSUMER COUNCIL

MINISTER OF HEALTH AND OF COLOURED REHOBOTH AND NAMA RELATIONS

PRESIDENT BUILDING INDUSTRIES FEDERATION (S.A.)

PRESIDENT UNITED MUNICIPAL EXECUTIVE OF SOUTH AFRICA

MINISTER OF FINANCE

PRESIDENT SOUTH AFRICAN AGRICULTURAL UNION

PRESIDENT THE NATIONAL DEVELOPMENT AND MANAGEMENT FOUNDATION OF SOUTH AFRICA

If you don't understand the manifesto you'll make these signatures worthless.

On October 7th, 1975 these 25 people made a pledge to fight inflation

They did this by signing a series of practical undertakings to be carried out by the private and Government sectors

And they signed on your behalf

This has now become known as the Manifesto Which is everybody's promise (including your own) to increase efficiency and decrease wastage in day-to-day living and working

This will mean that manufacturers will be faced by a slower rate of increase in production costs

Thereby slowing the consumer price increases

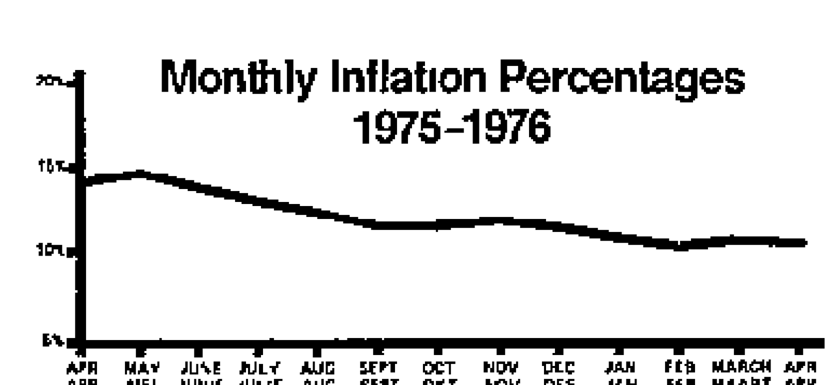
Another promise was made by Commerce and Industry to absorb a minimum of 30 % of all unavoidable cost increases

These are only two promises which, if kept will go a long way towards slowing the inflationary merry-go-round

But there are many more and they're all pledged to preserving our free enterprise system and encourage our competitive spirit

And unless you read the Manifesto

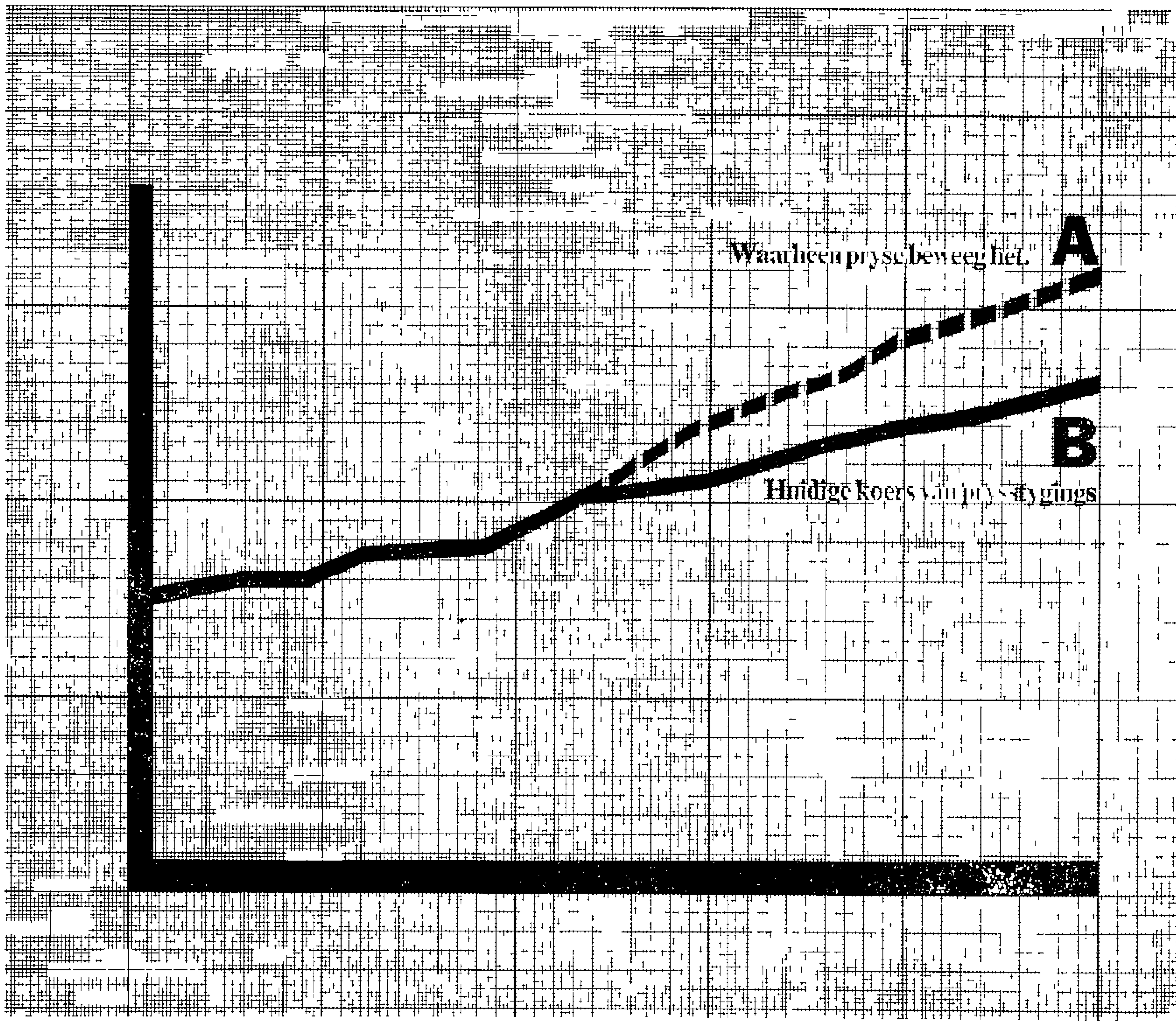
You'll never know the promises pledged on your behalf



Vasbyt. And make your promises stick.

DO SOMETHING COLLECTIVE ACTION MOVEMENT IT DOES HELP

Founder Members of the Collective Action Movement are Dr L P McCrystal (Chairman) National Development and Management Foundation of South Africa B L Currie Confederation of Labour H Goldberg Past President of Assocom (Serves on the Committee in his personal capacity) Mr H Hughes and Mrs H Martins both nominated by the National Consumer Union to represent the women of South Africa A Malherbe Trade Union Council of South Africa Prof I L [illegible] South Africa [illegible] L E S du [illegible]liers Department of Information T F van der Walt Department of Commerce



Die vinnigste pad van B na A is 'n gebreekte belofte.

Op 7 September 1975 het vyf-en-twintig mense belowe om inflasie te beveg

Hulle het dit gedoen toe hulle namens elke man, vrou en kind in ons land 'n manifes geteken het En dit sluit u in

Wat is die manifes? Dis 'n reeks praktiese ondernemings wat deur die staat en privaatsektor uitgevoer moet word

Byvoorbeeld die handel en nywerheid – waaronder u werkplek ook tel – het belowe om 30% van alle onvermydelike kosteverhogings te absorbeer Dit is bedoel om die stygings van verbruikerspryse te vertraag

En werknemers kan verder bydra deur hulle belofte om nie buitensporige lone en salarisse te eis nie na te kom

Sodoende sal ons inflasionistiese mallemeule ook stadiger loop

Sowel die staat (op alle vlakke) as die handel en nywerheid het boonop belowe om doeltreffendheid te verhoog en vermorsing te verminder

Dit sal die uitwerking he dat mannekrag beter benut en meer van die verhoogde produksiekoste geabsorbeer word

Dis maar net drie van die talle ondernemings in die manifes waarop daar namens u ooreengekom is Miskien moet u die res lees

Dis u beloftes Hou hulle asseblief

DOEN IETS KOLLEKTIEWE AKSIE-BEWEGING DIT HELP BESLIS

Vasbyt. Leef u beloftes na.

Alberton draai briek aan en publiek speel saam

Die Albertonse Stadsraad bestry inflasie Met sorgvuldige beplanning van begrotings het die stad meer as R2 miljoen bespaar uit totale begrotings van R9 miljoen gedurende die afgelope en die huidige boekjaar

Die voorsitter van Alberton se bestuurskomitee, mnr Johan van der Merwe, sê elke raad kan soortgelyke besparings teweegbring deur „sorgvuldig te kyk na sy eie doeltreffendheid "

Ter bevestiging van die raad se sterk steun vir die Manifes teen inflasie, het mnr Van der Merwe 'n beroep gedoen op alle vlakke van regering in die land om Alberton se voorbeeld na te streef

„Miljoene rand kan vir Suid-Afrika op hierdie manier bespaar word " het hy gesê

Afgesien van die besparings het die raad 'n surplus van R40 000 op die huidige begroting gehad „Dit is die eerste keer in ses jaar dat die raad 'n surplus gehad het, en dit is bereik sonder om tariewe en belastings te verhoog "

Alberton se geheim is maklik „Ons sny eenvoudig ons rieme na die vel" sê mnr Van der Merwe

Die raad het nie oorbesteding op begrotingshoofde toegelaat nie „Elke departement moes binne sy begroting bly "

Geskrap

Tweedens het die raad versigtig gekyk na alle kapitale werke „Party het ons uitgestel, en andere is geskrap terwyl ander werke langer sal neem Al hierdie stappe spaar geld "

„As 'n voorbeeld is die beplande oprigting van die burgersentrum vir die stad vir 'n jaar uitgestel „Ons het kantoorruimte benodig en ons het afskortings in die ou stadsaal opgesit en ons gebruik dit nou vir kantoorruimte Ons sal daarmee regkom totdat ons die nuwe burgersentrum kan bekostig "

Alberton se Stadsraad het R1 miljoen op verlede jaar se begroting bespaar en 'n verdere R1 000 800 sal op die huidige begroting bespaar word, sê mnr Van der Merwe

„Party sportsentrums wat ons besig was om te beplan, is gestaak Die oprigting van ander geboue is uitgestel, en ons het die huidige begroting op kapitale werke met R250 000 besnoei "

Daar is baie terreine waar plaaslike owerhede geld verkwis „Ons het 'n padskraper benodig Normaalweg sou ons een gekoop het maar ons het die kostestruktuur ondersoek en het gevind dat dit sou goedkoper wees om een te huur Nog 'n bietjie wat ons bespaar het "

Sny Minder

'n Verdere R750 000 is bespaar deur die aantal kere wat die raad gras op die sypaadjies sny, te verminder „Ons het 'n beroep op inwoners gedoen om self hul sypaadjies netjies te hou en ons het 'n uitstekende reaksie gehad Op die manier het ons 'n groot bedrag geld bespaar op wat gelyk het soos 'n klein dingetjie "

Meganisasie van die verwydering van vullis het 'n besparing van 80 persent meegebring „Op die vorige begroting het ons ruim R120 000 in hierdie verband bespaar Ons gee inwoners 'n maand se voorraad van plastieksakke en hulle sit hulle vullis in hierdie sakke en los dit in die straat Dit beteken dat ons skoonmakers nie in die erwe moet ingaan nie en sodoende bespaar ons arbeid en gee 'n meer doeltreffende diens "

Personeel wat 15 minute voor sluitingstyd ophou werk, het die raad ook baie geld gekos „Ons kyk nou dat alle personeel teen die regte tyd ophou werk Ons produktiwiteit het verbeter en dit is een van die beste maniere om inflasie te bekamp "

Ongelukkig

Een ding waaroor mnr Van der Merwe nie gelukkig is nie was dat die raad water- en elektrisiteitstariewe moes aanpas „Dit is hoekom ek reken dat openbare liggame soos Evkom en die Randwaterraad ook moet kyk na hul eie doeltreffendheid

Johannesburg Seeks Support

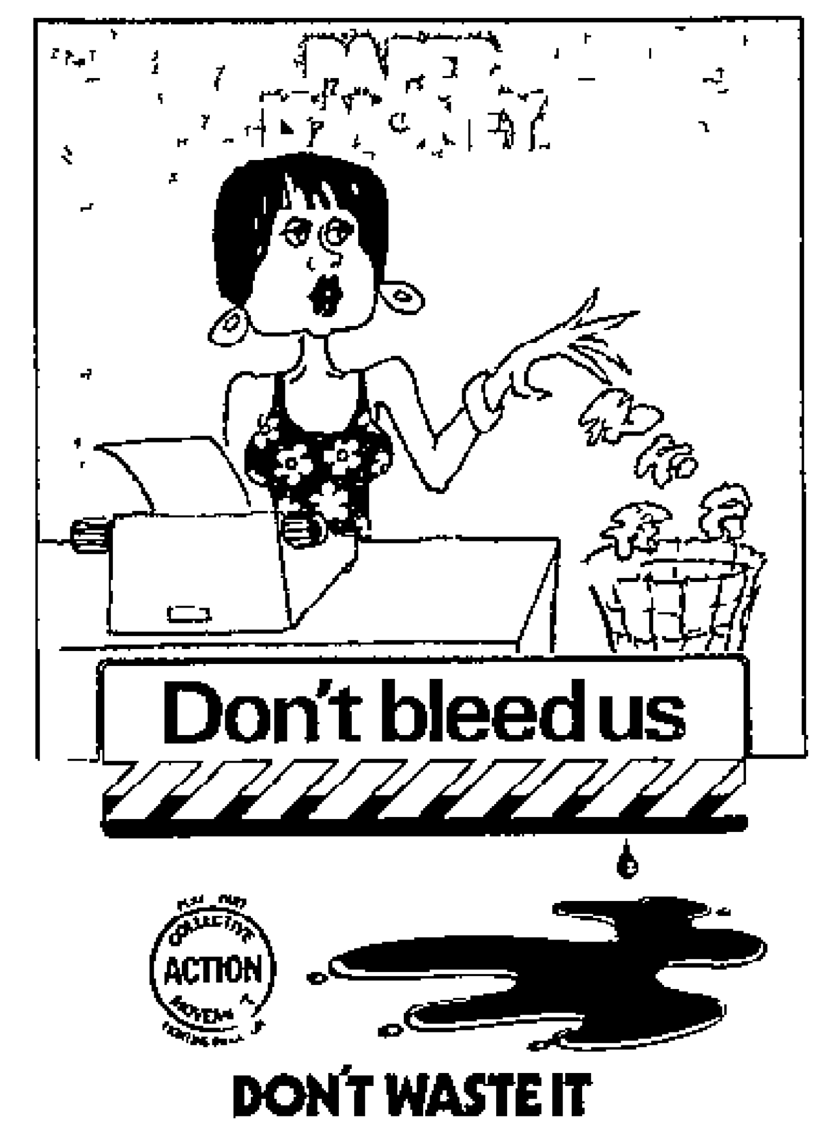
At its last meeting CAM'S Johannesburg Regional Committee decided to give active attention to efforts to encourage recycling of waste material and to seek municipal support for its efforts

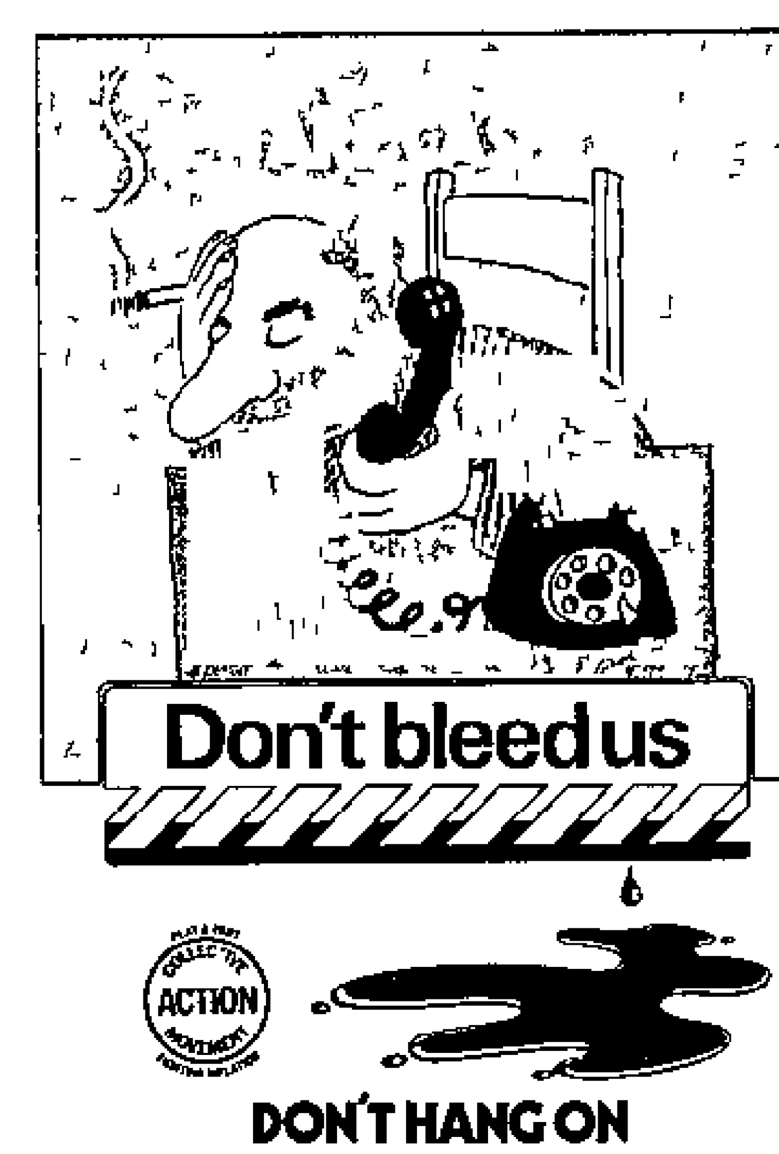
The committee will invite a number of representatives from municipalities in and around the Johannesburg area to attend a meeting to discuss recycling and also to see a presentation of the Habitat Council's slide show 'Recycling for Survival'

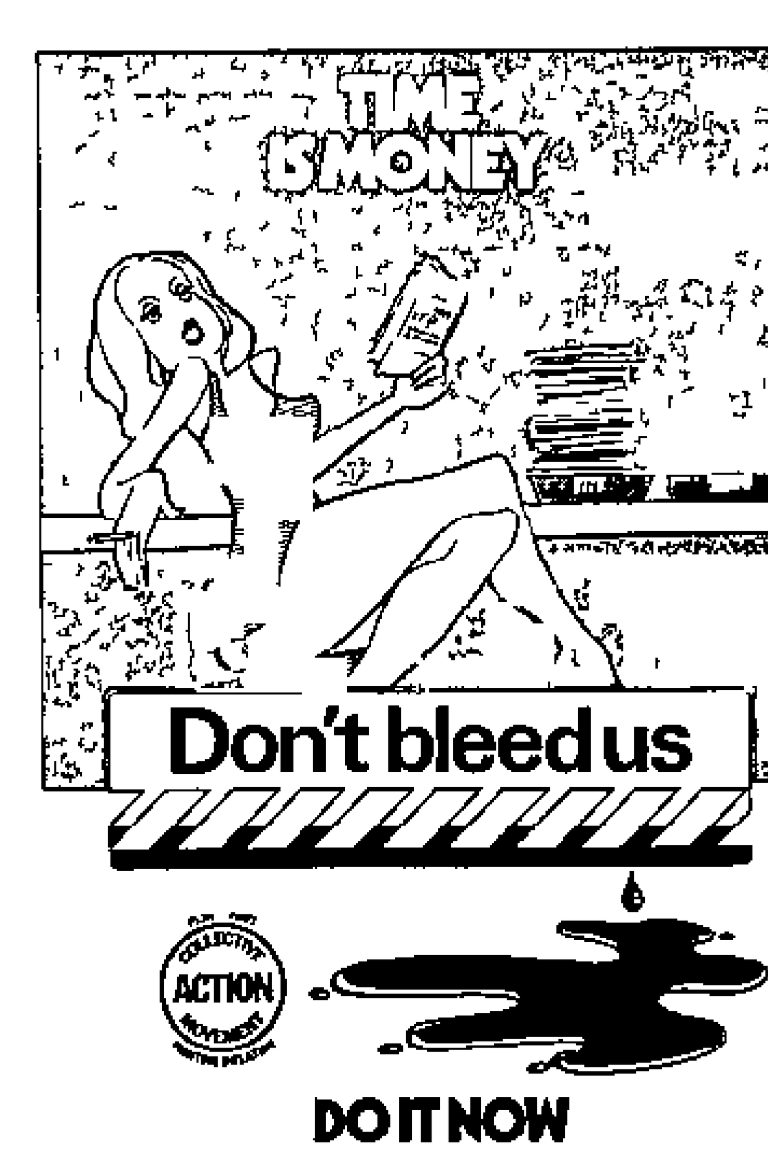
The committee is also to collaborate with the National Development and Management Foundation to arrange presentations of its 'Productivity Package ' The 'Productivity Package' has been specially prepared for the Collective Action Movement and deals with general measurement of productivity standards, setting objectives, implenting objectives and keeping productivity alive

Afrox Spells it out

Creating awareness of the Anti-Inflation Campaign among staff is critical This can be done effectively and attractively by visual means The accompanying reductions of the posters produced by Afrox for their staff is an excellent example







150A

Anger over labour's pay 'sacrifices'

STAR. Labour Reporter 2/6/76

Dissatisfaction and anger over the sacrifices demanded from workers, and particularly from Government employees, is expected to be expressed at the two-day congress of the Confederation of Labour.

The biennial congress, opening in Johannesburg tomorrow, will reflect the views of about 200 000 Whites.

About half of the confederation's membership is Government employees, who will get only 10 percent extra next month after going two years without any increase.

But the secretary of the confederation, Mr Wallie Grobler, does not expect the congress to reverse the unanimous decision taken by the executive committee last month to continue with the confederation's present commitments under the anti-inflation manifesto.

"I expect a heated debate on inflation, with emphasis on the question of the continuation of the campaign after September 30," Mr Grobler said today.

That aspect is expected to be discussed in the debate on a motion by the Railways Salaried Staff Association that, "as the formula of the manifesto has not been complied with by the authorities, congress review its continued participation" in the anti-inflation campaign.

(150 A)

McCrystal . . . looking to the power of the people

FM.
23/4/76

Friedman . government is responsible for inflation

Restrain the money supply and you will control inflation. That is the key. By comparison putting bricks in your cistern and buying meat wholesale is so much eyewash

Get the message?

Uncertainty as to the real causes of inflation, like the poor, will always be with us That is because prices, like most other economic variables, are determined by human beings, the reasons for whose actions are generally not subject to scientific verification

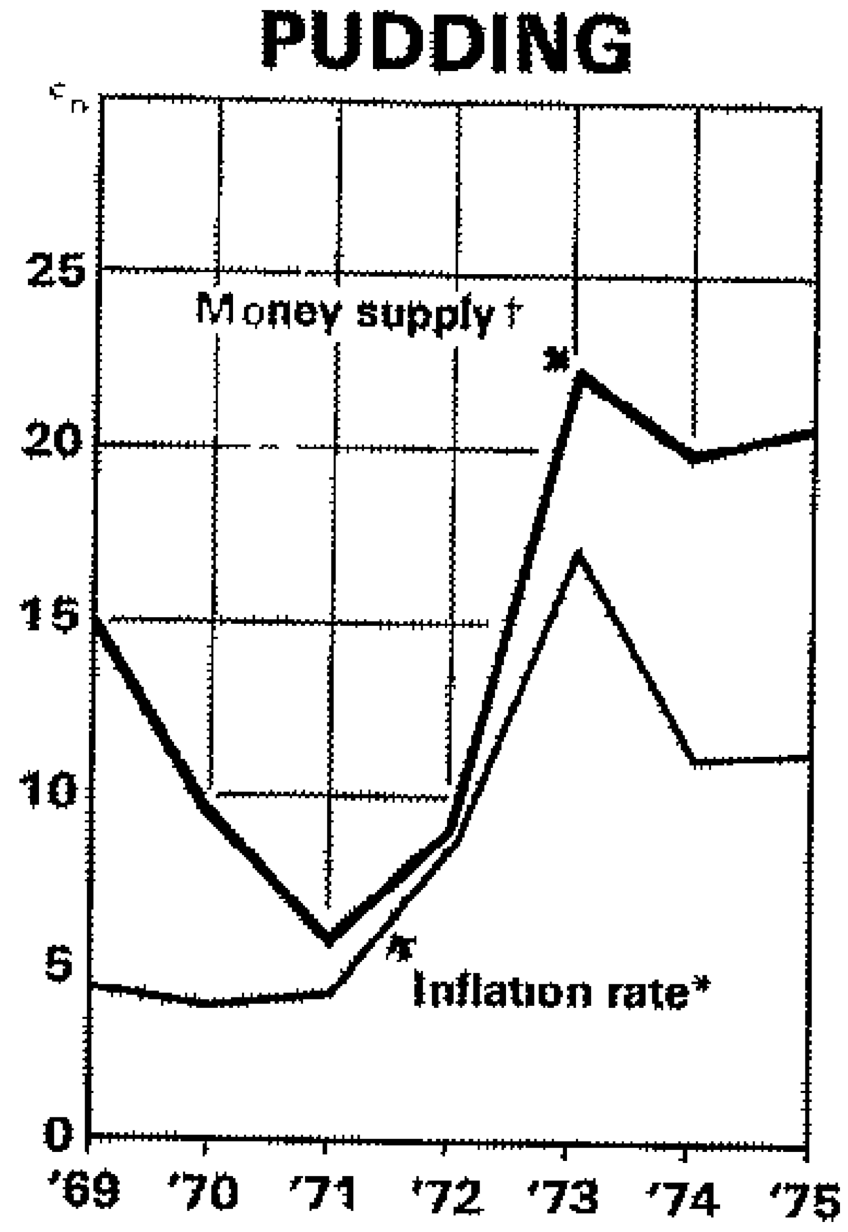
The Renowned Chicago Economist, Milton Friedman, claims it is all a question of the money supply, over which the government alone has control "There is no doubt," he conceded during his recent visit, "that businessmen are greedy, that labour is grasping and that consumers are spendthrift All that is true But none of that produces inflation for one very simple reason neither the businessmen nor the labourers nor the consumers have a printing press in their basement on which they can turn out those pieces of paper that you call money

"The government," he went on, "and the government alone has that printing press And the government, and the government alone, is responsible for inflation . "

To which the Great Durban Economist, Lawrence McCrystal, tersely retorts "Bunkum"

Fortunately, SA is still a free country (at least for economists) and the public is at liberty to choose the Durban School rather than the Chicago School if it so wishes Those who prefer to put bricks in their cisterns rather than advocate balanced Budgets are entitled to say so

PROOF OF THE PUDDING



†Monthly average quantity of money and near-money compared with previous year

**GDP deflator*

This newspaper has consistently been on the side of Milton Friedman and the monetarists and sees no reason to change its view Without a rapid increase in the money supply there can be no rapid inflation And only the government can ensure that there is no rapid increase in the money supply

So if the Minister of Finance fulfills his role as custodian of the currency and follows policies that ensure that the money stock rises only moderately, roughly in line with real expansion, *there can be no inflation*

Now of course some people will say that's begging the question the Minister of Finance is a politician and if policies requiring large increases in the money supply to make them possible are considered politically desirable, they will be pursued And quite naturally the Minister of Finance, aided and abetted by the vociferous Minister of Economic Affairs, will seek to blame the resultant inflation on others profiteers, shopkeepers, oil sheiks, trade unions, and so forth

As Friedman himself points out "The populace at large is a source of inflation readers say

Anti-Inflation chief speaks out

F.M. 30/4/76

Lawrence McCrystal, Chairman. Education and Publicity Committee of the Anti-Inflation Campaign.

It is a pity that you should have cast what was potentially an important leading article (McCrystal v Friedman, *FM* last week) in such emotive terms and based it upon a misquotation from a Press report Free of such efforts at clever journalism as you displayed, the debate between us could be highly profitable

My reference to Prof Friedman's talking nonsense was in relation to his claim that the Anti-Inflation Manifesto is nothing but a smokescreen to cover up government's errors The inference of Friedman's, at best ill-considered, statement is that the hard-nosed men of FCI, Assocom, AHI, Tucsa, Seifsa, the NDMF, the Chamber of Mines, the GMA, and so on, who *helped to draft* and signed the Manifesto, are either naive and gullible to an infantile degree, or they are prepared to allow their organisations to do a cover-up job for government This is so insulting and preposterous a suggestion as to be breath-taking in its implications This applies equally to your article, since you imply the same as Friedman. Your position is, however, less defensible since you are presumed at least to have studied the Manifesto

My statement with regard to Friedman was made with the full backing of the Education and Publicity Committee of the Collective Campaign against Inflation — a committee whose members are drawn largely from the private sector

Now let's examine the substance of the claim of Friedman and his academic cohorts, including the *FM*, that all that needs to be done is to control the money supply and all will be well

No one connected with the Anti-Inflation Campaign has, to my knowledge, since the signing of the Manifesto, denied the role of lax control of the money supply and over-spending by government as being major causes of our inflationary problems

These issues are explicitly covered in the Manifesto. I quote from it

- *"The Government undertakes to ensure that . the money supply does not increase excessively in relation to the actual or expected increase in the gross domestic product .*

"The Government undertakes to persist, as far as possible, with its policy of refraining from financing state deficits by means of unjustified bank credit "

So what's new Mr Friedman, *FM, et al*?

The Manifesto has been available for all to study since October 1975, but you, Friedman, *et al* have, for some myopic reason, chosen to ignore its contents Let me state the matter explicitly *Everyone connected with the Manifesto recognised that inflation and the excessive growth of the money supply are related* That's why the clauses quoted above are in the Manifesto

But having accepted that, it is a vastly different matter from the constructive action which is necessary for the practical handling of an inflationary situation, the causal factors of which both inside and outside the country, have operated over a long period during which major structural changes have taken place These cannot merely be theorised away by stating that the actions which gave rise to them should never have been taken Unless we wish to see tremendous damage done to our body economic, we must use every available sensible measure to treat the existing situation and avoid its recurring

US fails too

All major Western countries, with the exception of Western Germany, have been unsuccessful in this regard If it were as easy as you say it is then the US, which has had the benefit of Friedman's advice for many years — several of his "proteges" are apparently holding high offices in the US financial administration — should have been able to solve the problem on a permanent basis But it hasn't

You will argue, of course, that if government had controlled the money supply then the Manifesto would not have been necessary To avoid an ultimately sterile academic argument about whether this is so or not in a time of cost-push inflation, let us turn to some successful decision-makers, since I am sure your readers are more interested in the real world than that of academic models

I refer to the statements by two of the architects of Western Germany's success in keeping inflation well down while all around them countries were being engulfed in inflationary problems — Dr Ludwig Erhard, former Chancellor of Western Germany, and Dr Karl Schiller, former Minister of Finance of Western Germany, as quoted in *Inflation — How to Curb Public Enemy Number One*, by Dr Anton Rupert While both these men accord a firm monetary policy a high degree of importance — as does our Anti-Inflation Manifesto — neither claims that this is the sole means of controlling inflation — nor does our Anti-Inflation Manifesto

The crisp issue, then, is do we take the simplistic view of the academic monetarists that all we need to do is to control the money supply and all will come right, or do we side with the practical decision-makers and work on a broader canvass, which includes the monetary aspects, but covers, in addition, wages and salaries, and structural aspects relating to such matters as productivity, and thrift and efficiency at all levels of our society? The Anti-Inflation Manifesto takes the latter practical approach.

As you say, it's a free country. Those who choose to shout from the Olympian heights of universities and financial journals that only they are right and everyone else is wrong, are free to do so The signatories of the Manifesto have chosen to stop the finger-pointing and to get down to the practicalities of the situation Since the Newspaper Press Union is also a signatory to the Manifesto, how about the *FM* doing the same? Or have your years of cynical journalism made this impossible?

As a last point — your equating "buying meat wholesale" with the terms of the Manifesto showed a cynical disregard for the contents of the Manifesto, and you know it If you had directed your attack at the first phase of the publicity campaign (which ended before Christmas last year), you would at least have been accurate in your aim You destroyed your case by ignoring the fact that the publicity aspect is only one part of the Manifesto — there are three other more important parts No one in his right mind would try to fight inflation purely with a publicity campaign. What the education and publicity campaign is designed to do is to create a climate, provide motivation, and explain what is happening, as a back-drop to the Manifesto

The Editor reserves the right to shorten letters

(1) ~~250~~
(2) ~~334~~
(3) 150 A

Executive greed 'devastating'

20/5/76. STAR.

Personal greed is far more apparent at senior executive levels than among those on lower wages

This is the view of Mr S E Dawson, president of the South African Federation of Civil Engineering Contractors

He told a contractors' seminar in Johannesburg today that while the civil engineering industry identified completely with the anti-inflation campaign, it could not be said that all of its senior executives fully accepted their responsibilities in this area

"There is little doubt that personal avidity is the most devastating problem with which we have to deal if some semblance of stability is to be restored in the national economy

"This avidity is far more manifest at senior executive levels in business and at professional levels, than at artisan, operator or operative levels and has become a parasitic manifestation which, if given the opportunity, will drag out economy into a limbo from which it will have the greatest difficulty in ultimately extracting itself," said Mr Dawson

"I speak of exorbitant salary levels and of extortionate professional fees This applies not only to the construction industry, but also in the legal, medical, accountancy and consulting professions

"We ask trade unions to be modest in their demands for increased wages while setting an example of profligacy at the more educated levels

"If this profligacy is not dealt with by voluntary action, then I would say that it will, probably, in due course have to be dealt with by far more harsh taxation measures than have ever been imagined in the past"

Mr Dawson described the situation as a "disease affecting the South African economy as well as that of other countries"

Mr Dawson appears to practice what he preaches

He was asked by The Star this afternoon how much he earned

Mr Dawson, chairman of the Group 5 company, says that he only accepts two thirds of his authorised salary — which gives him R18 000 a year

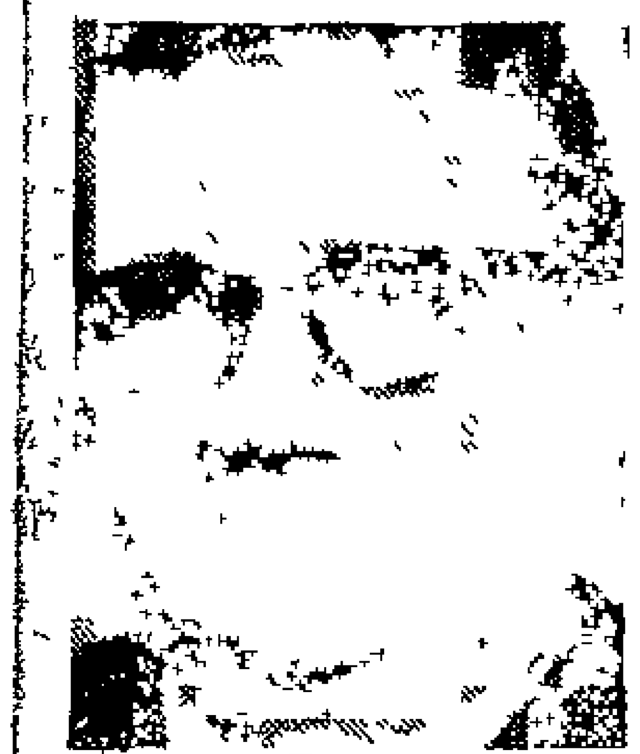
"I consider I'm overpaid"

Mr Dawson says, that the only 'perk" he gets from the company is a car He receives no club fees from the company His house is his own and the engineers' federation pays him no honorarium

Sunday Tribune 13/6/76

Count us out!

It's deadline September 30 ... and a labour chief warns: We can't support this Anti-Inflation Manifesto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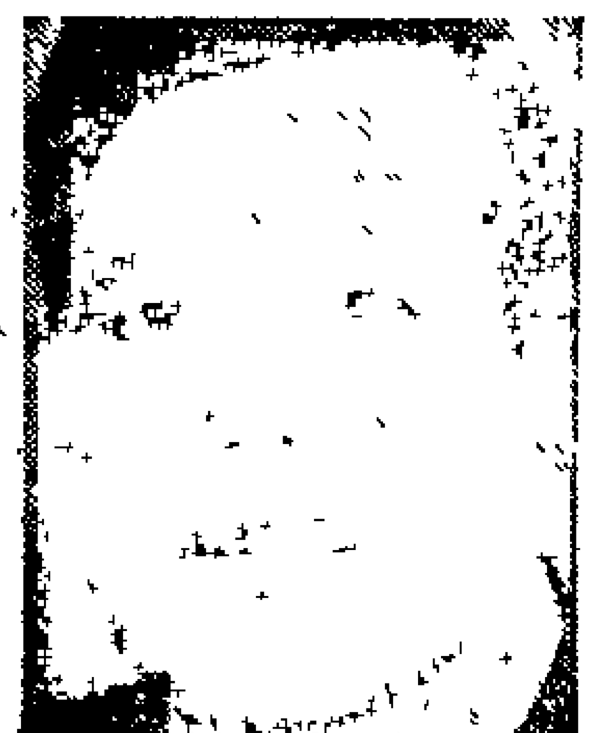
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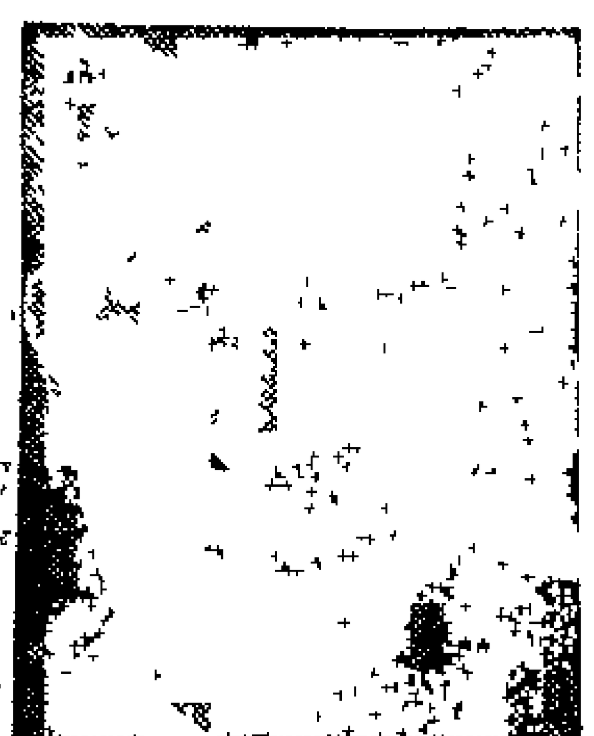

Grobbelaar

By Finance Editor CHRISTOPHER MORRIS

A QUESTION mark is hovering over the future of the Anti-Inflation Manifesto. This week, secretary of the SA Confederation of Labour, Wallie Grobler, said his body was not prepared to participate in the campaign in its present form after September 30, expiry date of the current second phase.

"We have decided that as a signatory our word is our bond and we are committed to the campaign at the moment. But we cannot support it after September 30 unless there are significant changes."

And recently Arthur Grobbelaar, general secretary of TUCSA, said much the same thing.

On the other hand, many smaller firms are unable to absorb 30 percent of unavoidable cost increases and remain in business, according to Hymie Wolffe, president of Assocom.

Which seems to indicate that employer and employee bodies may well be looking for a relaxation of some of the clauses in the Manifesto when the continuation committee meets with Economic Affairs minister Chris Heunis on August 9.

But a relaxation of the clauses — which ask wage-earners to accept increases of only 70 percent of consumer price index increases and firms to absorb 30 percent of increased costs — would only aggravate inflation.

Nor is the rate of inflation showing any signs of slowing down, another arrow in the critics' quiver.

Latest figures show that since 1970 the index has soared from a base of 100 points to 170,9. In January last year, the index stood at 149,0. Some kind of campaign is obviously preferable to nothing at all.

So there is a strong possibility that the Manifesto will be extended although in an altered form. Labour unions will seek a greater commitmetn by commerce and industry to a more visible and possibly more creditable contribution.

What has upset the Confederation of Labour is the blanket 10 percent pay rise for public servants recently announced by the Government.

Wallie Grobler feels that this is not in the spirit of the Manifesto because it lays a larger burden on the lower-paid worker than the higher-paid.

This, however, is not his only point at issue with the Manifesto. He believes that it has not succeeded over recent months in curbing inflation and he is not happy that the private sector is adequately living up to its side of the agreement.

Spokesmen for employer bodies adopt a different approach to the success of the Manifesto. Dr Hennie Reynders of the SA Federated Chamber of Industries thinks that the campaign has had a fair measure of success in assisting to curb prices.

Dr Errol Drummond, Director of Seifsa, said that the campaign has been more successful than he originally expected.

"It has been an unqualified success — it has spelt out the guidelines and perimeters within which to work," he said.

Ray Parsons, executive director of Assocom, argued that the critics of the Manifesto had not offered a practical alternative.

"Despite its faults, the Manifesto is very much a case of 'always keep hold of nurse, for fear of finding something worse'."

He said there was too much preoccupation in public debate with the short-term wage and price guidelines in the Manifesto, and not sufficient emphasis on the more important medium- and long-term aspects relating to matters such as profitability and disciplined State spending.

"It is wrong to say that commerce and industry have not played their part in the fight against inflation. Many responsible businessmen have carried out their obligations, especially the larger companies.

"Just as workers earning less than R200 a month are excluded from sacrifices in terms of the Manifesto, so there are small businessmen who have simply been unable to fully absorb the required 30 percent of increases in unavoidable costs.

"The price and wage restraints have helped to limit the inflation rate over the past few months, but whether they can continue to do more good than harm after September 30 is what the signatories will have to decide at their top level meeting on August 9."

(l) ISC A
(2) 266

Jumping the rails

F.M. 30/4/76

At least one of the six Railway unions affiliated to the Confederation of Labour, the 22 000 member Artisan Staff Association (ASA), will ask the Confederation to withdraw from the anti-inflation programme. Despite Tucsa's decision to remain a signatory, the programme could thus be in jeopardy

The ASA's decision results from the Prime Minister's announcement of a pay-rise of only 10% for public servants. This fell far below the expectations of the Railway unions, whose members have gone without increases for nearly two years. The fact that Vorster's statement was made in the midst of union negotiations with Minister of Transport Louwrens Muller, and thus pre-empted them, was hardly likely to improve the Railwaymen's tempers.

Their bitterness is understandable. The CPI has risen by at least 21% since their last wage increase and their demands (*FM* March 19) were carefully framed to comply with the Manifesto's guidelines. While they will receive another 5% next January, "the CPI has begun to rise again and the 5% will probably not cover even its increase between now and January," ASA general Secretary Wallie Grobler, who is also honorary secretary of the Confederation, told the *FM*.

"The Cabinet is fully aware of how the CPI affects us," he adds "Our members are extremely angry, and we will argue strongly that the Confederation should pull out of the Manifesto."

First out, then in

The Railwaymen were not the only people to take umbrage When Vorster called on employers and employees in the private sector to "discipline themselves in a like manner," Tucsa assumed that its member unions were also suddenly required to limit their wage demands to 10%.

Charging that government had reneged on the Manifesto, Tucsa decided to withdraw. A subsequent phone call from Minister of Economic Affairs Chris Heunis persuaded Tucsa to change its mind.

Heunis tells the *FM*: "I explained to Mr Grobbelaar that the wording of this appeal by the Prime Minister did not envisage any departure whatsoever from the specific commitments which the employee organisations had assumed in terms of the anti-inflation programme ... Mr Grobbelaar accepted my explicit assurances in this respect."

Grobbelaar's view now is that, "Our member unions are still entitled to demand wage increases of anything up to 40% in terms of the Manifesto's guidelines. We have received an assurance from the Minister that we will be able to make these demands without government opposition. We will continue to do so and will remain signatories to the Manifesto "

Government is also concerned that people are not playing the game. "Positive evidence has been obtained" says Heunis, "that employees and employers not committed to the Manifesto are not observing its wage and price guidelines

the Railwaymen — to the extent of not even allowing negotiations to be completed before deciding on their outcome — it has acted highhandedly, to say the least.

As far as Black public sector employees are concerned, Heunis tells the *FM* that "it has been an accepted principle of government policy to reduce progressively the wage gap between the various population groups whenever the government itself grants wage and salary increases. The wage and salary increases

AVERAGE PUBLIC SECTOR PAY

	Central Govt*	Provincial Admin*	Postal employees	SAR&H†
	Rands/month			
Whites	464	443	363	492
Asians	347	172	196	172
Coloureds	222	135	128	112
Africans	125	79	89	78

(The figure for Africans in Central Govt includes qualified personnel such as teachers The GPO and SAR&H figures refer mainly to labourers)
Source Department of Statistics

* December 1975
† January 1976

"The mere fact that these persons do thus completely dissociate themselves from support for the campaign against inflation is frequently being advanced by certain members of the employer and employee groups who are committed to it as a reason why they should likewise not be expected to observe the guidelines.

"It was solely with the object of countering the psychologically adverse effects of the bahaviour of these incommitted groups on the faithful observance of the guidelines by the committed groups in the private sector that the Prime Minister's statement included an appeal to employers and employees in the private sector to discipline themselves in a like manner to that of employees in the public sector."

If the Confederation does withdraw from the programme the effect will be considerable. Would Tucsa see any point in remaining the only union federation submitting to the programme's restraints? Even if Tucsa were to do so, the credibility of the programme would certainly be damaged if it lost the Confederation's support

If the programme does collapse, government will have itself to blame. The *FM* has argued consistently that the Railways pay issue was sensitive enough to wreck union participation in the programme (*FM* March 26) By ignoring

now envisaged for this particular purpose, and the extent of these increases, are still being considered by the government "

Heunis adds that it is not possible at this stage to say how the pay increases will be financed "A more realistic picture will be available later in the year when there will be greater certainty about the performance of the economy in general, as well as about the financial performance of the SAR&H and the GPO "

Parkeer-en-stapveldtog in Bloemfontein

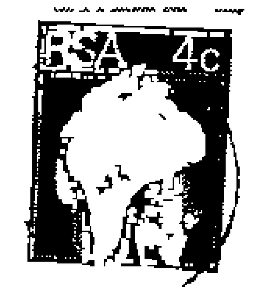
Bloemfontein se Streekkomitee van die Kollektiewe Aksiebeweging het gedurende Meimaand met 'n uitstekende parkeer-en-stapveldtog vorendag gekom om brandstofbesparing te weeg te bring en terselfdertyd die inwoners van die stad fiksheidsbewus te maak.

Inwoners van Bloemfontein is deur middel van die nuusmedia genooi om hul voertuie op pad werk toe by 'n terrein net buite die middestad te parkeer en of daarvandaan na hul werkplekke te stap of met 'n busdiens wat spesiaal deur die Stadsraad beskikbaar gestel is, daarheen te ry. Die busdiens is selfs vir twee dae gratis gelewer en daarna teen betaling van 'n nominale tarief. Busvervoer is ook tydens etenstye en in die namiddag ná werk aangebied.

'n Woordvoerder van die Bloemfonteinse Streekkomitee sê dat die ondersteuning nie die voortsetting van die diens gedurende die week geregverdig het nie maar dat die Stadsraad voortgaan met die aanbieding van die busvervoer en parkeergerief op Saterdae. Lede van die publiek wat in die middestad gaan inkopies doen, maak met graagte daarvan gebruik.

Intussen is die Streekkomitee besig om daadwerklike aandag te gee aan die moontlikheid van verspreide werksure in die stad.

Mail slogan



This slogan cancellation has appeared on millions of articles of mail in the past few months. It is in use at the nine major post offices in the Republic: Cape Town, Port Elizabeth, East London, Durban, Pietermaritzburg, Bloemfontein, Kimberley, Johannesburg and Pretoria. Originally the date-stamp was on the left and the slogan on the right, but in March the Post Office switched the sequence so that the slogan is impressed on the envelope and not over the stamp, making it more legible

Trade Union Panel

The first meeting of the Trade Union Panel of the Collective Action Movement against Inflation was held in Johannesburg in June. The meeting was attended by Mr A Elisio, SA Electrical Workers Union; Mr J E Faure, Amalgamated Engineering Union; Mr C P Grobler, Artisan Staff Association; Mr A Malherbe, SA Bank Employees Union; and Mr P J Paulis, Mine Workers Union.

The representatives expressed the view that announcements of price increases should be better motivated in future and also requested that more publicity be given to instances where representations for price increases had been turned down or only partially acceeded to and also to training facilities for White workers.

Post Office's productivity year

The Post Office – one of the leading organisations in the public sector – is making a large contribution towards the fight against inflation.

According to Mr L F Rive, the Postmaster-General, steps taken to fight inflation included a conference of senior officials held in Pretoria on 10 and 11 November 1975 during which it was decided to:

- declare 1976 as a productivity year for the Post Office.
- postpone the construction of certain capital works which will not adversely affect the expansion of essential infra-structural services,
- critically examine all buildings planned for construction during the next two years with a view to making changes to effect savings, to cut out luxury and to limit needs to what is essential,
- set a target cutting transport and overtime expenditure by 10% with the understanding that the provision and maintenance of essential infra-structural services are not adversely affected,
- weight by 5% the norms for the creation of new posts with a view to improving productivity and to limit to a minimum the personnel numbers,
- make an urgent appeal to all personnel to make the most economical use of material, stocks and stationery and to see that unnecessary use and wastage do not occur,
- speed up provision of self-service facilities in all developing residential areas which justify a postal delivery service, in an effort to save labour, and
- carry on giving special attention to training methods with a view to making better use of manpower and increasing productivity.

Big demand for booklet

Requests for the booklet "What is Inflation/Wat is Inflasie" continue to pour all over the country and over 10 000 have already been distributed. This bilingual booklet has proved to be popular among organisations which are taking large quantities for distribution to their members.

They range from municipalities, chambers of commerce and industry, trade associations to car firms and other private companies.

One of the major requests came from the Master Builders and Allied Trades Association which is now distributing 800 copies to its members in the building industry.

Another request was by the Ford Motor Company in Port Elizabeth for 150 copies for distribution among senior staff members.

Recipients are invited to reproduce the contents of the booklet.

Copies are still available on request from:

The Collective Action Movement against Inflation
PO Box 3443
PRETORIA
0001

Hierdie nuusbrief word uitgegee deur die Kollektiewe Aksiebeweging teen Inflasie Privaat sak X152 Pretoria 0001

1504

AKSIE- KOLLEKTIEWE BEWEGING NEWS·NUUS COLLECTIVE ACTION MOVEMENT

JUNE 1976

Steun stryd teen inflasie

,,Ons moet aanvaar dat die resessionêre toestande wat dusver op papier aangetoon is, nou tot die gewone man deurgedring het,'' het die president van die Afrikaanse Handelsinstituut vandeesmaand gesê. Mnr Albert Marais het by die jaardinee van die Pretoriase Afrikaanse Sakekamer gesê almal moet nou help om ons ekonomie weer op dreef te kry.

Mnr Marais het gesê elkeen het in 'n mindere mate beskikkingsmag oor hoe geld aangewend word – vir kapitaalvorming of vir onmiddellike gebruik.

Ons het al vergeet dat kapitaal alleen deur besparing gevorm kan word – dat ons alleen produktiewe bates tot stand kan bring as ons die verbruik van 'n deel van ons inkomste uitstel."

Mnr Marais het sekere voorstelle gemaak hoe die individu kan help om die bestaande ekonomiese probleme te oorkom.

- Elke gesin kan en behoort te bespaar. Mense behoort eers te bespaar, en dan te spandeer. Die nasionale huisvrou, wat R7,4 biljoen per jaar bestee het net so 'n belangrike rol te speel soos die Minister van Finansies.
- Elke gesin behoort bewustelik buitelandse valuta te bespaar. ,,Elke keer as jy jou kar aanskakel of die spoedgrens oorskry is jy besig om buitelandse valuta te verkwis." As elke motoreienaar net een liter petrol per maand bespaar beloop dit 'n totale besparing van R8 miljoen per jaar.
- Gee absolute voorkeur aan SA produkte. Dit bespaar buitelandse valuta, en gee 'n stoot aan werkskeppende plaaslike nywerhede.
- Gebruik krediet net om duursame bates aan te skaf.
- Probeer om die lewensduur van elke artikel so lank moontlik uit te rek.
- Betrek al die lede van die huisgesin by 'n veldtog waar die huisgesin kan spaar.

Mnr Marais vra ook of dit nie moontlik is dat mense soms 'n ekstra halfuur of so aan hulle dagtaak wy nie. Deurdat dit bydra tot die beperking van die tekort aan geskoolde mannekrag wat daar in Suid-Afrika is, kan dit baie vir produktiwiteit doen, so ook vir die landsekonomie.

Productivity package

The National Development and Management Foundation has prepared a special "productivity package" for the Collective Action Movement to assist management in the improvement of productivity, an important long-term factor in the fight against inflation.

The programme which has been video-taped consists of four sections dealing with general measurement standards, setting objectives, implementing objectives and keeping productivity alive.

A spokesman for the NDMF said the programme, with a manual for its use, would be available to interested organisations for seminars and training courses from July.

Enquiries should be sent to the NDMF P O Box 31793, Braamfontein 2017.

SEMINAR IN E.P.

A seminar on the professional approach to productivity improvement, organised by the Port Elizabeth regional committee of the Collective Action Movement against Inflation, was held on 9 June.

The seminar dealt with the increase of productivity through better personnel management, financial control, quality control, safety at work, work study, organisation and methods and integrated productivity programme.

Among the speakers were Mr Ollie Rademeyer, of the Institute of Personnel Management, Prof L Simpson of the Cape Society of CA's, Mr Harry Davies, of the SA Society of Quality Control, Mr E C Thomas, Director of the Department of Organisation and Methods of the Port Elizabeth Municipality and Dr J H Visser of the National Productivity Institute.

The seminar was chaired by Dr Lawrence McCrystal, Chairman of the Collective Action Movement against Inflation.

NCW supports campaign

At its annual congress in Johannesburg last month, the National Council of Women of South Africa gave serious consideration to the dangers of inflation and the need for consumer education to meet and control the present spiralling costs.

Mrs Joan S Mann, the National President, said that after an enlightening address to the congress by Prof J L Weyers, Head of the Department of Business Economics at UNISA, in which the facts of the situation were explained, the congress in plenary assembly voted unanimous support for the Anti-Inflation Campaign.

"We wish this to be known as widely as possible," she said.

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Cape Times
29/7/76

Tucsa wants wage curbs removed

Own Correspondent

THE COUNTRY'S two largest trade union organizations — the Trade Union Council of South Africa and the SA Confederation of Labour — will demand drastic amendments to the anti-inflation programme at the August 9 meeting of the signatories to the manifesto. Both want the curbs placed on wage increases by the programme removed.

They are set to pull out of the campaign — a move which would effectively destroy the concerted fight against the price spiral—unless this and other amendments are made

The president of the SA Confederation of Labour, Mr A I Nieuwoudt, said this week that the continued support of the confederation would depend on the scrapping of the commitment that trade unions should claim only 70 percent of the rise in CPI in wage increases

No measure

He said employers could be relied on to enforce this commitment — most of them eagerly — but there was no way of measuring whether commerce and industry were making a comparable sacrifice

There was no doubt, he said, that a disproportionate part of the inflation fight was being shouldered by wage and salary earners

"Those in the lower income categories just cannot make this sacrifice Their living costs have rocketed in the past 12 months, and they are not getting adequate compensation The result is that they have to adjust to lower living standards," Mr Nieuwoudt said.

Meanwhile the national executive of Tucsa started a three-day meeting in Johannesburg on Tuesday Among other issues the executive are discussing is Tucsa's attitude to a continuation of the programme

This will be outlined at the signatories' meeting next month

Tucsa is expected to take as tough a line on the incomes issue as the confederation

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'Every rand helps in inflation war'

STAR. 4/8/76

Pretoria Bureau

An appeal to bear in mind that every rand or man-hour saved could assist in the fight against inflation was made by the Minister of Public Works, Mr A L Schlebusch, at the Interbou exhibition at Milner Park, Johannesburg today

He added that better planning and accounting procedures were essential so that projected future expenditure could not only be calculated accurately, but could be effectively controlled

"We must avoid the situation of escalating costs far outstripping the budget for a building, as has happened in so many cases in recent years," he said.

The builder could make a significant contribution by more accurate tendering and more meaningful cost adjustment procedures

The client could help by giving more precise descriptions of his requirements and by limiting those requirements to the essentials

Mr Schlebusch said the Government should play an important role in helping reduce expenditure, improving productivity and benefiting the national economy through exercising some form of control over factors such as safety, health and energy conservation.

The introduction of national building regulations was an example of what he had in mind for as a Government role

He urged the delegates to the Interbou conference to remember that South Africa's aim was not to become a world leader in the production of mansions and skyscrapers, but to be among the leaders in producing comfortable and economic homes and offices that were pleasant to work in

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Heunis in urgent talks

New CoL blow to consumer

Cape Times 4/8/76

Cape Times Staff

WITH YESTERDAY'S announcement of a 10 percent rise in doctors' fees giving further impetus to the steep rise in the cost of living, the Minister of Economic Affairs, Mr Chris Heunis, last night called the signatories to the Anti-Inflation Manifesto to an urgent meeting in Pretoria.

Only a few hours notice was given of the meeting, which is seen as a last-minute bid to iron out the grave dissatisfactions which are known to stand in the way of a further extension of the anti-inflation programme

The signatories will meet again in Pretoria on Monday, and it is at this meeting that a decision will be taken on a third phase of the co-ordinated anti-inflation fight when the current phase closes at the end of September

Mr Heunis was expected to stress the vital importance of continued sacrifices from commerce, industry and the trade unions in an effort to slow down the price spiral

He was at yesterday's Cabinet meeting, where the worsening plight of the economy was due to be reviewed, and he was expected to convey to the signatories last night the Government's concern at the state of the economy and the wish that the campaign should be continued

The meeting took place against the stark background of shrinking gold revenue, foreign exchange reserves still on the way down on forecasts from the South African Reserve Bank and other authoritative sources that the recession has not yet hit bottom

Stumbling block

A major stumbling block to agreement on a programme extension is the trade unions' dissatisfaction with the wage restraint provision.

The unions claim the private sector is not making the same sacrifice and that increased costs are being fully loaded on to consumer prices

Both the Trade Union Council of South Africa and the SA Confederation of Labour have stated they will withdraw from the inflation fight unless satisfactory guarantees that all involved are making similar sacrifices.

Latest jolt

The latest jolt to the embattled consumer is the news that medical fees have been increased by 10 percent, effective from July 1

The fees hike was agreed at a meeting of the Federal Council of the Medical Association of South Africa in May and covers all doctors who have contracted out of medical aid schemes

Dr C E M Viljoen, general secretary of the Medical Association, said yesterday that the increase conformed fully with the requirements of the Anti-Inflation Manifesto that 30 percent of any increase in the consumer price index would be absorbed

The increase had followed the Government decision to raise all public service salaries by 10 percent with a further five percent promised, Dr Viljoen said

Last increase

The last increase in medical tariffs was two years ago when large numbers of doctors contracted out of the medical aid schemes agreement in protest against poor fee structures and an unwieldy administration which slowed payment

This means that medical fees for contracted-out doctors have increased by more than 20 percent in two years, matching a similar rise in the consumer price index

As South Africans dig deeper into their savings in what has been described by economists as "a highly in-

Continued on page 2

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Anti-inflation deadlock . . .

Cape Times 9/8/76

Own Correspondent

PRETORIA. — Final agreement on a formula for a third phase of the country's co-ordinated anti-inflation programme has still not been reached after two urgent meetings last week of the signatories to the anti-inflation manifesto.

However, the signatories will meet in formal session in Pretoria today under the chairmanship of the Minister of Economic Affairs, Mr Chris Heunis, hoping for a last-minute compromise on an extension of the programme beyond the end of September, when the current phase ends.

The trade union representatives at today's meeting are expected to attack the Government's failure to curb State spending and price rises over which the State has full control

The meeting is being held only a few days after the announcement of big hikes in railway rates by the Minister of Transport, Mr Muller

It was claimed that the higher rates will be a prime cause of new and strong inflationary pressure

Although neither the Trade Union Council of South Africa nor the SA Confederation of Labour would comment yesterday on the new tariffs, both organizations are angry with the Government because of its unfulfilled commitment to slash spending and for the apparent ease with which the price control administration grants price rises.

Also under attack today from the Union representatives will be the across-the-board increase in basic food prices this year — increases which are expected to culminate in a higher bread price from the beginning of October

At the two urgent unscheduled meetings of the signatories last week Mr Heunis stressed the vital importance of the continuation of the campaign

However, no formula satisfying commerce and industry and the trade unions was agreed on and there is a strong possibility that unless the demand by the unions that the wage restraint provisions are modifed or scarpped is accepted, unions will withdraw from the programme.

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10/8/76 CT.

Wage, price restraints extended

PRETORIA. — Signatories to the Anti-Inflation Manifesto yesterday decided to extend restraints on wages and prices in their present form for two months after the expiry of the present period on September 30 while a study group investigates the whole question.

Long-term measures in the manifesto, including those for increased production and productivity, Government fiscal and financial action and legislation, are to be extended indefinitely.

Announcing this after a meeting of the manifesto signatories here yesterday, the Minister of Economic Affairs, Mr Chris Heunis, said the decisions had been taken unanimously.

'Realistic'

The investigation into continued wage, salary and price discipline is to be undertaken by a study group of representatives from the public sector, commerce, industry and labour unions.

Mr Heunis described the decision as realistic and in the national interest, and said there had been a genuine feeling that strict wage and price discipline should continue in some form or another.

The study group would make its recommendations, based on an evaluation of existing and expected economic conditions, before the end of November, when a decision on the form and extent of any continued measures would be taken.

"The meeting expressed the very strong opinion that discipline is required in terms of price and wage reaction. It also decided that it would have to investigate what economic conditions are, and what they are expected to be in the short term, before taking a final decision," Mr Heunis said.

The committee had also decided on a complete reassessment of South Africa's economic priorities.

"I think the order of these priorities might have changed since we met last time," Mr Heunis said.

It might be found, for instance, that the balance of payments situation was a very high priority.

"We will have to look at whether we can sustain on the long-term growing unemployment, with the disruptive effects this could have on the social and political stability of this country."

Mr Heunis said he was completely satisfied with the outcome of the meeting and was pleased with the attitude adopted by all sectors, including labour representatives. — Sapa

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Vir onmiddellike vrystelling

PERSVERKLARING UITGEREIK DEUR SY EDELE J.C. HEUNIS, MINISTER VAN EKONOMIESE SAKE

AANSTELLING VAN DIE STUDIEGROEP INSAKE DIE ANTI-INFLASIE=PROGRAM

Soos ek tydens 'n personderhoud op 9 Augustus 1976 aange=kondig het, het die Voortsettingskomitee insake die Implementering van die Anti-inflasieprogram by sy vergader=ing op daardie datum besluit dat die langtermyn maatreëls wat in die program beliggaam is, na 30 September 1976, wanneer die huidige program ten einde loop, vir 'n onbepaalde tyd voortgesit moet word.

Hierdie maatreëls behels hoofsaaklik die verhoging van produksie en produktiwiteit, met spesiale verwysing na die beter opleiding en benutting van arbeid; staatsoptrede op finansiële, fiskale en ander terreine; en staatsoptrede met betrekking tot wetgewing en regulasies wat 'n inflasionistiese uitwerking het of mag hê.

Wat betref die bepalings van die anti-inflasieprogram wat voorsiening maak vir die toepassing van 'n uiterste mate van selfbeheersing by verhogings van lone, salarisse en pryse, het die Voortsettingskomitee gevoel dat daar sterk redes bestaan het vir die voortsetting van hierdie maat=reëls in een of ander gewysigde vorm na 30 September 1976 wanneer die huidige program ten einde sou geloop het.

Aangesien/...

Aangesien die Voortsettingskomitee egter van mening was dat die aard en omvang van enige sodanige gewysigde vorm van loon-, salaris- en prysdissiplines alleen behoorlik bepaal kon word nadat 'n grondige studie van alle aspekte van die huidige ekonomiese omstandighede van die land gedoen was, het hy besluit om die bestaande riglyne van die anti-inflasieprogram met betrekking tot verhogings in lone, salarisse en pryse onveranderd vir 'n verdere tydperk van hoogstens twee maande tot 30 November 1976 te verleng ten einde dit moontlik te maak om so 'n grondige studie te voltooi.

Verder het die Voortsettingskomitee besluit dat 'n studie= groep, bestaande uit verteenwoordigers van die owerheid= sektor, die handel, die nywerheid en die vakbondwese, be= noem moet word om die beoogde ondersoek in te stel en daaroor aan die Voortsettingskomitee verslag te doen tesame met aanbevelings oor gewysigde loon-, salaris- en prys= dissiplines gebaseer op die studiegroep se evaluering van die posisie, sodat die Voortsettingskomitee voor die einde van November 1976 'n finale besluit in hierdie verband kan neem.

Ek het nou besluit om die volgende persone as lede van die voormelde studiegroep te benoem:

Mnr./...

Mnr. G.W.G. Browne	Sekretaris van Finansies
Mnr. G.J.J.F. Steyn	Sekretaris van Handel
Dr. S.S. Brand	Adjunk-ekonomiese Raadgewer van die Eerste Minister
Dr. B. van Staden	Suid-Afrikaanse Reserwebank
Mnr. F.F. de W. Stockenström	Uitvoerende Direkteur, Die Afrikaanse Handelsinstituut
Mnr. R.W.K. Parsons	Uitvoerende Direkteur, Vereniging van Kamers van Koophandel van Suid-Afrika
Dr. H.J.J. Reynders	Uitvoerende Direkteur, Suid-Afrikaanse Gefedereerde Kamer van Nywerhede
Dr. E.P. Drummond	Direkteur, Federasie van Staal- en Ingenieursnywerhede van Suid-Afrika
Mnr. G. de C. Malherbe	Adviseur van die Federasie van Bounywerhede (S.A.)
Mnr. A.I. Nieuwoudt	President, Suid-Afrikaanse Konfederasie van Arbeid
Mnr. J.A. Grobbelaar	Algemene Sekretaris, Vakbondraad van Suid-Afrika
	en
Dr. L.P. McCrystal	Ekonomiese Raadgewer van die Nasionale Ontwikkeling- en Bestuurstigting van Suid-Afrika

Die studiegroep sal so vroeg doenlik met sy werksaamhede begin, gedagtig aan die besluit wat die Voortsettings=komitee by sy vergadering van 9 Augustus 1976 geneem het dat finaliteit oor enige wysigings van die bestaande loon-, salaris- en prysdissiplines van die anti-inflasieprogram op 30 November 1976 ten laatste bereik moet word.

Die/...

Die studiegroep is gevra om sy verslag met aanbevelings aan my voor te lê waarna ek dit na die Voortsettingskomitee vir oorweging en finale besluite sal verwys.

UITGEREIK DEUR DIE DEPARTEMENT VAN INLIGTING OP VERSOEK VAN DIE MINISTERIE VAN EKONOMIESE SAKE

PRETORIA

1 SEPTEMBER 1976

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Impasse on wage, price curb

Cape Times 21/10/76

Own Correspondent

PRETORIA — Trade union and employer representatives on the wages and prices fact-finding committee of the anti-inflation programme are deadlocked on the issue of wage and price curbs, it was learnt here this week

The committee is due to report back to the full continuation committee before the end of November when the extended second phase of the Government's co-ordinated fight against the price spiral runs out

The country's two biggest trade union organizations — the Trade Union Council of South Africa and the SA Confederation of Labour — threatened earlier this year that unless satisfactory guarantees of adequate price curbs were given by employers they would withdraw from the programme

Both organizations are represented on the committee

According to the anti-inflation manifesto the unions undertook to sacrifice 30 percent of increases justified by the rise in the consumer price index, and employers 30 percent of price rises justified by higher production costs

The unions claim that their sacrifice is easily enforced and measured but that there is no satisfactory method of ensuring that employers are keeping to their part of the bargain

—Economists have repeatedly stated that without the full and honest co-operation of the unions and employers the Government might as well abandon its co-ordinated fight against inflation

Another union grievance is that the Government has not made the expected effort to hold back price rises

The unions claim the Government has authorized increases this year in the price of all foods which fall under its control, including a four-cent increase in the bread price

They also want a review of the profit formula used by the Price Controller when dealing with applications from industry for price rises

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10/8/76

'SOCIAL THREAT' FROM INFLATION

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Mercury Correspondent

PRETORIA—Double-digit inflation was a threat to the successful functioning of the economy and to the maintenance of South Africa's social order, the Minister of Economic Affairs, Mr. Chris Heunis, warned here yesterday.

At a Press conference after a day-long meeting of the Continuation Committee of the Anti-inflation Programme, he announced that agreement had been reached on a continuation on an extension of the programme beyond the close of the current phase at the end of September

However the controversial wage and prices provisions in the manifesto have only been extended for two months.

During this time a special study committee will hopefully reach agreement on new proposals on how to curb wage and price rises.

The committee is to report to the Continuation Committee before the end of November.

CD Cont

In his opening address and at the Press conference Mr. Heunis gave a sombre summary of the state of the economy.

Since the beginning of 1976 he said, the decline in the growth rate had assumed far more serious proportions than was ever envisaged when the anti-inflation manifesto was signed—with a consequent increase in the inflation rate.

Company turnovers and profits had dropped appreciably because of the decline in domestic spending.

The Minister emphasised that politically unsettled conditions in southern Africa had caused a decline in the inflow of foreign capital.

This had resulted in a serious overall deficit in the balance of payments.

"Above all, a new set of circumstances affecting the political situation in southern Africa has developed which demand extreme efforts as well as sacrifices to ensure the country's military preparedness will be adequately intensified."

Mr. Heunis said it was vitally important that South Africa should take a new look at its economic priorities. The order of the priorities, he said, could have changed since the introduction of the campaign last October.

On top of the priority list was the balance of payments problem. The threat of unemployment was another concern which would have to be looked at carefully, and which could affect the country's political stability.

The Minister said the long term measures incorporated in the anti-inflation manifesto, would be continued indefinitely.

They were: The raising of productivity with special attention given to better training and use of labour; State action in financial, fiscal and other relevant areas; State action in connection with legislation and regulations which have inflationary effects or could have inflationary effects.

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McCrystal warning

STAR 24/8/76

Pretoria Bureau

Workers in South Africa were warned today that future pay increases would only be possible through increased productivity.

The warning was given at the Transvaal Municipal Association Congress at Warmbaths by Dr Lawrence McCrystal, chairman of the Collective Action Movement Against Inflation

"Any salary or wage increases which are not offset by harder work and more productivity are nothing more than inflationary steps," Dr McCrystal said

"People must forget the idea that they are entitled to more pay purely because they have long service with a firm

"I believe that wage and price disciplines should form part of the continuation of the anti-inflation programme which concerns South Africa's balance of payments.

DIFFICULT PATCH

"This is causing a serious problem at this juncture of our economy and it is not possible for us to resume a rapid rate of economic growth until the balance of payments situation has eased"

Dr McCrystal said an important element in the balance of payments was the inflow of foreign capital.

"We need foreign capital to develop our country and to tide us over the difficult patch which we are experiencing at present However foreign lenders are reluctant to lend to a country which they feel is going to experience a higher rate of inflation than that in the lender's country"

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Slump threat to Black jobs

nm. Mercury Correspondent 21/10/76

STELLENBOSCH—South Africa is on the brink of serious unemployment and the Government should meet the threat with contingency plans, according to senior researchers at the Bureau for Economic Research of the University of Stellenbosch.

And yesterday the danger of unemployment among blacks was stressed by the Afrikaanse Handelsinstituut.

The AHI's official journal in its latest issue warns it had been estimated that Black unemployment could increase by the end of 1977 to a staggering 2 000 000, when an economic turning point should be reached and an upswing begin.

The present unrest, fanned by strikes and work stoppages, increased Black unemployment. The accompanying poverty and privation increased fertile ground for communism, the journal warns.

One of the Stellenbosch researchers, Mr O D J Stuart, said it might be necessary in spite of inflation to construct a budget for 1977 which would stimulate the economy, reactivate development and raise the demand for labour.

Mr Stuart views support the demand by leading politicians and trade unions that the Government should be ready to launch labour intensive schemes should unemployment rise to a critical level.

Senator Anna Scheepers, a UP spokesman on labour, said in the present disturbed climate it would be madness to allow significant unemployment to develop among urban Africans.

She stressed that an unemployed, hungry, dissatisfied African worker was an easier prey to agitators than a fully employed one.

Mr Stuart agreed with authorities in the Reserve Bank and commercial banks that the economy is still on the way down.

"It is unlikely that indications of recovery will appear before the middle of next year at the earliest."

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Cape Times
29/10/76

Heunis to chair wage talks

Own Correspondent

PRETORIA — A consensus has been reached by the trade unions and employers on the wage and prices sacrifices to be incorporated in the next phase of the Government's co-ordinated fight against inflation, it was learnt in Pretoria yesterday.

The special committee which investigated the issue — it included representatives of the Trade Union Council of South Africa and the SA Confederation of Labour — will report back to the anti-inflation continuation committee in Pretoria on November 16.

It is at this meeting that a decision is expected to be taken to extend the programme for 12 months.

The Minister of Economic Affairs, Mr Chris Heunis, will be chairman at the meeting.

Collapsed

Without the agreement which has been reached by the unions and employers the co-ordinated fight against the price spiral would have collapsed.

However, it is certain that the trade union representatives at the November 16 meeting will attack the Government for its inability to slow down or minimize increases in prices directly under Government control.

Demands will be made for a tighter and more effective control.

This year, to a far greater extent than at any other time in the past quarter century, the price of virtually every food commodity and service used in the home has been substantially raised.

(153).

PM says: look after your job

nm Mercury Correspondent 1/11/76

NIGEL — The Prime Minister warned all South African workers over the weekend to look after their jobs because the days of choosing and walking from one job to another were over.

Addressing about 650 people in his constituency, Mr. Vorster intimated that the country's problems stemmed from three factors: The world's economic recession, the increased foreign pressure and the internal unrest.

He predicted that foreign and internal pressure on the Government to drop its separate development policy would increase and that Nationalist supporters would be tested as never before in the days and months ahead.

The whole world opposed the policy and it was still the objective of South Africa's enemies to get a resolution accepted under Section 7 of the UN Charter which encompassed violence and sanctions.

After painting a bleak picture, Mr. Vorster said he would be failing in his duty if he did not tell old and young to look after their jobs.

He was thankful that the unemployment figure among Whites and Coloureds was so small.

It was difficult, he said, to establish the unemployment figure among Africans, but for those who wanted to work there was still work available — on the mines, in forestry and on the farms.

On Rhodesia he issued a serious warning to the negotiators in Geneva saying that a settlement could only be reached within the framework of the five-point U.S.-British proposals.

A great responsibility rested on Britain, the United States and the "so-called five front-line presidents."

Of United Party and Progressive Reform Party discussion to form a united opposition he said that if South Africa wanted social upheaval and political chaos it should put the "Progs" into power.

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Heunis rejects wage and price recommendation

11/76

Own Correspondent

PRETORIA. — The major recommendation of the anti-inflation campaign's study group on wage and price restraints has been rejected by the Minister of Economic Affairs, Mr Heunis.

This means that tough bargaining on the vital issue will continue at next Tuesday's meeting of the campaign's continuation committee in Pretoria. Chairman at the meeting will be Mr Heunis.

The recommendation of the sub committee — reached after protracted and difficult negotiation between the trade union representatives and employers in the group — was that for the first six months of the extended campaign unions in their wage demands should sacrifice eight percent of what was justified by the rise in the consumer price index and for the following six months four percent.

Employers agreed to knock 15 percent off their increased costs when fixing prices for the first six months and 7½ percent for the remaining six months.

Although the Minister will not comment, it is obvious that he assessed the recommendation as being far too limited to make any real contribution to the anti-inflation campaign.

Mr Heunis, it is reliably understood, wants the 30 percent wage sacrifice, which was incorporated in the first 12 months of the anti-inflation fight, to be incorporated in the extended programme.

Earlier this year the Trade Union Council of South Africa and the SA Confederation of Labour threatened to withdraw from the programme because of the 30 percent wage sacrifice.

The two organizations claimed that although employers were more than happy to impose the sacrifice on their workers, they were not making a comparable sacrifice.

The wage and price restraints are a key issue in the anti-inflation fight. Without undertakings of substantial sacrifices from workers and emplyers there is little hope of an effective extended campaign.

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Argus 4/11/76

Pay rises cut by half

The Argus Correspondent
JOHANNESBURG — Pay increases have been cut by up to half as a result of the economic slowdown combined with the anti-inflation manifesto, according to a recent survey.

And prospects for the coming year indicate a continuing slow-down in increases.

Worst affected are hourly paid workers of races other than White whose increments have slumped by 50 to 55 percent. The increases of White artisans are also down by about half.

Women in clerical and secretarial jobs are 40 percent down on the previous year's increases while salaried workers on the whole got a third less.

That is the conclusion of Mr Olof van Schalkwyk, director of Contact Personnel Services, on the basis of a survey of almost 90 medium to large companies employing a total of 215 000 people.

According to the survey — for the year up to mid-September — the lowest ranked Black workers now get about 66c an hour or R29,70 a 45-hour week. Their average wages rose by about 15 percent compared with a rise of 22 percent over the year before.

'Projections for the year ahead indicate a continued slowdown although salary increases of 10 to 12 percent are commonly budgeted to cater for any sudden surge in pay demands,' Mr van Schalkwyk said.

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Argus 4/11/76

SA economic slowdown: Plea to State

The Argus Political Correspondent

THE United Party's chief spokesman on financial matters, Mr D. D. Baxter, MP, today called on the Government urgently to temper measures aimed at slowing down the economy with others aimed at counteracting the worst features of a slowdown, such as growing unemployment.

In a statement Mr Baxter expressed concern at the continuing deterioration in the economic situation.

'Inflation at a rate far higher than that experienced in most other countries remains with us and, judging by what is happening to the wholesale price index, which reflects prices still to be felt by the consumer, may well get worse.

'The position is certainly not helped by the inexplicable and extraordinary decision of the Government to raise the prices of butter and cheese when there is a surplus of those foodstuffs.

RACIAL UNREST

'Our balance of payments is barely under control and our foreign reserves are at a dangerously low level.

'The worst feature is the general decline in productive activity, bringing in its wake lower standards of living and rising unemployment, which are dangerous developments, as they can only exacerbate racial and social unrest.'

'We find ourselves in the extraordinary position of being in the throes of a deep depression at the same time as the Government is applying measures such as the credit squeeze, high taxation and cutting back capital works, which have the effect of deepening the recession still further.'

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Price rise is inexplicable, says Baxter

5/11/76

THE UNITED PARTY'S senior spokesman on economic affairs, Mr David Baxter, MP for Constantia has added his voice to those expressing concern about the continuing deterioration of the South African economy.

In a statement released to the Cape Times he said:

"Inflation at a rate far higher than that experienced in most other countries remains with us, and judging by what is happening to the wholesale price index, which reflects prices which still have to be felt by the consumer, may well get worse. The position is certainly not helped by the inexplicable and extraordinary decision of the Government to raise the prices of butter and cheese when there is a surplus of those foodstuffs.

"Our balance of payments is barely under control and our foreign reserves are at a dangerously low level. But the worst feature is the general decline in productive activity, bringing in its wake lower standards of living and rising unemployment, which are dangerous developments as they can only exacerbate racial and social unrest," he said.

"We find ourselves in the extraordinary position of being in the throes of a deep depression at the same time as the Government is applying measures such as the credit squeeze, high taxation, and cutting back capital works, which have the effect of deepening the recession still further. Normally we should be seeing steps taken at a time like this to stimulate the economy, and it is therefore justifiable to ask why this is not being done. The answer is simple. We are now paying the price for past financial mismanagement. We are paying the price for a Government which, when the price of gold was high and things were going well, went on a spending spree, put its head in the sand, and was completely unprepared for the setbacks of a lower gold price, of higher oil prices, of a slow-down in world trade, and the need to provide for higher necessary

Mr Baxter

defence spending.

"I believe that it is a matter of urgency that the measures being applied at present which slow down the economy should be tempered with others designed to counteract the worst features of a slowdown such as growing unemployment. We need carefully designed stimuli to labour-intensive industries. The clothing industry is one such industry which is at present in the doldrums. All impediments to employment in the industry, such as apply under the Environment and Planning Act, should be removed. Even though they may be less productive we should encourage, at least temporarily, labour — intensive methods in certain areas in preference to mechanization. This would certainly be possible in some public works and local authority activities, and would have the secondary beneficial effect on our balance of payments in that it would reduce the demand for imported machinery.

"This is a time when dynamic and imaginative leadership in economic and financial matters is vital. It is disturbing that it is so woefully lacking", Mr Baxter added.

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11/11/76. CT

Govt's anti-inflation campaign to continue

Own Correspondent

PRETORIA — The Government's anti-inflation campaign is certain to be continued for another 12 months after the end of the second phase on November 30, according to signatories to the Manifesto.

The continuation committee of the campaign meets in Pretoria next week to discuss the content of the new programme

The general secretary of the Trade Union Council of South Africa, Mr Arthur Grobbelaar, has had discussions with the Minister of Economic Affairs, Mr Heunis, on the report and recommendations of the wages and prices fact-finding committee appointed in September by the continuation committee.

Full agreement has now been reached between trade union representatives and employers on the wages and cost sacrifices to be incorporated in the new programme.

Grave threat

The report of the study group deals with the current state of the economy, the need for discipline in wage and price increases, and the grave threat of soaring unemployment unless there is a swift reversal of the current recessionary trends

It is understood that the sacrifice workers will be called on to make will not be as drastic as the 30 percent imposed on them during the first 12 months of the campaign.

The trade unions also insisted on more definite assurances from employers that they would also be making sacrifices.

Lack of restraint

At next week's meeting of the continuation committee the Government will again be attacked for the lack of restraint in granting price increases.

The trade unions want the price controller to exercise tighter control over the prices of products on the controlled list.

And against a background of the increase in all basic food prices this year — all of them approved by the Government — the unions will want assurances that the farming community is also making a sacrifice.

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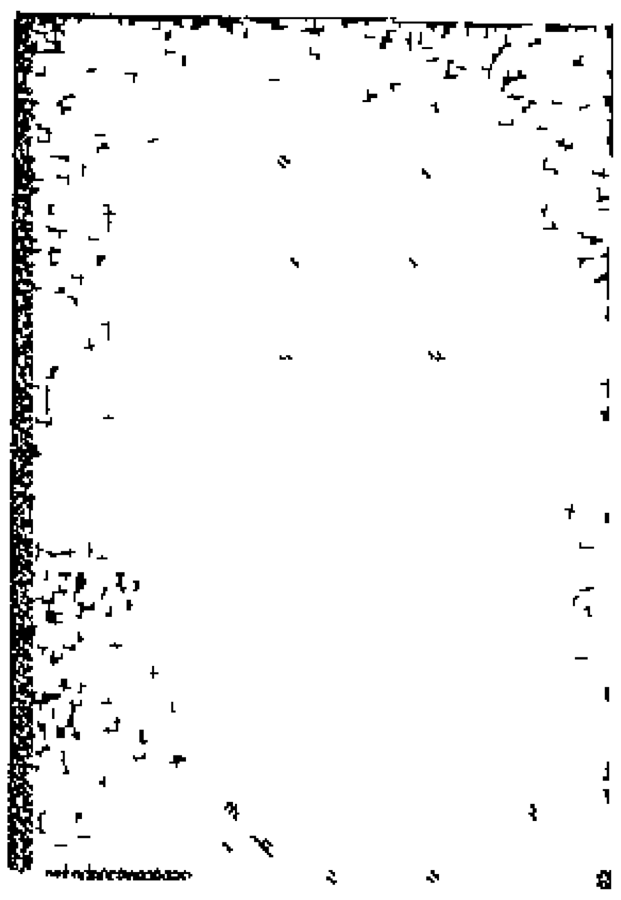
WE'RE GOING TO WIN!

That's the word from inflation fighter Lawrence McCrystal

By FINANCE EDITOR CHRISTOPHER MORRIS



QUOTE

By Lawrence McCrystal (above).

"MY job is to see that everybody is playing the game, the Government and everybody else And if I know that the Government is playing the game to the best of its ability, I must say so I'll be damned if I'm going to let anybody tell me I am a Government stooge simply because of this."

SOUTH AFRICA is on the verge of beating inflation Four more months of keeping on the clamps will bring the economy through to more prosperous times.

That in essence was the message from Dr Lawrence McCrystal, publicity chief of the Anti Inflation Campaign, on the eve of next week's meeting of the continuation committee

"I feel the campaign should go on. The thing is starting to bite We must hold down wages and prices and when the time is ripe, drop them altogether. If I am right, and we have pushed inflation down to a six to eight percent rate by the end of March, then maybe that would be the time to drop them"

McCrystal believes that the end of the battle against inflation is nearly won

"I believe that the inflation rate will come down fast because unemployment is rising, business is as tight as a drum skin, the money supply is under control, Government spending is coming down and we are not importing as much inflation as we did before We have all the ingredients now which we have contended are necessary to combat inflation"

But he stressed that now was not the right time to start restimulating the economy "We cannot reflate our economy from a base of 11,5 percent rate of inflation — if we did, it would be out of control in six or twelve months.

"However, we should start restimulating in those areas that have a high labour content, a low import content and which are capable of enhancing the productive capacity of the country."

One unhappy aspect of the campaign, McCrystal admits, is the failure to push the inflation rate below the 10 percent level by the end of the year.

"We did not foresee the extent of the continuing effect of last year's devaluation."

But he does not take this as a sign of the campaign's failure

He argues that at the time of last year's 18 percent devaluation the inflation rate was around the 14 percent mark He estimates that without the campaign, inflation would now be storming along around 18 percent because of the devaluation. Since it has been reduced to a current 11,4 percent, the campaign has been an unqualified success.

"And the fact that people will have substantially less to spend on presents this Christmas is a result of what we wanted to achieve"

McCrystal is in general pleased with the support that the campaign has received He acknowledges that the Government has cut money supply to a rate lower than the inflation rate and has kept spending on a tight rein. "The only area that we haven't had the same amount of support is defence — but that is essential to the stability of the country and I cannot comment further."

The private sector too had basically supported the campaign, he said, "although we know that there are firms in all sectors that are kicking over the traces and passing on more than 70 percent of cost increases to the consumer."

And McCrystal defended the line the Anti Inflation Campaign had taken.

"I am diametrically opposed to freezing wages and prices — the concept is not a happy one To impose more controls on the economy is not the way to get ourselves out of the hole —we need less controls. We should continue with the guidelines as they are until, hopefully, March"

And he attacked the monetarist philosophy "The monetarist school says we must keep the clamps on the money supply and on government spending and all will be well In effect that is working purely from the demand side. My view is that price is determined by supply and demand, and to assume that the impetus is coming only from the demand side is myopic.

"And the supply side is affected by wages and prices. So to combat inflation, you need a package of monetary and fiscal controls and of price and wage controls.

"My job is to see that everybody is playing the game, the Government and everybody else. And if I know that the Government is playing the game to the best of its ability, I must say so.

"I'll be damned if I'm going to let anybody tell me I am a Government stooge simply because of this."

McCrystal sees the need to bring inflation down as vital, in the light of the essential need for growth. With the country's rate of population increase, he estimates an annual growth rate of between 5,5 and 6,5 percent will be needed over the next 25 years to absorb new entrants on to the labour market.

"So we have to bring our inflation rate down fast We cannot afford to take two or three years to beat the problem with unemployment levels of two or three million as a result.

"But I believe the end is in sight Our balance of payments will be much healthier by March next year and so will our inflation rate. If the gold price continues to hold up and we can keep the clamps on imports, I believe that we will soon see the light of day at the end of the tunnel"

Sunday Tribune 14/11/76

CHANGE OR ELSE

(154)

Sun Trib. 14/11/76.

Top Nats join clamour for new deal

By EUGENE HUGO
Political Correspondent

A FORMIDABLE force for reform has emerged within the National Party to pressure the Government into producing a new blueprint for South Africa's future.

Mr Vorster now faces a countrywide network of Afrikaner Nationalist academics, intellectuals and businessmen demanding drasticly changed race policies.

The clamour for a new dispensation, amid what is openly labelled by Nationalists as South Africa's "crisis of survival", is presented as spontaneous but evidence is there that it has been organised at least on a sectional provincial basis.

This force for change within the National Party apparently has the blessing of the powerful Broederbond and now includes:

- An influential group of Stellenbosch University professors, most of them Broederbonders and some of them Theron commissioners.

Staunch

- The editor of Die Burger, Piet Cillie, who is about to join the Stellenbosch group and whose newspaper has long been Mr Vorster's staunchest supporter.
- Professor Gerrit Viljoen, chairman of the Broederbond, which is generally regarded as the Afrikaner Nationalist think-tank, and a number of his executive members.
- Transvaal Afrikaans newspaper editors, the most prominent of whom is Die Transvaler editor Wimpie de Klerk, recently elected to the executive of the Broederbond.
- A group of Rand Afrikaans university lecturers — one of them the vice-principal of the university.
- The Potchefstroom professors, backbone of the Afrikaanse Calvinistiese Beweging which wants to meet Mr Vorster to demand changes in the separate development policy.
- Businessmen such as Dr Jan Marais, who has just returned from a prolonged overseas trip to call for a specific blueprint and programme of action.
- Verligte Nationalist MPs and senators such as Denis Worrall, Barend du Plessis, Louis Nel and Hennie van der Walt.
- People in the wings such as Nasionale Pers' managing director, Dawid de Villiers, Broederbonder and former leader of the South African legal team at The Hague.
- Diplomats including Washington Ambassador Pik Botha, who has made it clear he would like speedier moves away from discrimination and issues such as South West Africa resolved as soon as possible

But the main pressure for change is emerging from South Africa's academic clique, who can speak more freely in a situation in which they see the Government fast losing the initiative.

Evidence of a degree of collaboration emerged when I learned this week that before publishing his remarkable Dawie column, which called for freedom for all races in one society as an alternative to separate development, Piet Cillie met Stellenbosch professors at the Langenhoven centre

Harangue

I understand Mr Cillie was harangued over Die Burger's long silence after the paper was regarded in Afrikaner Nationalist circles in the late Fifties and early Sixties as the powerhouse of verligtheid.

Immediately after Mr Cillie's column appeared, there was a flood of supporting letters in Die Burger congratulating him on his analysis of the Afrikaner concept of freedom within the crisis of survival.

Academics including Professors Ben Vosloo, Sampie Terreblanche, Julius Jeppe, Willie Esterhuyse and Johan Degenaar have made it clear they look to the Cabinet committee investigating constitutional moves away from the Westminster system to develop a new blueprint which upholds the principle of freedom in South Africa's plural society.

Further evidence of preplanned moves can be seen in the organisation of the Afrikaanse Calvanistiese Beweging Congress in the Transvaal at which Professor Erica Theron delivered her long-awaited attack on the Government for rejecting aspects of her Commission's report and demanded that the Immorality Act and Mixed Marriages Act be dropped from the Statute Book.

Group

I understand there are now suggestions that a reformist group should be established within the National Party, possibly under the leadership of Wimpie de Klerk, which will give Mr Vorster little option but to accelerate moves to establish a just society.

Trust Bank chairman Jan Marais said this week: "I have never, and will never, suggest a capitulation to our enemies.

"What I believe in is a specific blueprint and programme of action which is practically, legally and morally justifiable and a mobilisation of South Africans of all races to work for it and fight for it if necessary."

Plan to end restraints welcomed

Argus 17/4/76

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The Argus Political Staff

THE proposed termination of short-term anti-inflation wage and price restraints at the end of March next year has been welcomed by the United Party's chief spokesman on economic affairs, Mr H. A. van Hoogstraten, MP for Gardens.

But he warned today that South Africa's present rate of inflation — still above 10 percent — was 'disastrous' for the people of South Africa.

Mr van Hoogstraten was reacting to yesterday's announcement by the Minister of Economic Affairs, Mr J C Heunis, that the Anti inflation Continuation Committee had decided to end the short-term wage and price measures, imposed under the Anti inflation Manifesto, on March 31

BEST REGULATOR

'The United Party has always expressed the belief that the best regulator of the economy is the free market system, and the sooner market forces are allowed to operate without let or hindrance, the better for the economy in general, Mr van Hoogstraten said

In retrospect, he said, it could not be seen that the anti-inflation campaign had achieved any really successful results

At the time of its inception, all parties to the campaign had co operated in good faith, but circumstances prevailing in both the political and the economic fields had militated against its hoped-for achievement

'Certainly the present inflationary rate, which is in excess of 10 percent, must be seen as disastrous for the people of South Africa What the Government should be aiming at is an inflation rate in the region of 4 to 5 percent,' Mr van Hoogstraten said

These figures had been achieved in the United States and in Germany.

Unless South Africa could contain inflation at these levels, the success of South Africa's export drive, on which the country's balance of payments problems depended, would be severely threatened.

(News by F. S. Esterhuyse 122 ... Street, Cape Town.)

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Pay curbs to be lifted in March

17/4/76 NM

PRETORIA — The fight against inflation is to continue, but the wage and price restraints are to end in March, the Minister of Economic Affairs, Mr Heunis said here last night.

He was speaking after a meeting of the anti-inflation campaign's continuation committee.

Mr Heunis said after March wages and prices would be freed to find their own competitive levels.

The expectation was that the downward trend in the inflation rate would continue and there might well be no need for the continuation of the short-term wage and price restraints after the end of March, he said.

However, the long-term aims — among them higher productivity and the expansion of labour training — would be continued.

The continuation of the short-term measures means that trade unions have agreed to forfeit 30 per cent of wage increases justified by the level of the consumer price index, and employers should forego 30 per cent of cost increases when fixing new prices. — DDC

153/249.

Price restraints go in March — Heunis

17/11/76 Star

Pretoria Bureau

The inflation rate was expected to be well into single-figure levels by the end of next March, the Minister of Economic Affairs, Mr Heunis, said last night.

This was why the Anti-Inflation Continuation Committee had decided to end the short-term wage and price measures imposed under the manifesto on March 31

Speaking at a Press conference after the committee had accepted the recommendation of a working group, Mr Heunis denied any pressure had been brought to bear by signatories to the manifesto

He said the recommendation was accepted by all bar one of the signatories, including the unions The one exception was the SA Federation of Civil Engineering Contractors

Amendment

The only amendment to the existing terms of the price and wage limitation was that people with monthly incomes of less than R300 were no longer subject to restraints

After next March 31, price and wage control would be left to the normal market mechanisms, with guidance by the Government through its fiscal policies

If any drastic economic developments occurred between now and then, the continuation committee would decide then if it wanted to take part in any Government decisions on further measures found necessary

Mr Heunis said in the first quarter of this year the inflation rate was down to 10,1 percent in the second it rose to 13,3 percent and in the third quarter it was down to 10,8 percent

By the end of next March, the trend was expected to be well into single-figure levels, which would render continuation of the short-term price and wage controls unnecessary

Asked whether the end of the short-term controls would not herald a "dam-burst" condition of wage demands and price increases, Mr Heunis said he doubted it

Policy

Even now, he said, the market mechanism would probably not increase levels beyond the 30 percent absorption of costs limitation

The long-term recommendations of the manifesto would probably be incorporated into economic policy on a permanent basis

The measures included the promotion of productivity through such measures as training, which the Government was pushing energetically, and the curbing of Government expenditure

Department of Commerce officials said in private conversations, after the Press conference that a long-term benefit of a successful collective campaign against inflation would lie in public awareness of the value of joint action against national problems

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Ø 17/4/76

Decision on anti-inflation measures

PRETORIA. — The Anti-Inflation Continuation Committee yesterday decided that the short-term measures of the Anti-Inflation Manifesto should remain in force until the end of March 1977, the Minister of Economic Affairs, Mr Chris Heunis, announced here yesterday at a press conference.

The committee had also decided that after the end of March 1977 the short-term measures should definitely be terminated and that price and wage restraints should then be left to the market mechanism.

Replying to questions, the Minister said it was expected that the inflation rate would be less than 10 percent before the end of March 1977 if nothing unforeseen happened before then.

Continued fall

The Minister said it was expected that a drop in the inflation rate being experienced at present would continue. The figure for the first quarter of this year was 10,1 percent. It then went up to 13,3 percent during the second quarter but in the third quarter it dropped to 10,8 percent.

Announcing the decision that the short-term measures would remain in force until the end of March 1977, the Minister said that the measures would not apply to persons earning R300 a month or less.

With the exception of the South African Federation of Civil Engineering Contractors, the decisions taken by the committee yesterday were unanimous by all the signatories to the original manifesto and all those who subsequently subscribed to the principles of the programme.

The Minister said the committee had decided that the long-term measures of the anti-inflation programme such as increased productivity, training programmes, the cutting back of public expenditure, etc, should automatically be extended.

The Minister said the work of the Anti-Inflation Education and Publicity Committee would continue until the end of March next year. — Sapa

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Argus 28/11/76

Inflation rate is easing

Financial Editor

SOUTH AFRICA is beginning to enjoy some success in its fight against inflation. Figures issued today show that the increase in the consumer price index last month was among the smallest for the past three years.

The Department of Statistics reports that its consumer price index (April, 1970=100) rose from 179,3 to 180,5 last month — an increase of 0,66 percent

Smaller increases recorded in the past three years were in February this year (0,48 percent — the result of a surprise drop in food prices), in January, 1974 (0,15 percent), and in March and April, 1974 (both 0,60 percent)

In contrast, price rises of more than 1,0 percent in a month were recorded on several occasions in 1974 and 1975 and on three occasions this year

Last month's rise of 0,66 percent in the consumer price index, compares with a rise of 0,84 percent in September and 1,25 percent in August, also indicating a declining trend in the rate of inflation

In October, last year, the increase in the consumer price index was 0,87 percent

IN FOOD PRICES

The consumer price index for food rose from 190,5 to 191,4 last month, an increase of 0,47 percent. This compares with a rise of 0,74 percent in September and 1,23 percent in August

In October, last year the food price index dropped by 1,72 percent

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Disappointment at pay freeze

DD- 27/1/76

PRETORIA — The temporary public sector wage and salary freeze announced by the Cabinet here is expected to burst in a wave of new demands from all sectors after the short term anti-inflation measures run out at the end of March

Yesterday, leaders of Railway, Post Office and State Department staff associations expressed bitter disappointment at the decision to reject the promised five per cent January increase.

The president of the Public Servants' Association, Mr S D de K Venter, said. "We are deeply disappointed We can only hope the economy will improve and that increases may be possible in the first half of the new year".

The General Secretary of Tucsa, Mr Arthur Grobbelaar, said "There will of course be a lot of dissatisfaction However, we'll just have to bite on a bullet, and live more frugally"

Commenting on his meeting with the Economic Advisory Council, the Prime Minister, Mr Vorster, said yesterday that although the lowest point in the domestic recession had not yet been reached, certain favourable changes had set in which should ensure a healthy economic revival in the foreseeable future — DDC-SAPA.

Tuesday, November 30, 1976 DAILY DIS

Rates, water up

EAST LONDON — The city's ratepayers are going to have to fork out a ten per cent increase in rates and a 12,5 per cent surcharge on water to balance the city's budget for next year.

This follows the 10,5 per cent increase in rates which ratepayers have paid this year, and Escom's two increases in electricity charges with a third one of 26,7 per cent due from January 1, which will mean an electricity increase of about 60 per cent in less than a year.

The city's total budget for next year is R46 634 712 of which R32 883 282 will be spent to operate the city, the rest being for capital expenditure and repairs

The operating expenditure is R8 086 119 more than last year, but as the head of the finance portfolio, Mr B Armist, said in his budget speech, R5 803 611 would be spent on the increased cost of electricity for which the council would get no benefit leaving an increase of only R2,3 million for the council's running expenses

Mr Armist also pointed out that the council's capital expenditure was R1,4 million down on last year

"Municipal budgeting becomes more and more difficult each year and although strict anti-inflationary steps have been taken, ever-increasing costs make increases in rates and tariffs inevitable."

Mr Armist told last night's council meeting that expenditure had been cut to a minimum to follow a directive from the State treasury and all potential sources of increased income had been investigated.

"Our problem was that the total budget showed an increase of 36,5 per cent compared with an income increase of only 28 per cent, which left us with a shortfall of 8,5 per cent.

"We then met with all department heads and after cutting expenditure, we came up with a shortfall of R1,3 million and in order to balance the budget we had to increase rates by 10 per cent and add 12,5 per cent to the water charges."

Another R580 000 was taken from general reserves to balance the shortfall leaving only about R300 000 in reserve

East London ratepayers will pay 5,71 cents in the rand on site valuation and 47 cents in the rand on improvements which will bring in an income of R6 015 163 on a ratio between site and buildings of 12 to 1

This means that a property in Cambridge which was rated at R182,94 this year will pay R201,38 next year, while a property in Vincent Gardens paying R528,90 this year will pay R582,15 next year.

An industry in Wilsonia paying R19 569 for rates this year will pay R21 496 next year, and a beachfront hotel paying R8 517 this year will pay R9 348 in rates next year

In his budget speech, Cllr Armist said a study had to be made of the costs of providing location health services which amounted to R104 357

"Although the population of Duncan Village is decreasing, we are still rendering health services to all who attend the clinics from Mdantsane and surrounding areas. These services are not the sole responsibility of the East London ratepayer"

Cllr Armist said he was convinced that when framing the capital estimates for the city, the amount of capital available for the year should first be established bearing in mind the impact of the capital charges.

"To approve the capital estimates first and then have to find the finance afterwards is not sound financial practice"

Cllr Armist suggested that there were too many branch libraries and that the municipal horticultural section should be curtailed He said departmental heads should improve the productivity of their departments and that, as an experiment, no conferences should be attended either by councillors or officials.

"Personally, I am concerned that we have to recommend the rate and water increases, but with inflation running at about 15 per cent, these measures were unavoidable," Cllr Armist said

Both Cllr D J. Card and Cllr I Zulman said spending should be done on a systematic basis and both called for a discussion on priority planning for the council's next Action Committee meeting.

Cllr J H Bezuidenhout said all heads of departments should be asked to make a blanket cut to prevent the rate increase

Cllr J. J Orpen said loose talk of a blanket cut was poppycock and that an increase of only 10 per cent was a major achievement in the light of allround increases

Cllr E. Kemp pledged to work on a municipal lottery to gain more income for the municipality and so save the ratepayer from further increases

Cllr R Belonsky, replying to councillors who were against reducing the expected income from housing rentals by R12 350, said the reduction was for sub-economic housing

"We all feel the cost of living increases badly, imagine how those who earn R80 a month feel it. We who have the finances should look after those who have not," Cllr Belonsky said. — DDR.

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Fourth price shock for city in month

UP GO WATER COSTS AGAIN

11/12/76 ARGUS

Kevin Jacobs, The Argus Municipal Reporter

THE City Council is about to announce the fourth crippling cost shock to Cape Town in a month: The water tariff will go up by a staggering 50 percent from January.

It follows:

- A 21 percent increase in electricity tariffs.
- An initial 28 percent hike in water costs (which will be almost doubled now).
- An 18 percent rates increase.

It is probably the only way the council will be able to finance its R60-million part in the mammoth Riviersonderend water scheme the most costly capital project Cape Town has undertaken.

THE City Council has been told that Cape Town could face water rationing next year if work on the project is not started as soon as possible.

Ripple effect

The ripple effect will be felt widely, as the Government has said it cannot advance the money to the council, and the 17 municipalities who buy water from the city will undoubtedly have to pay their share

The Riviersonderend scheme is vital to future water needs of the greater Cape Town region. Already the council has been told that the city's water undertaking will not be able to guarantee full supply under drought conditions from next year.

The council has to start work on its R60-million part of the scheme to fit into the work programme of the Department of Water Affairs

Not sufficient

But there are fears that even a scheme as costly and ambitious as this will not be enough to guarantee sufficient water for the developing region and that there will still be a shortage in the future.

Water consumption by the outside municipalities is growing faster than Cape Town's and it is estimated that by the time the Riviersonderend undertaking is finished they will be taking half of the city's total supply each year.

Representatives of the 17 municipalities supplied with water by Cape Town came to the City Hall last Friday to hear the news of the tariff increase.

Secret talks

The increase has been discussed in secret by the council, and was finalised in committee after yesterday's monthly meeting.

The Town Clerk, Mr H. G. Heugh, is preparing a detailed Press statement explaining the increase and the need for it.

Ironically, the council is in a similar situation to Escom, which was criti-

(Continued on Page 3, col 4)

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ARGUS 1/12/76

Water shock

(Continued from Page 1)

cised recently by some councillors for inflationary practises by putting up electricity costs to draw capital from revenue.

The council is obviously reluctant to resort to the only alternative source, raising huge loans. It cannot afford the interest rates on borrowed capital, and would also have to scrap much of its capital programme for the next five years to pay for the water scheme.

More expensive water may come as another slap in the face to consumers, but the council was warned last week that it may be necessary.

In his gloomy budget speech Mr Bill Peters, chairman of the executive committee, said: 'In the present economic climate no possibility exists of the city being able to finance a scheme of this magnitude from its normal sources of capital funds.'

He said the Government had made it clear it could neither provide the capital needed by the city for the project nor could the Treasury give assurances on any sources of short-term funding.

The Secretary for Finance, Mr G. W. G. Browne, suggested that the City Council ask the local authorities it supplies to share the cost on a pro rata basis.

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Executives lose positions as SA inflation spirals

E. TIMES

3/12/76

Industrial Reporter

THE DEEPENING recession in South Africa, which has thrown thousands of workers out of their jobs, has now affected staff at management level in major companies

More than 150 Cape Town employees at all levels in the trawling and frozen food giant, Irvin and Johnson, have been dismissed in what a company spokesman described as a "trimming-down process for economic reasons" The firm had found it necessary to reorganize its staff structure to suit the present economic climate, but further retrenchments were not expected in the near future.

In Port Elizabeth, General Motors yesterday announced that 12 staff members would leave at the end of this month as a result of continuing depressed sales in the motor industry

And at Globe Engineering in Cape Town, two management staff members were dismissed this week. A company spokesman said the harsh economic situation had necessitated changes in the structure of the firms

CUT-PRICE EGG -YEAR WAIT

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W/E Argus 11/12/76

...and smashing goes on and on at Kraaifontein

CONSUMERS will have to wait almost a year before cut-price eggs appear on the market.

By David Albino

This was the message this week from Mr Marinus Oosthuisen, chairman of the Egg Control Board, in the wake of the announcement that the board and chain stores had agreed in principle to try and sell surplus eggs cheaply in South Africa instead of exporting them at a loss.

Meanwhile more than a million eggs a day will continue to be smashed at the board's Kraaifontein plant to turn them into frozen products for export.

But, according to Mr Oosthuisen, as soon as there is final agreement on a way to sell cut-price surplus eggs locally, the Kraaifontein plant can be expected to operate on a 'greatly reduced level'

He said 'We'll be selling only large and extra large egg surplusses locally. Small and medium size eggs, and those too large for normal packaging will continue to be exported to those countries where we can sell at a profit'

Mr Oosthuisen confirmed this week that the board had held discussions with spokesmen from the various chain store groups about selling surplus eggs locally

PROBLEMS

The discussions follow reports in Weekend Argus about the activities at the Kraaifontein plant and strong calls by consumer and agriculture spokesmen to the board to get rid of the surplus locally.

Mr Oosthuisen pointed out that there were a number of problems that would have to be overcome before final agreement to sell surplus eggs in South Africa was reached

'The chain stores are forming a committee to look into the matter and it will be working in co-operation with the board.

'For example surpluses do not occur regularly — they are more inclined to see-saw and be on a short-term basis, lasting for only a few days in a month There can also be surpluses of different sizes as chickens lay small eggs to start with and bigger eggs later.

'Any final decision will have to be taken by the board which will be sitting at the end of January to discuss the problem.

AVAILABLE

'The real problem with surplus eggs comes in about September and October, so it will probably only be then that cheaper eggs could become available on the market.'

Mr Raymond Ackerman, head of a large chain store group, said this week he was 'thrilled' by the co-operation and foresight shown by the senior officials of the board.

'During the problems over butter and cheese prices recently we went to see the Minister to try to explain that businessmen were not just sitting on the sidelines and criticising, but that we wanted to help sell surpluses

'The board has now agreed to allow supermarkets to try and get people to eat more eggs during the months of the surplus.

'We agreed to cut into our profit margins if they would cut into theirs and the producers'

The move to sell surplus eggs locally was welcomed this week by Mr Myburgh Streicher, chairman of the United Party's agricultural group, who has been in forefront of a campaign to end the export of surplus eggs at a loss

'This is a wise decision,' he said this week

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DD 11/12/76

Inflation still high

PRETORIA — The South African Reserve Bank, in its quarterly bulletin issued yesterday, said that the rate of inflation during the third quarter of 1976 was "still at an unacceptably high level" and that all efforts to contain inflation must continue.

The bank listed among those efforts: Containing the rate of increase in the money and near-money supply and, therefore, also the rate of increase in domestic credit expansion, including bank credit to the Government sector. The curtailing of Government spending and all the other short and long-term measures included in the anti-inflation manifesto.

The bulletin said that the increase in the quantity of money and near-money during the third quarter amounted to a seasonally adjusted annual rate of two per cent, compared with a rate of increase of 18 per cent in the second quarter and 15 per cent in the first quarter. — SAPA

placated at all ... ur Party was to survive.

Somewha... ve that the brightest promis... e not being kept. Time after ... atedly the now familiar phrase, ... -serve," "whittle-it-down-t... le-to-the-Nationalists," etc. e... re beginning to wonder what w... e of the Labour Party platfo...

In ... oming somewhat disappointed at the ... ighting men in the front line t... the fight we sent them into t...

Labour, as repre... gislative Assembly, had to take stock of it... duty to preserve the Pact, but not '<u>at the</u> ... <u>compromise, which, carried much further, sp</u>... <u>to the Nationalist Party</u>.[50]

Advent to ... clearly not strengthened the Labour Party; paradoxically, power had weakened it, because new disappointments and divisions had arisen from the Nationalist-Labour coalition. When the unexpected flag storm burst on the political scene in May 1926, this disunited Party was confronted with yet another divisive issue. It was unquestionably vulnerable to S.A.P. attacks on the question, not only because of the Party's existing weaknesses but also because of the Party's racial composition. The Labour Party was very largely composed of, and relied upon the support of, English-speakers. Though the number of Afrikaners in the Party had increased as farming

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49. 19 March 1926.

50. <u>Ibid</u>. Italics in original.

153 Star 14/12/76.

New fuel meeting

Rise to cost SA R114m?

SHEIK YAMANI

The Star Bureau

London

The Shah of Iran still insists that 15 percent must be the minimum increase in the price of crude oil. If the Shah and his fellow "hawks" in the oil-price debate (Iraq and Algeria) get their way, South Africa's oil account will rise by at least R114-m.

But if the Saudis and their allies in the Arab Gulf states win the day (they want no more than 5 to 10 percent) the extra amount South Africa will have to find will be between R44-million and R100-million.

But the betting here and in Europe is that when the 13 Ministers of the Organisation of Petroleum Exporting Countries (Opec) meet today in Doha, the seaport capital of Qatar, they will settle for a rise of between 8 and 10 percent.

In terms of South Africa's oil bill the dif-

Cont ↓

ference between the Shah's demand — made on the eve of the Opec meeting — and the expected outcome is R70-million to R100-million a year.

With gold at 135 dollars an ounce South Africa can cope with the increase better than most other countries, but at the cost of development growth.

The oil industry estimates that South Africa's current imports of oil, almost all of which come from Iran, is 14,5-million tons a year.

A 'marker'

On the basis of Saudi Arabian crude — the "marker" for other grades — at R10 a 159 litre barrel, South Africa's oil payments run at about R1 037-million a year.

With oil demand hitting record levels, even higher than the production which preceded the 1973 price increases, the Opec nations are apparently in a strong position.

Iran, the second biggest producer after Saudi Arabia, pumped a record million tons a day in September.

But much of this was the result of forward buying and stockpiling by Western countries in anticipation of a price increase this month following the 15-month freeze.

Hence the Saudi Arabians have been warning against a big price

To Page 3, Col 1

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4 RAND DAILY MAIL, Saturday, Dec. 18, 1976.

RDM 18.12.76

SA prices to follow oil costs ... UP

Staff Reporter

SOUTH Africans face price increases for most goods next year because of the decision by 11 OPEC countries yesterday to raise the oil price by 10 per cent from January 1

The countries intend to raise the price by another five per cent in mid-1977.

The other two members, Saudi Arabia and the United Arab Emirates, said they would raise their prices by only five per cent and would boost production.

A leading economist said last night the price of a litre of petrol would rise by 1c

Professor J. L. Sadie, head of the bureau for economic research and professor of economics at the University of Stellenbosch, said the 10 per cent increase would mean South Africa may spend an additional R150-million.

Saudi Arabia's decision would not soften the blow for South Africa because most of its oil came from Iran, Prof Sadie said.

Mr S. O. Goodwin, president of Assocom said South Africans would have to tighten their belts again in 1977

"Small, steady increases will have to follow right across the board for consumers since commerce cannot absorb any more increases," he said.

Mr Arthur Grobbelaar, secretary of the Trade Union Council of South Africa, said the increase would retard South Africa's economic recovery and its effects would filter through to the average South African fairly quickly

The decision by the 11 countries was irresponsible, President Ford said yesterday.

He said the action should remind Americans of the need to take urgent action to conserve and develop US energy resources, UPI reports.

The West German Government said yesterday the two-tier oil price may reduce German exports.

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Food price spiral pauses

Inflation slowdown

23/12/74. STAR.

Michael Chester, Financial Editor

The price spiral in the cost of the family food basket came to a standstill last month, according to the Department of Statistics in a cost-of-living review released today.

The price tag on the whole basket — butter and milk to dressed chicken and sirloin steak — managed to miss an overall increase between October and November, though food prices as a whole were still 8,3 percent higher than a year ago.

A marginal increase in the price of meat, put at 0,1 percent in the official count, was cancelled out by a drop in vegetable prices.

The check on food price rises helped to cool down the pace of inflation to only 0,3 percent for the entire consumer price index between October and November.

As a result, the cost of living rise was held at 10,4 percent over that of a year ago — still double the rate of the United States and West Germany, but at least lower than in Britain and Australia.

14 percent

The inflation rate soared to 14 percent in 1974 and eased only as far as 11,7 percent in 1975.

Over the Witwatersrand, food prices as a whole actually came down by a fraction in November. The national average was ironed flat by the counterweights of minor increases elsewhere, such as in Cape Town and Durban

Economists still consider double-digit inflation as unacceptably high, but at least the cool-down last month was an encouragement.

The big dampener on the immediate outlook, however, is the threat of a new round of price increases in items that span cars to canned fruit

Priority

Beating the inflation problem is still ranked by the Reserve Bank as one of the highest priorities, and there is no prospect of a relaxation in the monetary and fiscal squeeze until the rate is well under 10 percent.

However, whether the halt to price increases will last has yet to be seen. An easing in food prices around November is a seasonal trend in South Africa.

News of the slowdown was welcomed by the Consumer Council, although the council's chief information officer, Mr M G Hawkins, said he feared it might be only a reflection of the artificial holding of prices by traders before Christmas.

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Cost of living moves up, but only a fraction

RDM 1/11/77

Staff Reporter

SOUTH Africa's cost of living index is maintaining its recent slower rate of increase.

For the third month in succession, the index rose by less than a point last month — in fact, by only half a point, in comparison with regular monthly rises in the past few years of a point more a month

Latest official figures released yesterday by the Department of Statistics show that the index, with a base of 100 in 1970, increased in November to 181 It was 180 5 in October

However, the November figure this year is nearly 20 points up on the November figure for last year of 163,9

On the encouraging side, the index for food stabilised at 191,4 the same as in October.

Also stabilised was the index for liquor at 170,2, cigarettes and tobacco at 178,8, medical services at 144,8 and other items such as personal care (170,9), communications (156,9), education (207,9), reading matter and stationery (239,1) and recreation, amusement and sport (164,8)

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done to provide for Bantu farm children in the Western Cape, because in terms of official policy they are not really there in de jure terms. It is therefore left to the individual farmer/s to provide facilities for Bantu education, with little support from the State.

(On my own farm, it has taken 6 months to obtain recognition from the Government. Schoolbooks will only be available next year, and to be paid for by the pupils. Teachers' salaries will be subsidised as from next year, and a grant for the erection of an

Hike hits inflation fight

PRETORIA — Trade unionists, motoring organisations, commerce and industry predicted yesterday that the latest petrol price hike would deal a damaging blow to the Government's fight against inflation.

The South African Consumer Council said there would be consumer resentment since only a quarter of the increase reflected the new higher crude oil prices.

The president of the

Association of Chambers of Commerce, Mr S Goodwin, said "We must be prepared to face this increase and accept it.

"No doubt part of the thinking of the Government is that the increase will dampen demand, but based on past experience any such effect is likely to be only temporary."

The president of the South African Chamber of Industries, Mr P J Cronje, said the increase was inevitable.

Energy price increases had a ripple effect through the economy and an adjustment of this magnitude would deal a heavy blow to the motoring public and further depress motor vehicle sales, Mr Cronje said.

The Automobile Association said it was regrettable the Government had resorted to further fuel taxation to finance the Sasol II project because this would increase the cost of living.

The Rondalia Touring Club called on the Government to give its "immediate attention" to alternative transport systems.

The director of the South African Agricultural Union, Mr P Cilliers said the increase would result in a rise of agricultural production costs which would have to be passed on to the consumer.

The president of the Border Chamber of Industries, Mr P Barman, said he was shocked at the whacking increase which affected an everyday commodity.

"It means distribution costs will go up as will selling costs and motoring costs which will affect the already depressed motor industry.

"It will add fuel to inflation and the only logic I see behind the size of the increase is that the Government hopes it will reduce demand and save foreign exchange," Mr Barman said.

The president of the East London Chamber of Commerce, Mr T S Peters, said the large increase would once again burden all sections of the community, especially the salary and wage earner who was already hard pressed to make ends meet.

"I appreciate that increases by the oil producers must be passed on, but I am surprised at the tremendous increase in excise duty."

The MP for East London City, Mr Harland Bell, said it was inevitable the Government would increase the petrol price, but an increase of 17 per cent was staggering.

"One thing is for sure there will be no early election," Mr Bell said.

The managing director of Malcomess Toyota, Mr Cyril Phillips, said he believed people had become numb to price increases.

"This increase in the petrol price will probably hasten the trend away from six cylinder cars to four cylinder cars which are not so thirsty, but there will be no drastic change. Commerce must still go on and there will always be a demand for new vehicles." — SAPA-DDR-DDC

Whaler goes down

DURBAN — The whaler, Colin Frye, which was being towed in tandem by the deep sea salvage tug Augulhas, from Durban to Maputo, sank shortly after nine o'clock yesterday morning — DDC

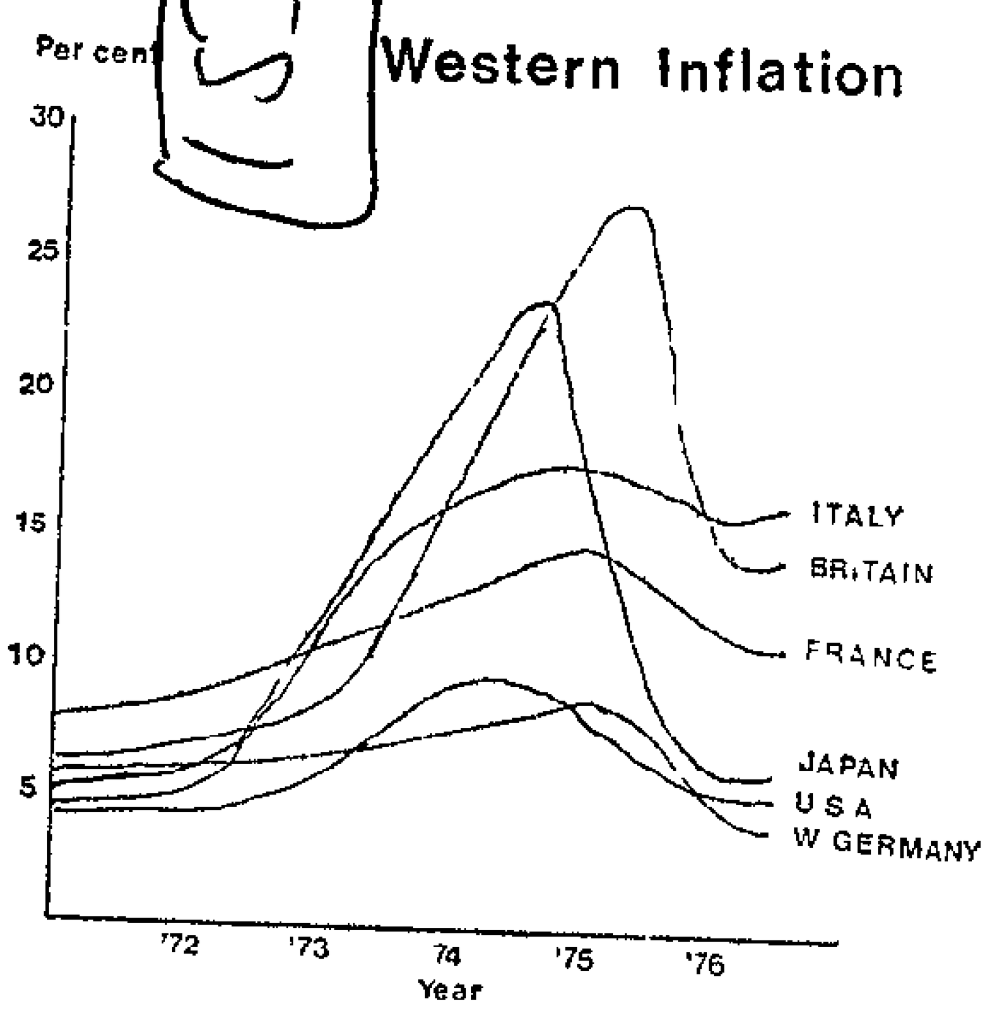
The only direct ... hardly applicab ... reservation doe ... sly impaired by the ... Bantu that can

While the Cape ... of the Eiselen ... y enhances ineffi

Prison labour w ... in the Hexrive ... is contravened an article of GATT, and the resultant request of the farmers to close down the prison was complied with.

<u>The future</u>

We all know that world population is increasing geometrically and that the area of arable land remains constant. In South Africa arable land forms only 13% of total area. As the demand for food increases, the efficiency of use of arable land will become critical.



Can we get expan without too much inflation?

10/1/77 mn

WHAT is the economic outlook for the world in 1977? Will the year see real recovery and lower unemployment? Unfortunately growth rates are now turning downwards again and inflation upwards. Economists are divided on the policies needed to remedy the situation. Some back theories of John Maynard Keynes, which call for government initiative to stimulate a country's economy, while others support the views of Milton Friedman, which tend to favour austerity.

BARRY WILSON: London

GOVERNMENTS and economists look forward to 1977 with considerable nervousness. For there is disturbing evidence that world growth rates are now turning downwards again and inflation edging upwards.

Fortunately, one factor which would have been disastrous to rich and poor nations alike, the threatened swingeing hike in oil prices by the Opec nations, is unlikely to come to pass thanks to the Saudi Arabians — the world's biggest producers — deciding to limit their increase to 5 percent.

Another factor still to be determined is how President - elect Jimmy Carter's policy will affect the United States economy.

Will he follow the Ford Administration's hardline approach, which saw unemployment at nearly 9 percent but inflation brought down from 9 percent to 6 percent, or will he fulfil his promise to stimulate the economy as he is being advised to do by governments elsewhere who see U.S. expansion as a pre-requisite for international recovery?

Poor get poorer

The problem is whether expansion can be achieved without an unacceptable rise in inflation. If it cannot it will almost certainly mean that the richer nations of the world will get richer and the poor get poorer.

For a great number of people in the world, 1976 — while indisputably a year of continuing inflation, unemployment and recession — was a good year.

After half a decade of deepening gloom to the effect that international food shortages could only get worse, 1976 was the year the famine ended. Production of almost all basic food commodities reached often spectacular record levels. More important, most of the chronic deficit countries had excellent harvests

The result was that during much of the year world food prices declined. This was bad news for some exporting countries (notably the U.S., the world's biggest food exporter, where world surpluses and reduced prices helped to slow down general economic recovery), but for most of the world it was good news.

A year ago most economists were making guardedly optimistic noises. Recovery from the 1974 recession precipitated by the huge oil price rises of late 1973 and early 1974 had been quite remarkable.

It looked predictable that this recovery would continue into 1976 and beyond. But something has gone wrong. Since the middle of the year international economic conditions have reversed the trend. Recovery is unexpectedly flagging.

The reason is not difficult to see. It is the one factor which starkly differentiates the recession of the mid 1970s from the Great Depression of the early 1930s: it is the combination of depressed economic activity with inflation.

This is a unique international experience, and there is no general agreement as to how to solve the problem On the one hand there are the hardliners who say a heavy dose of austerity is essential to solve fundamental problems; on the other hand there are those who fear that the cure may be worse than the disease. But, undoubtedly, it is the fear of rising inflation — curbed for two years — which is now threatening the international economic recovery.

Until the 1930 depression most of the world lived by the *laissez-faire* economic theory which, simply stated, left economics to the market-place. Prices, production and trade were automatically determined by market forces and governments did not interfere.

When the Great Depression hit the world it is no exaggeration to say that world leaders had not got a clue as to what to do indeed the fiercest debate then was whether governments should or even could do anything. Most agreed they shouldn't and couldn't.

Franklin Roosevelt

The revolutionaries were John Maynard Keynes and Franklin Roosevelt.

Cambridge (U.K.) economist Keynes changed the science of economics. Classical economics (i e everything that came before Keynes) was based on the simple hypothesis that economies were self - regulating.

High prices led to increased production which led to lower prices which led to reduced production . . . High unemployment led to reduced wages which led to cheaper goods which led to increased trade which led to increased production which led to higher levels of employment.

Countries with trade deficits exported gold which reduced banks' lending ability which created temporary recessions which reduced costs in that country which made goods there cheaper which led to increased exports which led to trade surpluses which led to the importation of gold . . .

But in a highly mathematical series of theoretical exercises, Keynes proved that even theoretically these forces were not automatically self-regulatory. Most important, Keynes proved, again theoretically, that very high rates of unemployment could persist indefinitely in free market economies.

The obvious political consequence of Keynes' theory was that determined government action might be needed if chronic unemployment was to be defeated.

The British Government ignored Keynes Few really understood his theories. In any case levels of unemployment in Britain were not seen as intolerably high; certainly not high enough for a drastic re writing of the laws of economics.

But the much higher level of unemployment in the U.S. was regarded as intolerable by the New Deal Administration of President Roosevelt which came to office at the start of 1933. (Chancellor Adolf Hitler, who came to power in Germany at precisely the same moment as Roosevelt, also ultimately adopted a Keynesian solution to the even worse situation in Germany).

The New Deal in America adopted the Keynesian solution, involving determined government initiative to stimulate the economy which included the running up of huge government budget deficits The medicine worked Since then the Keynesian system has dictated international economic thinking until almost the present day.

Milton Friedman

But today the new factors in the picture are inflation, strong labour unions — and US Professor Milton Friedman.

In 1972 the international average rate of inflation was less than 5 percent. In 1974 it shot up to more than 15 percent It has since dropped to under 10 percent. Levels of unemployment have more than doubled even in the U S, Western Europe, Australasia and Japan. Despite high unemployment, powerful labour unions have generally been able to at least maintain the real incomes of their members This combined experience has persuaded some that Keynesian economics cannot cope with the new realities

Chicago school

This has led to the reincarnation of Milton Friedman, who has been expounding his theories for more than 30 years Friedman, leader of the Chicago school of economic theory and 1976 Nobel prize-winner for economics, is an old school classical economist

More specifically, in current usage, he is a monetarist; he believes government interference in the economy should largely be confined to regulating the growth of money supply (i.e. the sum of bank notes in circulation, the level of credit available from banks and the rate of direct government spending) — that the rate of growth of money supply is the determinant of the rate of inflation.

There is bitter current debate over Friedman and his theories.

However more and more governments have come to espouse Friedmanism as the way to beat inflation. The problem is that Friedmanism, at least in the short term (and possibly in the long term if Keynes was right) leads to austerity and more unemployment.

Governments in the 1930s spent their way out of recession, as preached by Keynes. Today many governments are doing the very opposite, as Friedman preaches

What worries today's Keynesians is that unemployment will stay high. They argue for more government spending allied with close cooperation between governments and unions.

Friedmanists claim this is a short-term patch-up solution. They are worried that government impatience and public disquiet over rising unemployment will stop governments taking the strong medicine necessary for long term recovery.

Something of a watershed has now been reached The soaring inflation of 1974 has been largely punctured. Today the accent is on real recovery and reduced unemployment.

The world scene, inevitably, is a mixed one. Oil exporting countries are still, by and large, doing well from their price bonanza Raw materials exporters like Australia, New Zealand, and some South American and African countries, are in trouble.

In the developed Western world West Germany and Japan continue to accumulate huge trade surpluses In terms of inflation and declining exchange rates, Italy, Britain and France are doing worst In terms of national debt Britain and Italy are the paupers, owing nearly £40 billion between them.

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Inflation—it's a way of life

RJM 11/1/77

ANDREW GRAHAM - YOOLL

IN ARGENTINA inflation has produced a total disregard for paper money As soon as people collect their wages, which range between two and six million old pesos a month for workers in the clerk to junior manager grades (20 000 or 60 000 "new" pesos) they try to buy goods with whatever they have left after living expenses

The goods might be a tin of pears or a pair of camping tents, a suit or a refrigerator, but the idea is to get them into the house before prices go any higher.

Inflation teaches one how to live beyond one's means The lesson is in the supermarket for all to see: goods with prices overstamped several times, if they have been on the shelves (or out of view) for some time

Under inflation you borrow to buy, knowing you might not be able to return what you have borrowed, but you know that you can sell what you have bought, pay the loan and make a profit The trouble with what at first might be an attractive career is that it requires fast decisions and endless risk. And risk takes a heavy toll.

Bank clerks buy foreign currency to save; government officials buy land for the day they leave office: the photographer buys cameras and the worker tries to fit three jobs into 24 hours to pay the rent and feed his children.

Men and women buy houses with money they hope to have; the seller tries to get cash terms over three weeks — one year is a long-term mortgage. Every individual becomes a gambler with the value of basic commodities

The government prints money to meet wage demands and fiscal spending. In Argentina, last February, an issue of bank notes sent out by the national bank to a branch in Patagonia, were printed and rushed off with such speed that on arrival it was found they were only printed on one side.

Wages do not go up as fast as prices, but increases are granted about four times a year. Manufacturers increase their prices when they scent a wage increase coming, again when the increase is paid, and a third time, just in case . . .

The ordinary worker takes a second job to cover his expenses. One man, a primary school teacher, works at school in the morning, at an insurance company in the afternoon, and at a night job in a newspaper office from 7.30 pm. His wife works as a telephone exchange operator at night when her mother returns from her shop job to look after their children.

Doctors and dentists, especially those outside the big cities, take money from the wealthier patients to cover travel expenses and the light bill Those of humbler means pay with cabbages, chickens or any goods they might produce and sell Doctors will get goods with substantial discounts as part payment for services Dentists will run up a bill at the petrol station and pay with an extraction and a few fillings.

Money still remains in circulation, because it is the oldest available standard for trade, but its value is virtually wiped out and services and goods replace paper money

Newspaper advertisements offer an apartment in a fashionable city area to swop for a house in a good suburban district, and there are houses to be bartered for farms, farmland for cattle, and so on.

People tend to find something they can produce to exchange for the things they need. One newspaper proprietor pays for his children's education fees with advertisements in his paper, which he pays for at the cheaper, staff rate.

Saving is abandoned as a practice and today's parents do not encourage their children to put anything away for a "rainy day": rather, spend it while the sun shines.

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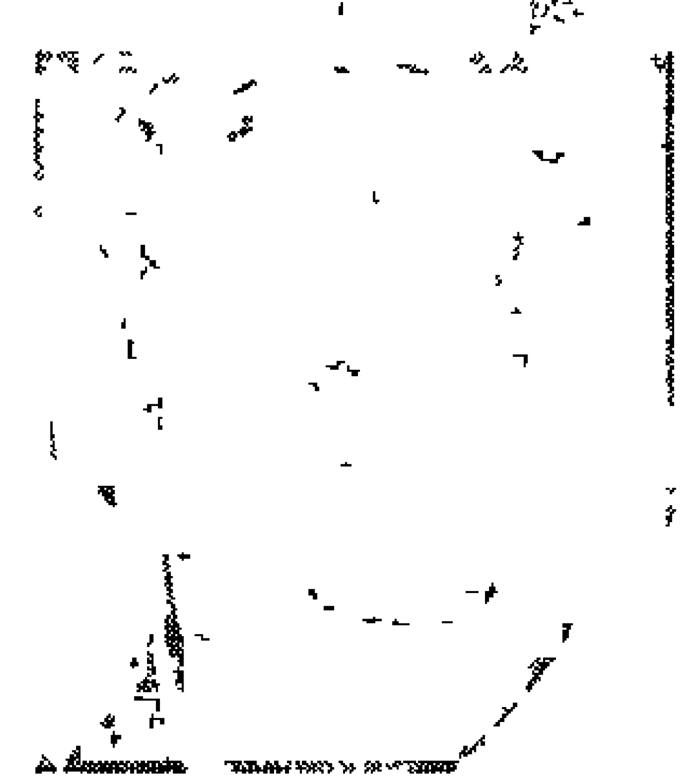
SA on the right road to beating inflation— McCrystal



Own Correspondent

JOHANNESBURG. — Dr Lawrence McCrystal, above, chairman of the publicity campaign of Anti-Inflation Programme, claimed yesterday that South Africa was finally on the right road to beating inflation.

The programme is due to end in March. Although the country will probably have to be satisfied with an inflation rate of seven percent this year, this compared well with the 14 percent rate before the campaign started, Dr McCrystal said.

The publicity committee's main task was to prepare the country's consumers, businessmen and the Government for the proper state of mind in which to fight inflation. "This we have done. The things that should have been done years ago have now been done," he said.

Dr McCrystal listed these as:

- The imposition of a tight restraint on the flow of cash in the economy;
- The restraint on public sector spending at all levels;
- Reorientation of priorities towards wealth-generating projects rather than grandiose non-productive schemes like opera houses and rural highways.

Dr McCrystal said he calculated the effect on the cost of living from the latest petrol price increase would be no more than one percent.

This is because the business environment is now such that the businessman will absorb the bulk of the cost increases instead of passing it on to the consumer as he would have done a year ago, he said.

But Mr Eugene Roelofse, consumer champion and the SA Council of Churches ombudsman said yesterday it was nothing to be proud of to halve the inflation rate if it meant stagnating the economy and throwing tens of thousands of workers out of their jobs.

"And if businessmen are going to fall over themselves to absorb part of the rising costs, why didn't the motor trade set an example by selling old stocks of petrol at old prices? Why didn't sugar retailers sell their old stocks at old prices? Why didn't the cool drink manufacturers tell the price controller that the increase granted to them was not part of the increased cost of sugar but four times as much?" he said.

"I applaud Dr McCrystal's confidence for the economic future, but unfortunately do not share it," Mr Roelofse said.

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Inflation cut not so great, says Roelofse

By MIKE DUTFIELD

THE inflation rate has been halved following action by the Government's anti-inflation committee — but it's nothing to be proud of, according to consumers' champion Eugene Roelofse

Dr Lawrence McCrystal, the committee's publicity chairman, said inflation was likely to run at about seven per cent this year compared to 14 per cent before the campaign — due to end in March — began

"The publicity committee's main task was to put the country, consumers, businessmen and Government, into the proper state of mind to fight inflation

"This we have done The things that should have been done years ago have now been done," he said

Dr McCrystal listed these as

- Tight restraint on the flow of cash in the economy
- Restraint on public sector spending at all levels
- Reorientation of priorities towards wealth generating projects rather than grandiose, non-productive projects such as opera houses and unused rural highways

Dr McCrystal calculated the rise in the cost of living caused by the latest petrol price increase would be no more than one per cent

"This is because the business environment is now such that the businessman will absorb the bulk of the cost increases instead of passing it on to the consumer, as he would have done a year ago," he said

But Mr Roelofse, the SA Council of Churches ombudsman, said halving the inflation rate was nothing to be proud of if it meant stagnating the economy and throwing tens of thousands of workers out of work.

"If businessmen are going to fall over themselves to absorb part of the rising costs, why didn't the motor trade set an example by selling old petrol stocks at old prices?

"Why didn't sugar retailers sell their old stocks at old prices? Why didn't the cool drink manufacturers tell the Price Controller that the increase granted to them was not part of the increased cost of sugar — but four times as much?" Mr Roelofse asked.