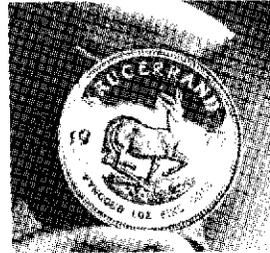


# THE KRUGERRAND: Facts about South Africa's Gold Coin

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"Native politics in a republic such as ours where so many kaffir tribes live among us and all around us offer very exceptional difficulties. The chief principle that must always be borne in mind is that savages must be kept within bounds. . ."

—Paul Kruger  
(early Afrikaner leader)



The full-page advertisement in the September 27, 1977 issue of the Boston Herald American showed a South African Krugerrand held by a well-manicured hand. In bold letters, the ad proclaimed, "The Krugerrand, the world's best way to own pure gold."

The advertisement was part of a multi-million dollar promotional campaign which has turned the US into the number one Krugerrand market in the space of a year, a campaign which has successfully convinced a large number of US consumers that the Krugerrand is both attractive and a sound investment.

Yet each Krugerrand sold in the US serves directly to prop up the system of apartheid which, with its inherent racism and injustice, is the cornerstone of South African society.

## WHAT IT IS

The Krugerrand is a coin about the size of a half-dollar containing one troy ounce of pure gold. While considered as legal tender in South Africa, the coin is intended mainly for foreign investors. Its value rises and falls with the international price of gold, that is, the price at which gold is bought and sold at international auctions in Zurich and London. In fall, 1977, this price was about \$160 an ounce.

## WHO PRODUCES IT

The gold for Krugerrands comes from South Africa's 48 gold mines. In 31 of the top mines, Americans own an average of 26% of the shares outstanding. (Based on figures in *The Star*, Johannesburg, 3/5/77) The mines are controlled by seven major financial groups, which together account for 90% of all mineral production in South Africa. The largest of these is Harry Oppenheimer's Anglo-American Corporation. All the gold mines are members of the South African Chamber of Mines, an industry organization which recruits African labor and refines all the gold the mines produce, before handing it

over to the government. The government itself sells most of the gold overseas in the form of bullion. Krugerrands are handled differently. The Chamber of Mines gives the gold for Krugerrands to the government mint, which stamps them and returns them to the Chamber for sales overseas.

## WHO DIGS IT

About 90% of the workers in South Africa's gold mines are black, and about 9% are white, with a small number of Coloureds and Asians. African mine employment in April, 1977 was 420,536. (Financial Mail 6/10/77)

In order to provide cheap labor for the mines, Africans were driven off their land, herded into "Native Reserves," forced into the labor market by taxes, and rigidly controlled by the imposition of pass laws, which regimented the labor flow. Most African miners are migrants, forced to live in huge company compounds.

Black miners' current average monthly salary is \$124, compared with \$563 for whites. (NY Times 7/29/77) This gap between black and white mining salaries is the largest in any industry in South Africa. Even if black

miners were allowed to live with their families, their incomes are nowhere near enough to maintain a decent standard of living; in April 1977 an urban African family needed about \$150 a month just for basic necessities, without any provision for items such as education and medical expenses. (Financial Mail 5/25/77)

In return for their low salaries, black miners work under highly dangerous conditions. Between 1972 and 1975, there were 2,993 accidental deaths in the mines and 110,169 serious injuries. (Financial Mail 10/29/77)

### **WHY KRUGERRAND SALES ARE IMPORTANT TO WHITE SOUTH AFRICA**

Gold has been the primary basis of South Africa's development since its discovery in 1886. South Africa has 65% of the world's known reserves and accounts for three-quarters of all Western production. Gold sales overseas provide much of the foreign exchange—the dollars, pounds, and marks—that white South Africa needs to buy machinery, chemicals, and raw materials for industrial expansion. Such sales also help to pay for arms and oil crucial for the regime's survival. In the past few years, gold sales have covered about one-third of the total import bill. In addition, the South African government receives substantial tax revenues on all gold produced and the internal economy benefits from gold industry spending.

Until recently, the demand and price for gold rose routinely. All major currencies were translated into gold, which meant countries kept adding to their stockpiles. Gold was also in steady demand for jewelry and industrial purposes. In the past few years, however, while jewelry and industrial demand has remained high, gold has lost much of its importance as an international medium of exchange.

Accompanying these changes have been sharp variations in world gold prices. Between 1974 and 1976, the price of gold rose to nearly \$200 an ounce, then plunged to \$110 an ounce, before gradually climbing back to current levels.

South Africa, concerned about the situation, began seeking ways to ensure a steady demand and good price for its chief export. One method it hit on was international sales of Krugerrands. South Africa reasoned that the more gold that could be sold in the form of Krugerrands directly to consumers, the less would have to be auctioned in London and Zurich—thus driving up the price. Krugerrand sales could also serve to develop a greater interest among individuals in owning gold, providing a dependable customer alternative to governments and industry.

In addition, it was recognized, the Krugerrand would help to enhance South Africa's world image. Krugerrand ads do not include photos of South African police attacking students in Soweto or information about the more than two million South Africans, mostly black, who are unemployed. Instead, they link the coins with love, security and beauty, by inference attributing these qualities to South Africa as well.

As Jerry Gast, a US public relations executive, explained in a memo to a South African gold marketing official, "It is not desirable to involve Intergold in the political, economic and social questions that trouble South Africa."

### **WHO SELLS IT**

South Africa began to market Krugerrands in Europe in the early 1970s. These efforts were extended to the US in 1975, when it became legal for individuals to own gold.

Krugerrands are sold outside of South Africa by the Chamber of Mines through its marketing arm, International Gold Corp. Ltd. (Intergold). In the US, Intergold's three major wholesale distributors are J. Aron & Co., Republic National Bank, and Mocatta Metals, Inc., all based in New York. These three distribute the coin in 250-coin lots to a dozen large currency exchange brokers. Through them, local banks, stores and dealers purchase Krugerrands in smaller lots for sale to the public. Doyle, Dane Bernbach Inc. of New York handles advertising for the Krugerrand, while Rubenstein, Wolfson & Co., also of New York, provides public relations services.

### **WHO BUYS IT**

The US has become the top overseas market for Krugerrands. During the first few months of 1977, the US accounted for about 50% of all such sales (*The Star*, Johannesburg 7/15/77). This compares with about 15% in 1975. The other major market is West Germany.

In 1976, 2.9 million Krugerrands were sold, at a total price of \$378.8 million. This amounted to 14% of all the gold sold by South Africa. In 1975, some 4.8 million coins were sold, or about 21% of total production. (SA government figures) So far in 1977, indications are that while US demand for Krugerrands is strong, overall 1977 world sales may not equal those of 1976. However, because gold prices have risen dramatically, 1977 income from Krugerrand sales could top earlier figures.

### **HOW THE KRUGERRAND IS MARKETED IN THE US**

South Africa began its promotional activities in the US with a 15-week test campaign in late 1975, directed at the Los Angeles, Houston and Philadelphia markets. Intergold reported sales rose by as much as 95% in the cities involved, which as a group accounted during that period for about half of all US sales. Encouraged by this success, Intergold went forward with a major campaign in the fall of 1976 which it described as "the most extensive coin marketing effort ever." Approximately \$4 million was spent on advertising and public relations in 25 major cities.

The ads run in the first campaign, as well as in subsequent ones, have been in keeping with the dual intent of selling gold and selling South Africa. They show attractive, white, middle-class people, and they hit hard at the idea that there is no greater security than owning gold.

As described by *Business Week*, Intergold perceives the typical Krugerrand buyer as "a middle-class school teacher type of investor who was burned by the stock market and fears an uncertain future."

In one promotional coup during the fall 1976 campaign, the Houston Oilers football team was persuaded to present Krugerrands to individual players for outstanding performances.

The 1976 effort was followed by a seven-week, \$2.5 million campaign during May-July 1977 in 20 markets, focusing on Krugerrands as graduation presents as well as investments.



# apartheid on sale

Marketing plans for fall, 1977 originally called for a budget of \$7 million—part to be spent on the Krugerrand, part on advertising intended to heighten interest generally in owning gold in any form, and part on ads encouraging the purchase of gold jewelry.

As the campaign got underway, it appeared that jewelry ads might have been dropped from the plan, and that due to financial constraints, spending might total only half the proposed budget.

Indications were that the Krugerrand budget, by itself, was probably between \$3 million and \$3.5 million. The campaign consisted of newspaper and television ads similar to those used in spring, 1977. Marketing efforts were extended to several additional cities.

Among the 1,200 coin dealers, banks and others selling the Krugerrand, there has been little concern about the

relations between such sales and apartheid. Merrill, Lynch, Pierce, Fenner & Smith Inc., the largest brokerage firm in the country, which sells Krugerrands in all its offices, has stated publicly that it acknowledges no connection between the two. "We sympathize with the concerns of the many individuals and groups who have expressed their abhorrence of apartheid," Merrill, Lynch has said. "But we feel abstaining from dealing in Krugerrands would accomplish nothing in the fight against apartheid."

## **WHAT HAS BEEN DONE TO STOP KRUGERRAND SALES IN THE US**

Many groups opposed to apartheid have used demonstrations and other means to convince the public that by selling or owning Krugerrands, they are directly support-

ing apartheid. These actions, ranging from petitions to campus protests to picketing of local stores, have served not only to make the public aware of the facts behind the Krugerrand but have raised the level of concern generally about conditions in South Africa and the role the US plays there. In many cases, anti-Krugerrand activities have encouraged interest and participation by individuals and groups previously not involved in South African issues.

In Michigan, Krugerrand advertising prompted creation of an anti-Krugerrand ad by the United Methodist Church. This ad, paid for by Methodist church groups, ran in the *Detroit Free Press* in December, 1976.

Anti-Krugerrand demonstrations were organized in a number of cities around the country in March, 1977 to commemorate the anniversary of the 1960 Sharpeville massacre in South Africa.

A large-scale Krugerrand advertising campaign in Boston in fall, 1977, prompted a group of people in the media to organize an anti-Krugerrand protest at a meeting of the National Association of Broadcasters. A local anti-apartheid group organized a similar demonstration at one of three Boston television stations carrying Krugerrand advertisements.

In another, earlier effort to dissuade broadcasters from airing Krugerrand ads, the National Conference of Black Lawyers argued in a statement on the Krugerrand that such advertising "represents effective aid and comfort to a violently oppressive regime which maintains the most pernicious social system anywhere."

Among the notable successes of the anti-Krugerrand forces to date have been the passage of resolutions by City Councils in Denver, San Antonio, Dayton and Chicago urging citizens not to purchase the coin.

The Denver resolution, passed in November 1976, states "That the Council hereby expresses its opposition to and loathing of the racial policies of the so-called Republic of South Africa; and urges the people of Denver not to buy the coins known as Krugerrands, whose sales will help to reinforce the present government of South Africa in pursuing its repugnant and inhuman racial policies."

Elsewhere, major department stores in Brooklyn and Cleveland agreed to stop selling Krugerrands after picketing by anti-apartheid groups. In Chicago, black-owned Seaway National Bank readily agreed to stop selling Krugerrands after being informed of the tie between the Krugerrand and apartheid. In New York, local affiliates of all three major networks announced in fall, 1977 that they would no longer carry Krugerrand ads.

## THE CASE FOR FURTHER ACTION

While anti-Krugerrand activities continue to raise awareness about South Africa's apartheid system, sales of the Krugerrand continue. By October, 1977, the price of gold had risen to a level sufficiently high to satisfy South Africa. It seems likely that Krugerrand sales helped to push up the price. Additional Krugerrand sales can be expected to further improve this situation. At the same time, the Krugerrand sales campaign continues to foster a positive image of South Africa in American minds.

So long as the Krugerrand is sold in the US, Americans will be contributing to a high gold price for the mining companies, valuable income and foreign exchange for

the South African government, and apartheid for African workers. The question before Krugerrand buyers is whether they are willing to pay such a price in return for owning an ounce of pure gold. ■

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Krugerrand advertisements contain the names of stores which carry Krugerrands in each area of the country. The ads also carry a toll-free number which can be called to obtain the names of Krugerrand outlets.

Ongoing information about anti-Krugerrand activities is available through the American Committee on Africa, 305 E. 46th St., NY, NY 10017.

*Karen Rothmyer, research associate,  
American Committee on Africa  
Shelly Pitterman, research intern,  
Interfaith Center on Corporate Responsibility,  
National Council of Churches*

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